

Virginia

Transportation

2012

Updated as of 2/5/12

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
 - 3rd largest state highway network behind NC and TX
- Rail and Public Transit - \$467 million
 - Guaranteed 14.7% share of 1986 Special Session
- Ports - \$37 million
 - Guaranteed 4.2% share of 1986 Special Session
- Aviation - \$22 million
 - Guaranteed 2.4% share of 1986 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.

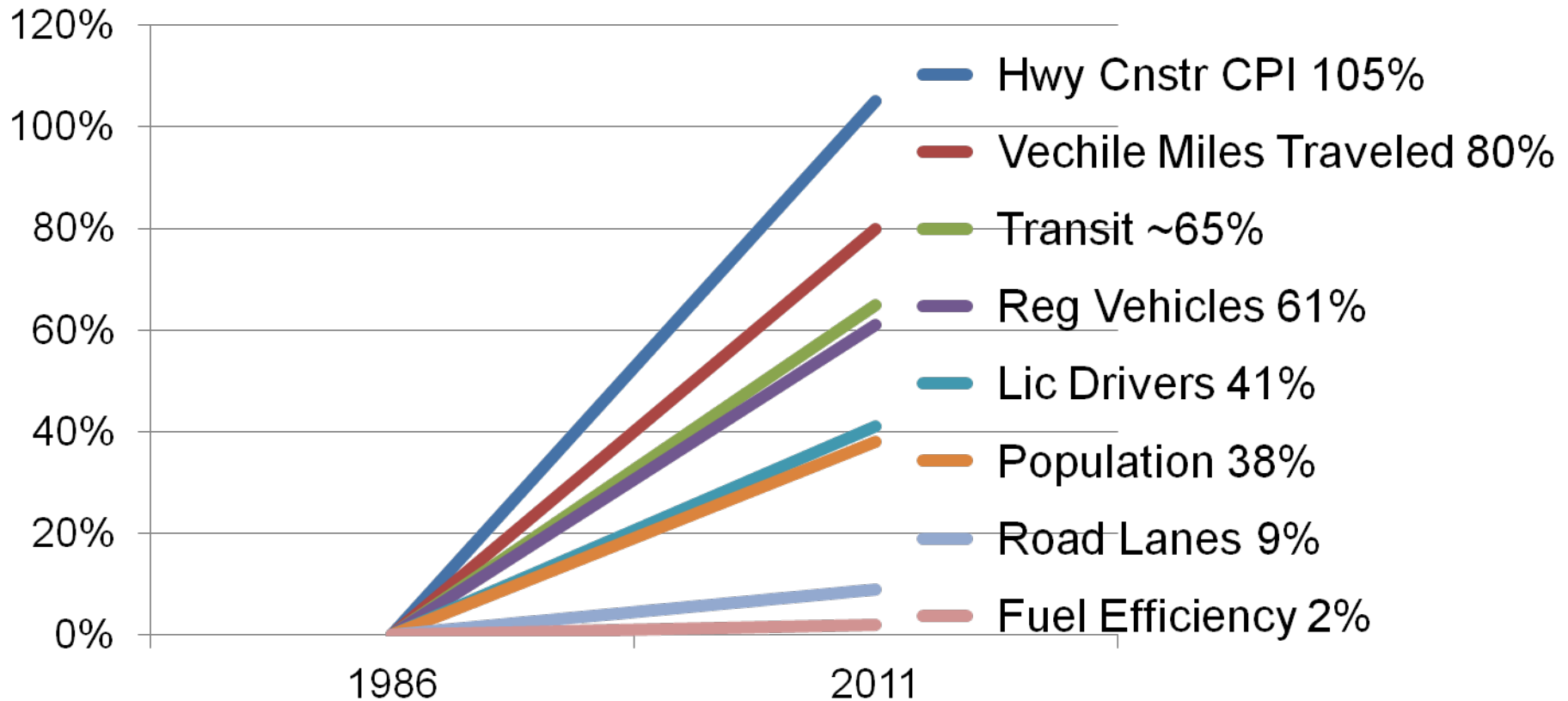
The Cost of Gridlock

- 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 Growth

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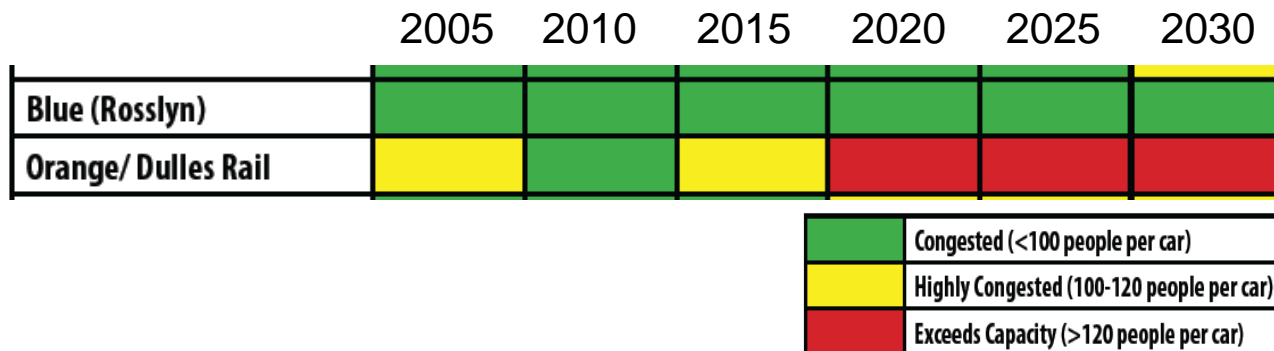


- **Virginia's gas tax is now in the bottom 10 of states** – 17.5-cents per gallon. (NV also pays 2.3% wholesale gas tax to support Metrorail.)

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 Fuels Tax (2.5 cents)	\$82,556,300	14%	50%
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.
 - By 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 taken from 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 in public/private partnerships; therefore, **few profitable opportunities left.**
- 70 years of **increased cost to driving public** to pay for a return on investment to the private sector
- 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 approved in 2011, **McDonnell will absorb over 80% of Virginia's transportation debt service capacity** from 1/3 of the 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 the 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 2011 program **assumed** Virginia will get federal GARVEE bond financing.

- ▣ The 1st 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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- A \$1 billion Infrastructure Bank was approved to provide loans and grants from the following 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

2012: De-Fund Other Needs

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- The Governor proposes in HB1248/SB639 that future Governors **cut the General Fund by over \$250 million a year** to fund road maintenance with part of the sales tax that goes to schools, healthcare, law enforcement, etc.
 - ▣ He only will cut \$53 million a year during his term
- HB1248/SB639 also directs **General Revenue growth over 5%** to transportation instead being used primarily for college and prison construction.
- HB1248/639 proposes to pay for at least \$5 million of the cost of new major projects by diverting **General Fund revenues generated** within a 5-mile radius of the project.

2012: Maintenance Roulette

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- HB1248/SB639 also shifts **75% of General Fund surplus** to maintenance. In Phase 1, this was the money that is supposed to fund a \$1 billion construction Infrastructure Bank.
- **Not only do Virginia taxpayers** -- not out-of-state drivers -- pay almost all the money taken from the General Fund but
 - ▣ Phase 2 is **far short of \$550 million a year maintenance shortfall**
- HB1248/SB639 ignores the shortfall and directs what money there is to bridge and interstate maintenance (50%) and to unpaved roads (5%), with **no allocation formula to balance these expenditures** across the state.

2012: Localities Unfunded

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- HB1248/SB639 directs the rest of the money taken from the General Fund to high priority projects (25%) and to public/private toll projects (15%)
- Local streets and intersections are the last priority in HB1248/SB639 until 2020, even though localities haven't gotten state road construction money since 2008. Population driven primary/urban/secondary formulas play no part in how money from state income and sales taxes will be spent.
- HB1248/SB639 does let localities use their own money to share in maintenance and reduce tolls. Localities that block roads designed by the State must repay the State

2012: State Toll Authority

- HB1248/SB639 creates a statewide toll authority to not only cover newly constructed toll facilities but, also, any existing highways designated by the General Assembly.
- The Authority will set toll rates for all these facilities. The language of HB1248/SB639 does not tie using the toll revenue to where it was collected.
- Specifically, HB1248/SB639 provides that revenue from Authority facilities is the source of re-paying any bond it sells. Tolls paid in one region of the state can be used to pay off bonds to build facilities in another region.

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

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.**

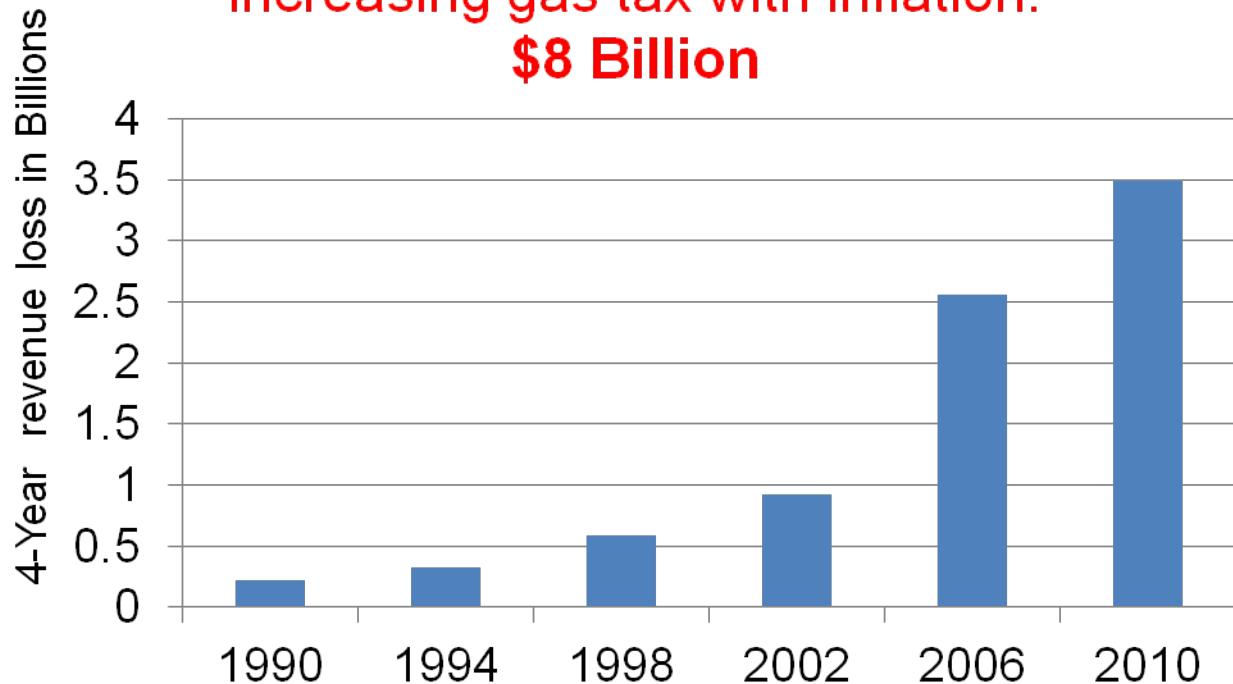
Out-of-state drivers would pay their share.

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.

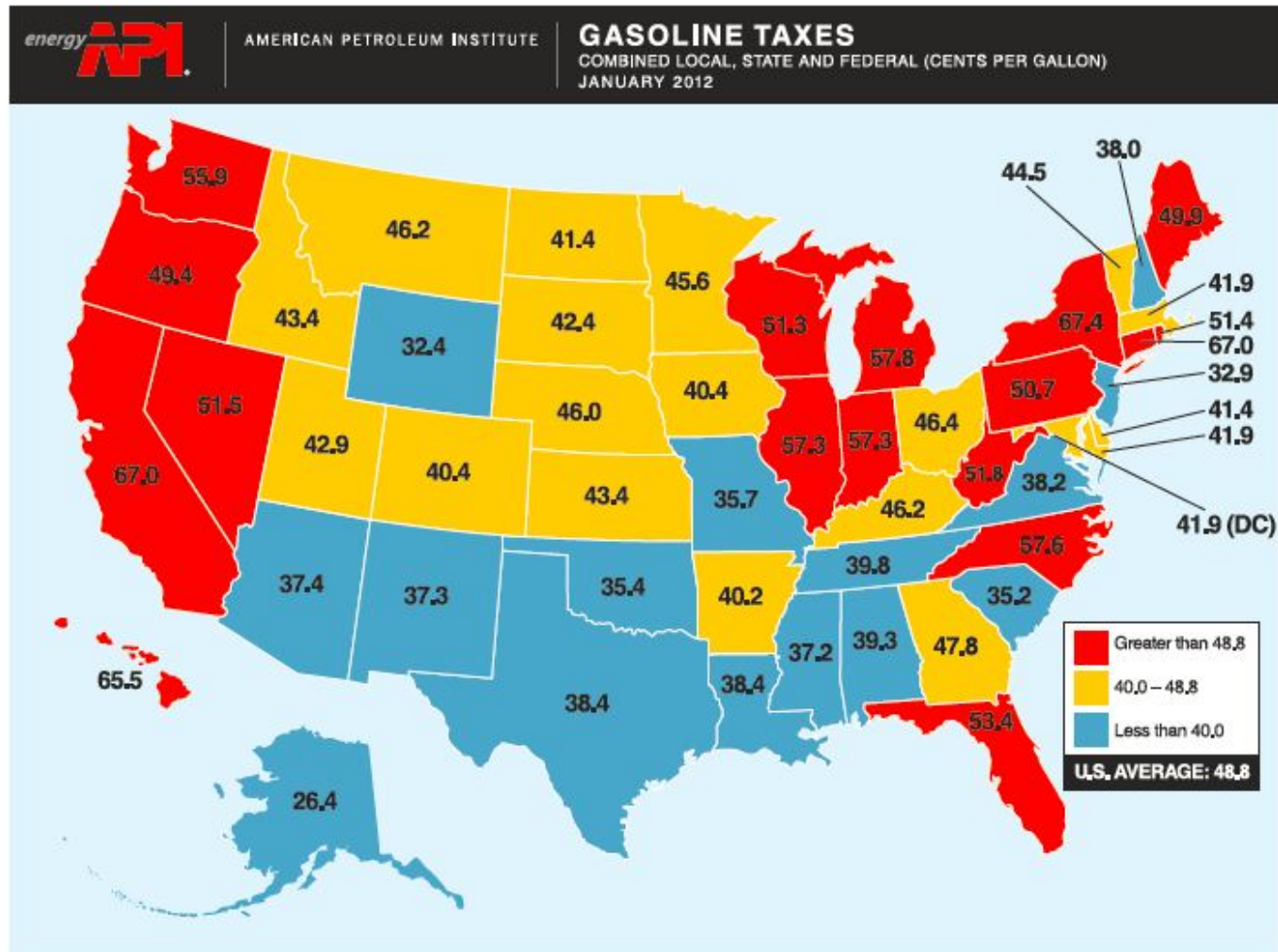
Total Lost Revenue (est.) from not increasing gas tax with inflation:
\$8 Billion



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



Contact Delegate Watts (Sec of Transportation & Public Safety 1986-90)
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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.

Slides 15 – 18: HB1248 as introduced January 20, 2012

General Fund sales tax diversion – §58.1-638(G) -- lines 1223 through 1235

General Fund revenue growth -- §2.2-1509.4 – lines 20 through 27

General Fund assumed project related revenue growth -- §§33.1-466 and 467 – lines 501 through 581

General Fund year end surplus -- §2.2-1514 – lines 28 through 97

Designated use of funds before funding local allocations -- §33.1-23.1 – lines 438 through 488

Local contributions to maintenance – §33.1-23.05 – lines 397 through 437

Local contributions to tolls – §33.1-23.04:1 – lines 357 through 395

Local repayment for state work on cancelled projects -- §33.1-12(9)(f) – lines 310 through 324.

State Toll Authority can include current highways -- §33.1-472(4) and (5) – lines 672 through 679; §33.1-482 – lines 932 through 946

State Toll Authority to set tolls that are not corridor specific -- §33.1-474 – lines 790 through 805

State Toll Authority can use revenue from any facility to pay bonds financing one facility -- §33.1-476 – lines 832 through 847.