NVTC

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NVTC's Metro Operating Funding and Reform Working Group Report

An analysis of funding options for transit agencies in the Northern Virginia Transportation District and accountability measures at WMATA

April 2024

Acknowledgements

NVTC Management Team
Kate Mattice, Executive Director
Allan Fye, Director of Programs and Policy
Scott Kalkwarf, Director of Finance and Administration

NVTC Project Team
Andrew D'huyvetter, WMATA Senior Program Manager, Project Manager
Adam Hager, Senior Program Analyst
Sophie Spiliotopoulos, Senior Program Analyst
Ronnetta Zack-Williams, Senior Program Analyst
Matt Friedman, Communications and Public Affairs Manager
Monique Blyther, Marketing and Engagement Manager
Tenley O'Hara, Legislative & Administrative Assistant
Aimee Perron Seibert, NVTC Legislative Liaison
Steve MacIsaac, NVTC Legal Counsel

Consultant Team
Nathan Macek, HDR, Vice President – Infrastructure Finance Director, Project Manager
Aaron Kozuki, Kimley-Horn, Senior Project Manager

Working Group Members and Staff

<u>City of Alexandria</u>
Adriana Castaneda
Tarrence Moorer
Hillary Orr
Jennifer Monaco
Silas Sullivan
Emily Poly

<u>City of Fairfax</u>
Wendy Block Sanford
Charles Koonce
JC Martinez

<u>Fairfax County</u>
Gregg Steverson
Brent Riddle
Noelle Dominguez

<u>Arlington County</u>
Hui Wang
Lynn Rivers
Jason Friess
Kirk Dand
Sarah Crawford

<u>City of Falls Church</u>
Cindy Mester
Melissa Ryman

<u>Loudoun County</u>
Penny Newquist
Gladys Hurwitz
Nikki Speight

<u>Virginia Department of Rail and Public Transportation</u>
Jennifer DeBruhl
Zach Trogdon
Todd Horsley
Tim Roseboom

Contents

List of Tables

List of Figures

Introduction

The Northern Virginia Transportation Commission (NVTC) convened the WMATA Operating Funding and Reform Working Group ("Working Group") in 2023 to examine and develop options for a new financial operating model for the Washington Metropolitan Area Transit Authority (WMATA) with a focus on new Virginia revenues and providing options to Commissioners, elected officials and the public. This effort and this resulting report was established to provide a technical companion to the NVTC's 2023 Annual Report on the Performance and Condition of WMATA, published in December 2023, which provided recommendations on WMATA funding, accountability and reform.

The Working Group was comprised of policy, budget and technical staff from the six cities and counties that comprise NVTC (the counties of Arlington, Fairfax and Loudoun, and the cities of Alexandria, Fairfax and Falls Church) and the Virginia Department of Rail and Public Transportation (DRPT). The Working Group met for three work sessions in 2023 to provide guidance and direction to NVTC staff and the consultant team on this work, reviewed and provided input to Working Group products and offered a forum for key jurisdictional and Commonwealth perspectives on WMATA funding and policy related issues.

Over the course of its convening, the Working Group was charged with the following:

- Identify and evaluate potential revenue sources that could be used to fund state, regional and/or local components to the Commonwealth of Virginia's share of dedicated operating and/or capital funding to WMATA.
- Select up to 10 potential revenue sources, generate revenue estimates for each and detail the methodology used to calculate the revenue projections.
- Recommend a revenue structure and other related policy recommendations for the structure of any future revenues.
- Provide background on accountability, oversight, and reform measures for WMATA and comparable transit agencies in the United States as well as note potential areas of improvement.
- Summarize findings of this study, for consideration by the NVTC, WMATA, the Commonwealth of Virginia and other regional partners.

This technical report provides the results of that process and effort by providing a menu of revenue options with funding estimates, findings on structural funding issues and accountability and reform, and recommendations on the structure of any future revenues. The Working Group was initially focused on WMATA's operating model. As the Working Group process continued and WMATA provided the region with additional information on WMATA's capital funding model, the options developed by the Working Group were expanded for broader consideration as dedicated capital and/or operating sources.

Of note, while this effort focused on revenues from the Northern Virginia Transportation District ("NVTC district") to support a dedicated, sustainable funding solution for WMATA in Virginia, these revenues may also be strong candidates for funding other public transit systems in Northern Virginia including the Virginia Railway Express, ART, CUE, DASH, Fairfax Connector and Loudoun County Transit, all of which serve the NVTC district. Parts of Virginia Railway Express and OmniRide serve the PRTC transportation district, which would include a larger geography than the regional estimates provided in this report. The Revenue Allocation Recommendations section explores potential distribution models of existing and potential new revenues.

The Northern Virginia Transportation District

Working Group Approach and Assumptions

NVTC staff developed an approach for the Working Group efforts that reflected the unique way that Virginia funds WMATA and uses its three major transit services (Metrorail, Metrobus and MetroAccess) when compared to the District of Columbia (DC) and Maryland.

Revenue Approach

At the convening of the Working Group in the early summer of 2023, NVTC staff proposed that the development of revenue sources would be based upon:

1) projected WMATA operational funding gap for FY 2025, as published in June 2023;
2) setting a regional funding target and sub targets for each signatory (the District of Columbia, Maryland and Virginia); and
3) solving Virginia's expected deficit using revenue solutions specifically based upon Virginia's unique funding and political environment.

This approach was similar to the 2018 regional dedicated capital funding solution wherein each signatory agreed to their respective allocation of the $500 million target and achieved their funding targets in very different ways but in a coordinated manner.

As the Working Group effort continued, WMATA provided additional budgetary information to the region outlining WMATA's capital and operating budget needs. Regional conversations at the Metropolitan Washington Council of Governments (MWCOG), at the WMATA Board and in Virginia made it apparent that the region would need to secure a short-term, stop-gap funding solution while simultaneously working towards a longer-term solution. The Working Group approach was revised to accommodate this new information and staff chose not to specify any prescriptive funding target for any future dedicated revenues. The Next Steps section of this report provides additional information on how to approach dedicated funding to WMATA and other agencies.

Revenue Assumptions

During the Working Group effort, interviews with Working Group members showed the need to affirmatively state and document staff-level assumptions that implicitly underpinned the exercise:

1) The political and practical reality of WMATA's funding situation and the tax and funding context in Virginia, Maryland and District of Columbia are such that while it may be a viable model for other transit systems contained in one state, it is highly unlikely there will be a truly regional funding solution for WMATA (e.g. a regional sales tax that is uniform in the cities and counties of the WMATA Transit Zone[1] and flows directly to WMATA with no allocation framework). The Working Group cited the findings of the MWCOG 2017 report, noting that a uniform regional 1% sales tax in the WMATA Transit Zone would generate over 50% of the revenues from Virginia while Virginia's WMATA

funding share in FY 2017 was only 25.1%.[2,3] This disproportionality was a significant concern for the Working Group.

2) The nature of the joint partnership between the Commonwealth and local governments in funding WMATA in Virginia and the level of these financial commitments necessitate that the existing Virginia funding structure and flow of funds to WMATA should remain largely the same and that any new revenue sources would be in addition to and on top of this existing structure.

3) The establishment of any dedicated revenues should not come at the expense of existing revenues or recipients. The lessons of the 2018 dedicated capital funding solution, where the General Assembly redirected existing regional and local revenues to the WMATA Capital Fund, were strongly stated by the Working Group as something to avoid.

Oversight and Reform Approach and Assumptions

In developing oversight, reform and accountability findings, the Working Group reviewed existing oversight agencies and governance structures for WMATA in Virginia and the region, and compared WMATA to peer transit agencies in terms of the breadth and type of publicly available information. The Working Group also reviewed efforts underway at peer transit agencies to obtain short-term and/or long-term funding solutions to their post-pandemic operating budget gaps and reviewed any accountability or reform measures required by their respective governing and/or legislative bodies. Collectively these efforts were intended to provide findings and recommendations to inform any future oversight and reform requirements in legislative efforts for any additional funding.

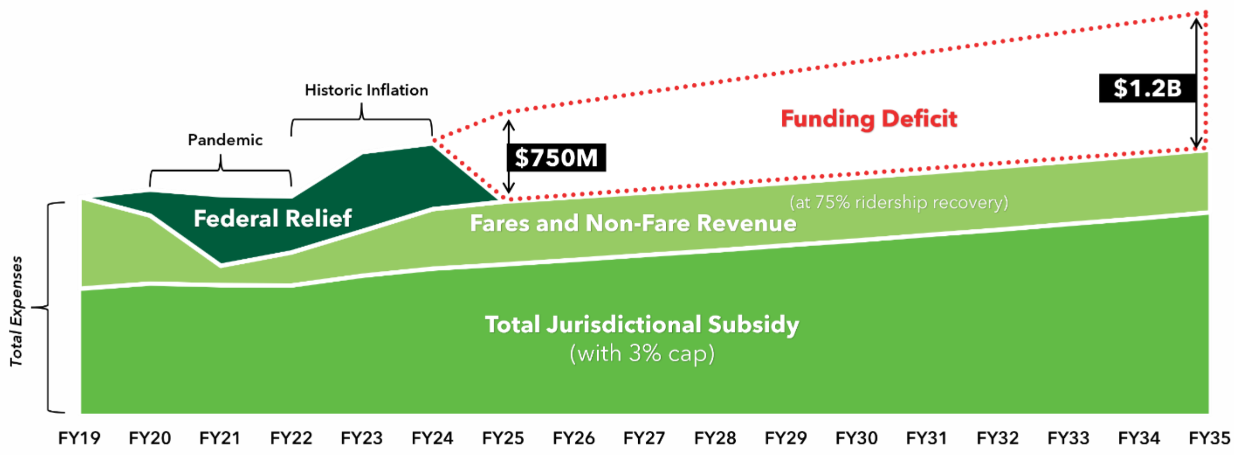
Background

Transit Agencies Face Generational Fiscal Cliffs

Nationwide, all major U.S. transit agencies are facing operating fiscal cliffs as a result of slow ridership and fare recovery, changing travel patterns, inflation and the exhaustion of the federal aid that has sustained agencies throughout and since the pandemic. In response, state and local governments across the country have taken steps to temporarily or permanently develop accountability and funding solutions to sustain their transit agencies. The pandemic has accelerated WMATA's structural funding issues that have been present since its founding.

Federal pandemic relief allowed WMATA to sustain services and personnel since FY 2020, but WMATA faces a projected $750 million operating gap (as of June 2023) in FY 2025 which would continue to grow to $1.2 billion in FY 2035 (Figure 1). This operating budget gap will lead to devastating service cuts if state and local partners do not identify additional funding. Like its peer agencies, WMATA and its federal, state and local funding partners must develop both temporary and permanent solutions to close this funding gap and sustain ridership recovery in the years ahead or risk a transit "death spiral."

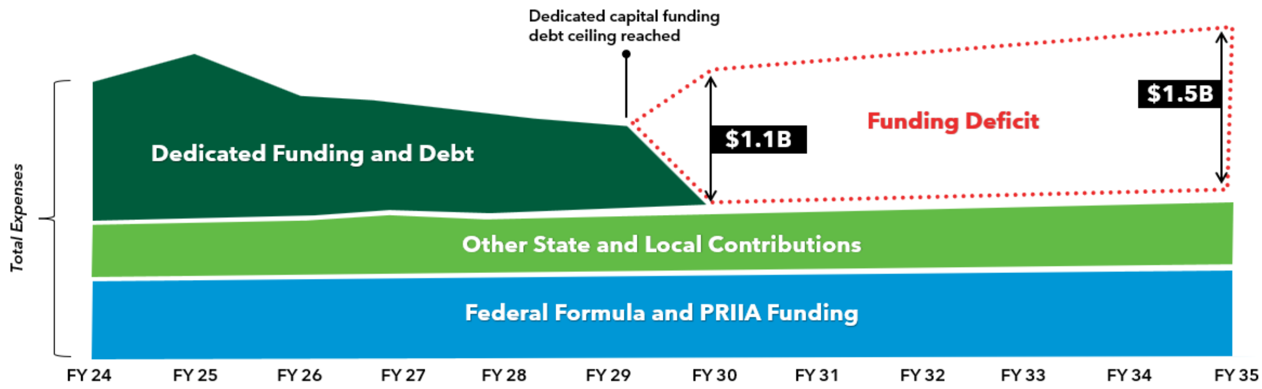
Figure 1. WMATA's Projected FY 2025 and Future Operating Funding Gap



Source: WMATA Finance and Capital Committee Presentation, June 2023

In 2018, the region secured an additional $500 million from DC, Maryland and Virginia in dedicated capital funding for WMATA. This allowed WMATA to issue dedicated capital funding debt and triple expenditures from the capital program to ramp up WMATA's efforts to address critical safety and state of good repair needs and reduce the state of good repair backlog. However, in addition to the near-term operating funding gap, WMATA faces a capital funding cliff as inflation, interest rates and repeated transfers of expenses from the operating budget to the capital budget have accelerated the point at which WMATA's dedicated capital funding debt capacity will be reached to FY 2029 or earlier (Figure 2).

Figure 2. WMATA's Long-Term Capital Budget Outlook

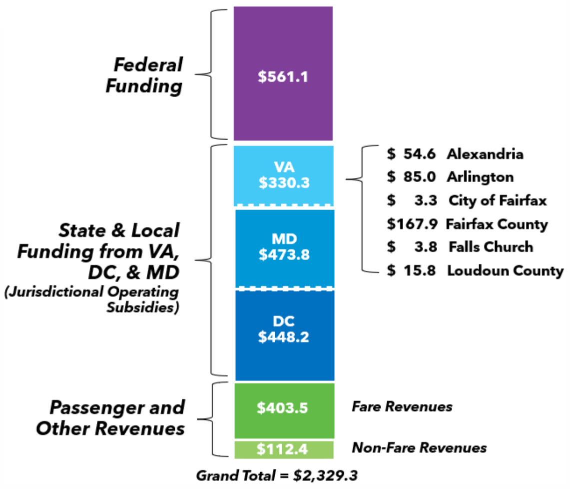


Source: WMATA Finance and Capital Committee Presentation, October 26, 2023.
Note: Figure assumes no additional transfer of eligible preventive maintenance (PM) expenses beyond historic levels from the operating to the capital budget in FY 2025. If additional PM funds are transferred in FY 2025, the dedicated capital funding debt ceiling could be reached in FY 2028 or earlier instead of FY 2029.

How WMATA Is Funded

WMATA currently leverages federal, state and local funding sources in addition to fare and other revenues to support its annual operating budget (Figure 3). Since FY 2020, WMATA has received federal aid for operating expenses through COVID-19 relief packages, but in a typical budget year WMATA does not receive any federal funding for its operating budget. State and local funding from the funding jurisdictions comprise the majority of the operating budget while passenger and other revenues make up just over $500 million in the approved FY 2024 operating budget.[4] Virginia's jurisdictional operating subsidy totals $330 million in FY 2024. In FY 2019, fare revenues from Metrorail accounted for $533.5 million with a farebox recovery rate of 51.6%.[5] The pandemic has made WMATA's pre-pandemic revenue model that relied on peak-hour, long-distance Metrorail riders obsolete. Unlike most peer transit agencies, WMATA does not have an operating contingency reserve fund to better position the authority to handle unpredictable financial shocks.

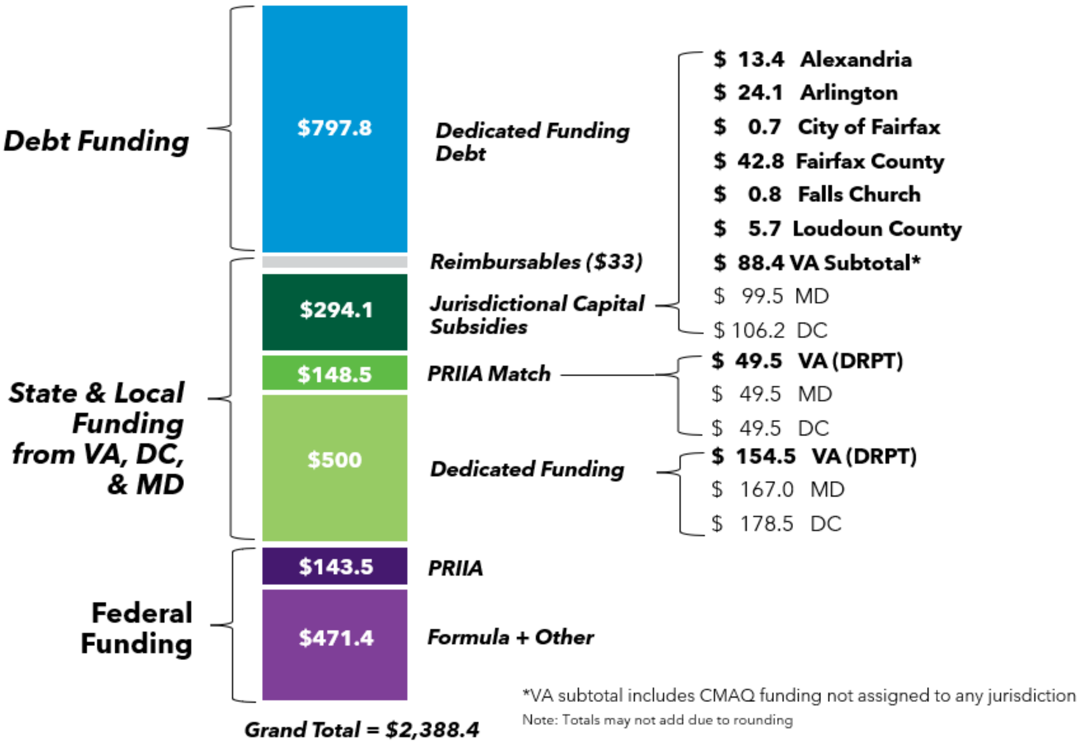
Figure 3. Approved FY 2024 WMATA Operating Budget Funding Sources (millions)



Source: WMATA FY 2024 Budget

WMATA's capital budget includes federal, state and local sources (Figure 4). Unlike the operating budget, WMATA regularly receives federal funding for its capital budget. Federal funding totals $615 million in FY 2024 while state and local funding totals $943 million and is comprised of dedicated funding from the Compact funding jurisdictions ("funding jurisdictions"),[6] federal match and jurisdictional capital subsidies. Debt funding for FY 2024 totals $798 million. Total Virginia capital funding for WMATA in FY 2024 is $292 million. The issuance of bonds supported by dedicated capital funding drives the capital program. Based on current revenue estimates, WMATA's bonding capacity will be exhausted in FY 2029 or earlier at which point most future dedicated capital funding revenues will be needed to pay for debt service of prior bond issues.

Figure 4. Approved FY 2024 WMATA Capital Budget Funding Sources (millions)



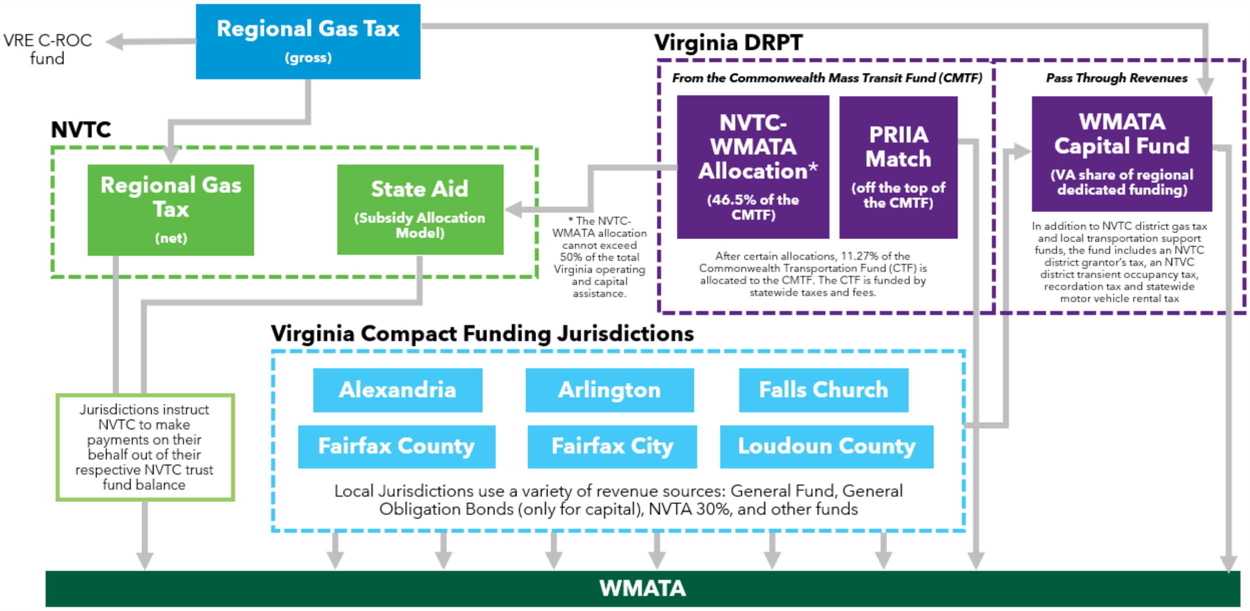
Source: WMATA [FY 2024 Budget]

How WMATA Is Funded in Virginia

Virginia has a unique, complex governance and funding relationship to WMATA. In Maryland, the obligation to fund WMATA was initially the responsibility of Montgomery County and Prince George's County. The State of Maryland (via the Maryland Department of Transportation, or MDOT) took over this responsibility in the early 1990s. In the District of Columbia, the Government of the District of Columbia has the funding responsibility. While there are significant state funds that flow to WMATA, in Virginia, NVTC jurisdictions (not the Commonwealth) are the funding jurisdictions to WMATA and ultimately bear the funding obligation and the financial responsibility to meet WMATA's funding needs.

Funding WMATA in Virginia is a joint partnership between the Commonwealth and local governments, with NVTC jurisdictions combining local, regional and state funds to meet their funding commitments (Figure 5). Through grant agreements, the Commonwealth also directly provides Virginia's Passenger Rail Investment and Improvement Act (PRIIA) match (capital funding) and Virginia's share of dedicated capital funding (which comprises approximately 80% Northern Virginia local or regional funds) to WMATA.

Figure 5. How Virginia Funds WMATA

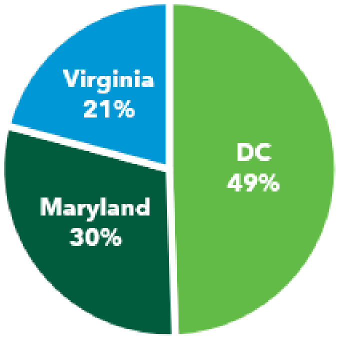


Source: NVTC and Virginia Department of Transportation (VDOT). The CTF is comprised of statewide taxes and fees.[7]

Virginia Uniquely Participates in WMATA Services

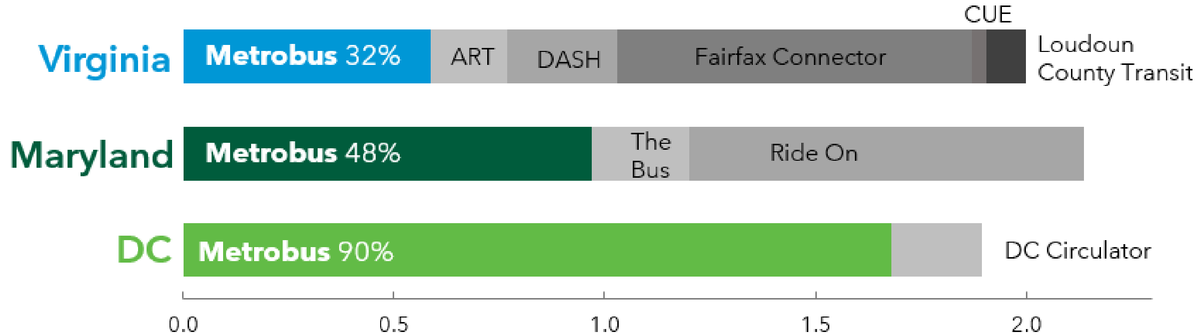
Virginia's utilization of WMATA services is considerably different than the District of Columbia and Maryland. Of the three signatories, Virginia receives the least amount of Metrobus service (Figure 6). For bus, this is primarily due to the proliferation of local bus providers and the level of service that they provide. Most NVTC jurisdictions have their own local bus providers, who in aggregate provide more bus service in the NVTC district than Metrobus provides. Unlike peers in the region, Virginia receives more bus service from local providers than it does from Metrobus (Figure 7).

Figure 6. FY 2024 Share of Metrobus Service Hours



Note: Includes both regional and non-regional routes
Source: WMATA FY 2024 Budget

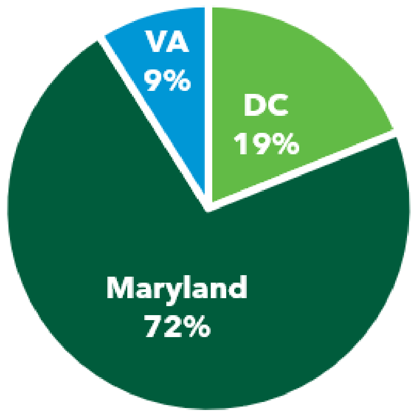
Figure 7. FY 2022 Metrobus and Local Bus Vehicle Revenue Hours (millions)



Source: National Transit Database (NTD); WMATA FY 2022 Approved Budget; Bus Geodistribution information provided by WMATA; Metrobus service data adjusted using correction factor based on actual vehicle revenue hours from NTD data[8]

Virginia also has the lowest share of MetroAccess trips compared to DC and Maryland (Figure 8). MetroAccess is WMATA's paratransit service. Several NVTC jurisdictions offer complementary paratransit services (e.g. STAR in Arlington and DOT in Alexandria) to reduce their demand for MetroAccess, and not all NVTC jurisdictions participate in all WMATA modes. Loudoun County, for instance, does not receive any Metrobus service and has opted to run its own paratransit service in the place of MetroAccess.

Figure 8. FY 2023 Share of MetroAccess Passenger Trips



Local Paratransit & Taxi Services

Abilities Ride (taxi) is active across the Transit Zone (WMATA)

DC

Taxi services
TransportDC

Virginia

Taxi services
RedTop Cab

Local Paratransit
STAR (Arlington)
DOT (Alexandria)
Loudoun County Transit *via ADA ride or VRT Paratransit*

Note: As shown in FY 2025 Proposed operating subsidy; uses FY 2023 actual ridership.
Source: WMATA FY 2025 Proposed Budget

Confronting the Funding Gaps in Virginia

Barring any additional legislative or executive actions by the Commonwealth to provide additional funding for WMATA, NVTC localities bear the entire burden of any WMATA budget gaps – both for funding operations as well as capital investments. In Virginia, local governments are the funding jurisdictions to WMATA and are responsible for this financial obligation. These same local governments are facing economic headwinds due to a slow real estate market and the impact of teleworking on the commercial office market, and they have limited fiscal tools to meet these obligations because Virginia is a Dillon rule state.[9] Dillon rule means that the powers of localities must come from specific state code provisions or the state constitution.

Realistically, the scale of the projected capital and operating budget gaps is beyond the ability of the NVTC local governments to achieve with a traditional reliance on property taxes. A penny on the property tax rate in each NVTC jurisdiction would yield approximately $55 million (in FY 2023 dollars; Table 1). While a specific target level of additional funding from Virginia to address WMATA's operating and capital needs has not yet been identified, if the needs were solely met through property taxes, it would likely require double digit rate increases, representing an unreasonable proposition for any local government.

Table 1. Estimated Property Tax Revenue per $0.01 Increment by NVTC Local Jurisdiction

Jurisdiction	FY 2023 Rate / $100 Assessed Value	Increment Evaluated	Millions (FY 2023)*
City of Alexandria	$1.11	$0.01	$4.65
Arlington County	$1.013	$0.01	$8.54
City of Falls Church	$1.24	$0.01	$0.51
City of Fairfax	$1.01	$0.01	$0.77
Fairfax County	$1.11	$0.01	$28.73
Loudoun County	$0.89	$0.01	$11.61
		Total, NVTC District Jurisdictions	**$54.80**

Source: City and County adopted budgets
*This estimate was not intended to be a forecast (i.e., in 2025 dollars) and is a calculation on an estimate of existing (i.e., FY 2023 rates which were adopted in 2022) real estate assessed value for the NVTC district.

Investment in WMATA Yields Benefits to the Commonwealth

This report identifies a variety of potential funding revenues which could be generated from the NVTC district or from the entire Commonwealth that could be used to create a long-term, sustainable funding source for transit in Northern Virginia. Additional revenue from the Commonwealth would continue NVTC's longstanding partnership with the Commonwealth to invest in transit services that boost the economic growth and competitiveness of Northern Virginia and the Commonwealth.

Currently, Northern Virginia's transit network generates $1.5 billion in annual personal income and sales tax revenue that can be used and distributed to state programs throughout the Commonwealth of Virginia. Approximately $1 billion of these annual revenues can be attributed to the Metrorail system. These revenues make up nearly 5% of the entire Virginia general fund, supporting programs and services across the Commonwealth. And, based on state funding in FY 2024, every dollar the Commonwealth of Virginia invests in transit in Northern Virginia generates an additional $1.60 in statewide revenue, a 160% return on investment.[10]

Revenue Options for Funding Transit

Revenue Screening and Evaluation Process

The Working Group's revenue screening and evaluation process started by identifying and expanding on a broad list of existing, emerging and new tax revenue sources that could be implemented at a state, NVTC district (regional) and/or local level. The consultant team qualitatively evaluated those revenue sources using eight factors (Table 2), narrowed them down to 18 revenue options for further consideration, and then the Working Group selected 10 revenue sources for the necessary detailed analysis to develop revenue estimates. See Appendix 1 for additional information on the evaluation process.

Phase 1 – Identify the Universe of Potential Transit Funding Sources

In total, 41 potential funding sources were identified in the first phase. These 41 sources included a variety of options that included taxes and fees, sources that required General Assembly approval, sources that could be implemented at a local level without General Assembly approval, and non-traditional sources like joint development or tax increment financing. These were narrowed down to 18 options for further consideration by the Working Group based on high-medium-low ratings of each funding source based on several evaluation factors which are described in Table 2.

Table 2. Description of Evaluation Factors

	Factor	Description and Comments	Rating (Low, Medium, High)
1	Revenue Potential	Determined by actual tax receipts, when possible, measures the amount a funding source may yield for transit programs.	Low: Minimal to modest funding. Medium: Notable portion of the transit program's funding gap. High: Majority of the program's funding gap.
2	Stability	Refers to both long-term and near-term historic stability and predictability of the funding source.	Low: Limited stability and predictability. Medium: Moderate stability and predictability. High: High stability and predictability.
3	Potential for Future Growth	Indicates whether the source keeps pace with inflation and/or societal/ technological trends, affecting the real value of revenues over time and the ability to meet increased demand.	Low: Limited growth potential. Medium: Moderate growth potential. High: High growth potential.
4	Applicable Level of Government	Evaluates the degree to which a funding source can be assessed and implemented at different levels of government (local, regional, state).	Low: Applicable mainly at one level. Medium: Can be applied at two levels. High: Can be effectively implemented at local, regional and state levels.

	Factor	Description and Comments	Rating (Low, Medium, High)
5	Ease of Administration	Considers the administrative, collection and enforcement costs related to the funding source, including any compliance issues with relevant laws and regulations.	Low: Significant legal and administrative barriers/costs. Medium: Some manageable legal and administrative challenges. High: Can be implemented and managed with relatively low costs.
6	Socioeconomic Equity	Evaluates the proportionate impact of the funding source across income levels, including considerations of the overall tax burden.	Low: Disproportionate impact on lower-income individuals. Medium: Balanced impact. High: Equitably distributed impacts.
7	Proportionality	Evaluates the distribution of tax burden across the NVTC jurisdictions.	Low: Uneven burden distribution. Medium: Moderately distributed burden. High: Evenly distributed burden.
8	Economic Impacts	Considers the potential negative impacts of the funding source, including effect on tax rates, tax burdens and expenditures.	Low: Significant negative impacts. Medium: Some manageable negative impacts. High: Minimal negative impacts.

Some of the common themes of higher-rated potential revenue streams include:

1) Generally medium to high revenue potential, stability and growth potential
2) Existing collection mechanisms, facilitating administration and enforcement of the revenue stream
3) General taxation mechanism or nexus to transportation, such as vehicle-based fees
4) Medium to high socioeconomic equity
5) Frequently applicable to two or more levels of government (i.e. levied at more than one level of state, regional or local government)

All of the higher rated potential revenue streams were some form of traditional tax revenue. The Working Group evaluated and considered revenue sources like joint-development, privatization, tax increment financing and land value taxation, but these did not score well and/or were not considered for final evaluation because they either did not produce enough revenue, could not be uniformly applied across the NVTC district, could not provide a sustainable source of revenue over time, and/or could not provide reliable funding in the short-term.

Phase 2 – Narrow the Universe to up to 10 Promising Revenue Sources

From the 18 funding sources evaluated to be in the top and second tier of funding options, the Working Group selected 10 funding sources for revenue estimation. An additional criterion, political acceptability, was qualitatively assessed by the Working Group and narrowed the 18 sources to 10 for the purposes of generating revenue estimates. The qualitative screening criteria include:

- Focusing on revenue sources that are driver, car or tourist-based
- Avoiding revenue sources that might overly burden the business community, which is still grappling with the post-pandemic new normal of teleworking
- Including a diversity of revenue potential sizes (small, medium and large) and proportionality within the NVTC district (balancing revenue sources as some may impact outer jurisdictions more than inner jurisdictions, and vice versa)
- Developing a mixture of regional and statewide revenue estimates
- Including a mixture of options for ease of administration (existing sources that can be incrementally adjusted are easier to implement than sources that do not currently exist)
- Removing sources where an initial screening suggests the amount of revenue generated may be very small

The Working Group did not include potential revenue sources that remain legally unclear or undefined (e.g. any taxes or fees associated with the sale of marijuana) or any sources that at the time of the analysis were under debate (e.g. revenues generated from future casinos). That said, while this report does not include these potential revenue sources, it does not intend to preclude any new revenue sources from being considered as a potential funding source for WMATA in Virginia.

The 10 revenue sources which were selected for revenue estimates are shown below, in order of how well they scored from the qualitative evaluation criteria (Table 3).

1) **Retail Sales and Use Tax**: Sales and use tax is levied on the total revenue generated from retail sales of goods and some services, including internet sales. This source offers a stable revenue flow and future growth potential. It also scores favorably for ease of administration and proportionality, although it scores less well for proportionality and economic impacts.
2) **Driver's License Fee**: The driver's license fee is a charge imposed on individuals for the privilege of holding a license to operate a motor vehicle. This fee offers solid revenue potential and stability. It also exhibits strong ease of administration and socioeconomic equity, along with proportionality and economic impacts.
3) **Motor Vehicle Sales Tax**: The tax levied on the purchase of a motor vehicle is typically a percentage of the vehicle's sale prices and collected at the time of purchase or titling. This revenue source shows strong stability, ease of administration, and socioeconomic equity, although its future growth potential and proportionality are moderate.
4) **Motor Vehicle Fuels Tax**: The sales tax on gasoline or diesel fuel is imposed by a distributor to a retail dealer. There is a statewide and regional component. This source is a reliable, steady stream of revenue with some potential for growth and moderate ease of administration, although it could have negative economic consequences.
5) **Grantor's Tax**: This is a title and mortgage recordation tax that is imposed at the time of transfer of real estate property or the recording of mortgage documents. The grantor's tax is typically paid by the seller (grantor). This source exhibits good balance across most criteria, with strengths in stability, future growth potential, ease of administration and proportionality.

6) **Transient Occupancy Tax (Lodging or Hotel)**: This is a tax that travelers pay when they rent accommodation in a hotel, inn, short-term home or house rental (ex. Airbnb, VRBO, etc.), motel, or other lodging. The transient occupancy tax presents good revenue potential and stability, but it scores moderately on socioeconomic equity, proportionality, and economic impacts.

7) **Parking Sales Tax**: A tax imposed on the sale of parking services or the revenue generated from parking fees for drivers parking in private garages for work and other trip purposes. Taxes on the sales of parking services can be administered at several levels of government, making it flexible in meeting the needs of transit funding. While it rated low for ease of administration as it does not currently exist, medium ratings on all other elements potentially make this an attractive funding option.

8) **Vehicle Registration Fee**: An annual or biennial fee paid by owners to register their motor vehicles. Like the motor vehicle sales tax, this fee is a reliable source of revenue.

9) **Auto Repair Labor Tax**: A fee imposed on the labor or service charges associated with vehicle repairs or maintenance paid at the time of service. Parts and materials are currently subjected to the sales tax, but labor (as a service) is not currently taxed. As a subset of the service tax, with a specific tie to driving, this source has moderate potential for growth and high stability.

10) **Transportation Network Company (TNC) Sales Tax:** Fees or taxes imposed on TNCs (ride-hailing services such as Uber or Lyft). This tax offers a reliable source of income but may not have high future growth potential. It scores moderately for ease of administration, socioeconomic equity, and economic impacts.

Table 3. Summary of Evaluation Results

Funding Source	Number of High Scores	Revenue Potential	Stability	Growth Potential	Level of Government	Ease of Administration	Socioeconomic Equity	Proportionality	Economic consequences
Retail Sales and Use Tax	6	●	●	●	●	●	●	○	○
Driver's License Fee	5	◑	●	○	●	●	◑	●	●
Motor Vehicle Sales Tax	3	●	◑	●	◑	●	◑	◑	◑
Motor Vehicle Fuels Tax	3	●	◑	◑	◑	●	●	◑	○
Grantor's Tax	3	○	○	◑	◑	●	◑	●	●
Transient Occupancy (Lodging or Hotel) Tax	2	◑	◑	◑	◑	●	●	○	◑
Parking Sales Tax	2	◑	●	◑	●	◑	◑	○	◑
Vehicle Registration Fee	2	◑	●	◑	◑	●	○	◑	◑

Funding Source	Number of High Scores	Revenue Potential	Stability	Growth Potential	Level of Government	Ease of Administration	Socioeconomic Equity	Proportionality	Economic consequences
Auto Repair Labor Tax	2	◑	●	◑	●	◑	◑	◑	○
TNC Sales Tax	1	◑	◑	◑	●	◑	◑	◑	◑

The 10 revenue sources selected above are all sources that would require legislative action by the General Assembly to implement either statewide or for the NVTC district. Revenue sources – other than the property tax – that were actionable by local governments without General Assembly approval did not score well in the evaluation criteria. Property tax yields are noted in the background section of this report.

Phase 3 – Prepare Revenue Estimates for up to 10 Revenue Sources

The third phase is to prepare revenue estimates for the 10 selected sources. This step is described in the Revenue Estimates section.

Revenue Estimation Methodology

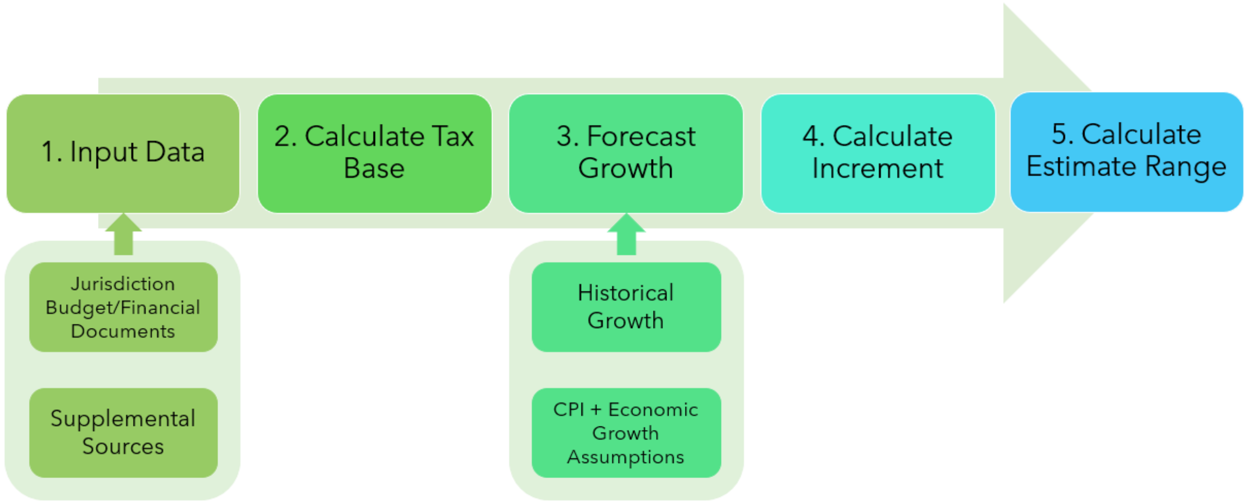
The revenue estimation methodology used to analyze the 10 potential revenue sources selected by the Working Group considered that the revenue sources are a mix of existing, well-known revenue sources, existing statewide revenue sources and new revenue sources. Table 4 lists the 10 revenue sources analyzed, along with a revenue source typology: revenue sources that are already implemented at a regional level with rates higher than the statewide or local rate, sources that are statewide sources with no regional component, and sources that do not currently exist in Virginia.

Table 4. Revenue Sources and Typology

Revenue Source	Typology
Retail Sales and Use Tax	Revenue sources that are already implemented at a regional level with rates higher than the statewide or local rate
Transient Occupancy Tax	
Grantor's Tax	
Regional Motor Vehicle Fuels Tax	
Motor Vehicle Sales Tax	Revenue sources that are statewide with no regional component
Vehicle Registration Fee	
Driver's License Fee	
Transportation Network Company (TNC) Sales Tax	Revenue sources that do not currently exist in Virginia
Parking Sales Tax	
Auto Repair Labor Tax	

Figure 9 illustrates the analytical process (e.g. workflow) used to calculate the incremental revenue estimates for each revenue source.

Figure 9. Revenue Estimation Methodology



1. **Input Data**

The methodology for calculating revenue estimates for each revenue source was similar for all sources but with a wide variation in data availability. For revenue sources levied in Northern Virginia cities and counties, existing revenue source and tax rate information was collected from each city and county over several years. Information for some revenue sources was contained in statewide data repositories. For revenue sources that were not specified in jurisdiction or state budget documents (or not currently levied in Virginia), other data sources were utilized to provide an estimate. This included a data repository called Replica, a synthetic travel demand model that provided insights into these potentially new revenue sources.

2. **Calculate Tax Base**

Once the tax rate was established for each source, the amount of tax revenue generated was divided by the tax rate which yields an estimate of the tax base in the respective jurisdiction. For well-documented, jurisdiction-level sources, all variables were known, and the tax base could be calculated with precision. For other sources, supplemental sources were utilized to estimate the tax base and were assumed to be less precise than existing sources with abundant data. Appendix 2 provides additional information on how these supplemental sources were used to calculate the tax base.

3. **Forecast Growth**

Once the tax base was calculated, the next step was to forecast the growth of the tax base over time. Where information was available, the tax base was calculated for as many previous years as possible to allow for a historical linear growth factor to be calculated. For certain revenue sources, the pandemic caused a significant decline in revenue, and these sources had to be examined individually to assess the viability of pre-pandemic growth rates. Consumer Price Index (CPI) factors and economic and demographic growth factors were utilized for specific relevant revenue sources.

4. **Calculate Increment**

The next step identified the incremental tax rate to calculate the forecasted incremental tax revenue. Incremental tax rates varied by source but were generally selected to be in small increments for ease of use. For example, the Retail Sales and Use Tax is currently assessed at 6.0% in the NVTC district, and the increment evaluated in this report was 0.1%.

5. **Calculate Estimate Range**

With the prior steps completed, a range of revenue estimates was calculated for each increment of each revenue source. In order to convey uncertainty of forecasting due to economic volatility and demographic changes, this analysis includes a range of incremental tax revenue estimates for each source. A ±5.0% variance was applied to sources that are already implemented at a regional and state/local level, ±10.0% was applied to statewide sources where some assumptions had to be made about what they would generate in the NVTC district, and ±20.0% was applied to sources that do not currently exist where supplemental sources of information were required to calculate an estimate.

Revenue Estimates

The resulting 10 revenue sources were selected for the generation of revenue estimates at the NVTC district level and four were generated at the statewide level. Due primarily to data availability and staff capacity constraints, the Working Group focused revenue estimates and forecasts at the NVTC district level. In most cases, estimates at an NVTC district level can draw upon a richer and/or more reliable amount of data than estimates at a state level. This is especially true for sources that exist only at a local or regional level and sources that do not exist in Virginia and require use of supplemental data to generate an estimate. Additional direction for potential future statewide estimates is provided in the Next Steps section of this report. Tables Table ,Table 7 and Table 8 provide revenue estimates for each source for the incremental tax revenue range (i.e., a low and high estimate) in 2025 dollars for the NVTC district. They also indicate whether the revenue source has a low (e.g. limited), medium (e.g. moderate) or high growth potential. Revenue estimates are shown for sources and are organized in the following categories: revenue sources that are already implemented at a regional level with rates higher than the statewide or local rate, sources that are statewide sources with no regional component, and sources that do not currently exist in Virginia. Statewide estimates are included for four of the ten sources and represent snapshots in time from prior fiscal or calendar years depending on the availability of information.

Using Revenue Estimates

These revenue estimates provide a menu of options for policy makers to consider in the creation of future dedicated revenues for WMATA or also for other transit systems that serve Northern Virginia. The Working Group did not make a recommendation on a specific preferred revenue or package of revenues but did provide some technical and policy considerations for use by policy makers to evaluate these options. Major considerations include differentiating sources based on:

- Revenue potential
- Future growth potential
- Volatility
- Proportionality of the revenue streams within the Commonwealth and the NVTC district
- Ease of administration

The Working Group also supported the idea that a diversity of revenue sources (akin to the Commonwealth Transportation Fund in the 2020 transportation omnibus bill) would be preferable to one revenue source as overreliance on one revenue source in an economic downturn or period of volatility can be problematic.

Existing Northern Virginia Regional Transportation Funding Sources

This category of revenue sources are sources that are currently implemented at a regional level in Northern Virginia in addition to their statewide components. This analysis estimates the kind of revenue they could yield in the NVTC district at additional increments.

Table 5. Estimated Range in Incremental Revenue by Source, Northern Virginia Transportation District

Revenue Source	Current Rate	Increment Evaluated	Low	High	Growth Potential
			Millions (2025)		
Retail Sales and Use Tax	6.0%	0.1%	$44.7	$50.7	High
Transient Occupancy Tax	Varies 7.0% - 9.5%	1.0%	$10.4	$11.9	Medium, volatile
Grantor's Tax	$0.20 per $100 of assessed value	$0.01	$1.5	$2.0	Medium, volatile
Regional Motor Fuels Tax	$0.087 per gallon	$0.01	$5.5	$6.8	Low/Medium

Notes: Current rate for retail sales and use tax shows total statewide, regional and local increments. Estimated range for retail sales and use tax does not exclude groceries, which is an area for future research. Current rate for the grantor's tax shows only the regional grantor's tax in the NVTC district, as there is an additional statewide grantor's tax. Current rate for the regional motor vehicle fuels tax shows only the regional component, as users pay additional state and federal fuels taxes. Total cumulative rates for these sources are explored below.

Retail Sales and Use Tax

Background:

The retail sales and use tax is levied on the total revenue generated from retail sales. The seller is responsible for collecting the tax amount from the customer by itemizing it separately and adding it to the sales price or charge. The sales tax varies across the Commonwealth, as several regions (including Northern Virginia) have an additional regional sales tax. The statewide sales tax is 4.3%, with 0.9% going to transportation and the remainder being utilized for restricted or unrestricted purposes in the general fund. All cities and counties in Virginia have the authority to levy a locally imposed 1% sales tax, which is done by all cities and counties in the NVTC district.

Northern Virginia (the cities and counties of the NVTC district plus Prince William County, City of Manassas and City of Manassas Park), Hampton Roads and Central Virginia have an additional 0.7% sales tax, Southside Virginia has an additional 1% sales tax and several cities and counties on the Peninsula have an additional 1.7% sales tax.[11] In Northern Virginia, the additional 0.7% sales tax is directed to the Northern Virginia Transportation Authority (NVTA). Food and personal hygiene items are only taxed at the 1.0% local sales tax increment.

Peer Examples:

The sales tax is commonly used by peer agencies to fund transit. In California, the Los Angeles County Metro relies on several voter-approved sales tax measures to fund transit projects and operations. The St. Louis Metro, which is part of an interstate compact between the state of Illinois and state of Missouri,[12] is funded in part by dedicated sales taxes in cities and counties in both Missouri and Illinois.[13,14]

Estimates for the NVTC district:

For the Northern Virginia Transportation District, an additional 0.1% regional sales tax would yield $44.7 - $50.7 million in FY 2025 with a high growth potential. These estimates were derived from city or county local sales tax information in local budgets, which includes the sales tax on groceries. As any new increment of sales tax is not expected to include groceries, these estimates may be slightly overstated. Deriving a method to exclude groceries from this estimate is an area for future research.

Estimates for the Commonwealth:

For the entire Commonwealth, an additional 0.1% increment would yield approximately $150 million in FY 2022.[15] Projecting a statewide sales tax estimate for FY 2025 or future years is an area for future research.

Peer Rates across the DC Region:

DC: The sales tax for tangible personal property and selected services in DC is 6%.[16]
Maryland: In Maryland, including Montgomery County and Prince Georges County, the sales tax rate is 6%.[17]

Transient Occupancy Tax

Background:

The transient occupancy tax (TOT), often called the lodging or hotel tax, is a tax that travelers pay when they rent accommodations in a hotel, inn, tourist home or house, motel or other lodging, unless they stay for a certain period that is TOT-exempt, usually 30 days or more. The taxes are remitted monthly to the administering body by the business offering the rental or lodging space. Short-term rentals to companies like Airbnb and other similar vendors are now subject to the TOT.[18] Virginia does not have a statewide TOT. Instead, it is levied by each locality and rates can vary. The maximum rate allowed by law is 5%, and some localities have been granted permission by the General Assembly to charge higher rates. Virginia has also put into place a regional TOT, usually for transportation purposes, in several regions of the Commonwealth. In Northern Virginia, there is a 3% regional TOT levied in the NVTC district that is directed to the WMATA Capital Fund.[19] The total rate for all cities and counties in the NVTC district is shown in Table 6.

Table 6. Northern Virginia Transient Occupancy Tax Rates by Locality

NVTC Jurisdiction	Northern Virginia Transportation District Rate	Local Rate	Total Rate
City of Alexandria	3%	6.5% plus $1.25	9.5% plus $1.25 per night
Arlington County	3%	5.25%	8.25%

NVTC Jurisdiction	Northern Virginia Transportation District Rate	Local Rate	Total Rate
City of Fairfax	3%	4%	7%
Fairfax County	3%	4%	7%
City of Falls Church	3%	6%	9%
Loudoun County	3%	5%	8%

Source: City and county budget books

Estimates for the NVTC District:

For the NVTC district, an additional 0.1% transient occupancy tax would yield $10.4 – $11.9 million in FY 2025 with a medium growth potential. TOT revenues dropped dramatically during the pandemic and have had a slow recovery. These revenue forecasts assume a faster rate of recovery than would be calculated from a linear or historical approach. In evaluating this revenue source for any type of dedicated funding, the potential volatility of this source should be considered.

Estimates for the Commonwealth:

Because there is no statewide TOT tax currently in place in Virginia, the study team did not prepare a statewide TOT revenue estimate.

Peer Rates across the DC Region:

DC: The TOT is 14.95%.[20]
Maryland: In Montgomery County and Prince Georges County the TOT rate is 7%.[21]

Grantor's Tax

Background:

The grantor's tax (also known as a title and mortgage recordation tax) is imposed on the transfer of real estate property or the recording of mortgage documents. The grantor's tax is calculated based on the value of the property being transferred or the amount of the mortgage being recorded. The statewide grantors tax rate is 1% of the transaction amount (50 cents for each $500 assessed value which is split 50/50 between the state and the locality). Of the statewide share, $0.03 per $100 of assessed value is dedicated to the Commonwealth Transportation Fund. In the Northern Virginia Transportation District, the Commonwealth levies an additional grantor's tax of $0.20 per $100 of the sales price or fair market value of the property. Of this regional grantor's tax, half ($0.10 per $100) is directed to the WMATA Capital Fund and half ($0.10 per $100) is directed to the Northern Virginia Transportation Authority.

Peer Examples:

Many states in the United States use a grantor's tax or similar mechanism to fund transit. In 2008, Chicago added a $3.75 per $500 real property transfer tax dedicated to the Chicago Transit Authority, effectively a rate of $0.75 per $100 in assessed value.[22] Both Maryland and DC have title and/or mortgage recordation taxes, but there are differences in what rates apply to the seller and/or buyer in each jurisdiction.

Estimates for the NVTC District:

For the Northern Virginia Transportation District, an additional $0.01 per $100 of assessed value of yield $1.5 – $2.0 million in FY 2025 with a medium growth potential. Due to the methodology employed, this is likely a conservative estimate. It is important to note that as interest rates have risen and the housing market has slowed, it can be expected that this may reduce grantor's tax returns and add some volatility to a traditionally stable revenue source.

Estimates for the Commonwealth:

This effort did not generate a statewide estimate for the Grantor's tax because of data availability and capacity constraints. Projecting a statewide grantor's estimate for FY 2025 or future years is a potential area for future research.

Regional Motor Fuels Tax

Background:

In Virginia, fuel used by highway vehicles is subject to the Virginia Motor Fuels Tax and the regional Motor Vehicle Fuels Sales Tax, which are administered by the Virginia Department of Motor Vehicles (DMV). The Motor Vehicle Fuels Sales tax is imposed on the sale of fuels by a distributor to a retail dealer and includes gasoline, diesel and alternative fuels. The FY 2024 rate is 8.7 cents per gallon for gasoline and alternative fuels, and 8.8 cents for diesel, indexed to inflation. The statewide Virginia Motor Fuels Tax is indexed to inflation and equals 29.8 cents per gallon for gasoline and 30.8 cents for diesel for FY 2024. The statewide motor fuels tax is an important funding source for the Commonwealth Transportation Fund.

The NVTC district has long had a regional motor fuels tax, which was originally designated to be used in paying WMATA subsidies. By 2020, the tax was imposed in all regions of the Commonwealth. The NVTC district regional gas tax is split three ways: 1) approximately $5 million is deposited in the Commonwealth's Commuter Rail Operating and Capital Fund, benefitting VRE, 2) $22.183 million of gross tax collections are deposited in the Commonwealth's WMATA Capital Fund, and 3) the net collections are distributed to NVTC for use by its member jurisdictions. The initial NVTC WMATA Compact members (which excludes Loudoun County) are required to use the tax for WMATA debt service or capital and operating subsidies.[23]

Estimates for the NVTC District:

For the Northern Virginia Transportation District, an additional $0.01 cents per gallon would yield $5.5 – $6.8 million in FY 2025 with a low to medium growth potential. The motor vehicle fuels tax is generally considered to grow slowly as fuel efficiency increases and the transition of the vehicle fleet to electric vehicles continues. However, there are signs that the slow rate of turnover in the vehicle fleet presents an obstacle to the proliferation of electric vehicles.[24] While there is a lack of immediate clarity about the future of vehicle fleet, the study team considers the motor vehicle fuels tax to be a viable source in the near to midterm with uncertainty about its long-term viability.

Estimates for the Commonwealth:

Virginia recently increased the statewide motor vehicle fuels tax following legislation that was passed in 2020. Projecting a statewide motor vehicle tax estimate for FY 2025 or future years is a potential area for future research.

Peer Rates across the DC Region:

VA: In the NVTC district in FY 2024, the state and regional motor vehicle fuels tax totaled $0.385 per gallon.
DC: The total motor vehicle fuels tax was $0.349 per gallon as of October 1, 2023.[25]
Maryland: As of July 1, 2023, the statewide motor vehicle fuels tax is $0.4700 cents per gallon for gasoline and $0.4775 cents per gasoline for diesel.[26]

Existing Statewide Transportation Funding Sources

The next category of revenue sources that were estimated are sources that are currently levied statewide and do not have any kind of regional component. This analysis estimates the kind of revenue they could yield in the NVTC district if a regional component were added.

Table 7. Estimated Range in Incremental Revenue by Source, Northern Virginia Transportation District

Revenue Source	Current Rate	Increment Evaluated	Low Millions (2025)	High	Growth Potential
Motor Vehicle Sales Tax	4.15%	0.1%	$4.1	$5.1	High
Vehicle Registration Fee	Varies $30.75 - $44.75/vehicle	$1.00	$1.8	$2.4	Medium
Driver's License Fee	$32 initial, $20 renewal	$1.00	$0.2	$0.2	Low

Motor Vehicle Sales Tax

Background:

The motor vehicle sales tax is a tax levied on the purchase of a motor vehicle. The tax is typically a percentage of the vehicle's sales price and is collected at the time of purchase or titling. In Virginia, this tax is imposed at the state level and collected at the point of purchase or by the DMV at titling. The Motor Vehicle sales tax is based on the place of residence of the person or persons purchasing the vehicle. The statewide rate is 4.15% of the vehicle's gross sales price and revenues are dedicated to the Commonwealth Transportation Fund.

Peer Examples:

The Motor Vehicle Sales tax is commonly used for transportation funding. Many locations, including the District of Columbia, have begun to assess rates based on the weight of the vehicle, thereby providing a direct tie to roadway wear and tear.

Estimates for the NVTC District:

For the Northern Virginia Transportation District, an additional 0.1% motor vehicle sales tax would yield $4.1 – $5.1 million in FY 2025 with a high growth potential.

Estimates for the Commonwealth:

For the entire Commonwealth, an additional 0.1% increment would yield approximately $29 million in FY 2022.[27] Projecting a statewide sales tax estimate for FY 2025 or future years is an area for future research, as is evaluating weight-based rates for motor vehicle sales.

Peer Rates across the DC Region:

DC: The motor vehicle sales tax in DC is based upon the unladen weight and miles per gallon (mpg) (city) of the vehicle. The rates vary from as low as 1.0% for vehicles weighing 3,499 pounds or less that make 40 mpg or more and as high as 10.1% for vehicles weighing 5,000 pounds or more making 20 mpg or less. All-electric vehicles are exempt from the vehicle excise tax, and additional considerations are given for residents who claimed the District Earned Income Tax Credit.[28]
Maryland: In Maryland, including Montgomery County and Prince Georges County, the motor vehicle sales tax rate is 6%.[29]

Vehicle Registration Fee

Background:

A vehicle registration fee is an annual or biennial fee paid by vehicle owners to register their vehicles. The calculation methodology varies widely by state, but in Virginia there are several fees ranging from $30.75 to $44.75, plus titling fees if the car is changing ownership, and additional fees for rental and for-hire passenger vehicles. Registration fees in other states can be a flat fee or scaled based on factors such as vehicle type, weight or value.

The Commonwealth is in the process of conducting a mileage-based user fee (MBUF) pilot program wherein Virginia residents can opt in to pay for their registration fees based on mileage driven (with the maximum amount being what they would have otherwise paid in the traditional vehicle registration fee process). This MBUF pilot program may lead to additional opportunities for further study depending on what direction the Commonwealth takes the program.

Peer Examples:

Vehicle registration fees vary significantly from state to state. Many states assess a flat fee while other states use a scale based on a variety of metrics including gross vehicle weight, vehicle age or fuel efficiency. This makes it difficult to compare rates between states. Various vehicle registration fees generate revenue that supports states' administration and enforcement of laws regulating the operation and registration of vehicles used on public roads and highways, as well as the mitigation of the environmental effects of vehicle emissions.

Estimates for the NVTC District:

For the Northern Virginia Transportation District, an additional $1.00 added to the vehicle registration fee would yield $1.8 – 2.4 million in FY 2025 with a medium growth potential. This estimate utilizes statewide per capita vehicle rates to calculate totals for jurisdictions. This estimate is based on an incremental increase to the flat fee and does not include the MBUF pilot.

Estimates for the Commonwealth:

In calendar year 2021, an additional $1.00 to the statewide vehicle registration fee would yield approximately $8.4 million with a medium growth potential. This estimate is based on an incremental increase to the flat fee and does not include the MBUF pilot. An additional area of research is updating this figure for FY 2025.

Peer Rates across the DC Region:

DC: Vehicle registration rates in DC vary depending on vehicle type (passenger, commercial, trailer), class and weight. For Class I passenger vehicles under 3,500 pounds, the annual registration fee is $72.[30] Additional fees are imposed for historic vehicles, motorcycles, tag transfers and other less common items such as insurance lapses and registration cards.
Maryland: In Maryland, registration fees also vary depending on various vehicle characteristics but for a passenger car that is less than 3,700 pounds, the cost is $135 per year.[31] Other fees are assessed for specialty vehicles, trucks, trailers and commercial vehicles.

Driver's License Fee

Background:

The driver's license fee is a charge imposed on individuals for the privilege of operating a motor vehicle. This fee is typically collected at the state level and varies from one state to another. In Virginia, the fee for a standard driver's license without endorsements is $32 for an initial 8-year license and $20 for a renewal. Revenue from the driver's license fee generally goes towards supporting motor vehicle administration and related services.

Peer Examples:

Revenue from the Driver's License Fee generally supports DMV operations. Some states, like California, allocate a portion of these funds towards highway and public transportation systems.

Estimates for the NVTC District:

For the Northern Virginia Transportation District, an additional $1.00 added to the driver's license fee would yield approximately $200,000 in FY 2025 with a low growth potential. This estimate assumes a continued 8-year license renewal period.

Estimates for the Commonwealth:

In calendar year 2021, an additional $1.00 to the statewide driver's license fee would yield approximately $800,000 with a low growth potential. Adjusting this estimate to FY 2025 is an area for future research but may be a low priority given the low revenue potential of this funding source.

Peer Rates across the DC Region:

DC: With no endorsements, the fee for an initial and renewal 8-year driver's license in DC is $47.[32]
Maryland: With no endorsements, the fee for an 8-year driver's license in Maryland is $72 (initial) or $48 (renewal).

Potential New Sources for Transit Funding

The next category of revenue sources that were estimated are sources that do not currently exist in Virginia. Thematically, these sources are all services that are not currently subjected to the sales and use tax but are services that are transportation or transit related. The Working Group discussed the concept of extending the sales tax to services, and these three sources were specifically identified and evaluated because of their history, use by peers in the region, and nexus to transportation and transit. This analysis estimates the kind of revenue they could yield in the NVTC district.

Table 8. Estimated Range in Incremental Revenue by Source, Northern Virginia Transportation District

Revenue Source	Current Rate	Increment Evaluated	Low Millions (2025)	High Millions (2025)	Growth Potential
TNC Sales Tax	Not applicable, new source	1.0%	$3.0	$5.8	Medium
Parking Sales Tax	Not applicable, new source	1.0%	$2.5	$4.1	Medium
Auto Repair Labor Tax	Not applicable, new source	1.0%	$8.3	$12.9	Medium

Transportation Network Company (TNC) Sales Tax

Background:

Fees or taxes imposed on TNCs, which are ride-hailing services such as Uber and Lyft, can be charged as a fixed fee for each trip provided or as a percentage of the overall cost of the trip. Such fees are not currently assessed in Virginia except by the Metropolitan Washington Airports Authority (MWAA) for trips beginning or ending at Dulles International Airport or Ronald Reagan Washington National Airport. Examples from around the country include a state-based tax assessment and city-level assessments. There is differentiation amongst jurisdictions as to whether the service should be taxed as a sales tax or gross receipts tax or structured like existing taxes on services provided by other companies (such as taxi rides).

Peer Examples:

New York imposes a 4% assessment on the gross trip fare of every TNC trip that originates anywhere in New York State outside New York City and that terminates anywhere in New York State. In 2019, San Francisco voters approved a tax on TNC rides. Half of the revenue goes to the San Francisco Municipal Transportation Agency (SFMTA) for transit improvements. SFMTA administers the other half of the funds for street safety improvements. Revenue collection began on January 1, 2020, and generates about $15 million per year.

Estimates for the NVTC District:

For the Northern Virginia Transportation District, a potential new 1.0% sales tax (charged based on trips that originate in a Northern Virginia jurisdiction) could yield approximately $3.0 – 5.8 million in FY 2025 with medium growth potential. The study team intentionally utilized a methodology that calculated the tax based on the place of origin of trips in the NVTC district in order to mimic the way the District of Columbia has set up their TNC tax, so they could theoretically be compatible and complementary for users. Since TNCs are heavily subsidized by private venture capital and have an evolving financial model, TNC revenues should be considered a potentially volatile funding source.

Estimates for the Commonwealth:

Due to statewide data availability issues, the study team did not estimate TNCs as a statewide revenue source. This is an area of potential future study.

Peer Rates across the DC Region:

DC: The District of Columbia imposes a $25,000 initial licensing fee and $100 renewal fee every two years thereafter. Authorized app-based companies, known as Digital Dispatch Services (DDS) (effectively, TNCs) pay a $500 annual licensing fee. DC also charges an operating fee of 1% gross revenue. In addition, TNCs pay the 6% District sales tax. A 1% increment funds the For Hire Vehicle Department and a 5% increment is dedicated to WMATA capital funding.
Maryland: Several Maryland jurisdictions, including Montgomery County and Prince George's County, impose a $0.25 per ride assessment on TNC trips that originate in their respective jurisdiction.

Parking Sales Tax

Background:

A parking sales tax is a tax imposed on the sale of parking services or the revenue generated from parking fees for drivers parking in private garages for work and other trip purposes. The tax is a percentage of the parking fee charged to customers and is collected by the parking facility operator. Parking taxes are often embedded within the transaction itself.

Peer Examples:

The State of Washington imposes parking fees for hourly parking in garages or parking lots. It makes no difference whether the parking structure is owned by the local government or a private company, or if the lot is attended or unattended. In New York City, private parking lots are assessed with a tax rate of 18% on parking lots.

Estimates for the NVTC District:

For the Northern Virginia Transportation District, a new 1.0% sales tax on parking could yield approximately $2.5 – 4.1 million in FY 2025 with a medium growth potential. For the NVTC district, the parking sales tax estimate was based on only off-street, private, commercial parking. The estimate intentionally did not include public parking, parking at WMATA facilities, residential parking or parking meters.

Estimates for the Commonwealth:

Due to statewide data availability issues, the study team did not estimate a parking sales tax as a statewide revenue source. This is an area of potential future study, but it should be noted that paid parking is much more prevalent in urbanized areas of the Commonwealth and generating a statewide parking sales tax estimate may be a low priority.

Peer Rates across the DC Region:

DC: The District imposes an additional 18% sales tax on parking transactions. This tax was estimated to raise $72.8 million in the District's FY 2024 proposed budget.[33]

Auto Repair Labor Tax

Background:

An auto repair labor tax is a fee imposed on the labor or service charges associated with vehicle repairs or maintenance, separate from charges for auto parts (for which a sales tax is already imposed). It is usually applied as a percentage of the total labor cost charged by auto repair shops or service centers and also known as a service tax or maintenance tax. The concept behind an auto repair labor tax is to extend the effective sales tax to the service component of the auto repair.

This tax was previously levied to support NVTA but was declared unconstitutional because the tax was levied by the Authority rather than state or a local government, as required by the state constitution. The tax was never subsequently re-instated as a state or local tax to fund transportation.

Estimates for the NVTC District:

For the Northern Virginia Transportation District, a new 1.0% sales tax on auto repair labor could yield approximately $8.3 – 12.9 million in FY 2025 with a medium growth potential.

Estimates for the Commonwealth:

Due to statewide data availability issues, the study team did not estimate the Auto Repair Labor Tax as a statewide revenue source. This is an area of potential future study.

Peer Rates across the DC Region:

DC: The general sales tax rate applied to auto repair if the type of labor is for a repair service that restores an item of personal property to its original condition (i.e. battery recharge, brake adjustment, wheel alignment, etc.) but not for services like washing, waxing, towing, rotation of tires, and mounting or removal of snow tires.[34]

Virginia Rates Compared to Peers

The legal framework around tax rates varies greatly in the Virginia, District of Columbia, and Maryland portions of the WMATA Transit Zone. In Virginia, several tax rates are higher in the

NVTC district than they are statewide, as many of these taxes include state and regional components. The following table shows a comparison of tax rates for the District of Columbia and the respective Virginia (the NVTC district) and Maryland (Montgomery and Prince George's Counties) portions of the WMATA Transit Zone. This chart shows the aggregate topline tax rate or fee level so that comparisons can be made among signatories in the WMATA Transit Zone. Table 9 provides a high-level comparison for each of the 10 revenue sources evaluated.

Table 9. Virginia Rates Relative to Maryland and the District of Columbia

Revenue Source	Current VA Rate (in the NVTC District)	Current MD Rate (in Montgomery and Prince George's Counties)	Current DC Rate
Retail Sales and Use Tax	6.0%	6.0%	6.0%
Transient Occupancy Tax	Varies 7.0% - 9.5%	7%	14.95%
Motor Fuels Tax*	$0.385 per gallon	$0.4700 per gallon	$0.349 per gallon
Motor Vehicle Sales Tax	4.15%	6%	Varies 1.0% to 10.1% depending on vehicle weight and fuel efficiency
Vehicle Registration Fee	Varies $30.75-44.75/vehicle	Varies based on several factors, but $135 for standard personal vehicle	Varies based on several factors, but $72 for standard personal vehicle
Driver's License Fee	$32 initial, $20 renewal	$47 initial and renewal	$72 initial, $48 renewal
TNC Sales Tax	N/A	$0.25 per ride in Montgomery County and Prince George's County	6%
Parking Sales Tax	N/A	N/A	18%
Auto Repair Labor Tax	N/A	N/A	6%**

* The Virginia Motor Fuels Tax includes the regional and statewide gas tax which are both tied to inflation, so this rate will change every fiscal year.

** The general sales tax rate applies to auto repair if the type of labor is for a repair service that restores an item of personal property to its original condition (i.e. battery recharge, brake adjustment, wheel alignment, etc.) but not for services like washing, waxing, towing, rotation of tires, and mounting or removal of snow tires.

Note: The study team was unable to develop uniform comparisons for Virginia's Grantor's tax (which typically applies to the seller) in Maryland and DC. Both Maryland and DC have title and/or mortgage recordation taxes, but there are differences in what rates apply to the seller and/or buyer in each jurisdiction.

Revenue Allocation Recommendations

As the Working Group effort evolved, local transit agencies and Virginia Railway Express (VRE) noted the impacts of the pandemic on their financial models (albeit with less imminent timetables than WMATA's), and that – like WMATA - they would need to re-examine their long-term financial models. The Working Group recommended continuing to engage with the NVTC district transit agencies (WMATA, VRE, Alexandria's DASH, Arlington Transit, Fairfax County Connector, City of Fairfax's CUE and Loudoun County Transit) to identify and monetize their post-pandemic capital and operating needs. Furthermore, the Working Group recommended that any future revenues for local transit systems follow the current approach to state transit funding and regional gas tax allocations and have those new revenues centrally managed and allocated at NVTC.

Goals for New Revenues

In raising any new, additional dedicated revenues for transit, the Working Group established the following goals:

- Support all transit providers in the NVTC district (WMATA, VRE, Alexandria DASH, Arlington Transit, Fairfax Connector, City of Fairfax CUE and Loudoun County Transit)
- Provide a long-term solution to WMATA's operating and capital funding needs that is funded regionally from the NVTC district and/or with statewide funds, includes inflationary considerations, and includes a financial reserve at NVTC to ensure future obligations can be met during economic downturns
- Create a model that recognizes that NVTC jurisdictions receive different levels of WMATA transit services, provide funding for their own local bus services, and that Alexandria, Arlington and Fairfax County also fund VRE

NVTC District and Statewide Revenue Strategies

The revenue estimates section of this report provides estimates for revenues that could be generated specifically within the NVTC district wide as well as those that could be generated across the Commonwealth of Virginia. The following section provides some legislative strategies to raise and direct these types of funding for all transit providers in the NVTC district. As a reminder, the NVTC district includes the cities of Alexandria, Falls Church and Fairfax, and the counties of Arlington, Fairfax and Loudoun.

NVTC District-Wide Strategies

For sources identified with estimates for the NVTC district, any could be increased (if an existing source) or created (if a new source) at a specific increment or level with that portion of revenue directed to NVTC for use by all transit agencies operating in the Northern Virginia Transportation District, including WMATA. NVTC has a history and practice of managing regional and state funds, as NVTC currently holds in trust both state aid and regional gas tax revenues on behalf of its member jurisdictions. Each jurisdiction has a unique subaccount within the trust fund and the jurisdictions direct NVTC to distribute these funds for WMATA subsidies as well as the needs of their local transit system.

Statewide Strategies

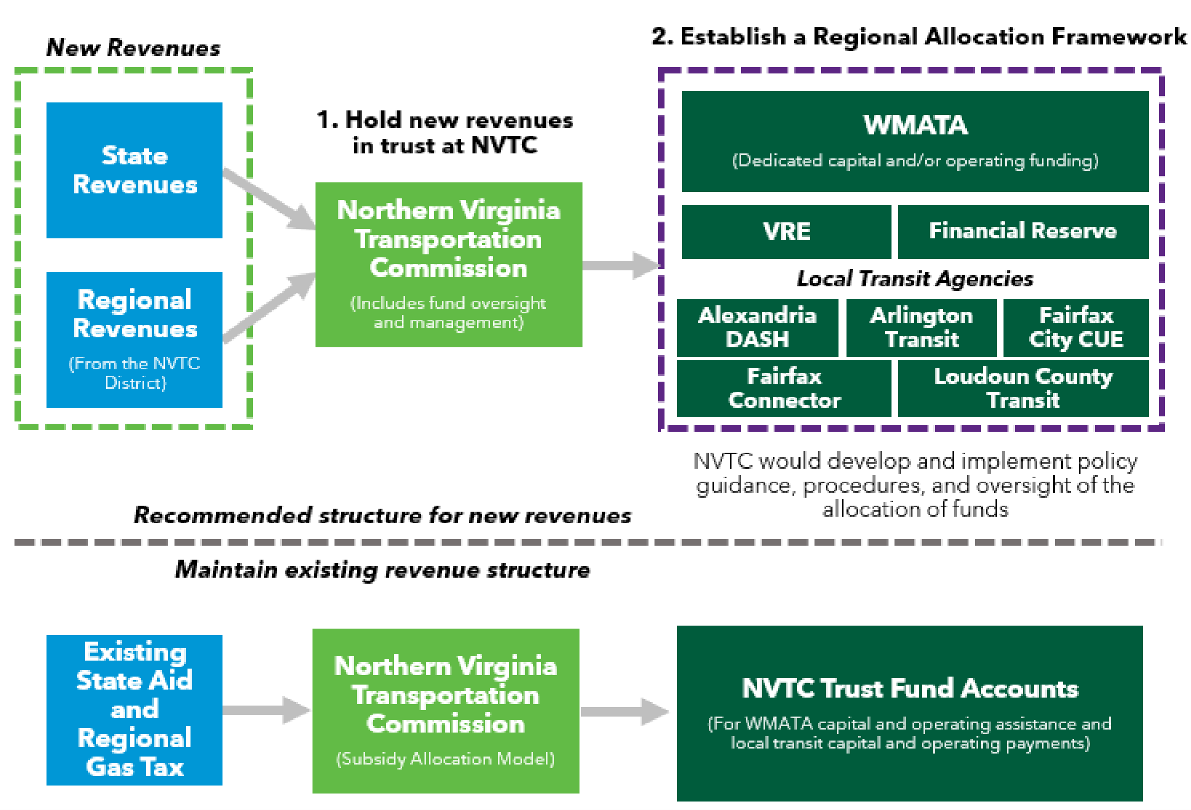
For any of the statewide revenue sources identified above, there are several implementation options that could be pursued depending on the larger legislative context. If these revenues are developed as a part of a Commonwealth-wide transportation funding and/or any broader legislative package, there are several implementation approaches that could be used to provide a portion of these funds to NVTC for use by all transit agencies operating in the NVTC district, including WMATA. One option is to increase the statewide rate and/or establish a new statewide revenue source and direct an increment to NVTC for use by all transit agencies in the NVTC district, including WMATA.

Another option is to increase a statewide rate of an existing source and/or establish a new statewide revenue source that flows to the Commonwealth Transportation Fund, and then direct a specific amount of funding off the top of the CTF (before allocations to the Highway Maintenance and Operating Fund and Transportation Trust Fund for distribution) to provide funding to NVTC for use by all jurisdictions in the NVTC district, including WMATA. Several projects or agencies in the Commonwealth receive funding in this manner. For example, $80 million from the CTF is directed to the U.S. Route 58 Corridor Development Fund[35] and the Northern Virginia Transportation District Fund/NVTA before allocations are made to the Commonwealth Transportation Trust Fund.[36] These approaches can also be pursued in combination with additional regional revenues, reflecting the joint partnership between the Commonwealth and NVTC localities in funding WMATA.

Recommended Revenue Structure

To achieve the goals identified above, the Working Group recommended the revenue structure shown in Figure 10 and the development of an allocation model that would ensure the transparent and predictable distribution of these funds to the relevant transit systems. Directing revenues to NVTC benefits all transit providers in the transportation district and places management and oversight of the funds both where the funds are generated and with elected leaders that have a governance role in the transit systems that would receive funding. As mentioned in the introduction, the Working Group established an assumption that the existing flow of Virginia funds to NVTC and to WMATA should remain largely the same and that new revenues would be in addition to this existing structure.

Figure 10. Recommended Revenue Structure



1. Hold New Revenues in Trust at NVTC

New revenues could consist of a combination of statewide revenues and regional revenues generated from the NVTC district. These revenues would be directed to and held in trust at NVTC similar to the current approach for the regional gas tax and DRPT state aid. NVTC is ideally situated to hold and manage these funds because of NVTC's unique role with all transit agencies operating in the transportation district. NVTC plays a vital governance, oversight and coordination role between the Commonwealth, NVTC jurisdictions and WMATA and, per the WMATA Compact, NVTC is an eligible funding partner to WMATA. In addition, NVTC already manages state aid and the regional gas tax for NVTC jurisdictions which benefits both WMATA and local transit agencies. NVTC also co-owns the VRE and can convey funding to VRE in coordination with the Potomac and Rappahannock Transportation Commission (PRTC), who is co-owner of VRE with NVTC. Conveying funding to all transit agencies in the transportation district will require the development and establishment of an allocation framework.

2. Establish an Allocation Framework

Providing Virginia's share of dedicated capital and/or operating funding to support WMATA, providing NVTC's share of funding to VRE, as well as providing revenues to local transit providers operating in the transportation district will require the development of an allocation framework to distribute the funds. An allocation model will offer funding predictability to agencies and help mitigate or reduce any proportionality concerns that may arise between revenue generated and revenue owed to WMATA (or VRE) by specific NVTC jurisdictions. To allow for the greatest flexibility within the NVTC district, an allocation model and its associated policy framework could be adopted and formalized by resolutions of the Commission, giving the Commission the ability to make future refinements as needed.

NVTC has existing policy tools available to distribute funding which could be enhanced, updated or replicated for these purposes. The Subsidy Allocation Model (SAM) is NVTC's approved regional approach to allocate state aid and the regional gas tax for existing WMATA and local transit system needs. Developing an allocation framework for new transit funding could either be an update to this existing allocation model and/or the creation of a new allocation model.

In the allocation of any new revenues for WMATA from NVTC, it is recommended that those funds flow in an uninterrupted basis outside of the WMATA quarterly subsidy payment process. It is also vital that any Virginia dedicated revenues integrate into a regional accord or agreement for new WMATA funding with proportionality to any funding provided by Maryland and the District of Columbia.

The Working Group recommended the aforementioned goals and objectives for an allocation framework and intentionally did not recommend a specific or precise allocation model. Developing a precise allocation framework requires more information about the types of funding and revenue sources that will ultimately be selected in Virginia, the funding needs and targets for all transit agencies operating in NVTC, and how Virginia, Maryland and the District of Columbia agree to provide dedicated funding to WMATA.

WMATA Reform, Accountability and Oversight

As a part of its effort, the Working Group discussed WMATA's structural cost growth, the legislative 3% cap on the growth in operating assistance ("3% cap") and reviewed existing organizations and agencies with an oversight role of WMATA.[37] The Working Group further investigated accountability, oversight and reform measures for WMATA and comparable transit agencies in the United States. While highlights are provided here, the Working Group's discussions became the basis for the structure cost growth recommendations in NVTC's 2023 Annual Report on the Performance and Condition of WMATA.

Managing Structural Cost Growth and the 3% Cap

Since 2018, NVTC has been required by state code[38] to report annually to the Governor and General Assembly on the performance and condition of WMATA. Per statute, the report requires NVTC to identify potential strategies to reduce the growth in costs and to improve the efficiency of WMATA operations. As such, NVTC has produced annual recommendations on strategies that have been developed by NVTC staff in consultation with NVTC jurisdictional staff for consideration by NVTC's WMATA Committee and full Commission body each year since 2018.[39] Using this work as a foundation, the Working Group focused its 2023 effort on pairing structural funding reform with structural cost reform. The Commission made several structural cost growth recommendations in its 2023 Annual Report on the Performance and Condition of WMATA.

Controlling Operational Costs

As is common in the transit industry, approximately 70% of WMATA's operating costs are personnel related.[40] Due to the nature of collective bargaining agreements (CBAs) between WMATA and its labor unions, WMATA cannot unilaterally implement labor related cost reforms, as any changes to CBAs would result from either negotiated or arbitrated agreements with WMATA's labor union partners.

As a part of NVTC's 2023 Annual Report, staff reviewed WMATA's unfunded pension and other post-employment benefits (OPEB) liabilities, noting that WMATA's pensions were better funded than the Virginia Retirement System. In FY 2022, WMATA's pensions were 84.36%[41] funded, and the Virginia Retirement System[42] was 81.06% funded.[43] In 2022, WMATA's OPEB liabilities were 5.3% funded,[44] an increase from 0% in FY 2018. While this is a significant improvement, WMATA's large unfunded OPEB liability poses a long-term risk to the operating budget. It is important to note that with the constraints of the 3% cap and a constrained funding environment, it is very difficult for WMATA to provide additional funding to the OPEB trust.

Since FY 2018, WMATA has found a cumulative $308 million in cost savings from healthcare cost-sharing, maximizing real estate assets, office consolidation, elimination of positions through efficiencies and planned reductions, eliminating duplicative software applications and non-revenue fleet reduction.[45] The Working Group appreciated these efforts and articulated that any funding solution will need to see WMATA provide additional internal cost savings as part of an overall solution. In September 2023, WMATA announced it had set up a cost efficiency task force that found opportunities for recurring savings of $50 million a year (starting in FY 2025) from digital transformation, reduced consulting services, improved asset management and administrative efficiencies.[46] In the General Manager's revised FY 2025 proposed budget submission to the WMATA Board, management also proposed a salary and wage freeze for all non-represented employees and for two of WMATA's largest collective bargaining units for a total additional savings of $38 million, bringing total proposed FY 2025 operating efficiencies to $88 million.[47]

The Legislative 3% Cap on the Growth in Operating Assistance

As an existing, albeit indirect, tool for cost containment, the Working Group's discussions included the 3% legislative cap on the growth in operating assistance that is in place in Virginia and Maryland. Virginia's 3% cap on the increase in annual operating assistance to WMATA was included as part of the 2018 dedicated capital funding legislation.[48] Maryland implemented a nearly identical cap at the same time, while the District of Columbia has no cap on operating assistance to WMATA.

The desire to find a tool for controlling the growth of subsidies was shared by WMATA and NVTC in the years leading up to the 2018 Virginia General Assembly session. From 2012 to 2017, the annual growth in operational subsidy for Virginia ranged from 7% to 16%, with similar growth seen with operating subsidies to Maryland and the District of Columbia. Virginia's growth in subsidy during this time-period is in part due to the opening of the Silver Line Phase 1, but it also reflects a decade-long trend of offsetting declining farebox recovery rates for Metrorail with subsidy increases.

The concept of a 3% cap on the growth of operating subsidies stemmed from a 2017 recommendation from WMATA's general manager, Paul Wiedefeld, who sought to "cap jurisdictional contributions for operating at three percent annual growth." NVTC echoed that sentiment in its Resolution #2342, "NVTC Principles for WMATA Reform" in which NVTC recommended that "WMATA's annual operational cost increases should be comparable to those of its funding jurisdictions, and the jurisdictional subsidies it sets should hold within the three percent annual cap recommended by the General Manager in his April 2017 Action Plan, and that to maintain such funding discipline should be a mandatory factor used in consideration of establishing labor costs through collective bargaining or subsequent arbitration."[49] This cap was intended to be a management tool that was applied to the grand total jurisdictional subsidy increase (i.e. not specified for Virginia or Maryland) and any additional changes, including those to service, could be undertaken at the WMATA Board's discretion.

As such, in the 2018 dedicated capital funding legislation in Virginia and Maryland, a cap on the growth in operational subsidy to Virginia and Maryland was included as a condition for state funding. In Virginia, in any year where the annual increase in the approved WMATA budget exceeds 3% (apart from legislative exemptions), the legislation directs the

Commonwealth Transportation Board (CTB) to withhold 35% of the funding allocated to NVTC as capital and operating assistance to help its local jurisdictions meet their financial obligations to WMATA from the Commonwealth Mass Transit Fund. Of note, the 3% cap is a cap on increases in subsidy (not costs) and by applying the cap to Virginia or Maryland, the legislation created unintended consequences.

The 3% cap is based on a pre-pandemic financial model for WMATA

In its deliberations, the Working Group recognized that the 3% cap was developed and implemented for a pre-pandemic financial model of relatively high farebox revenues, primarily from long-distance Metrorail riders, (over $700 million in fare revenues in FY 2019) and low inflation (below 3%). The 3% cap as drafted in code does not include any inflationary adaptability nor was it envisioned to exist in extreme circumstances such as a global pandemic. The 3% cap also prohibits NVTC jurisdictions from intentionally providing additional subsidy to WMATA and imposes a penalty on NVTC jurisdictions if they do exceed the cap and eligible exclusions.

For temporary relief, there are active efforts underway in Virginia and Maryland to re-baseline the legislative operating caps to account for the impacts of the pandemic in a way that would resolve some of these issues. However, the underlying assumptions in the existing cap should be revisited to ensure the cap is an effective tool to help control costs and to acknowledge the realities of transit in a post-pandemic world.

The 3% cap led to unintended consequences that are problematic for NVTC jurisdictions

At the direction of the General Assembly in 2020, NVTC produced the "Report on Virginia's 3% Cap on the Growth in Operating Assistance Payments to WMATA".[50] Based upon two years of implementation, the report did not suggest any change in the cap at that time but recommended that no legislative changes be considered before the cap has been in place for at least five WMATA budget development cycles. Noting the short timeframe of analysis, it recommended that NVTC continue to study and evaluate the cap. Alas, the report did note several unintended consequences that continue to this day, specifically that connection between the level of service provided and the level of subsidy owed that exists in several of the subsidy allocation formulae had become more disconnected because of the 3% cap.

The Working Group reviewed the 3% Cap Report and the current application of the WMATA subsidy allocation method and approved formulae and found that the interaction of the 1) legislative caps and 2) WMATA's implementation of the caps on its subsidy calculation has distorted the amount of subsidy owed from the amount of service received. For instance, because Metrobus service has shifted across the region after the pandemic, the need to stick to a 3% cap has prevented this reallocation from being reflected in the subsidy allocation. As a result, Virginia has paid more in FY 2022, FY 2023 and FY 2024 via the 3% cap allocation than if the traditional formula allocation were run under those circumstances.

In addition, the distortion caused by the cap reduces transparency and accountability to the funding jurisdictions in the budget process. This situation is akin to receiving a non-itemized bill from a restaurant, as WMATA cannot convey details on the actual levels of service and modes NVTC jurisdictions are funding. The 3% cap is the primary driver of the distortion, in addition to an outdated Metrobus subsidy allocation formula, as to why Virginia is paying more for Metrobus service while getting less.[51]

It is important to address these unintended consequences because NVTC jurisdictions need to understand the actual costs of WMATA services so they can make informed decisions about local bus and/or paratransit services as they relate to Metrobus and MetroAccess. Lastly, for WMATA to implement any updates to its subsidy allocation formulae, some form of modification will be needed to the cap. As WMATA is a regional system, it is not possible to cap one jurisdiction's operating subsidy growth without directly or indirectly capping the entire system. The result is that a cap on one jurisdiction is effectively a cap on all jurisdictions.

The Working Group also found that the 3% cap does not provide NVTC jurisdictions, who are the funding jurisdictions, with predictability in the increase in their operating subsidy during the annual budget process. This is due in part to the 3% cap being at the signatory level (i.e. District of Columbia, Maryland and Virginia). Since there is no "Virginia" payee of WMATA, WMATA has had to adopt an alternative approach to calculating the subsidy where increase in the base subsidy total for Virginia is no more than 3% but a share of this increase is assigned to each of the six cities and counties by their respective operating formula shares within Virginia. Combined with exclusions, individual Virginia jurisdictions are faced with increases that can be lower or higher than 3% and can change significantly throughout the budget process as policy decisions are made on fares and service – which affects the aforementioned share of operating formula. In the FY 2024 approved budget, Virginia's FY 2024 base subsidy increased 3% over the approved FY 2023 subsidy, but, as shown in Table 10, individual Virginia jurisdictions saw subsidy increases that range from 0.7% to 16.4%.[52]

Table 10. Percent Increase in Base Operating Subsidy from FY 2023 to FY 2024 for Virginia Jurisdictions

Jurisdiction	FY 2023 Operating Subsidy	FY 2024 Base Operating Subsidy	% Change
City of Alexandria	$50.8	$53.4	+5.2%
Arlington County	$79.6	$82.8	+4.0%
City of Fairfax	$2.9	$3.2	+10.1%
Fairfax County	$163.1	$164.2	+0.7%
City of Falls Church	$3.6	$3.7	+1.9%
Loudoun County	$13.0	$15.2	+16.4%
Virginia	**$313.1**	**$322.5**	**3.0%**

Source: WMATA FY 2024 Approved Budget

Considerations for a revised operating cap

The Working Group did not recommend a solution to the issues present under the current 3% cap. However, the group's discussions informed recommendations to revise the cap that are included in NVTC's 2023 Annual Report on the Performance and Condition of WMATA, which found that the cap should be carefully revised to accommodate a future revenue structure and resolve its unintended consequences. These recommendations included restoring a formula driven subsidy allocation process and allowing for future updates to the formulae, providing transparency and accountability to funding jurisdictions by better linking the amount of service received to the amount of subsidy paid, and creating predictable operating subsidy increases for jurisdictions.

Benchmarking Transit Accountability and Oversight Efforts

The Working Group investigated accountability, oversight and reform measures for WMATA and comparable transit agencies in the United States, and potential actions for consideration. This section begins by summarizing accountability and oversight requirements by the funding jurisdictions and by the federal government, followed by a summary of accountability efforts at other major U.S. transit agencies. Notably, for WMATA, congressional and state legislative actions and oversight are at the forefront when compared with other major U.S. transit agencies.

State and Local Oversight and Accountability Reforms

Since 2018, the Commonwealth of Virginia and other WMATA funding and governance partners have taken actions to address various concerns with accountability, oversight and reporting. In Virginia, these actions have included legislation giving the Commonwealth Transportation Board (CTB) the authority to withhold a percentage of WMATA annual funding allocations if certain WMATA actions are not taken, including:[53]

- Prohibiting the participation of Alternate Directors except under certain circumstances
- Adoption of a detailed Capital Improvement Program
- Limiting the increase in Operating Assistance to 3% (i.e. the 3% Cap)
- Providing a proposed operating budget, capital budget and other plans by April 1
- Requiring the WMATA General Manager and Virginia WMATA Board members to address the CTB on an annual basis
- Submitting an expanded strategic plan every three years

WMATA and its funding jurisdictions also document additional rights and responsibilities through its capital funding agreements. The last agreement is for FY 2022 to 2027 and was updated to include the dedicated capital funding that was provided by Virginia, Maryland and the District of Columbia. This was the third such agreement that affirms their financial commitment to WMATA. This agreement governs cost, schedule, debt service, formula for contributing jurisdictional capital funding and annual budget reconciliation processes.[54] The agreement also outlines capital reporting requirements to the funding jurisdictions.

Federal Accountability and Safety Oversight

WMATA's Inspector General

The Infrastructure Investment and Jobs Act of 2021 (IIJA) (Section 30019) included provisions strengthening the role and independence of WMATA's Inspector General (IG) function. The law includes specific reforms as a condition of receiving Federal Transit Administration (FTA) and other federal funding. The WMATA Board adopted the reforms in December 2021. These reforms include:

- Greater IG independence in the annual budget process, by directing the Office of the IG to send its annual budget request directly to the WMATA Board for review and approval
- Dedicated legal counsel reporting directly to the IG
- Independent annual reporting to the Governor of Virginia, the Chair of the Northern Virginia Transportation Commission, the President of the Virginia Senate and the Speaker of the House of the Virginia House of Delegates, among other officials
- Other specific reporting and public dissemination of IG reports including those which require a corrective action must be posted no later than three days after the final report is submitted to the WMATA Board

Federal Transit Administration Oversight

Because of the important role of federal funding for transit agencies, in 1982 Congress mandated that FTA conduct ongoing reviews of transit agencies every three years. These Comprehensive Reviews, formerly known as Triennial Reviews, examine 23 areas including legal, financial management and capacity, technical capacity, program management, drug and alcohol, transit asset management, cybersecurity, maintenance, procurement, civil rights and other program-specific requirements. In addition, WMATA is required to submit a Transit Asset Management Plan to FTA for certification every four years.

FTA also conducts evaluations and audits at other times during the three-year cycle if concerns arise. For example, in April 2016, FTA issued an immediate action letter to WMATA to inspect and correct fire/life safety equipment and features in the Metrorail tunnels and to conduct a safety briefing for employees who work on the tracks.

Washington Metro Safety Commission Oversight

In 2017, the Washington Metro Safety Commission (WMSC) was created as an independent agency by Congress, Virginia, Maryland and the District of Columbia to oversee and enforce safety practices on the Metrorail system. The WMSC is directly funded by these partners and, in 2022, issued five audit reports and worked with the National Transportation Safety Board. Its website includes current WMATA corrective action plans and other information.[55] This information can also be found on the WMATA website.[56]

Role of the WMATA Board

In addition, all federal, state and local funding and governance partners to WMATA exercise oversight through their appointments to the WMATA Board which determines agency policy and provides oversight. The Working Group found that there is a diverse array of agencies and governing bodies that play a role safety, operational, financial and capital program oversight of WMATA. The Working Group recommended that any additional oversight responsibilities or tasks be assigned to these existing bodies, starting with the WMATA Board of Directors.

Accountability and Oversight Reforms at Comparable Transit Agencies

The Working Group reviewed accountability and oversight measures of seven comparable U.S. transit agencies serving Chicago, San Francisco, Los Angeles, Boston, New York, New Jersey and Philadelphia. Like WMATA during the last 10 years, concerns regarding accountability and oversight have been highlighted. In some cases, accountability and oversight measures have been required as conditions for additional funding.

Bay Area Rapid Transit (BART) and Los Angeles (LA) Metro

Legislation adopted in 2023 by the California General Assembly and signed into law by the governor provides additional funding for transit agencies in California but requires a heightened level of accountability and oversight that impacts both BART and LA Metro. The action was based on a framework developed by the California Transit Association with input from the public, listening sessions and one-on-one meetings.

The legislative change implemented a framework that is based on the premise that the public expects transit agencies will use any allocated state funds with transparency, efficiency and an eye toward structural and operational improvement. As a result, along with increased funding, the framework made recommendations for front-end accountability before receiving the funding and back-end accountability, reforms and reporting after receiving the funding. In addition, the agencies are to report on past and current operations and ridership recovery efforts, as well as future planned uses for any funds received.

New York Metropolitan Transportation Authority (NY MTA)

Like other transit agencies, NY MTA's strategic priorities for 2023 include cost consciousness, proactively reducing waste, and improving productivity and efficiency to provide the best service to customers by first centralizing departments. The agency is also investing in fare evasion prevention measures and has developed a predictive maintenance tool for subways that will save $41 million. NY MTA has linked lowering costs with improving customer service by 10 percent by June 2024.[57]

Southeastern Pennsylvania Transportation Authority (SEPTA)

In March 2023, SEPTA released its Transformation Office Annual Progress Report to demonstrate its role as "a responsible steward of public funds."[58] Within the report, SEPTA detailed its efficiency and accountability program, started in 2020, which provides a systematic approach for teams across all areas of SEPTA to examine processes and ways of working. SEPTA staff are working to drive efficiencies, identify metrics to quantify the expected benefits, and establish the necessary plans, accountability and ownership needed to fully realize the benefits.

The report states that SEPTA has recognized $38.3 million in annual recurring benefits and expected to reach $102 million after three years. For example, a medical benefits audit generated $9.5 million in savings in 2022 from ineligible dependents. A change to the acceleration settings for the hybrid-electric bus fleet resulted in 102,678 gallons of fuel savings, translating into $380,935.00 since July 2022. WMATA's cost efficiency task force is similar to this initiative.

Tab compares selected agencies regarding transparency and public oversight metrics for performance, finance and audit activities. Each agency was qualitatively evaluated on whether they provide easily accessible, user-friendly information on the agency's website for each metric. WMATA performed above average compared to its peers.

Table 11. Oversight and Transparency Measures for Comparison Transit Agencies

	WMATA	BART	CTA	LA Metro	MBTA	NY MTA	NJT	SEPTA
Public Information on Website[59]								
Performance Metrics	Meets	Meets	Meets	Partially meets	Meets	Meets	Meets	Partially meets
Performance Dashboard	Meets	Partially meets	Meets	Does not appear to meet	Meets	Partially meets	Meets	Does not appear to meet
Operating Budget	Meets	Meets	Meets	Meets	Meets	Meets	Meets	Meets
Capital Budget	Meets	Meets	Meets	Meets	Meets	Meets	Meets	Meets
Investor Relations	Meets	Does not appear to meet	Partially meets	Meets	Meets	Meets	Partially meets	Does not appear to meet
Audit Information on Website								
Annual Comprehensive Financial Report	Meets	Meets	Meets	Meets	Meets	Meets	Does not appear to meet	Meets
Independent Single Audit	Meets	Does not appear to meet	Does not appear to meet	Does not appear to meet	Meets	Does not appear to meet	Does not appear to meet	Does not appear to meet
Audit Reports and Findings	Partially meets	Does not appear to meet	Partially meets	Meets	Partially meets	Partially meets	Does not appear to meet	Meets
Oversight								
Board Audit Committee	Partially meets	Meets	Meets	Meets	Partially meets	Meets	Meets	Does not appear to meet

Agency meets measures · Agency partially meets measures · Agency does not appear to meet measures

How does WMATA compare to peer agencies?

Public Information on Website: When compared to peers, WMATA provides a wealth of information on its website both in static form and in open data portals and meets all measures. WMATA provides performance metrics, performance reports and dashboards, operating and capital budgets, and an investor relations website. WMATA continues to provide additional resources to the public. Since 2023, WMATA has added MetroPulse (a real-time data tool for headway and schedule adherence, number of trains in service, etc.), revamped its performance metrics reports and added ridership data (including information on fare evasion) to its open data portal.

While WMATA did well compared to its peers, the organization of the information and ease of access is an area for improvement. WMATA's front page website is focused on real-time travel information for transit customers, and it can be challenging to easily find and navigate to performance and other financial information. For example, WMATA's investor relations page is outside of the main WMATA webpage and difficult to find. Of peer agencies, MTA's new transparency website offers an easy to navigate landing page for this type of information.[60]

Audit Information on Website: In accordance with the Governmental Accounting Standards Board, the annual comprehensive financial report (ACFR) includes important components that provide financial information regarding a government agency to the public. The ACFR is a one-stop shop that provides consistent information across years and agencies. WMATA, as part of its "Public Records" website includes every ACFR since 2004. WMATA posts its independent single audit as part of its "Public Records" which includes each audit since 2017.[61] The only other transit agency in which the single audit could be located on its website was MBTA. For the eight transit agencies, only two – LA Metro and SEPTA – had comprehensive public information readily available on their website regarding audit findings, recommendations and corrective actions they were taking.

The WMATA Office of the Inspector General (OIG) is an independent and objective unit of WMATA that conducts and supervises audits, program evaluations, and investigations; promotes economy, efficiency, and effectiveness; detects and prevents fraud and abuse; and keeps the WMATA Board fully and currently informed about deficiencies in Authority activities as well as the necessity for and progress of corrective action. The OIG has its own website where it posts audit plans, audit reports, evaluation reports and semiannual reports prepared by the office.[62] While WMATA's audit reports and findings are available online, no single online repository of all audits—by federal agencies, financial auditors, the OIG, funding jurisdictions, others, etc. —is posted. This is, in part, due to the independence of the OIG which necessitates posting audit information apart from the main WMATA website.

WMATA compared well when evaluated against peer transit agencies. Audit activities and the Annual Comprehensive Financial Report are all being conducted and reported annually or at the appropriate intervals. The partial rating under Audits and Findings is because while WMATA's audit reports and findings are available online, no single online repository of all audits—by federal agencies, financial auditors, the OIG, funding jurisdictions, others, etc. —is posted.

Oversight: Again, WMATA performed well compared to its peers in terms of an audit committee. WMATA has an Executive Committee that routinely discusses and accepts audit reports from the WMATA OIG and whose responsibilities are spelled out in committee descriptions. Of the seven other peer agencies, only SEPTA does not have a Board audit committee. WMATA compares favorably to other agencies for having an independent audit function by the IG, as well as the Office of Quality Assurance, Internal Compliance & Oversight (QICO) which is an internal audit/management function.

WMATA partially met expectations here because there is no formal audit group or structure to coordinate jurisdictional audits from Maryland, the District of Columbia, or Virginia and because the WMATA Board's audit functions are not technically spelled out in the WMATA Board Bylaws. However, there is no formal audit group or structure to coordinate jurisdictional audits from Maryland, the District of Columbia or Virginia (such a function would require regional support and is outside of WMATA's ability to directly implement).

Opportunities for Additional Accountability and Oversight

After evaluating WMATA compared to its peer agencies, the Working Group identified the following opportunities for additional accountability and oversight from WMATA:

1) Continue the current trajectory of enhancing existing performance, financial, capital, and operational reports and open data resources. A specific area for improvement is to make fare evasion data publicly available for Metrobus lines (it is now available by station for Metrorail).
2) Improve the WMATA website to make the wealth of reports and other reporting tools easier to find and access.

The Working Group identified the following opportunity for additional accountability and oversight from WMATA and its funding jurisdictions:

3) Formalize audit functions to enhance oversight via a coordinated jurisdictional audit. Additional information on this opportunity is in NVTC's 2023 Annual Report on the Performance and Condition of WMATA.

Should the region decide to pursue additional oversight or reporting from WMATA, the Working Group recommends the following:

4) Prioritize assigning additional oversight responsibilities to the WMATA Board, as the Board provides a vehicle for federal, state and local agencies to exercise oversight responsibilities.

5) Review WMATA's current reporting infrastructure and if there is a desire for additional reporting, then develop a unified set of reporting requirements from the region to avoid unnecessarily adding to WMATA's administrative burden.

Additional information on accountability, oversight and reform measures can be found in Appendix 3.

Next Steps

A long-term funding and reform solution for WMATA will necessitate a multi-year effort with iterative and coordinated work both within Virginia and between Virginia, Maryland and DC. As we focus on the broader need for dedicated funding for transit systems across Northern Virginia, it will also require extensive coordination and collaboration with WMATA and other transit agencies.

Senate Joint Resolution 28 (2024), which establishes a joint subcommittee to study long-term, sustainable dedicated operating and capital funding for transit agencies in the NVTC and PRTC districts, offers a critical path forward to advance the recommendations in this report and develop long-term funding and reform solutions.[63] This section outlines next steps to develop a long-term, sustainable funding solution for transit in Northern Virginia as well as opportunities for additional accountability and oversight.

1. Identify Long-Term, Sustainable Dedicated Funding for Public Transit in Northern Virginia

a. Understand Total Transit Needs and Develop Funding Targets

To inform the revenue selection process, policymakers need an approximate level or range of funding targets for which to solve. The larger the funding target, the more important revenue sources that produce medium to high amounts of revenue become to any future selection process. Developing funding targets requires an understanding of the post-pandemic capital and operating needs of all transit agencies in the NVTC district.

WMATA produced its latest strategic plan in February 2023. The "Your Metro, The Way Forward" strategic transportation plan articulated WMATA's strategy and actions over the next five plus years and aimed to serve as a guide for organizational and financial decision making.[64] While the document does not contain needs estimates, in Summer 2023, WMATA provided long term cost estimates and funding needs for their operating and capital budgets (as detailed in the Background section) that became the basis for funding needs discussion as part of the FY 2025 budget process. It is anticipated that WMATA's system vision and need assessment will continue to be refined as WMATA updates assumptions related to strategic plan initiatives.

For WMATA, the estimation of funding needs is more complicated because they are for the entire system (all modes) across DC, Maryland and Virginia. Developing a Virginia funding target based upon these needs will require agreement between all three signatories on overall funding objectives, the targeted level of system-wide funding, and how to allocate the share of funding commitments between each jurisdiction.

The Working Group offered the following considerations for WMATA-specific funding objectives:

- Closing the operating and capital funding gaps

- Establishing an operating reserve at WMATA
- Addressing unfunded OPEB and/or pension liabilities
- Including inflationary factors
- Restoring a formula driven modal subsidy allocation process that better links the amount of service received to the amount of subsidy
- Creating predictable jurisdictional operating subsidy increases
- Addressing the unintended consequences of the legislative 3% operating cap

NVTC does not yet have a recommendation for Virginia's share of any dedicated funding to WMATA but supports an allocation or share, including utilizing WMATA Board-approved subsidy allocation formulae, that recognizes the unique way in which Virginia participates in and demands WMATA services compared to DC and Maryland. Developing funding targets and a regional allocation framework for WMATA will require extensive collaboration between WMATA and its funding jurisdictions.

For the other transit agencies that serve the NVTC transportation district, they have all developed long-term needs assessments through their state-mandated Transit Strategic Plans. Required by the Department of Rail and Public Transportation for large transit systems,[65] a transit system's TSP is a performance-based document that identified the system's strategic priorities, evaluates the system's current condition and performance, and identifies opportunities for improvement. The output of the TSP includes a ten-year outlook of needs, including the costs associated with asset replacement as well as planned transit service improvements. While the TSP requires a list of financial needs based upon a constrained financial revenue picture, transit systems can articulate needs that exceed current known funding availability.

The Virginia Railway Express develops its long-term needs through its VRE System Plan, updated every ten years. At the time of this writing, VRE is in the process of developing its System Plan 2050[66] which will identify their strategic plan for service as the major Transform Rail in Virginia improvements come online. Much like the TSPs of bus agencies, VRE's 2050 System Plan will include financial needs to match the proposed service levels.

b. Explore Additional Revenue Options

With a better understanding of total transit needs in the NVTC district, stakeholders and policymakers may wish to further assess additional NVTC district and/or statewide revenue options that were evaluated but not selected for final estimation in this report. Working Group members discussed a wide variety of revenue sources and ultimately narrowed that expansive list to 10 sources for revenue estimates.

As noted above, 18 revenue sources scored well in the qualitative evaluation, and the Working Group applied a set of additional screening criteria to narrow this set to 10 sources. Of the eight sources that did not receive revenue estimates, three have already been addressed or discussed in concept (property tax, Commonwealth Transportation Fund and services tax). For the property tax, city or county-wide property tax yields are in the background section of this report. For a contribution from the Commonwealth Transportation Fund, this revenue source was determined to be more of a strategy than a source, with additional strategic and legislative considerations covered above. For a services tax, this was considered more of a broad concept and three specific services were analyzed and included in the 10 sources (TNC, parking, and auto repair labor). The remaining five sources that scored well but were removed by the Working Group could be considered for future evaluation were: corporate income tax, meals tax, personal income tax, payroll tax and head tax. It is important to note that these sources had potential political, uniformity and implementation concerns that resulted in their not being considered for selection in generating revenue estimates. Since the revenue estimates were generated for the final 10 sources, stakeholders have indicated an interest in revenue estimates for the personal income tax at both an NVTC district and statewide level.

This effort was constrained in several ways, namely how many revenues sources could be produced, the geography for each source (NVTC district vs statewide) and time time-period (forecasted for FY 2025 or using prior year information as a snapshot) for which these revenues could be generated. In addition, the richest data sources for most revenue sources, especially revenue sources that do not currently exist in Virginia, were available at the NVTC district level, not the state level. Based on discussion from the Working Group, the following areas are highlighted as revenue sources that could be explored in a future analysis (Table 12).

Table 12. Revenue Sources for Future Analysis

Category	Revenue Source
Statewide	Sales Tax*
	Grantor's Tax
	Motor Vehicle Fuels Tax
	Motor Vehicle Sales Tax*
	Vehicle Registration Fee*
	TNC Sales Tax
	Auto Repair Labor Tax
NVTC District (for sources that qualitatively scored well but were removed from consideration from the final 10)	Personal Income Tax
NVTC District and/or Statewide (for new and emerging trends in transportation and transit funding)	Weight based and/or fuel efficiency-based tiers for the motor vehicle sales tax and/or vehicle registration fee
	Extending the sales tax to include additional services not evaluated in this report
	Vehicle Miles Traveled taxes or fees

* These sources were estimated statewide for FY 2022 or Calendar Year 2021 in this report and the estimate could be updated or forecasted for a more current fiscal year.

In evaluating additional revenues as statewide or NVTC district candidates for dedicated transit funding, it will be important to carefully consider the tax rate in the NVTC district as it compares to peer transportation districts in Maryland and DC within the WMATA Transit Zone and the PRTC district. The PRTC district is not in the WMATA Transit Zone, but it includes VRE, which operates in both transportation districts, and OmniRide.

c. Refine and Establish an Allocation Framework and Dedicated Funding to WMATA

As capital and operating funding needs and funding targets are determined, NVTC can further explore and recommend an allocation framework for new revenues, including dedicated funding for WMATA.

2. Ensure Cost Control Reforms and Sustain and Improve Oversight, Accountability and Transparency at WMATA

a. Engage in FY 2025 and FY 2026 Budget Processes and Monitor Collective Bargaining Negotiations

WMATA proposed a revised FY 2025 budget in February 2024[67] that found administrative efficiencies and costs savings, requires shared sacrifice from all stakeholders and freezes salary and wage growth. NVTC and other stakeholders should continue to advocate for cost savings that WMATA can implement in its next two budgets. It is important to remember that a salary freeze for unionized employees is subject to collective bargaining, which is the main method through which WMATA can implement cost control and containment reforms. NVTC and other stakeholders should continue to monitor the results of WMATA's collective bargaining negotiations when they are completed.

b. Consider Revisions to the 3% Cap and/or Other Mechanisms for WMATA to Control Costs

Given the significant ramifications of the unintended consequences of the 3% legislative operating cap in Virginia identified by the Working Group (causing Virginia to pay more in subsidy than it would have otherwise, a lack of predictability for NVTC jurisdictions and an increasing disconnect between service and subsidy), NVTC recommended in its 2023 Annual Report to revise the cap in the long-term to address these unintended consequences and update the cap within a potential new funding structure for WMATA.

c. Identify Opportunities to Implement Additional Accountability and Oversight

In assessing the overall oversight framework for WMATA, the Working Group established that additional oversight requirements and/or responsibilities should start first with the WMATA Board of Directors, and that, where possible and if necessary, DC, Maryland and Virginia should then develop a unified set of reporting or other requirements to reduce the administrative burden on WMATA and build consensus on any reform measures that could be built into future funding legislation.

The Working Group found that WMATA is above average in providing reports and other publicly accessible information on its website when compared with peer agencies and that WMATA has made significant improvements in data and reporting since 2018. The Working Group encourages the Board and management to sustain this momentum with specific areas of improvement on providing publicly accessible information on Metrobus fare evasion by line and improving the usability and ease of access of the website to find information. The Working Group also found that there is room for improvement from the funding jurisdictions to coordinate their jurisdictional audits of WMATA.

NVTC will continue its work on identifying opportunities for WMATA to control costs and improve operational efficiencies in the development of its Annual Report on the Conditions and Performance of WMATA[68] that is developed each fall for publication no later than December 15th of each year.

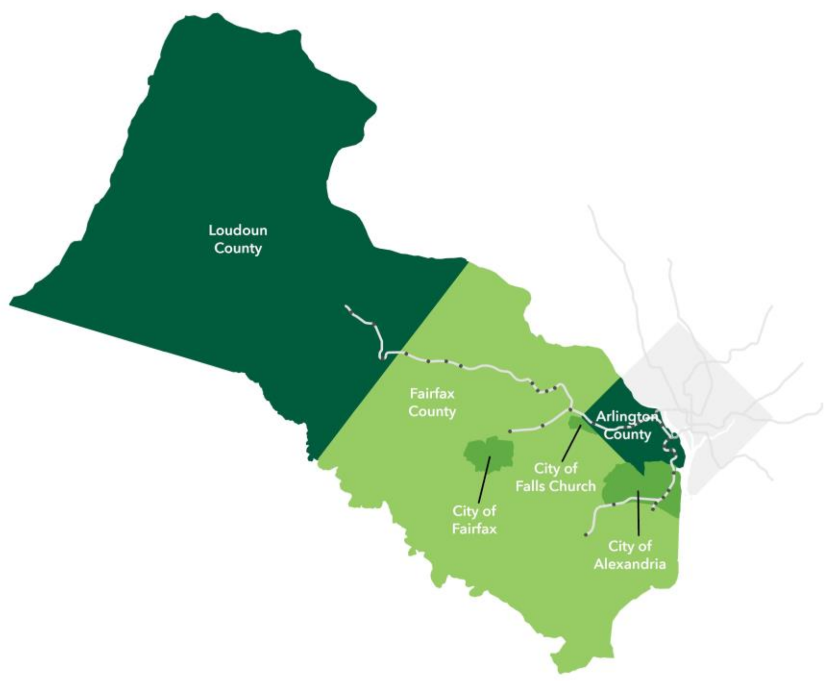
About NVTC

The Northern Virginia Transportation Commission (NVTC) was established to manage the Northern Virginia Transportation District and is charged with the funding and stewardship of the Washington Metropolitan Area Transit Authority (WMATA) on behalf of the jurisdictions of Arlington County, City of Alexandria, City of Falls Church, Fairfax County, City of Fairfax and Loudoun County. Founded in 1964, in part to represent the interests of the Commonwealth during the creation of Metrorail, NVTC continues to serve as Virginia's voice on the WMATA Board of Directors through its appointments to the panel. The WMATA Board determines the authority's policy and provides oversight for funding, operations and the expansion of transit facilities.

NVTC also manages more than $200 million in state assistance to WMATA on behalf of its jurisdictions. NVTC ensures that all its jurisdictions' voices are represented on the WMATA Board, coordinates regional transit efforts that directly affect systems serving Northern Virginia and engages in regional transportation planning, data analysis and reporting, which provides direct benefits to WMATA and the related Northern Virginia transit network.

NVTC also administers the Commuter Choice Program, which invests toll revenue into multi-modal and transit projects along the I-66 Inside the Beltway and I-395/95 corridors, and co-owns the Virginia Railway Express (VRE), which provides commuter rail service connecting Northern Virginia to the District of Columbia.

The Northern Virginia Transportation District



[1] The WMATA Compact defines the Washington Metropolitan Area Transit Zone as the District of Columbia, the cities of Alexandria, Falls Church and Fairfax and the counties of Arlington, Fairfax and Loudoun and political subdivisions of the Commonwealth of Virginia located within those counties, and the counties of Montgomery and Prince George's in the State of Maryland and political subdivisions of the State of Maryland located in said counties. <https://www.wmata.com/about/records/public_docs/upload/Compact_Annotated_2009_final.pdf>
[2] Metropolitan Washington Council of Governments. <https://www.mwcog.org/documents/2017/04/26/cog-technical-panel-report-on-metro-metro/>
[3] WMATA. FY 2017 Approved Budget, page 28. <https://wmata.com/upload/FY2017-Approved-Budget-2.pdf>
[4] The funding jurisdictions are those local and state governments that bear the funding obligation for WMATA. This includes the District of Columbia, State of Maryland, the cities of Alexandria, Fairfax, and Falls Church, and Counties of Arlington, Fairfax, and Loudoun. While there are significant funds flowing to WMATA from the Commonwealth of Virginia, the state does not bear the funding obligation.
[5] WMATA. FY 2022 Approved Budget, page 288. <https://wmata.com/about/records/upload/FY2022_Approved_Budget_Final_071421.pdf>
[6] WMATA Compact funding jurisdictions are the State of Maryland, the District of Columbia and the six cities and counties that comprise the NVTC Transportation District (Arlington County, Loudoun County, Fairfax County, the City of Fairfax, the City of Falls Church and the City of Alexandria).
[7] The CTF is comprised of motor vehicle fuels taxes and road taxes for diesel fuel, vehicle registration fees, a highway use fee, statewide sales tax, the motor vehicles sales and use tax, motor vehicle rental tax, statewide recordation tax, a tax on liquid alternative fuel, international registration plan fees, and insurance premium taxes. FY 2024 Commonwealth Transportation Fund Budget, June 2023. VDOT. <https://www.vdot.virginia.gov/media/vdotvirginiagov/about/CTF_Budget_2024_-_Final_6-13-2023_acc082923_PM.pdf>
[8] Because Metrobus actual service metrics are not available at the jurisdiction level, a correction factor using the available scheduled service hours is used to calculate an approximate value of service run for a fiscal year. To determine approximate VRH for a jurisdiction, the total actual VRH (from the NTD) is divided by the scheduled VRH (from WMATA budget geodistribution). This produces a "correction factor" that can then be applied to the scheduled VRH for DC, Maryland, and Virginia.

$$\text{Corrected VRH} = \left(\frac{Actual\ VRH_x}{Scheduled\ VRH_x}\right) \times Scheduled\ VRH_{\ y}$$

where x is entire Metrobus system
and y is the jurisdiction (MD, DC, VA)
[9] Virginia Municipal League. Handbook for Virginia Mayors and Council Members, August 2021. <https://www.vml.org/wp-content/uploads/pdf/21Handbook_FINALweb9-1-21.pdf>
[10] Northern Virginia Transportation Commission. Value of Northern Virginia Transit to the Commonwealth, June 2023. <https://novatransit.org/uploads/Projects/TransitValue/060123_NVTC%20Value%20of%20NoVa%20Transit_Full%20Technical%20Report.pdf>
[11] Virginia Department of Taxation. Retail Sales and Use Tax. <https://www.tax.virginia.gov/retail-sales-and-use-tax>
[12] Bi-State Development. <https://www.bistatedev.org/>
[13] Bi-State Development. FY 2024 Operating and Capital Budget. <https://www.bistatedev.org/wp-content/uploads/FY-2024-Operating-and-Capital-Budget.pdf>
[14] Illinois Department of Revenue. Mass Transit District Sales Tax. <https://tax.illinois.gov/localgovernments/masstransit.html>
[15] Virginia Tax Annual Report, FY 2022. <https://www.tax.virginia.gov/sites/default/files/inline-files/2022-annual-report.pdf>, Page 26. Statewide tax increment calculated utilizing General Fund sales tax revenues of $4.558 billion for a tax rate of 3.025% and CTF sales tax revenues of $1.368 billion for a tax rate of 0.9%.
[16] Washington, D.C. Office of the Chief Financial Officer. Tax Rates and Revenues, Sales and Use Taxes, Alcoholic Beverage Taxes and Tobacco Taxes. <https://cfo.dc.gov/page/tax-rates-and-revenues-sales-and-use-taxes-alcoholic-beverage-taxes-and-tobacco-taxes>
[17] Comptroller of Maryland. Sales and Use Tax. <https://www.marylandtaxes.gov/business/sales-use/index.php>
[18] Airbnb. Supporting Virginia's new tax collection and remittance law, October 2022. <https://news.airbnb.com/supporting-virginias-new-tax-collection-and-remittance-law/>

[19] Code of Virginia § 58.1-1743. <https://law.lis.virginia.gov/vacode/58.1-1743/>
[20] Office of the Chief Financial Officer, Washington, D.C. Tax Rates and Revenues, Sales and Use Taxes, Alcoholic Beverage Taxes and Tobacco Taxes. <https://cfo.dc.gov/page/tax-rates-and-revenues-sales-and-use-taxes-alcoholic-beverage-taxes-and-tobacco-taxes>
[21] Department of Finance, Mongomery County, Maryland. Room Rental – Transient Tax Information. <https://www.montgomerycountymd.gov/Finance/Resources/Files/data/taxes/ROOM_RENTAL_INFORMATION.pdf>
[22] Department of Finance, City of Chicago. Real Property Transfer Tax. <https://www.chicago.gov/city/en/depts/fin/supp_info/revenue/tax_list/real_property_transfertax.html>
[23] Northern Virginia Transportation Commission. Motor Fuels Tax. <https://novatransit.org/resources/financialinformation/motor-fuels-tax/>
[24] Emil Dimanchev, Dvood Qorbani, Magnus Korpas. Electric Vehicle Adoption Dynamics on the Road to Deep Decarbonization, July 2022. <https://onlinelibrary.wiley.com/doi/10.1002/9783527831425.ch8>
[25] Office of Tax and Revenue, Washington, D.C. Press release, September 2023. <https://otr.cfo.dc.gov/release/district-columbia-tax-changes-take-effect-october-1st>
[26] Maryland Department of Assessments and Taxation. Motor Fuels Tax Rates. <https://www.marylandtaxes.gov/forms/compliance_forms/MFT_RatesPerGallon.pdf>
[27] DMV Commonwealth Transportation Fund Revenue Report, December 2021. < https://www.dmv.virginia.gov/sites/default/files/documents/tracking_dec21.pdf>. Statewide estimate is created using the Motor Vehicle Sales Tax Rate of 4.15% and estimated FY 2022 revenues of $1.215 billion.
[28] Department of Motor Vehicles, Washington, D.C. Vehicle Title and Excise Tax Fees. <https://dmv.dc.gov/book/vehicle-fees/vehicle-title>
[29] Motor Vehicle Administration, Maryland Department of Transportation. <https://mva.maryland.gov/Pages/buying-a-vehicle-in-maryland.aspx>
[30] Department of Motor Vehicles, Washington, D.C. Vehicle Registration Fees. <https://dmv.dc.gov/node/155452>
[31] Motor Vehicle Administration, Maryland Department of Transportation. MVA Fee Listing. <https://mva.maryland.gov/about-mva/Pages/fees.aspx>
[32] Department of Motor Vehicles, Washington, D.C. Driver License Fees. <https://dmv.dc.gov/book/vehicle-registration-fees/driver-license-fees>
[33] Appendices Report New (dc.gov), "dedicated taxes" in FY 2024 is the parking sales tax.
[34] DC Municipal Regulations. <http://dcrules.elaws.us/dcmr/9-463>. 9 DCMR § 463.7-9
[35] https://law.lis.virginia.gov/vacode/title33.2/chapter23/section33.2-2300/
[36] https://law.lis.virginia.gov/vacode/title33.2/chapter15/section33.2-1524/
[37] Code of Virginia § 33.2-1526.1. <https://law.lis.virginia.gov/vacode/title33.2/chapter15/section33.2-1526.1/>
[38]Code of Virginia §33.2-3403 <https://law.lis.virginia.gov/vacode/title33.2/chapter34/section33.2-3403/>
[39] NVTC Annual Report on the Condition and Performance of WMATA <https://novatransit.org/programs/metro/annual-report-on-wmata/>
[40] WMATA. FY 2024 Budget. <https://www.wmata.com/about/records/upload/FY2024-Approved-Budget-FINAL-20231006.pdf>
[41] WMATA. Annual Comprehensive Financial Report for the Fiscal Years ended June 30, 2022 and 2021, page 101. <https://www.wmata.com/about/records/upload/Annual-Comprehensive-Financial-Report-for-the-Fiscal-Years-Ended-June-30-2022-and-2021.pdf>
[42] Figure represents a blended total for all component VRS pension systems (State Employees, Teachers, State Police, Judicial, Virginia Law Officers, and Political Subdivisions).
[43] Virginia Retirement System – State Pension Plans, June 30, 2022 Annual Actuarial Valuation, page 2, 5-10. <https://employers.varetire.org/pdfs/valuations/valuation-report-2022-vrs.pdf>
[44] WMATA. Annual Comprehensive Financial Report for the Fiscal Years ended June 30, 2022 and 2021, page 112. <https://www.wmata.com/about/records/upload/Annual-Comprehensive-Financial-Report-for-the-Fiscal-Years-Ended-June-30-2022-and-2021.pdf>
[45] WMATA. Metro Financial Planning, presentation to the Finance and Capital Committee, September 2023. <https://www.wmata.com/about/board/meetings/board-pdfs/upload/3A-Metro-Financial-Planning-0925.pdf>

[46] WMATA. FY25 GM Proposed Budget. <https://wmata.com/about/board/meetings/board-pdfs/upload/4A-GM-Proposed-FY25-Budget-11Dec23.pdf>
[47] WMATA. FY25 GM Revised Proposed Budget and FY26 Forecast. <https://wmata.com/about/board/meetings/board-pdfs/upload/3A-Revised-FY2025-Proposed-Budget-and-FY2026-Forecast.pdf>
[48] Virginia Legislative Information System. Virginia Acts of Assembly – 2018 Reconvened Session. Chapter 854. <https://lis.virginia.gov/cgi-bin/legp604.exe?181+ful+CHAP0854+pdf#page=1&zoom=auto,-175,792.>
[49] NVTC Resolution #2342, NVTC Principles for WMATA Reform. <https://novatransit.org/resolutions/>
[50] NVTC Report on Virginia's 3% Cap on the Growth in Operating Assistance Payments to WMATA, November 2020. <https://www.novatransit.org/uploads/WMATA/NVTC_3PctCap_FullReport_WEB.pdf>
[51] NVTC. NVTC WMATA Committee Presentation, September 21, 2023. <https://novatransit.org/uploads/meetings/2023/WMATASept2023presentation.pdf>
[52]WMATA. FY 2024 Approved Budget, page 14. <https://wmata.com/about/records/upload/FY2024-Approved-Budget-FINAL-20231006.pdf>
[53] Commonwealth Transportation Board. September 2023 Action Meeting. <https://www.ctb.virginia.gov/resources/2023/sept/ctb_action_meeting_sep_2023.pdf#page=111>
[54] Capital Funding Agreement WMATA Fiscal Years 2022 to 2027. <https://www.wmata.com/initiatives/capital-improvement-program/upload/FY22-27-CFA_all-signatures.pdf>
[55] Washington Metrorail Safety Commission. <https://wmsc.gov/oversight/>
[56] WMATA. Management Responses, WMSC Safety Audits. <https://www.wmata.com/initiatives/transparency/Management-Responses-to-WMSC-Safety-Audits.cfm>
[57] New York Metropolitan Transportation Authority. Reducing Operating Costs and Improving Efficiencies, July 2023. <https://new.mta.info/document/115371>
[58] Southeastern Pennsylvania Transportation Authority. Transformation Office. <https://planning.septa.org/transformation-office/>
[59] Transit agency websites include WMATA (https://www.wmata.com/), BART (https://www.bart.gov/), CTA (https://www.transitchicago.com/), LA Metro (https://www.metro.net/), MBTA (https://www.mbta.com), NY MTA (https://new.mta.info/), NJ Transit (https://www.njtransit.com/) and SEPTA (https://www.septa.org/).
[60] New York Metropolitan Transportation Authority. Transparency. <https://new.mta.info/transparency>
[61] WMATA. Public Records. <https://wmata.com/about/records/public-records.cfm>
[62] WMATA Office of Inspector General. <https://wmataoig.gov/>
[63] Virginia General Assembly. SJ28 (2024) as passed <https://lis.virginia.gov/cgi-bin/legp604.exe?241+ful+SJ28H2+pdf>
[64] WMATA's Your Metro, The Way Forward Strategic Transformation Plan, February 2023. <https://www.wmata.com/initiatives/strategic-plan/upload/230314_STP_Report.pdf>
[65] The Virginia Department of Rail and Public Transportation requires Transit Strategic Plans for transit systems in the Commonwealth that serve an urbanized area with 50,000 or more people and operate a fleet of 20 or more buses. All transit systems serving the NVTC district, with the exception of City of Fairfax's CUE, meet this threshold. From DRPT Transit Strategic Plan Guidelines issued in October 2022. <https://drpt.virginia.gov/wp-content/uploads/2023/07/tsp-guidelines-october-2022.pdf>
[66] Virginia Railway Express System Plan 2050 Update is anticipated to be completed in spring 2024. <https://system-plan-2050-update-vrexpress.hub.arcgis.com/>
[67] WMATA. Revised FY 2025 Proposed Budget and FY 2026 Forecast. <https://www.wmata.com/about/board/meetings/board-pdfs/upload/3A-Revised-FY2025-Proposed-Budget-and-FY2026-Forecast.pdf>
[68] NVTC's Annual Report on the Condition and Performance of WMATA is published by December 15th of each year. <https://novatransit.org/programs/metro/annual-report-on-wmata/>

Front and back cover photos courtesy of NVTC, WMATA, DASH, Fairfax Connector and CUE.

NVTC

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NoVaTransit.org

2300 Wilson Blvd. Suite 230

Arlington, VA 22201

(703) 524-3322

@NoVaTransit

Read full report at:

novatransit.org/programs/metro/metro-working-group-report/