

# Virginia Transportation 2012

## Quicksand at the Bottom of the Well

Delegate Vivian Watts, Virginia Secretary of Transportation & Public Safety 1986-90

# Virginia Overview

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## State-managed funds include

- Highway Maintenance and Construction - \$4.7 billion
  - 3<sup>rd</sup> largest state highway network behind NC and TX
- Rail and Public Transit - \$467 million
  - Guaranteed 14.7% share of Special Session
- Ports - \$37 million
  - Guaranteed 4.2% share of Special Session
- Aviation - \$22 million
  - Guaranteed 2.4% share of Special Session

## Over 80% of highway construction and maintenance is performed by the private sector –

VDOT has 7,500 full time staff, compared to 10,380 in 2001. The lowest level since 1965.

## Virginia is a leader in public/private transportation projects.

# The Cost of Gridlock

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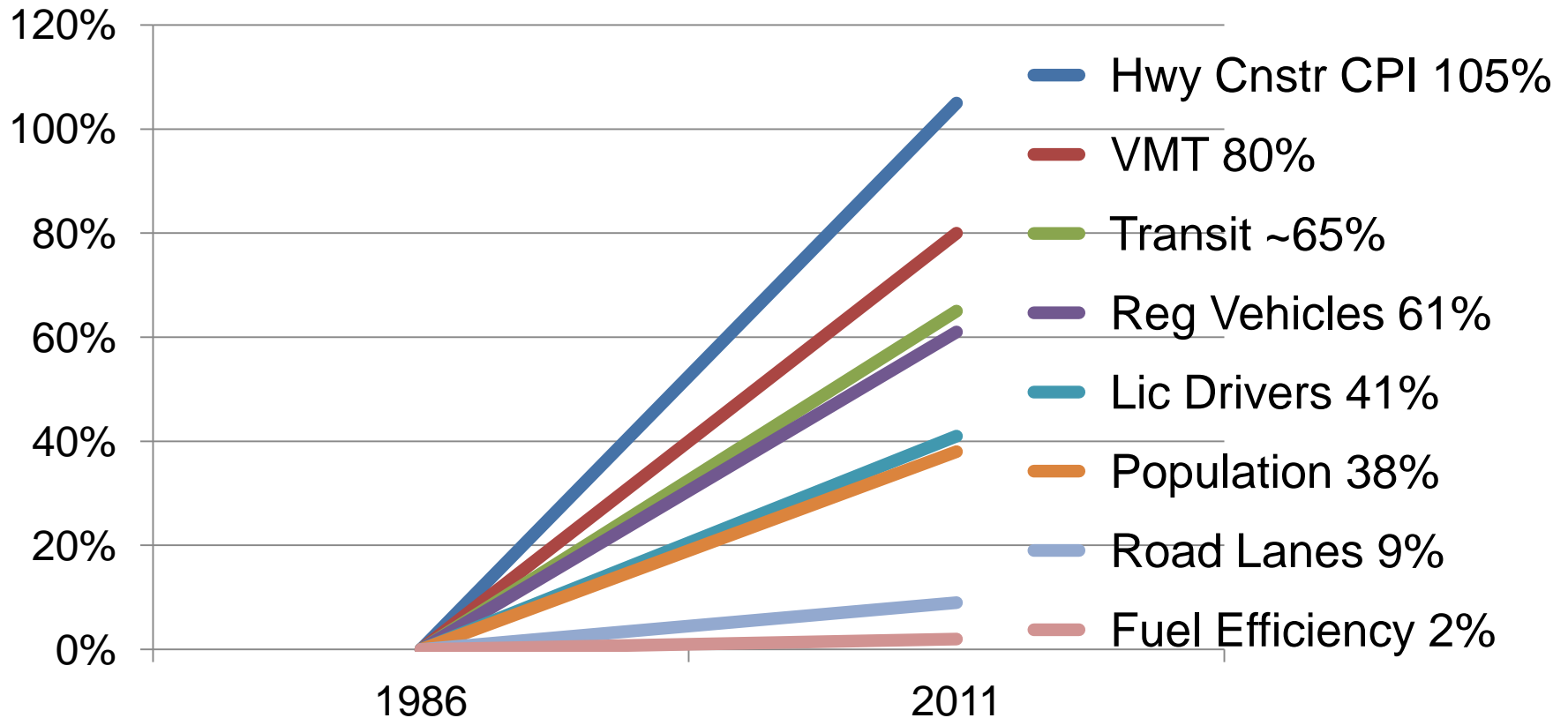
- The DC Region is now the most congested in the nation.\*
  - Commuters spend 74 extra hours\* annually tied up in traffic spending an average of \$1500 in time and fuel.
  - NV rush “hour” is 7 hours.\*
- Hampton Roads rush hour is 4 hours\* and costs its economy \$501 million.\*\*
- Richmond rush hour is 2.5 hours\* and costs its economy \$202 million.\*\*

\*Texas Transportation Institute, 9/11

\*\*2007 UVA Cooper Center estimate

# Demand

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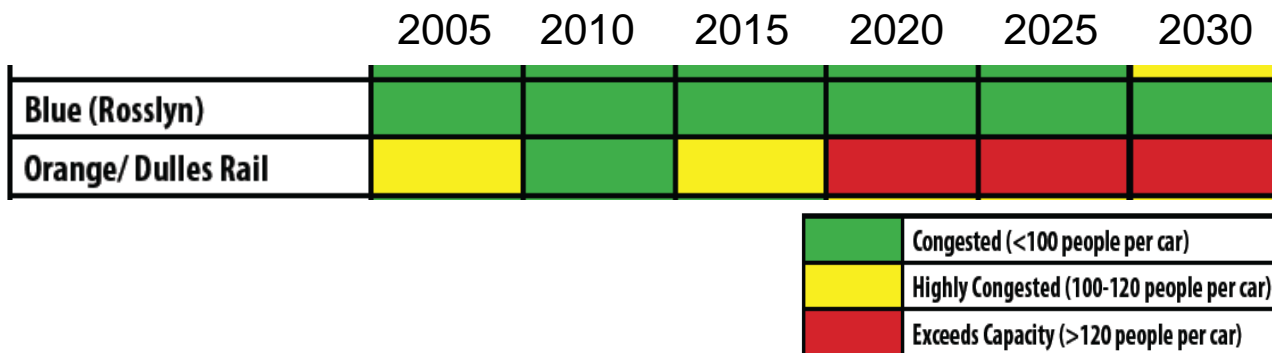


- **Virginia's gas tax is now in the bottom 10 of states** – 17.5-cents per gallon. (NV also pays 2.1% wholesale gas tax to support Metrorail.)

# Need

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- To meet identified **maintenance** and **construction** needs we must have **\$20 billion in new money over the next 20 years.**
- **Transit** investments, especially in N Virginia, also crucial.
  - Metrorail **deaths due to 40-year-old technology**
    - \$6 billion just to meet Federal Transit Administration safety standards
  - Costs \$2 million per car to have 8-car trains during rush hour



# Welcome to Virginia: Ride Free

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Over 20% of road use is non-residents, but paying for our roads has shifted significantly to Virginia taxpayers only.

State Dedicated **Construction Revenue** -- by statute:

TTF (1986 Special Session)	FY11	% in FY11	% in FY87
Motor <b>Fuels Tax</b> (2.5 cents)	\$82,556,300	<b>14%</b>	<b>50%</b>
Vehicle Sales and Use Tax (1%)	\$117,499,100	20%	22%
Retail Sales and Use Tax (1/2-cent)	\$384,528,200	64%	16%
Vehicle License Tax (\$3)	\$16,684,400	3%	11%
	\$601,268,000		

**Maintenance:** 50% from all drivers paying 15 cents of the gas tax. But 2% vehicle sales tax and the annual license fees that support maintenance are paid only by Virginians .

# Well's Been Drained Dry

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- **To get funds for maintenance, 2001 budget language began overriding the 1986 statutory construction lockbox.**
  - Siphoning-off construction funds grew by \$50 million/year.
  - FY11\* it was over \$510 million leaving only \$125 million in state construction money (\*FY12 \$450 million in part because increased car sales)
    - **No state funding of local road construction** for last 3 years.
    - **Close to not being able to match Federal dollars** (90:10, 80:20)
  - Over \$4 Billion lost to construction in the last decade
- **Maintenance cuts creating:**
  - surface **deterioration** that is more costly to repair
  - **safety hazards** from only 3 grass cuttings in county urban areas
    - However, payments to cities to maintain their roads has continued to grow about 4% per year
  - **increased congestion** because pavement markings, intersection improvements, signal timing, etc. unaddressed

# Governor's Plan

## A Drop in The Bucket

# Gov's Plan: PPTA

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- Virginia is a leader; therefore, **few profitable opportunities left.**
- 70-year **increased cost to driving public** to pay return on private investment
- VDOT professional participation and **oversight critical**
- Must have state money in partnership
  - **Little public leverage** over construction impacts.
  - Assumptions for NV **HOT Lanes require very significant public funding of busses** and commuter feeder lots.
  - State money **crucial to reduce tolls.**
- High HOV use **may end up requiring state subsidy** to private investors.

# Gov's Plan: Borrow \$4 Billion

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- To raise \$1.8 billion **McDonnell will absorb over 80% of Virginia's transportation debt service capacity** from the 1/3 Insurance Premium Tax **for the next 25 years**
- Despite our AAA rating, we **can't borrow more without diverting additional General Funds** for debt service or coming up with a new source of revenue

Note: Prior use of 1/3 of Insurance Premium Tax to pay back transportation bonds was for 10-year bonds not 25-year bonds

# Gov's Plan: Federal GARVEEs

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- To raise another \$1.1 billion, the Governor's program **assumes** Virginia will get federal GARVEE bond financing.
  
- ▣ The 1<sup>st</sup> sale is planned for February 2012
  - will provide \$623 million for VDOT's subsidy of the Downtown Tunnel /Midtown Tunnel / Martin Luther King Expressway.
  - will be 15-year bonds

# GARVEE bonds – Reality

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**All 3 rating houses issued warnings** this year:

Moody's "... risks to the outlook for GARVEEs include ongoing authorized spending levels in excess of dedicated tax revenues and the political unwillingness to raise the gas tax"...

Standard & Poor "...there are several potential risks, that, if realized alone or in combination, might cause us to reevaluate the ratings on some or all our GARVEE bonds..."

Fitch "...what was once a formula-driven program funded on a multiyear basis is now morphing into a program where future policy is less certain..."

VDOT 10/19/11

**If feds don't** fund Downtown Tunnel /Midtown Tunnel / Martin Luther King Expressway, **debt service** for GARVEE issue **must come from state** funds.

# Gov's Plan: Infrastructure Bank

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- \$1 billion for loans and grants financed from state funds
  - ▣ \$250 million from one-time VDOT un-allocated balances released after 2011 audit
  - ▣ \$150 million from FY10 **General Fund** surplus
  - ▣ Remaining \$600 million from future **General Fund** surpluses and/or from future **General Fund** revenue growth over 5%
  
- 20% of funds to localities as grants (not loans)
- 80% to the private as well as public sector for low interest loans
  - The initial \$400 million was expected to 2 PPTA projects and several grants

# Big Hole in the Bucket

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- Governor could end up putting as much as \$3 billion into highway construction.\* But much of it **must be paid for in cash by the next 4 Governors**
- To build new transportation capacity, those Governors will only be able to borrow \$50 million/yr -- not the \$600 million/yr spent by this Administration.

\*To date

- \$1.8 Billion in 25-year bonds sold May 2011, May 2012 and May 2013
- \$250 million put in Infrastructure Bank from VDOT reserves
- \$100 million in Infrastructure Bank from FY10 and FY11 **General Fund** surplus
- \$623 million to \$1.1 billion in GARVEE bonds

# Gov Diverts to Maintenance

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- Phase 2 in the State of Commonwealth **focused solely on maintenance**
- Governor proposed that the next two Governors **cut the General Fund by over \$200 million a year** to fund maintenance by diverting sales tax.
  - ▣ He only is willing to cut \$53 million during his term
  - ▣ \$200 million is **far short of \$550 million a year maintenance shortfall**
  - ▣ **Only Virginia residents will pay**, not out of state traffic

# More Draining the General Fund

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- State of the Commonwealth also proposed **General Revenue growth over 5%** go to transportation.
- The \$1 billion construction Infrastructure Bank was supposed to come from General Fund surpluses
  - ▣ Instead **75% of GF surplus** is shifted to maintenance
- The plan announced by the Governor in December also proposed that VDOT get a portion of any growth in **General Fund revenues generated** as result of transportation improvement

# What a Serious Plan to Address

**Maintenance,  
Congestion, and  
Road Improvements**

**Would Require**

# HB422 -- Building on 2007

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## □ Northern Virginia:

- \$125 million from 40-cent grantor tax paid by seller;
- > \$125 million from ½ cent sales tax (excludes food);
- \$90 million from leveraging all local governments to adopt a Commercial & Industrial real estate tax capped at 12.5 cents.
- Provisions for transit funding

## □ Language to make amendment for Hampton Roads funding germane

- > \$650 million for maintenance from statewide 5% wholesale fuel tax returned to highway district where collected.

( > HB3202 in 2007 did not include gas tax and it had several small NV taxes instead of sales tax)

# Impact of Statewide Gas Tax

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HB3202 in 2007 did not include gas tax.

\$650 million into maintenance **would completely restore local road construction funding**

- A constitutional amendment is needed to prevent budget language from again diverting

Based on a House Appropriations Committee staff memo in October 2009, which calculated that a 20-cent increase in the gas tax would cost the average two-car family \$300 a year, **a 5% wholesale gas tax would cost less than \$200 per family per year.**

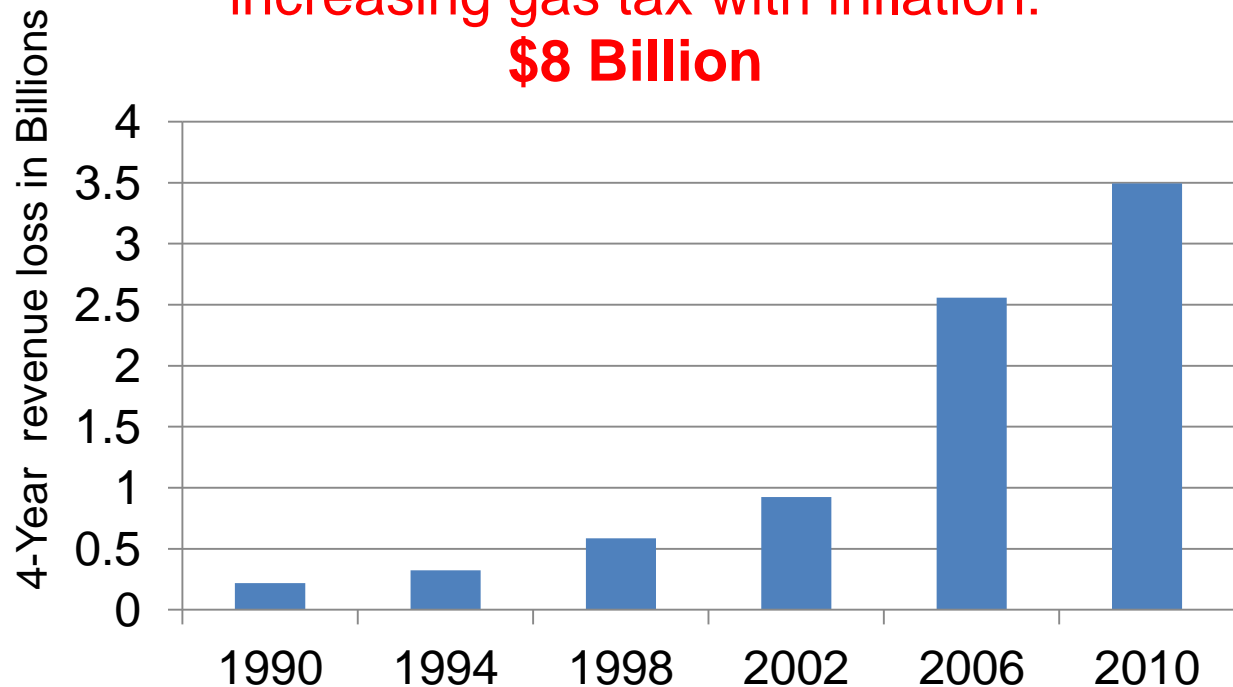
**Out-of-state drivers would pay their share.**

# Indexing the Gas Tax

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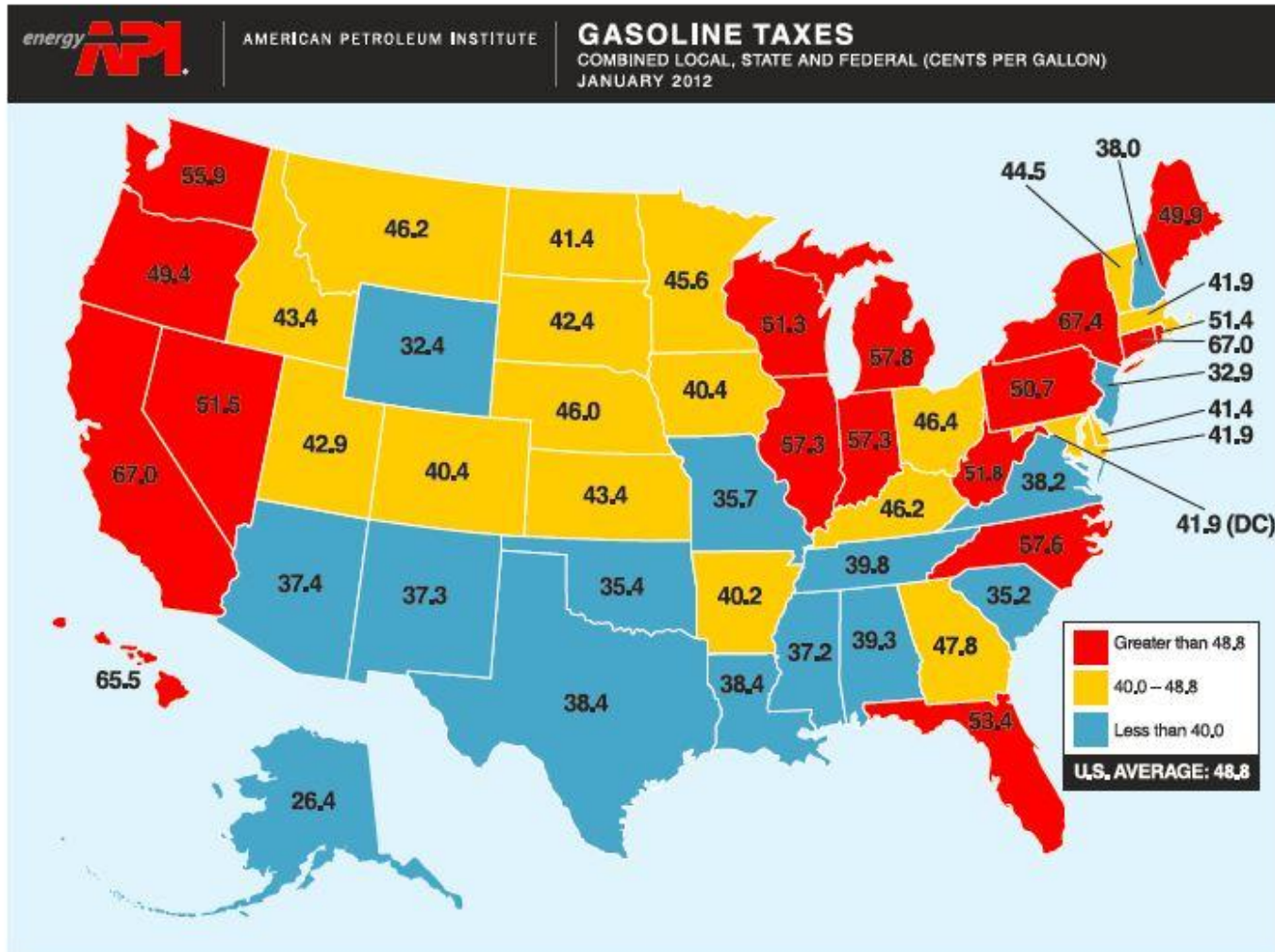
- Indexing the gas tax is a small **step in right direction, but a drop in the bucket** to make-up for not dealing with inflation since 1986.

Total Lost Revenue (est.) from not increasing gas tax with inflation:  
**\$8 Billion**



## Appendix:

Gas tax rates below include the 18.4-cent federal tax, state per gallon taxes and state excise taxes. For Virginia the 38.2 cents is made up of: 18.4 cents/gal federal + 17.5 cents/gal state + 2.3 cents/gal in NV for transit



## Footnotes

### Slide 3: The Cost of Gridlock

#### Length of rush hours –

Texas Transportation Institute: 2011 Annual Urban Mobility Report / Congestion Data for Your City

#### Cost to economy in Hampton Roads and Richmond –

University of Virginia Cooper Center 2007 estimate

### Slide 4: Demand

#### Highway Construction CPI –

U.S. Bureau of Labor Statistics / Producer Price Index Industry Data / Material and supply inputs to highway and street construction

#### VMT (vehicle miles traveled) –

Virginia DMV / Virginia Motor Statistics (1975-2010) / TSS03 (9/20/2011). 1987 data reduced by the ratio of the 2002 change in estimating methodology.

#### Registered Vehicles, Licensed Drivers, Population

Virginia DMV / Virginia Motor Statistics (1975-2010) / TSS03 (9/20/2011).

#### Transit, Road Lanes

Transit estimate is 65% based on 2006 data; Road lane estimate based on 1980 and 2006 data

#### Fuel Efficiency

EPA “Light Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends: 1975 Through 2010”

### Slide 5: Need

Multiple studies over last decade. See Virginia Statewide Multimodal Long-Range Plan released November 2004.

### Slide 20: Indexing the Gas Tax

Estimate of lost revenue calculated by on increasing gas tax by B.L.S. cost of road construction index every 4 years. The amount used for revenue per gallon in 1987 was \$26.74 million.