Transportation Update

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Virginia’s Transportation Program

- Program structure was generally stable for many decades
  - Interstate construction
  - 40-30-30 formula – primary/secondary/urban
  - Transit capital and operating assistance
- Declining revenues impacted ability of program to deliver results and advance projects
  - Primary, secondary and urban formulas effectively stopped in 2009
Major Changes to Virginia’s Transportation Program

- 2013 – HB2313 establishing regional revenue streams in NOVA and Hampton Roads
- 2014 – HB2 requiring implementation of SMART SCALE
- 2015 – HB1887 restructuring the construction programs
- 2019 – HB2718/SB1716 providing funding for Interstate 81 and other interstates
- 2020 – HB1414/SB890 stabilizing and increasing revenues, and established the Commonwealth Transportation Fund
Regional Revenues

- Northern Virginia Transportation Authority
- Hampton Roads Transportation Accountability Commission
- Interstate 81 Corridor Improvement Fund
- Hampton Roads Regional Transit Program and Fund
- Central Virginia Transportation Authority

*Commonwealth policy that these funds are supplemental to state dollars and should not be used to supplant state dollars otherwise available to the region*
HB1887 Construction Programs (2015)

- Reduce discretion of executive branch and run larger share of funds through the formula
- Eliminate conflict between repairing the system and enhancing the system
- Fully fund projects to provide certainty to local officials and communities
- Reduce inflationary impacts from ‘banking’ money until sufficient funding is in hand
More Funds Running Through the Formula

<table>
<thead>
<tr>
<th>District</th>
<th>FY18-23 Under Old “40-30-30”</th>
<th>Actual FY18-23 Under SMART SCALE - SGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bristol</td>
<td>$ 126.8</td>
<td>$ 211.8</td>
</tr>
<tr>
<td>Culpeper</td>
<td>$ 117.9</td>
<td>$ 173.3</td>
</tr>
<tr>
<td>Fredericksburg</td>
<td>$ 130.4</td>
<td>$ 385.5</td>
</tr>
<tr>
<td>Hampton Roads</td>
<td>$ 375.0</td>
<td>$ 636.8</td>
</tr>
<tr>
<td>Lynchburg</td>
<td>$ 133.2</td>
<td>$ 199.6</td>
</tr>
<tr>
<td>NOVA</td>
<td>$ 392.1</td>
<td>$ 596.7</td>
</tr>
<tr>
<td>Richmond</td>
<td>$ 275.8</td>
<td>$ 469.9</td>
</tr>
<tr>
<td>Salem</td>
<td>$ 179.3</td>
<td>$ 295.1</td>
</tr>
<tr>
<td>Staunton</td>
<td>$ 146.8</td>
<td>$ 227.5</td>
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</tbody>
</table>

Figures in millions and 40-30-30 is an extrapolation of FY21 funding levels
Major Projects in the Commonwealth

- Dulles Corridor Metrorail
- Downtown and Midtown Tunnels
- 95 Express Lanes
- High Rise Bridge and 64 Southside Widening
- Hampton Roads Bridge Tunnel
- 64 on the Peninsula
- 395 Express Lanes
- Fred-Ex Express Lanes
- 81 Corridor Improvement Program
- Hampton Roads Express Lanes Network
How were these projects funded?

- **Northern Virginia**
  - $7.5 billion in toll-financed improvements since 2012, including Dulles Corridor Metrorail Project
  - $2.5 billion in regional revenues programmed

- **Hampton Roads**
  - ~$5 billion in regional revenues and bonds
  - ~$2.3 billion in toll-financed improvements

- **Interstate 81 Corridor Improvement Program**
  - $1 billion in regional revenue bonds
CPR Bonds versus New Revenues for Construction

Figures in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>CPR Bonds</th>
<th>HB2313 $</th>
</tr>
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<tbody>
<tr>
<td>FY12</td>
<td>$524M</td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>$524M</td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td></td>
<td>$517M</td>
</tr>
<tr>
<td>FY15</td>
<td></td>
<td>$517M</td>
</tr>
<tr>
<td>FY16</td>
<td></td>
<td>$517M</td>
</tr>
<tr>
<td>FY17</td>
<td></td>
<td>$517M</td>
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</table>
## FY19 Fuel Tax Collections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Forecasts</th>
<th>Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>$883.5</td>
<td>$860.1</td>
</tr>
<tr>
<td>FY17</td>
<td>$868.9</td>
<td>$872.2</td>
</tr>
<tr>
<td>FY18</td>
<td>$898.7</td>
<td>$857.2</td>
</tr>
<tr>
<td>FY19 (thru June)</td>
<td>$905.5</td>
<td>$856.6</td>
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</table>

Figures in millions
~31% reduction in collections due to increased fuel efficiency

~3.4% reduction in collections due to EV penetration

Source(s): KPMG Analysis
Transportation Legislation from 2020 General Assembly Session

- Governor’s Omnibus Transportation Bill
  - Restructured transportation funds and programs
  - Expected to provide $370M/year by FY24
  - Provided ~$35M/year to NVTA

- Central Virginia Transportation Authority
  - Anticipated to raise ~$200M/year for Richmond region

- Hampton Roads Regional Transit Program and Fund
  - Expected to generate $34M/year for regional transit
Commonwealth Transportation Board must distribute funds based on the formula below and does not have discretion to administratively change it:

- 30% for State of Good Repair
- 20% for District Grant Program (SMART SCALE)
- 20% for High Priority Projects (SMART SCALE)
- 20% for Interstate Operations and Enhancement
- 10% for Virginia Highway Safety Improvement Program
COVID-19 Pandemic

- Transportation use declined dramatically with stay-at-home orders nationally.
- Driving was down more than 60% in April 2020.
- Transit use dropped by 40 to 90% depending on system.
- Amtrak ridership went down more than 90%.
COVID and Transportation Revenues

- FY20 actual revenues collections were $120M below projections with two months of COVID impacts
- Overall forecasted revenues are $1.8 billion below estimates from March 2020 through FY27
- FY21 collection information is being finalized though it appears they will be above estimates
- New revenue reforecast is expected this December
Addressing Revenue Reductions

- General Assembly worked with Northam Administration to ensure all on-going and currently funded projects were maintained

- Three-pronged approach to address significant decline
  - Do not program increased revenues from December 2019 estimate in SYIP update
  - Reduce new spending from Omnibus Transportation Bill
  - Use cash management strategy with Revenue Sharing Program balances
Impacts of Addressing Revenue Reductions

- Opportunity costs for new projects and programs
- SMART SCALE Round 4 available funding declined from ~$2 billion to $1.4 billion
- Increased funding for Interstate pavements and city street payments was delayed until FY23
- Numerous other Omnibus programs saw reductions in anticipated funding levels – Special Structures, Transit, DMV, Port, and Aviation
Impacts of Addressing Revenue Reductions

- $495M in cash balances from Revenue Sharing Program was used to cover costs for on-going projects and programs.

- These funds were allocated to projects in FY20 or earlier but not expected to be spent until FY21 through FY24 or later.

- All allocations were returned to projects from future Revenue Sharing allocations in FY21 through FY24 based on their existing project schedule.
What Happens Next?

- Evaluate end of year fiscal performance for the Commonwealth Transportation Fund
- Wait for December revenue forecast
- Based on updated forecast, develop plan for use of additional revenues, if any, based on Code of Virginia and actions taken to address COVID impacts to transportation revenues