

**Department of Planning and Budget
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State Fiscal Impact Statement**

Fiscal Analysis:

Commonwealth Mass Transit Fund revenue and allocations

The bill would alter the percentage-based allocations of the Commonwealth Mass Transit Fund (CMTF) that the Department of Rail and Public Transportation (DRPT) is required to recommend to the Commonwealth Transportation Board. The table below shows the proposed percentage allocations of funding among the CMTF.

Commonwealth Mass Transit Fund distributions		
Program	Existing	Proposed
Operating costs of transit providers (non-WMATA)	24.5%	27.0%
Capital purposes for transit providers (non-WMATA)	17.0%	15.0%
WMATA for capital purposes and operating assistance (to NVTC)	46.5%	49.0%
Special programs	2.5%	1.6%
Transit Ridership Incentive Program	6.0%	3.9%
Commuter Rail System jointly operated by NVTC and PRTC	3.5%	3.5%

Currently, allocations for a commuter rail system jointly operated by the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC) are optional and based on service delivery factors including effectiveness and efficiency as established by the CTB. The bill makes the allocation mandatory and removes the provisions to base the amounts on service delivery factors.

The bill would also remove the requirements that the amounts allocated to the NVTC for distribution to WMATA for capital purposes and operating assistance not exceed 50 percent of the total operating and capital assistance required to be provided by NVTC or other Virginia entities in the approved WMATA budget.

Currently, the CTB is required to withhold 35 percent of the CMTF allocation for WMATA for capital purposes and operating assistance in any year where the total Virginia operating assistance in the approved WMATA budget increases by more than three percent, subject to some exemptions from the calculation. The bill would replace that requirement. The bill requires WMATA to develop an annual unit cost calculation for rail and bus service. Starting in 2028, WMATA would be required to publish the annual unit cost calculation results, including year-over-year operating expenses and vehicle revenue hours by mode for rail and bus and percentage growth increase from the prior year. The bill provides that failure to establish such calculation and policy in 2028 would result in the CTB withholding 35 percent of the CMTF allocation each year until such policy is implemented. Also starting in 2029, the CTB would be required to withhold 35 percent of such funds in any year where the approved WMATA budget's unit cost of rail or bus service grows more than three

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percent from the previous year. Factoring in revenue changes proposed by this legislation, 35 percent of such allocation would be \$133.0 million in FY28 and \$136.8 million in FY29.

The bill proposes additional revenues that would be directed to the Commonwealth Mass Transit Fund including a statewide \$0.50 fee on each retail delivery made in Virginia and a statewide 4.3% tax on the gross proceeds derived from fares charged by transportation network companies for transporting passengers in Virginia. The following table summarizes the revenue estimates from the Department of Taxation for these sources.

Additional Commonwealth Mass Transit Fund Revenues			
Fiscal Year	\$0.50 Statewide Retail Delivery Fee	Statewide 4.3% Tax on Transportation Network Companies	Total
2027	\$214,000,000	\$23,330,000	\$237,330,000
2028	\$239,400,000	\$26,590,000	\$265,990,000
2029	\$246,800,000	\$27,790,000	\$274,590,000
2030	\$255,300,000	\$29,040,000	\$284,340,000
2031	\$265,000,000	\$30,350,000	\$295,350,000
2032	\$273,000,000	\$31,710,000	\$304,710,000

The table at the end of this impact statement summarizes the estimated net changes to the distribution of the CMTF from both the additional revenue proposed and the proposed changes in the allocation formula. Additional revenues would be allocated to qualifying projects and agencies under the various components of the CMTF. DRPT notes that beyond the increases for WMATA, additional funding for transit would assist in addressing capital needs statewide and provide higher allocations of operating support to transit agencies.

Northern Virginia Transportation District Regional Fund

The bill establishes the Northern Virginia Transportation District Regional Fund supported by regional revenues and to be used to support public transportation initiatives in the Northern Virginia Transportation District (NVTD). The following revenues proposed by the bill would be deposited to the fund:

- An additional 0.2% retail sales and use tax in localities that are part of the NVTD
- A \$0.25 fee on each retail delivery made in any county or city that is a member of the NVTD
- An additional highway use fee, equal to 29.34 percent of the currently assessed highway use fee, on vehicles currently subject to the highway use fee and principally garaged in any locality that is part of the NVTD
- A 1.9% tax on the gross proceeds derived from fares charged by transportation network companies for transporting passengers from any county or city that is a member of the NVTD
- A 10 percent tax on the sale of or charges for parking services in a public, commercial parking lot in any locality that is a member of the NVTD

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The table below summarizes the estimated revenue from each of the sources above. Estimates on the regional highway use fee are based on information from the Department of Motor Vehicles (DMV). Estimates for the commercial parking sales tax are based on information provided by the NVTC; this is an update from the original fiscal impact statement. All other estimates below are based on information from the Department of Taxation; the estimates for the 0.2% regional sales and use tax are also updated from the original fiscal impact statement.

Northern Virginia Transportation District Regional Fund Revenues						
Fiscal Year	0.2% Regional Sales and Use Tax, NVTD	\$0.25 Regional Retail Delivery Fee	Regional Highway Use Fee, NVTD	Regional 1.9% Tax on Transportation Network Companies	10% Commercial Parking Tax	Total New Revenue
2027	\$81,000,000	\$28,000,000	\$6,917,943	\$2,380,000	\$33,000,000	\$151,297,943
2028	\$90,600,000	\$31,375,000	\$7,981,728	\$2,710,000	\$33,000,000	\$165,666,728
2029	\$93,200,000	\$32,375,000	\$9,206,083	\$2,830,000	\$33,000,000	\$170,611,083
2030	\$96,100,000	\$33,500,000	\$10,604,391	\$2,960,000	\$33,000,000	\$176,164,391
2031	\$99,300,000	\$34,750,000	\$12,491,103	\$3,090,000	\$33,000,000	\$182,631,103
2032	\$102,200,000	\$35,750,000	\$14,866,219	\$3,230,000	\$33,000,000	\$189,046,219

The fund would be used to support public transportation initiatives in the Northern Virginia Transportation District (NVTD). The fund would be distributed as follows:

- Two percent of the annual Fund revenues would be distributed to the Northern Virginia Transportation Commission (NVTC) for technical assistance, planning, and design to advance transit projects that benefit the NVTD.
- Starting in FY2028, \$136 million would be deposited to the Washington Metropolitan Area Transit Authority (WMATA) Capital Fund. This amount would then increase by three percent each year.
- Starting in FY2028, \$9.1 million would be deposited to the Commuter Rail Operating and Capital Fund. This amount would then increase by three percent each year.
- Any remaining funds would be held in trust accounts for each locality located within the NVTD for public transportation purposes and allocated proportionally to revenue generated by each locality.

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Northern Virginia Transportation District Regional Fund Distribution					
Fiscal Year	2% for NVTD	WMATA Capital Fund	Commuter Rail Operating and Capital Fund	Excess Local Trust	Total
2027	\$3,395,959			\$148,271,985	\$151,297,943
2028	\$3,729,335	\$136,000,000	\$9,100,000	\$17,253,393	\$165,666,728
2029	\$3,840,222	\$140,080,000	\$9,373,000	\$17,745,862	\$170,611,083
2030	\$3,963,288	\$144,282,400	\$9,654,190	\$18,704,513	\$176,164,391
2031	\$4,108,622	\$148,610,872	\$9,943,816	\$20,423,793	\$182,631,103
2032	\$4,248,924	\$153,069,198	\$10,242,130	\$21,953,966	\$189,046,219

Potomac and Rappahannock Transportation Commission Regional Fund

The bill establishes the Potomac and Rappahannock Transportation Commission Regional Fund (PRTC RF) supported by new regional revenues including an additional 0.2% retail sales and use tax in localities that are part of the PRTC and an additional highway use fee, equal to 29.34 percent of the currently assessed highway use fee, on vehicles currently subject to the highway use fee and principally garaged in any locality that is part of the PRTC. The table below summarizes the revenue estimates from the Department of Taxation for the sales and use tax, updated from the original fiscal impact statement, and the Department of Motor Vehicles for the highway use fee.

Potomac and Rappahannock Transportation Commission Regional Fund Revenues			
Fiscal Year	0.2% Regional Sales and Use Tax, PRTC	Regional Highway Use Fee, PRTC	Total
2027	\$31,000,000	\$3,055,974	\$34,055,974
2028	\$34,700,000	\$3,525,897	\$38,225,897
2029	\$35,700,000	\$4,066,751	\$39,766,751
2030	\$36,800,000	\$4,684,448	\$41,484,448
2031	\$38,100,000	\$5,517,896	\$43,617,896
2032	\$39,200,000	\$6,567,094	\$45,767,094

The fund would be used to support public transportation initiatives in the localities embraced by the Potomac and Rappahannock Transportation Commission (PRTC). The fund would be distributed as follows:

- Starting in FY2028, \$18.2 million would be deposited to the Commuter Rail Operating and Capital Fund. This amount would then increase by three percent each year.

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- Any remaining funds would be held in trust accounts to be used for public transportation purposes in accordance with the Potomac and Rappahannock Transportation Commission's strategic plan for transit or adopted budget and allocated proportionally to revenue generated by each locality.

Potomac and Rappahannock Transportation Commission Regional Fund Distributions			
Fiscal Year	Commuter Rail Operating and Capital Fund	PRTC Strategic Plan	Total
2027	\$0	\$34,055,974	\$34,055,974
2028	\$18,200,000	\$20,025,897	\$38,225,897
2029	\$18,746,000	\$21,020,751	\$39,766,751
2030	\$19,308,380	\$22,176,068	\$41,484,448
2031	\$19,887,631	\$23,730,265	\$43,617,896
2032	\$20,484,260	\$25,282,834	\$45,767,094

Regional Highway Use Fee

The bill proposes an additional highway use fee (HUF), equal to 29.34 percent of the currently assessed highway use fee, on vehicles currently subject to the highway use fee. The distribution of these revenues would be based on the locality in which the vehicle is principally garaged. As noted above, revenues from localities that are part of the NVTC and PRTC would be distributed to the associated funds established by this bill. For other localities, revenues would be distributed in the same manner as the regional wholesale gas tax which includes distributions to the I-81 Corridor Improvement Fund, Central Virginia Transportation Fund, Hampton Roads Transportation Fund, and allocations to the Construction District Grant Program benefiting the district in which the revenue was generated.

The table below summarizes estimated revenue and anticipated distribution of the proposed fee. Not all vehicles are subject to the HUF; it generally applies to alternative fuel vehicles (AFV), electric motor vehicles (EV), and fuel-efficient vehicles. The estimate of the total revenue collected from the new HUF is based on collections of the existing highway use fee. However, registration of AFVs, EVs, or fuel-efficient vehicles by locality is not readily available. As a result, the distributions listed below are based on the total registered vehicles by locality provided by the Department of Motor Vehicles and proportionally allocated to the various funds. Actual collections and distributions may differ if the composition of vehicle types differs across localities.

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Regional Highway Use Fee Revenue and Distributions						
	FY27	FY28	FY29	FY30	FY31	FY32
NVTD Regional Fund	\$6,917,943	\$7,981,728	\$9,206,083	\$10,604,391	\$12,491,103	\$14,866,219
PRTC Regional Fund	\$3,055,974	\$3,525,897	\$4,066,751	\$4,684,448	\$5,517,896	\$6,567,094
I-81 Corridor Improvement Fund	\$3,385,654	\$3,906,272	\$4,505,474	\$5,189,809	\$6,113,169	\$7,275,555
Central Virginia Transportation Fund	\$4,188,581	\$4,832,667	\$5,573,973	\$6,420,601	\$7,562,941	\$9,000,993
Hampton Roads Transportation Fund	\$5,506,394	\$6,353,122	\$7,327,658	\$8,440,652	\$9,942,396	\$11,832,889
Construction District Grant Program	\$6,817,331	\$7,865,644	\$9,072,193	\$10,450,164	\$12,309,436	\$14,650,009
Total Regional HUF	\$29,871,878	\$34,465,330	\$39,752,132	\$45,790,065	\$53,936,941	\$64,192,760

The amounts above are net of the costs to DMV associated with collecting this revenue.

WMATA Capital Fund allocation caps

The WMATA Capital Fund supports the capital needs of the authority and is supported by a combination of regional and statewide transportation revenues. In addition to the proposed allocation from the NVTDRF, the bill provides that starting in FY2027, total allocations to the Fund would not exceed the amounts described in the table below and conditions these amounts on corresponding commitments by the District of Columbia and the State of Maryland.

Washington Metropolitan Area Transit Authority Capital Fund allocation caps	
Fiscal Year	Funding Cap
2027	\$154,500,000
2028	\$290,500,000
2029	\$299,215,000
2030	\$308,191,450
2031	\$317,437,194
2032	\$326,960,309

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The \$154.5 million in FY27 represents the current required funding for WMATA capital needs resulting from a 2019 agreement between WMATA and the Commonwealth. The amount starting in FY28 represents the existing commitment plus the allocation proposed in this bill from the NVTD Regional Fund which starts at \$136.0 million in FY28 and increases by three percent each year.

Construction district grant programs transit funding

The bill provides that the CTB shall award up to 15 percent of the funds available from the existing regional fuels taxes and the regional highway use fee proposed by the bill in the construction district grant program are made available for transit capital and operating support within each district. However, the bill provides that this funding is not available to agencies that receive funding from the Hampton Roads Transportation Accountability Commission, Central Virginia Transportation Authority, or the Northern Virginia Transportation Commission. The impact of this provision on transit funding and other projects within the construction district grant program is currently indeterminate.

Metro Reform Commission

The bill repeals § 33.2-3100.1, Code of Virginia, that established the Metro Reform Commission. The fiscal impact of this change is indeterminate.

Commuter Rail Operating and Capital Fund bonds

The bill removes the existing provision that debt service on bonds issued by the NVTD and PRTC not exceed 66 percent of the allocation to Commuter Rail Operating and Capital Fund from the wholesale fuels tax. This bill allocates additional revenue to the fund, maintaining this provision would have limited the ability for the NVTD and PRTC to utilize those revenues in support of additional bonds.

Impact to the Department of Taxation

The Department of Taxation requests a delayed effective date of January 1, 2027, due to the system changes required by this legislation and resource commitments associated with the Integrated Revenue Management System (IRMS) replacement project. Changes needed to implement this bill would impact work in progress for the first rollout of the new system scheduled for September 2026. For more information on the new system implementation releases, see the 2025 Status Report on the Replacement of the Integrated Revenue Management System (IRMS).

Provided the requested delayed effective date is adopted, the Department does not require additional funding because the implementation costs of this bill can be absorbed within existing resources.

Other: This bill is identical to HB1179. HB900/SB730 and HB1000 also address transportation funding.

The Northern Virginia Transportation District (NVTD) is governed by the Northern Virginia Transportation Commission (NVTC). It is comprised of the counties of Arlington, Fairfax, and Loudoun; the cities of

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Alexandria, Falls Church, and Fairfax. The NVTC is primarily involved in transit initiatives, including the Washington Metropolitan Area Transit Authority (WMATA) and jointly operates the Virginia Railway Express (VRE).

The Northern Virginia Transportation Authority (NVTA) is comprised of the localities included in the NVTD plus Prince William County and the cities of Manassas and Manassas Park. Supported by regional revenues, the NVTA supports multimodal transportation projects.

Potomac and Rappahannock Transportation Commission (PRTC) includes the counties of Prince William, Stafford, and Spotsylvania and the cities of Manassas, Manassas Park, and Fredericksburg. It supports transit activities in the member localities and jointly operates the VRE.

DMV Transfer Payments (agency 530) typically handles distributions to NVTC and PRTC. DRPT distributes the CMTF. VDOT is responsible for the I-81 Improvement Fund and the construction district grant program. VDOT transfer payments (agency 503) typically distributes funds to the Central Virginia Transportation Authority (CVTA) and the Hampton Roads Transportation Accountability Commission (HRTAC).

REVISED: This impact statement has been revised to incorporate updated revenue estimates from the NVTC related to the 10 percent sales tax on commercial parking and updated estimates from the Department of Taxation on the proposed regional sales and use tax. The following changes were made:

- Estimated revenue from the 10 percent sales tax on commercial parking was updated from \$151.0 million per year to \$33.0 million per year.
 - Tables detailing the revenues and distribution of the Northern Virginia Transportation District Regional Fund were updated accordingly.
- Estimated revenue from the 0.2 percent regional sales and use tax in Northern Virginia was updated:
 - For the NVTDRF, the estimate was reduced from \$99.5 million in FY27 and \$111.4 million in FY28 to \$81.0 million in FY27 and \$90.6 million in FY28. Revenue and distribution tables were updated accordingly.
 - For the PRTC RF, the estimate was increased from \$27.7 million in FY27 and \$31.0 million in FY28 to \$31.0 million in FY27 and \$34.7 million in FY28. Revenue and distribution tables were updated accordingly.
- As a result, estimated totals for new statewide and regional taxes in Northern Virginia decreased from \$585.8 million in FY27 and \$639.5 million in FY28 to \$442.6 million in in FY27 and \$492.8 million in FY28.

This impact statement was also revised to reflect comments from the Department of Taxation on the administrative impact of the bill and request for a delayed effective date.

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Commonwealth Mass Transit Fund Net Impact of SB638								
Program	Existing Allocation	HB1179 Allocation	FY27	FY28	FY29	FY30	FY31	FY32
Operating costs of transit providers (non-WMATA)	24.5%	27.0%	\$58,145,850	\$65,167,550	\$67,274,550	\$69,663,300	\$72,360,750	\$74,653,950
Capital purposes for transit providers (non-WMATA)	17.0%	15.0%	\$40,346,100	\$45,218,300	\$46,680,300	\$48,337,800	\$50,209,500	\$51,800,700
WMATA for capital purposes and operating assistance (to NVTC)	46.5%	49.0%	\$110,358,450	\$123,685,350	\$127,684,350	\$132,218,100	\$137,337,750	\$141,690,150
Special programs	2.5%	1.6%	\$5,933,250	\$6,649,750	\$6,864,750	\$7,108,500	\$7,383,750	\$7,617,750
Transit Ridership Incentive Program	6.0%	3.9%	\$14,239,800	\$15,959,400	\$16,475,400	\$17,060,400	\$17,721,000	\$18,282,600
Commuter Rail System	3.5%	3.5%	\$8,306,550	\$9,309,650	\$9,610,650	\$9,951,900	\$10,337,250	\$10,664,850
Net change			\$237,330,000	\$265,990,000	\$274,590,000	\$284,340,000	\$295,350,000	\$304,710,000