

Localities to lose millions in tax revenues due to low gas prices

BY SCOTT SHENK/THE FREE LANCE-STAR | Posted: Saturday, March 5, 2016 8:00 am

Low prices at the pump might seem like a sweetheart deal to drivers, but for some elected officials, those low gas prices are a headache.

The cause of the pain? Millions in lost revenue tied to a regional mass-transit tax.

Since the 1990s, the regional gas tax has fed the coffers of Virginia Railway Express localities, helping them pay for membership to the commuter rail service and fund additional road and transportation projects.

Due to plummeting gas prices, that revenue shrunk considerably last year. The current state average for a gallon of gas has dropped by more than half since early 2013, reducing revenue from the regional gas tax by millions.

Some local officials are pushing for a “tax floor” that would adjust the regional transit tax so the revenue collected is equal to what the 2.1 percent rate brought in on Feb. 20, 2013—when gas was about \$3.60 per gallon.

It is based on same concept and date as the floor for the overall state gas tax.

Local proponents of the gas tax floor say it would help replenish the millions in lost tax revenue since gas prices dropped.

According to Northern Virginia Transportation Commission and Potomac and Rappahannock Transportation Commission figures, Fredericksburg, Stafford and Spotsylvania saw gas tax revenue drop more than \$4.5 million combined last year because of lower gas prices.

The three localities still collected \$8.6 million from the tax source.

The total slice of the regional gas tax for 2015, including Northern Virginia counties and cities, topped out at \$55.375 million.

That figure is nearly \$24 million short of what the localities would have collected from the regional gas tax if prices hadn't fallen or if there had been a floor set, according to the commissions.



Low gas prices cause localities to lose millions in tax revenues

Falling gas prices have cut the tax revenue localities receive for transportation. A bill to fix the problem failed in the assembly.

That floor was set for the Virginia gas tax at the statewide average on Feb. 20, 2013—about \$3.30 a gallon.

The current statewide average is \$1.60 a gallon.

Stafford County Supervisor Paul Milde and Fredericksburg Councilman Matt Kelly have pushed for local support of the gas tax floor, saying the loss of funds means a loss of local transportation projects.

The VRE Operations Board and the Fredericksburg Regional Chamber of Commerce support the gas tax floor, which is part of a bill that made it through the Senate before stalling in a House of Delegates finance subcommittee in Richmond this week.

The Senate-approved bill would set the regional tax floor to mirror the statewide floor based on the 2013 gas price.

But the bill also would increase the 2.1 regional gas tax percentage to 3 percent, meaning the floor would adjust the rate so the tax brings in the equivalent of what a 3 percent rate would have generated in 2013.

That drew opposition from some local and state elected officials, and the House finance subcommittee tabled the bill until 2017.

At a recent Fredericksburg Area Metropolitan Planning Organization committee meeting, Spotsylvania supervisors Tim McLaughlin and David Ross and Stafford Supervisors Laura Sellers and Meg Bohmke voted against a letter in support of the gas tax bill.

FAMPO approved the letter, 5-4, but the vote led to some terse exchanges.

Kelly has been critical of those who don't support the tax floor, saying their approach will leave residents watching "road congestion grow [and] transit languish; both negatively impacting not only our our quality of life, but economic development as well."

Milde was troubled by the lack of local official support and says the loss in funds has already led to delays or the removal of \$30 million worth of projects planned Stafford roads, including work on Brooke Road.

House Speaker Bill Howell, R-Stafford, said the bill asked for too much.

"The bill as drafted contained much more than a change to the regional tax floor; it included significant tax increases," he wrote in an email. "There isn't an appetite in the House for tax increases. We invested heavily in transportation in 2013 and significantly reformed the process to ensure an ongoing revenue stream.

"Since then, we passed several more reforms to make sure the limited resources we have are spent

wisely.”

Because General Assembly approval is needed to create a tax floor, the bill's failure means local transportation funding will continue to be at the mercy of gas prices until at least next year.