

NVTA Alliance

A Business-Citizen Coalition Promoting Transportation Solutions in Northern Virginia

January 2005

1987 Re-Visited

The last major funding bill passed by the Virginia General Assembly was in a special session in September 1986. Its provisions were effective as of January 1, 1987 and included:

Gasoline Tax –
Increased by 2.5 cents/gal.

General Sales and Use Tax –
Increased 0.5%

Motor Vehicle Sales Tax –
Increased 1%

Driver's License Fee –
Increased \$3.00

(Governor Baliles' 1986 Commission on Transportation in the 21st Century recommended increasing the gas tax by 4 cents, the sales tax by .75% and the motor vehicle sales tax by 4%.)

Northern Virginia
Transportation Alliance
P.O. Box 6149
McLean, Virginia 22106
tel 703-833-1830
fax 703-833-1850
www.nvta.org

Virginia's Transportation Funding Crisis 18 Years and Counting

The last time Virginia's elected officials made a substantial new investment in transportation Ronald Reagan was in the Oval Office, the Redskins had one Super Bowl victory, and most students entering Virginia's colleges next fall weren't even born.

Investments in schools, health care and prisons have increased dramatically – but a bipartisan lack of political will has strangled transportation.

The nation put a man on the moon in half the time it has taken Virginia legislators to provide a serious new infusion of funds to relieve gridlock in Northern Virginia.

“Better Than Nothing” Standard Not Acceptable

Every funding bill proposed for this session and in the recent past has had the disclaimer – “It doesn't address most of the problem, but it's *better than nothing*.”

The “*better than nothing*” standard is not acceptable for K-12, institutions of higher learning, public health or safety. It clearly is not acceptable for transportation – particularly after 18 years of *doing nothing*.

Governor Warner's \$824 million proposal is essentially a one-time infusion over two years against a \$2-\$3 billion annual shortfall. Nearly 30% are federal dollars, not state.

It's time for a comprehensive package similar to that in enacted in 1986 capable of taking a serious bite out of congestion.

Proposing and fighting for a solution that will make a real difference entails no greater political risk than advancing



Photo by Mattox Photography

Virginia Transportation Commissioner Philip Shucet and George Mason University's Dr. Stephen Fuller address area business leaders and legislators at the Alliance seminar, *Virginia's Transportation Funding Crisis and Its Impact on Northern Virginia's Economy*.

ing one that fools people into believing that something substantive is being done.

Virginians expect those they elect to enact serious solutions. If this isn't their responsibility, with whom does such responsibility rest?

“*Better than nothing*” is not an acceptable standard for Northern Virginia or the Commonwealth.

Our governor and delegation can and must do better.

Serious Problems Demand Serious Solutions

14 Transportation Funding Fundamentals

Federal Funds*

About 25% (\$765 million) of Virginia's transportation funds are federal.

Virginia gets back 90.5 cents of every dollar it contributes.

87% of federal dollars come from the federal gas tax (18.4 cents/gal.)

60% of all state construction funds are federal.

Use of federal dollars involves more red tape and is generally more expensive than using state money.

1. Virginia Operates the Nation's Third Largest Highway System

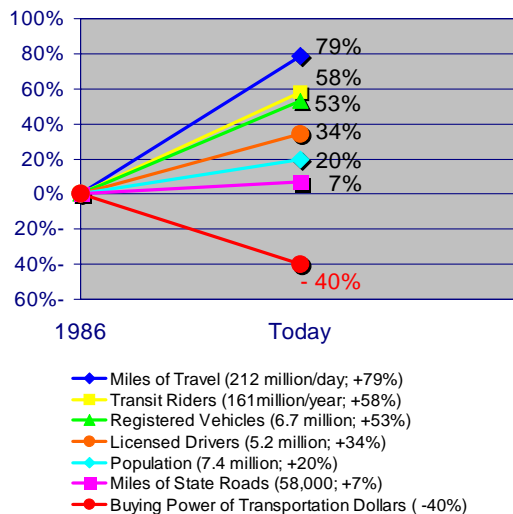
The state is responsible for 58,000 miles of roads and 12,000 bridges. Only North Carolina and Texas have larger state-operated networks.

2. Virginia Has the Nation's Ninth Lowest Gas Tax

Virginia's gas tax (17.5-cents/gal.) ranks 41st of 50 and hasn't been raised since January 1, 1987. More fuel-efficient vehicles mean a tank of gas goes farther and travelers pay less tax per mile than in 1987.

3. Travel Demand Has Increased; Purchasing Power Has Declined

Since 1987 travel demand on the state system has increased dramatically while inflation alone has reduced the purchasing power of the state's transportation dollar by 40%.



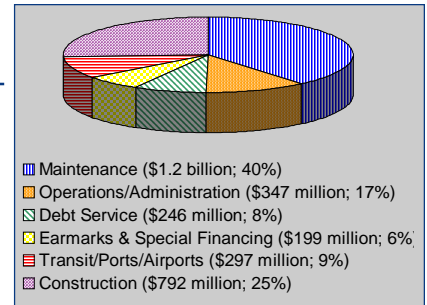
4. Transportation Revenues Total \$3.1 Billion

Virginia's \$3.1 billion comes from the following sources:

Gas Tax	\$860.5 million
Motor Vehicle Sales and Use Tax	\$593.5 million
Motor Vehicle License Fee	\$186.9 million
General Sales & Use Tax	\$417.5 million
Tolls	\$55.4 million
VTA/PTF	\$61.8 million
Other Trust Fund Revenues/Earmarks	\$170.5 million
Federal	\$765 million

5. But Only 25% Goes to Construction in 2005

\$3.1 billion seems like a lot, but little goes for new capacity.



6. The Transportation Trust Fund Supports Construction

The Transportation Trust Fund (TTF) was established in 1986 to support highway, transit, port and airport construction. (The Highway Maintenance and Operation Fund covers maintenance). TTF funding sources include: gas tax (2.5-cents per gallon) general sales tax (0.5%), motor vehicle sales/use tax (1%) and federal funds.

Allocation of Revenues in 2005

Highways	78.7%	\$624 million
Mass Transit	14.7%	\$116 million
Ports	4.2%	\$33 million
Airports	2.4%	\$19 million
Debt Service		\$246 million

7. A TTF Constitutional Amendment is Not Enough; "Raids" Mandated by Law.

Proposals to prevent the General Assembly from diverting TTF dollars to general fund protect existing funds but *provide no new revenues*. By law, maintenance needs supersede new construction. Increasing maintenance costs required transfer of \$59 million in 2003 and \$244 million in 2004 from TTF construction funds to maintenance. By 2018, no TTF funds will exist for construction.

8. Northern Virginia Receives About One Third of Construction Dollars

While Northern Virginia gets only about 19% return of its income tax/general fund dollars, it receives about 33% of transportation construction dollars. This percentage will decrease with completion of Springfield Mixing Bowl and Woodrow Wilson Bridge.

* Numbers and percentages may change if Congress enacts new six-year federal surface transportation legislation. The current program expires May 31, 2005.

Is Every Virginian Needs to Understand

9. A Change in Allocation Formula is Not a Major Solution

In 2005, \$326 million (10% of all 2005 transportation dollars) is the total amount distributed through the Allocation Formula to the nine transportation districts for road construction. Northern Virginia received \$68.6 million or 21%. Increasing our distribution to 33% would mean an additional \$39 million per year against a \$500 million/year regional shortfall. Thirty-nine million dollars is more than most other districts receive through the allocation formula.

10. No Federal Matching Funds in Ten Years

Currently only \$129 million exists to match federal transportation dollar disbursements. In 2010, only \$22 million will be available. By 2014, no matching funds will exist, meaning the state won't qualify for federal funds.

11. No Construction Dollars in 13 Years

Between 2005 and 2010, \$1.9 billion in construction funds will be diverted to maintenance. By 2018, all construction dollars will be used for maintenance.

Economic Costs Greater than Construction Cost *Doing Nothing is the Most Expensive "Solution."*

Most of the debate centers around the billions and billions required to seriously improve transportation.

Lost is the reality that failure to invest more in transportation risks serious economic loss to Northern Virginia and the state as a whole.

Economic models forecasting robust growth in jobs and gross regional economic product "assume" that transportation needs are being met and the region has a functioning system. As unmet needs grow and congestion worsens, all bets are off.

According to George Mason University's Center for Regional Analysis, 59% of all jobs created in Virginia in the last decade and 95% in the last five years were in Northern Virginia.

12. Unfunded Needs Shortfall is at Least \$2-\$3 Billion Annually

A recent state VTrans 2025 report estimated unfunded road and transit needs over the next 20 years at \$100 billion. Even assuming focusing on most important projects could reduce that figure 40%-50%, the annual shortfall is in the billions.

13. What Statewide Options Generate

Motor Fuels Tax	\$48 million per 1¢
Motor Vehicle Sales & Use Tax	\$180 million per 1%
Motor Vehicle Registration Fee	\$6 million per dollar
General Sales & Use Tax	\$800 million per 1%*
Vehicle Miles of Travel	\$700 million per 1¢/mile**

*Exact amount depends on exemptions/structure.

**Based on 75 billion vehicle miles of travel per year in state.

14. Northern Virginia Still Needs Dedicated Regional Source

No statewide funding increase distributed among the state's nine construction districts meets Northern Virginia's needs. Regional options and amounts include:

Motor Fuels Tax	\$10-\$12 million/year per 1¢
Sales Tax	\$280 million/year per 1%
Income Tax	\$400 million/year per 1%

What makes Northern Virginia so attractive, prosperous and important to the state's economy is the number of good paying jobs it generates.

As congestion worsens, the most likely scenario is for companies with good paying jobs to leave or not consider locating here at all.

Another real possibility is that the more difficult it is for the federal government to attract workers to the region's core, the more likely it is to keep de-centralizing departments to other parts of the country, in which case both federal workers and government contractors will go elsewhere.

As George Mason University's Dr. Stephen S. Fuller observed at a recent Alliance seminar, "Once you lose your competitive edge, it's hard to get it back."

Congestion Costs Us All

What not investing more in transportation costs the region and Northern Virginia motorists

In Dollars

Total – \$2.3 billion/year

Per commuter – \$1212/year.

In Time:

Total hours lost sitting in traffic – 126.7 million/year

Per commuter – 67 hours/year

In Stress and Frustration:

Priceless

Source: Texas Transportation Institute, 2004 Urban Mobility Report

Cost of 10-cent gas tax: \$60 per year

(Based on 12,000 miles per year at 20 miles per gallon)

Transportation Funding Myths

VDOT must reduce bureaucracy before receiving more money.

VDOT had 1001 fewer employees in October 2004 than April 2002. Further reductions are likely due to lack of funds to build projects. Too few dollars, not too many employees is VDOT's biggest problem.

VDOT must be more efficient before getting more money.

VDOT's 2004 third quarter on-time construction completion rate was 69% as opposed to only 22% in 2002; 88% were within budget. VDOT no doubt can do even better, but lack of funds, not efficiency, is the biggest reason Northern Virginians spend more and more of their lives in traffic.

VDOT could save money by outsourcing maintenance.

73% of all maintenance is already outsourced.

VDOT could save money by outsourcing construction.

87% of all construction is outsourced. The balance is for preliminary engineering and contract administration. Even with outsourcing, you have to pay.

PPTAs are a better alternative to higher taxes.

Public Private Partnership Act proposals (PPTAs) cannot replace core government functions. PPTAs can help build some projects but are no substitute for new funding.

Private companies are in business to make money. If building roads and transit was generally profitable, the private sector would have done more of this long ago. Either way, the public pays.

Tolls are a cheaper solution.

Tolls are part of the solution but can be very expensive. A motorist driving 20,000 miles per year averaging 20 miles per gallon uses 1000 gallons and pays \$175 in state gas tax. A motorist paying \$1.00/trip to commute on a toll road 250 days per year (500 trips) pays \$500 or nearly three times what he pays for gas. Persons who don't use the toll road but benefit from traffic diverted off their travel route pay nothing.

Shifting Costs to Local Governments is a Better Solution.

Transferring responsibilities transfers cost but does not eliminate the need to find new money to pay the bill.



P. O. Box 6149
McLean, VA 22106-6149

PRESORTED
FIRST CLASS MAIL
U.S. POSTAGE PAID
MERRIFIELD, VA
PERMIT NO. 328

**Transportation Funding Crisis:
Richmond Fiddles While Drivers Burn**