

Transportation Finance Overview

Briefing to the
State and Local Government Services and Responsibilities Subcommittee
of the Commission on Revision of Virginia's State Tax Code

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We Keep Virginia Moving

Topics

- Revenues – 95 percent of transportation funds are user fees and taxes
- Allocation of Revenues – dictated for most part by *Code of Virginia* and federal law
- Update on PPTA Projects – 10 active projects

Revenues

Key State Revenue Sources

<ul style="list-style-type: none"> ▪ State Motor Fuels Taxes (17.50 cents per gallon) 		<u>FY2004 Est.</u>
- HMOF	14.85 cents	\$718.9 mil.
- TTF	2.50 cents	\$120.9 mil.
- DMV	0.15 cents	
Every 1 cent generates \$48 million in revenue		
<ul style="list-style-type: none"> ▪ Motor Vehicle Sales and Use Tax (3 percent) 		
- HMOF	2 percent	\$350.8 mil.
- TTF	1 percent	\$188.8 mil.
Every 1 percent generates \$189 million in revenue		
<ul style="list-style-type: none"> ▪ Motor Vehicle License Fee (\$29.50) 		
- HMOF		\$16.00 \$153.6 mil.
- TTF		\$ 3.00 \$ 24.6 mil.
- DMV		\$ 4.00
- State Police/GF/EMS/Rescue Squad		\$ 5.50
- Jamestown 2007		\$ 1.00
<ul style="list-style-type: none"> ▪ State General Sales and Use Tax (4.5 percent) 		
- TTF	0.5 percent	\$398.0 mil.

Virginia's Regional Ranking

- Virginia's motor fuels tax rate is 41st in the nation and the largest state revenue source dedicated to transportation

	State tax	Local tax	Total tax
Virginia	17.5 cents	1.5 cents	19.0 cents
Maryland	23.5	-	23.5
North Carolina	24.2	0.3	24.7
West Virginia	20.5	4.9	25.4
Pennsylvania	12.0	14.9	26.9
National Average	18.3	6.0	24.3

Federal Revenue

- Federal motor fuels tax is 18.4 cents per gallon for gasoline and largest source of revenue for VDOT
 - This tax comprises 86.6% of the Federal Highway Trust Fund
 - Other sources include motor vehicle and tire taxes
- Federal motor fuels tax has been adjusted 5 times since 1986

Federal Revenue, continued

- Federal fiscal year 01 receipts for Highway Trust Fund and available to states was \$31.5 billion
- Virginia's share of the Highway Trust Fund for major categories is 2.5627%
 - This equates to 90.5% of the total transportation taxes and fees Virginians pay into the federal Highway Trust Fund, making us a "donor" state

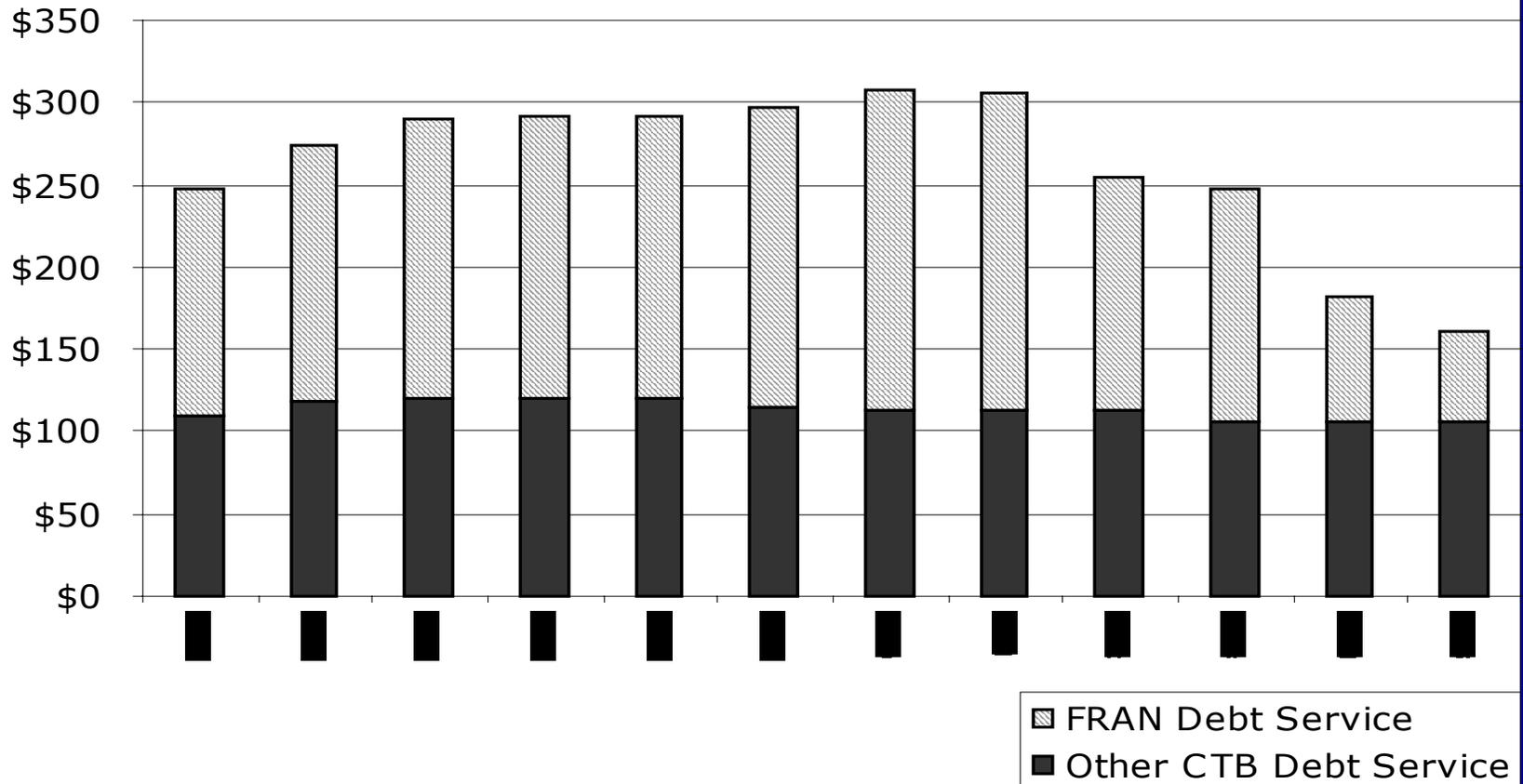
Bonds as Revenue

- Since 1987, debt has also played a role in highway funding in Virginia – bonds are dedicated to new construction or reconstruction
 - Most flexible and largest debt program is Federal Reimbursement Anticipation Notes (FRANs) with debt service paid from existing revenue sources
 - Other debt programs, such as Route 58 and the Northern Virginia Transportation District (NVTD) Program, included new dedicated revenue sources for debt service
 - Except for FRANs and a small share of NVTD, all authorized debt has been sold

CTB Debt

Program	Outstanding Debt	FY 04 Debt Service	Year Paid Off
Dulles Toll Road	\$ 60.0	\$ 11.4	2016
Powhite Parkway Extension	44.7	11.7*	2011
Coleman Bridge	40.2	3.4	2021
Route 58 Corridor Program	599.4	44.3	2026
NOVA Trans. District Program	338.0	24.1	2027
Route 28	117.6	7.5	2018
Oak Grove Connector	27.7	2.3	2022
FRANS	864.7	118.5	2012
Total	\$2,092.3	\$223.2	

Total Projected CTB Debt Service (in millions)



In 1986, debt service impact was less than 1% now 13%
of revenues

Toll Facilities in Virginia

<u>Facility</u>	<u>Operated By:</u>
George P. Coleman Bridge (\$4.8 million)	VDOT
Powhite Parkway Extension (\$10.5 mil.)	VDOT
Dulles Toll Road (\$38.9 mil.)	VDOT
Dulles Greenway	Toll Road Investors Partnership II
Pocahontas Parkway	Pocahontas Parkway Association
Chesapeake Bay Bridge Tunnel	Chesapeake Bay Bridge & Tunnel District
Downtown Expressway	Richmond Metropolitan Authority
Powhite Parkway	Richmond Metropolitan Authority
Boulevard Bridge	Richmond Metropolitan Authority
Chesapeake Expressway	City of Chesapeake

Toll Rate Comparison

	<u>Length</u>	<u>Main Line Toll</u>	<u>Rate Per Mile</u>
George P. Coleman Bridge	1.5 miles	\$0.25*	\$0.17
Powhite Parkway Extension	10.3 miles	\$0.75	\$0.07
Dulles Toll Road	13.0 miles	\$0.85	\$0.07
Dulles Greenway	14.0 miles	\$1.90	\$0.14
Pocahontas Parkway	9.0 miles	\$1.50	\$0.17
Chesapeake Bay Bridge Tunnel	17.6 miles	\$10.00	\$0.57
Downtown Expressway	2.3 miles	\$0.50	\$0.22
Powhite Parkway	3.6 miles	\$0.50	\$0.14
Boulevard Bridge	0.5 miles	\$0.25	\$0.50
Chesapeake Expressway	16.0 miles	\$2.00	\$0.13

* Commuter toll @ Coleman Bridge is \$0.50 round trip

Use of Toll Revenues

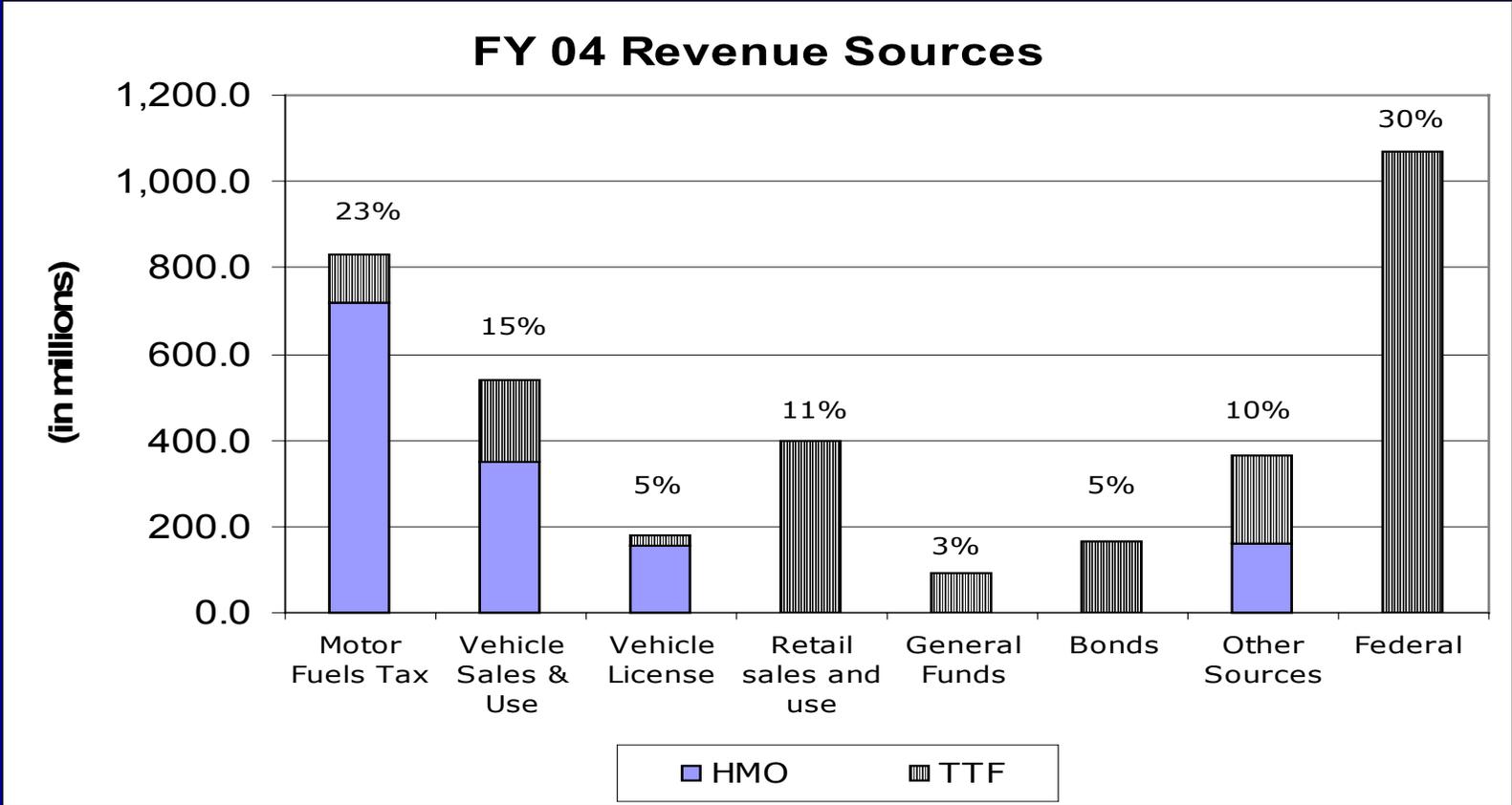
- From all these toll roads, revenues generated by each facility are dedicated to pay debt service requirements on the bonds and, to the extent possible, cover maintenance and operating expenses
- Debt was issued for VDOT facilities, secured by toll revenues and the full faith and credit of the Commonwealth
 - Many of the facilities have second-tier debt which must also be repaid

TOTAL REVENUES

Official Revenue Estimate

	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>
<u>State Revenues</u>						
HMO	\$1,384.6	\$1,352.1	\$1,391.8	\$1,421.7	\$1,464.9	\$1,509.6
TTF	<u>977.0</u>	<u>952.1</u>	<u>1,042.3</u>	<u>1,009.1</u>	<u>1,042.7</u>	<u>1,078.5</u>
Total	\$2,361.6	\$2,304.2	\$2,434.1	\$2,430.8	\$2,507.6	\$2,588.1
% change from prior year		(2.4%)	5.6%	(0.1%)	3.2%	3.2%
PTF (includes bonds)	\$226.2	\$165.1	\$92.7	\$51.9	\$147.5	\$20.0
<u>Federal Revenues</u>	\$1,068.8	\$711.0	\$812.3	\$818.6	\$838.4	\$853.8
% change from prior year		(33.5%)	14.2%	0.8%	2.4%	1.8%
<u>Total Revenues</u>	\$3,656.6	\$3,180.3	\$3,339.1	\$3,301.4	\$3,493.6	\$3,461.9
% change from prior year		(13.0%)	5.0%	(1.1%)	5.8%	(0.9%)

FY 04 Revenues -- \$3.6 billion



Buying Power Comparisons

- Virginia's transportation taxes (motor fuel and vehicle sales) have lost 40 percent of their buying power since 1986
- At the same time,
 - Number of licensed drivers grew 34%
 - Number of registered vehicles grew 53%
 - Number of vehicle miles traveled grew 79%
 - Lane miles have grown 7%

Local Revenues

Local Revenue

- All local governments can dedicate a portion of their “general” revenues to transportation
- Many localities issue their own bonds for transportation improvements
- Title 58 of the *Code of Virginia* gives certain localities the right to have a local income tax for transportation purposes
 - By referendum
 - Northern Virginia localities and city of Norfolk

Local Revenue, continued

- \$542 million in local revenues dedicated to maintenance and construction in FY 2002
 - Auditor of Public Account's issues annual report
- The Commonwealth Transportation Board allocated \$46 million in local revenues for transportation projects in FY 04, including
 - Revenue sharing
 - Right-of-way fees
 - 2% required urban match

Allocation of Revenues

Allocations

- Allocation of transportation revenues is directed by:
 - *Code of Virginia*
 - The Appropriations Act
 - Virginia Transportation Act of 2000
 - Federal Law and Regulations

 - Commonwealth Transportation Board (CTB) policy and guidance

Title 33 of the *Code of Virginia*

- Title 33 of the *Code of Virginia* defines an allocation as:

" a commitment to expend funds available for construction during the fiscal year."

Priorities of Allocations

- *Code of Virginia* and Appropriations Act dictate priority of how transportation revenues are allocated by CTB:
 - Debt service
 - Support to other state agencies and general fund
 - Maintenance
 - Operations and administrations
 - Other Modes
 - Earmarks and special financing programs
 - Interstate construction projects
 - Primary, secondary, urban construction projects

CTB's Allocations for Next Six Years

	Budget <u>FY04</u>	Projected <u>FY05</u>	Projected <u>FY06</u>	Projected <u>FY07</u>	Projected <u>FY08</u>	Projected <u>FY09</u>
Debt Service	\$ 247	\$ 274	\$ 289	\$ 292	292	297
Other Agencies	126	51	51	50	50	51
Maintenance	1,142	1,187	1,234	1,284	1,335	1,376
Operations & Admin	217	220	228	236	244	253
Other Modes	224	214	310	316	324	332
Earmarks & special financing	711	436	421	326	443	320
Systems Construction	940	747	757	747	755	772
Cash Reserve	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
Total	\$3,657	\$3,180	\$3,339	\$3,301	\$3,494	\$3,462

Maintenance Allocations

- For FY04, VDOT maintenance allocations total \$879.8 million
- Localities will receive \$262.5 million
- For every 73 cents spent on VDOT maintenance, \$1 was available for systems construction in 1986
- \$1.85 will be spent on VDOT maintenance for every \$1 construction dollar in 2003

Operations & Administration

- Operations includes research, traffic engineering and operations, toll facilities, outdoor advertising, transportation planning, and signing programs
- Administration includes activities such as
 - accounting
 - information technology
 - procurement
 - maintenance and construction of VDOT buildings
 - auditing
 - human resources
 - security
- Appropriations Act sets amount available for allocation -- \$217 million in FY 04

TTF Allocation Formulas

- 1986 Special Session set how TTF revenue is allocated among the modes
 - TTF highway construction dollars are now funding maintenance
 - \$407 million over the six years – more than the total estimated revenue increase in the TTF
- For systems construction, federal funding formulas and state allocation formulas must be intertwined

TTF Allocations

Mode

Share

Distribution

Mode	Share	Distribution
Airports	2.4%	Projects selected by Aviation Board
Ports	4.2%	Use designated by Appropriations Act and Virginia Port Authority
Mass transit - mass transit capital (25%) - mass transit operation (73.5%) - mass transit special programs (1.5%)	14.7%	CTB selects projects Formula distribution CTB selects projects
Highway Construction	78.7%	

Highway Construction Formulas

<p>Interstate System - statewide</p> <ul style="list-style-type: none"> - 20% state match included "off-the-top" 	<p>CTB selects projects around the state</p>
<p>Primary System – by district</p> <ul style="list-style-type: none"> - 70% by primary VMT - 25% by primary lane miles - 5% needs factor 	<p>CTB selects projects within districts</p>
<p>Urban System – by city and town</p> <ul style="list-style-type: none"> - distributed to each city/town based strictly on population 	<p>Local governing body selects projects</p>
<p>Secondary System (Unpaved & Regular) – by county</p> <p>Regular:</p> <ul style="list-style-type: none"> - 80% by population - 20% by land area 	<p>Local governing body selects projects</p>

Federal Funds

- Six major federal funding programs, each with own rules
 - Interstate Maintenance (IM)
 - National Highway System (NHS)
 - Bridge
 - Surface Transportation Program
 - Minimum Guarantee
 - Congestion Mitigation and Air Quality

Federal Funds Allocation Rules

Category	Use Per Federal Law/Appropriations Act	FY 04 Federal Est.
Interstate Maintenance Resurfacing, restoration, and reconstruction	Federal interstate funds are set aside solely for use on the interstate system	\$141.1 million
National Highway System (NHS) Funds for rural and urban roads that are part of the NHS, including interstate	Divide between interstate, NHS, primary, secondary, and urban	137.9 million
Bridge Replace or rehabilitate deficient bridges and to seismic retrofit bridges	A minimum of 50% of funds must be allocated to bridge projects; remainder allocated to systems per Appropriations Act	190.9 million

Federal Funds Allocation Rules, continued

Category	Use Per Federal Law/Appropriations Act	FY 04 Federal Est.
<p>Surface Transportation Program (STP)</p> <ul style="list-style-type: none"> - 10% Enhancement - 10% Safety - 50% Federal Population 	<p>Enhancement – sidewalks, bicycle paths, historic preservation, scenic highways, landscaping, acquisition of scenic easements, etc.</p> <p>Safety – rail highway crossings and hazard elimination</p> <p>Federal Population based on US. Census and sub-distributed between areas over 200,000; between 5,000 and 200,000 and less than 5,000</p>	<p>190.9 million</p>
<ul style="list-style-type: none"> -24% Allocated to Systems - 6% Mass Transit 	<p>Allocated to primary, secondary and urban projects through state formulas</p> <p>Allocated to capital mass transit projects</p>	

Federal Funds Allocation Rules, continued

Category	Use Per Federal Law/Appropriations Act	FY 04 Federal Est.
Congestion Mitigation & Air Quality (CMAQ)	Projects in non-attainment areas that reduce air emissions and other pollutants	\$38.1 million
Minimum Guarantee - 10% Mass Transit - CTB Discretion - Allocated to Systems	10% dedicated to mass transit; some allocation through formula, and remainder used as discretionary	\$88.8 million

Update on PPTA Projects

PPTA Projects

Project	Status	Federal/State Funds	Private/Other Funds
Pocahontas Parkway	Open Sept 2002	\$27 million	\$353 million
Route 288	Under construction	\$236 million	
Route 28	Underway	\$115 million	\$90 million Tax Improvement District
Coalfields Expressway	\$30.6 million	\$30.6 million	
Jamestown 2007	Under construction	\$31.8 million	



PTPA Projects, continued

Project	Status	Federal/State Funds	Private/Other Funds
Dulles Rail	Negotiations underway	?	?
Route 58 Stuart to Hillsville	Negotiations underway	?	?
I-81 widening	Detailed Proposals requested	?	?
I-495 HOT Lanes	Detailed Proposals requested	?	?
Powhite Parkway Western Ext.	Conceptual Proposal	?	?

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