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1 **HOUSE BILL NO. 539**

2 Offered January 14, 2026

3 Prefiled January 13, 2026

4 *A BILL to amend and reenact § 33.2-357 of the Code of Virginia, relating to local highway system funding;*
5 *revenue-sharing funds; funding cycle.*

6 Patron—Hamilton

7 Committee Referral Pending

8 **Be it enacted by the General Assembly of Virginia:**9 **1. That § 33.2-357 of the Code of Virginia is amended and reenacted as follows:**10 **§ 33.2-357. Revenue-sharing funds for systems in certain localities.**11 A. From revenues made available by the General Assembly and appropriated for the improvement,
12 construction, reconstruction, or maintenance of the systems of state highways, the Board may make an
13 equivalent matching allocation to any locality for designations by the governing body of up to \$5 million for
14 use by the locality to improve, construct, maintain, or reconstruct the highway systems within such locality
15 with up to \$2.5 million for use by the locality to maintain the highway systems within such locality. After
16 adopting a resolution supporting the action, the governing body of the locality may request revenue-sharing
17 funds to improve, construct, reconstruct, or maintain a highway system located in another locality or between
18 two or more localities or to bring subdivision streets, used as such prior to the date specified in § 33.2-335, up
19 to standards sufficient to qualify them for inclusion in the primary or secondary state highway system. All
20 requests for funding shall be accompanied by a prioritized listing of specified projects.21 B. In allocating funds under this section, the Board shall give priority to projects as follows: first, to
22 projects that have previously received an allocation of funds pursuant to this section; second, to projects that
23 (i) meet a transportation need identified in the Statewide Transportation Plan pursuant to § 33.2-353 or (ii)
24 accelerate a project in a locality's capital plan; and third, to projects that address pavement resurfacing and
25 bridge rehabilitation projects where the maintenance needs analysis determines that the infrastructure does
26 not meet the Department's maintenance performance targets.27 C. The Department shall contract with the locality for the implementation of the project. Such contract
28 may cover either a single project or may provide for the locality's implementation of several projects. The
29 locality shall undertake implementation of the particular project by obtaining the necessary permits from the
30 Department in order to ensure that the improvement is consistent with the Department's standards for such
31 improvements. At the request of the locality, the Department may provide the locality with engineering,
32 right-of-way acquisition, construction, or maintenance services for a project with its own forces. The locality
33 shall provide payment to the Department for any such services. If administered by the Department, such
34 contract shall also require that the governing body of the locality pay to the Department within 30 days the
35 local revenue-sharing funds upon written notice by the Department of its intent to proceed. Any project
36 having funds allocated under this program shall be initiated in such a fashion that at least a portion of such
37 funds have been expended within one year of allocation. Any revenue-sharing funds for projects not initiated
38 after two subsequent fiscal years of allocation may be reallocated at the discretion of the Board.39 D. Total Commonwealth funds allocated by the Board under this section shall not exceed the greater of
40 \$100 million or seven percent of funds available for distribution pursuant to subsection B of § 33.2-358 prior
41 to the distribution of funds pursuant to this section, whichever is greater, in each fiscal year, subject to
42 appropriation for such purpose. For any fiscal year in which less than the full program allocation has been
43 allocated by the Board to specific governing bodies, those localities requesting the maximum allocation under
44 subsection A may be allowed an additional allocation at the discretion of the Board.45 E. The funds allocated by the Board under this section shall be distributed and administered in accordance
46 with the revenue-sharing program guidelines established by the Board. *Such guidelines shall establish an*
47 *annual application process.*

INTRODUCED

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