



Transportation Overview & 2021 Outlook

June 25, 2021

Transportation Investments Support Multiple Policy Objectives

Department of Transportation

- 128,500 lane miles
- 21,000 bridges and structures
- 25 Special Structures
- 41 rest areas / welcome centers
- 114 commuter parking lots
- 7,735 FTEs

Department of Rail and Public Transportation

- 173.5 million passenger trips
- 125 billion ton-miles of freight
- 27,000 jobs

Department of Motor Vehicles

- \$2.9 billion revenue
- 5.9 million licensed drivers
- 8.4 million registered vehicles
- 75 customer service centers
- 13 weigh stations
- 2,080 FTEs

FY21
Appropriation
\$9.7 billion

Population
8.5 million

Motor Vehicle Dealer Board

- 4,450 automobile dealers
- 19,000 licensed salespersons

Virginia Port Authority

- 6 commercial facilities
- 2.9 million TEUs
- \$1.1 billion local taxes
- 343,000 jobs

Commercial Spaceflight Authority

- 2 launch facilities
- Payload Processing Facility
- Dedicated UMS Testbed

Department of Aviation

- 66 public airports
- 27 million enplanements
- 3,400 registered aircraft
- 147,000 jobs

Outline

1

2020 Session Recap

2

Regional Funding Programs

3

Impacts of COVID-19 on Transportation Revenues

4

2021 Session Outlook



2020 SESSION RECAP

2020 Session: Evolution in Funding

- Comprehensive state and regional funding legislation forecast to generate approximately \$1.2 billion in new revenues over the biennium, including:
 - Omnibus State and Regional Funding (HB1414/SB890);
 - Northern Virginia Regional Funding (HB1414/SB890);
 - I-81 Regional Construction (HB1414/SB890);
 - Hampton Roads Regional Transit (HB1726/SB1038); and
 - Central Virginia Transportation Authority (HB 1541).

(\$ in millions)	FY 2021	FY 2022
Statewide Formula Funds	\$159.9	\$368.4
Dedicated Construction District Fund	106.3	115.4
Northern Virginia Transportation Authority Fund*	5.5	33.2
Hampton Roads Regional Transit Fund*	28.5	34.3
Central Virginia Transportation Authority Fund	<u>146.4</u>	<u>198.2</u>
Total	\$446.6	\$749.5
*Discounted for delayed enactments.		

Dynamic Statewide and Regional Revenues

- Standardized motor fuels taxes for both statewide and regional transportation programs, including areas where not previously imposed for a regional authority.
 - Increased the state motor fuels tax by 10 cents over two years.
 - Uniform combined state and regional gas tax of \$0.338 per gallon when fully implemented.
 - Indexes state and regional fuels taxes to CPI, instead of the sales price of fuel, to adjust revenues as the costs of materials increase.
- Established new Highway Use Fee for highly fuel-efficient vehicles.
- Reduced most passenger vehicle registration fees by \$10.
 - Eliminated additional \$5 in-person DMV service fee.
- Authorized \$2.0 billion in transportation debt instruments backed by dedicated revenue sources to accelerate improvements to I-81 and increase passenger rail capacity.

Gas Prices Do Not Appear Affected by Gas Taxes

March 2020

	Avg. Gas Price	Gas Tax	Tax Delta
Virginia	\$2.06	\$0.22	--
Oklahoma	1.92	0.20	(\$0.02)
Ohio	1.97	0.385	0.165
Indiana	1.98	0.466	0.246
Kentucky	2.00	0.26	0.04
North Carolina	2.07	0.363	0.143
Georgia	2.07	0.344	0.124

November 2020

	Avg. Gas Price	Gas Tax	Tax Delta
Virginia	\$2.02	\$0.294	--
Oklahoma	1.79	0.20	(\$0.09)
Ohio	2.05	0.385	0.091
Indiana	2.05	0.476	0.182
Kentucky	1.91	0.26	(0.034)
North Carolina	1.94	0.363	0.069
Georgia	1.92	0.322	0.028

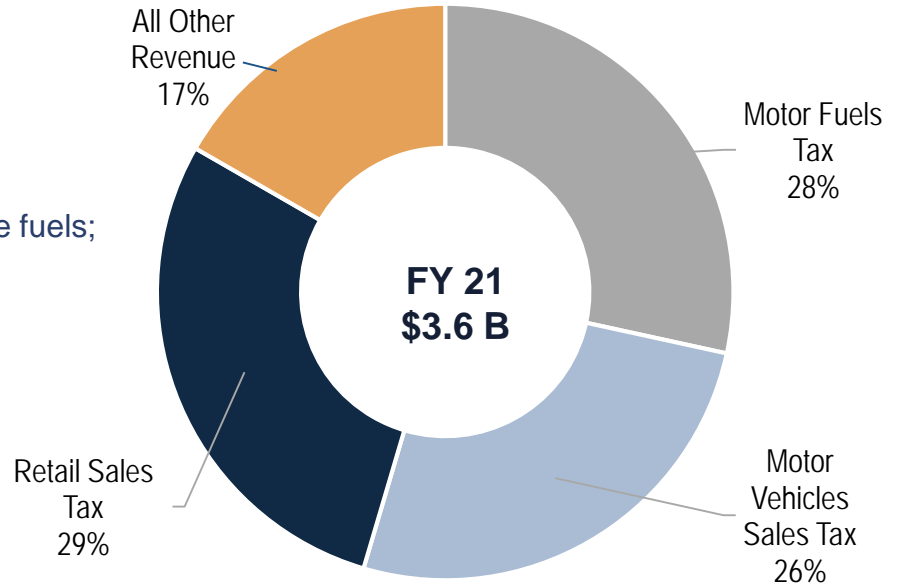
Note: Gas taxes shown in cents per gallon and Virginia is shown as weighted average including regional taxes.
Sources: Tax Foundation / American Petroleum Institute <https://taxfoundation.org/state-gas-tax-rates-2020/> and AAA <https://gasprices.aaa.com/> accessed on March 16 and November 9, 2020.

Commonwealth Transportation Fund (CTF)

- Legislative changes unified and simplified Virginia's dedicated transportation funding sources, including:

- 0.9% retail sales and use tax;
- 4.15% motor vehicle sales and use tax;
- All motor fuels taxes, IFTA road tax, and alternative fuels;
- Motor Vehicle and Truck Registration Fees (less DMV dedicated amounts);
- 1/3 of state insurance premium taxes;
- \$0.03 recordation tax;
- 3% vehicle rental tax; and
- Highway use fees.

Changes to revenues sources provide a more balanced funding portfolio.



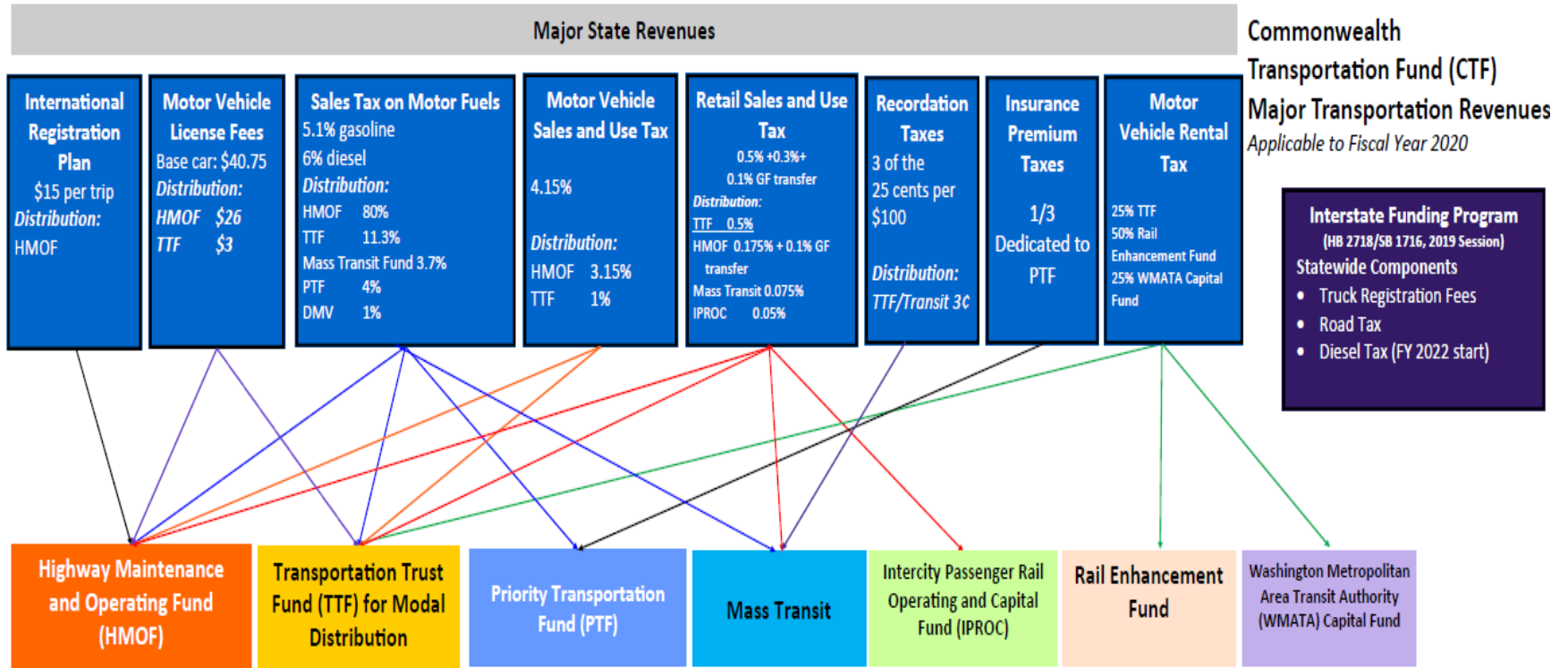
Stable State Revenues are Critical to Project Funding

- State CTF revenues are approximately half of annual transportation revenues.
 - Other major funding sources include: federal funds, local project participation revenues and dedicated regional funds.
- Project participation revenues and concession payments enhance project financing.
- Federal Revenues stable at FY 20 level.
 - Continuing Resolution signed in October.
- Initial spending plan also includes re-allocation of prior year revenue in FY 2021 totaling \$495 million from Revenue Sharing.

(\$ in millions)	FY 2021	FY 2022
Commonwealth Transportation Fund	\$3,560.6	\$3,869.3
Prior Year Funding*	303.7	191.4
Local & Regional Project Participation	1,643.6	1,075.7
Federal Funds	1,153.3	1,154.5
Other Revenues	602.9	608.9
GARVEE Bonds	98.0	-
Capital Improvement Bonds	50.0	-
Route 58 Bonds	-	218.4
Regional Transportation Funds	610.8	677.8
WMATA Capital	<u>116.8</u>	<u>116.8</u>
Total	\$7,835.9	\$7,721.3

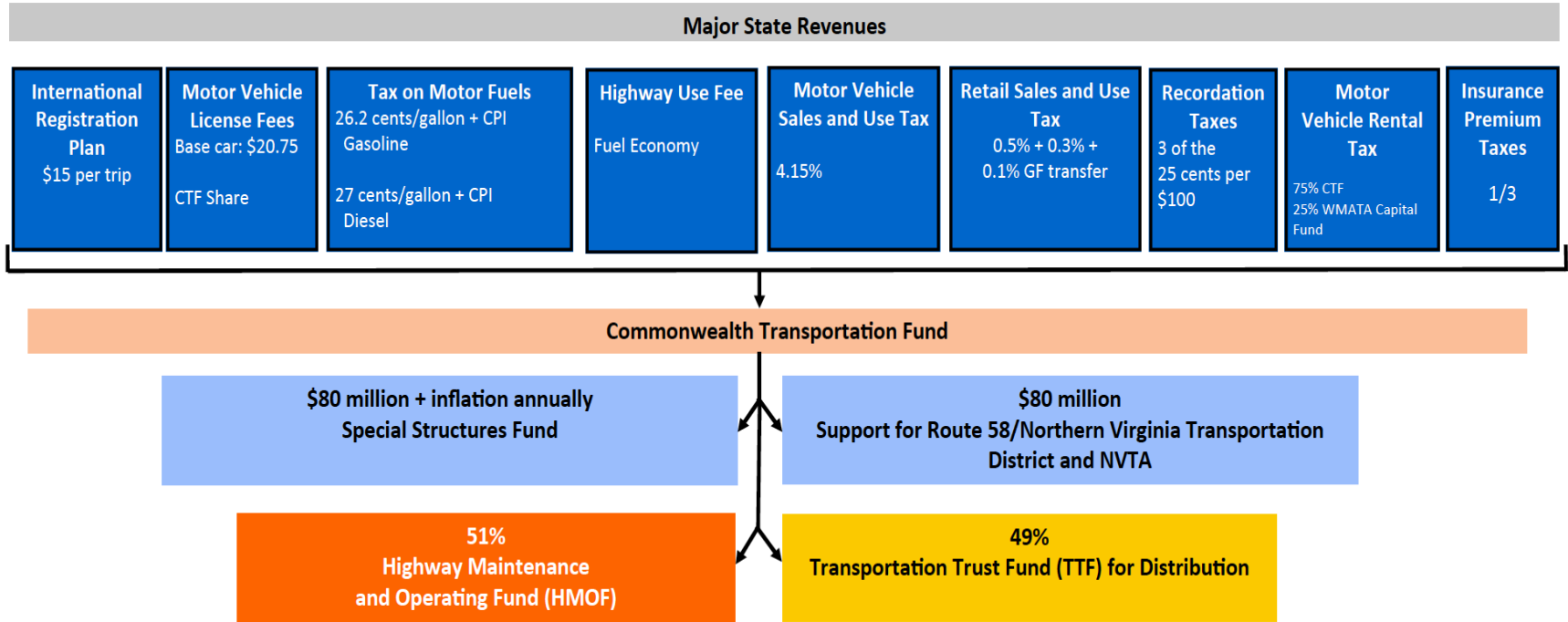
*Prior year funding not included in total.
Source: VDOT Draft FY 21 Budget, October 2020.

Prior Allocation Model was Opaque



Source: Virginia Department of Transportation.

New Streamlined Allocation Model Prioritizes Maintenance



Source: Virginia Department of Transportation.

Transportation Trust Fund (TTF) Allocation Formula Addresses Key Needs

Program	Allocation (%)
Construction Programs	53.0
Commonwealth Mass Transit Fund	23.0
Priority Transportation Fund	10.5
Commonwealth Rail Fund	7.5
Commonwealth Port Fund	2.5
Commonwealth Aviation Fund	1.5
Commonwealth Space Flight Fund	1.0
Department of Motor Vehicles	1.0

- Specific allocations for all modal agencies.
- Additional SMART SCALE funding, particularly in districts without regional funds.
- Increases transit funding by 45 percent.
- Addresses long-term special structures funding needs.
- Funds WMATA PRIIA match from dedicated ongoing revenues.
- Increases funding for pavement maintenance.

Highway Use Fee is Innovative and Progressive

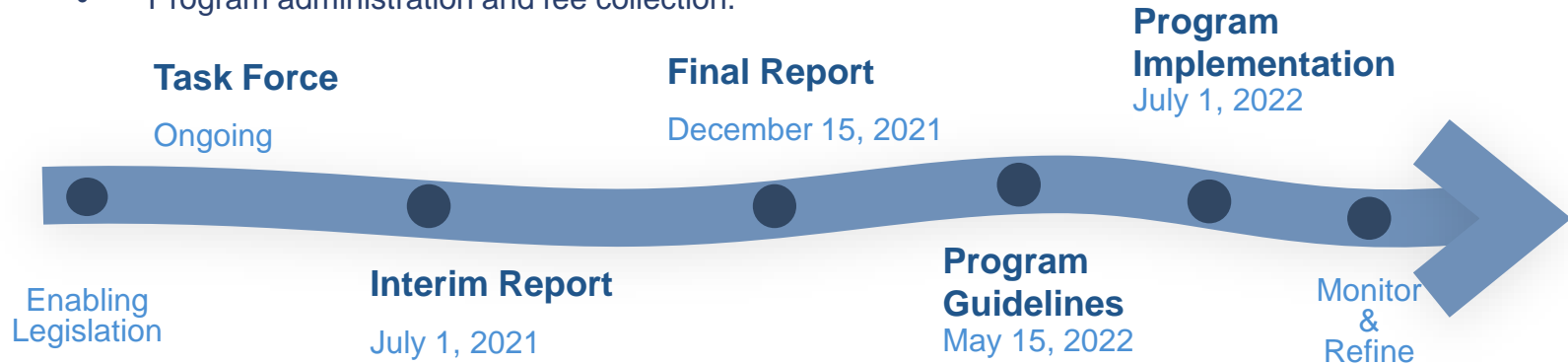
- Imposes a highway use fee (HUF) on fuel efficient, alternative fuel and electric vehicles.
 - Repeals \$64 vehicle license tax for electric vehicles.
- HUF is based on 85 percent of the difference between fuel tax paid by the average vehicle (23.7 miles per gallon) and the fuel tax paid by the fuel-efficient vehicle.
- Assumes average miles traveled by passenger vehicles in Virginia and combined fuel economy.

Highway Use Fee Calculation (HUF)	
Average Fuel Economy (MPG)	23.7
Average Miles of Travel	11,600
Average Gallons of Gas	489.5
Base State Tax Per Gallon	\$0.212
Annual Total State Tax	\$103.76
Max HUF @ 85% of Total Tax	\$88.20

Fuel Economy (MPG)	Avg. Annual Tax Paid	Diff. from Avg.	85%	HUF per mile
Electric	\$0	\$103.76	\$88.20	\$0.0076
23.7 MPG	\$103.76	\$0	\$0	\$0
25 MPG	\$98.37	\$5.40	\$4.59	\$0.0004

Mileage-Based User Fee Pilot Program

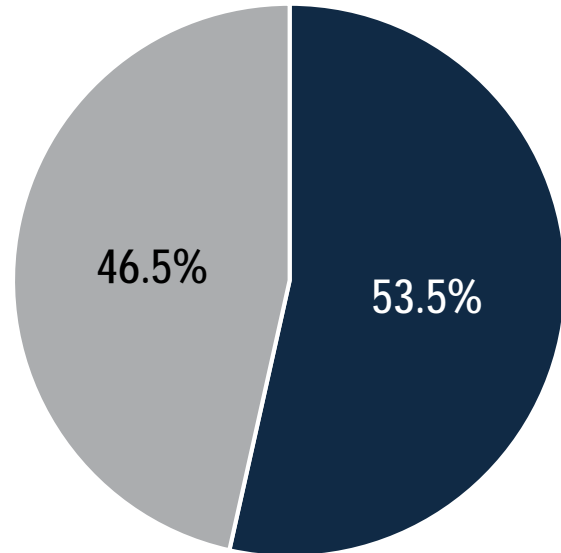
- Voluntary program for drivers of vehicles subject to the Highway Use Fee to be implemented in July 2022.
 - Vehicle owners would pay a per-mile fee capped at the applicable Highway Use Fee.
- DMV-led workgroup for program development is underway with specific focus on:
 - Protection of personal information;
 - Methods to record, report and audit miles traveled; and
 - Program administration and fee collection.



Changes to Mass Transit Funding Increased Focus on Operations

- Mass Transit Fund provides grants to support the operations of regional transit providers, including:
 - Dedicated funding for the Washington Metropolitan Area Transit Authority (WMATA);
 - Operating assistance and capital grants; and
 - Innovation and incentive programs.
- Transit Ridership Incentive Program (TRIP) to provide innovative incentives to increase ridership and improve services by encouraging:
 - Long-distance routes of regional significance;
 - Regional subsidy allocation models;
 - Integrated fare collection technologies; and
 - Reduce the impact of fares on low-income riders including fare reduction and fare elimination.

Transit funding allocation formulas dedicate 46.5% of all funds to WMATA.



Passenger Rail Capacity Enhancements

- Commonwealth Rail Fund consolidates Virginia's commuter, intercity and freight rail programs including:
 - Rail Enhancement Fund;
 - Intercity Passenger Rail Operating and Capital Fund; and
 - Funds previously allocated for VRE track access payments, the Atlantic Gateway and Long Bridge projects.
- Established the Virginia Passenger Rail Authority as an independent political subdivision to promote, sustain, and expand the availability of passenger and commuter rail services for the purposes of:
 - Ameliorating current and future congestion;
 - Promoting industrial and economic development; and
 - Authority is expressly prohibited from operating passenger, commuter, or freight rail services.
- Authorized \$1.0 billion in 9(d) revenue bonds supported by I-66 inside the Beltway toll revenues for construction of a new passenger rail bridge across the Potomac River and improvements and upgrades to the Rosslyn Metro Station.



REGIONAL TRANSPORTATION PROGRAMS

Dedicated Regional Funding Programs

- Almost \$900 million annually is dedicated to regional transportation accounts that address regional mobility needs across the Commonwealth.
- Increased funding streams for transit in Northern Virginia, Hampton Roads and Central Virginia.

Region	Funding Sources
Northern Virginia	Motor Fuels, Sales, Transient Occupancy, Grantors
Hampton Roads	Motor Fuels, Sales, Transient Occupancy, Grantors, State Recordation
Central Virginia	Motor Fuels, Sales
I-81 Corridor	Motor Fuels
Construction District	Motor Fuels

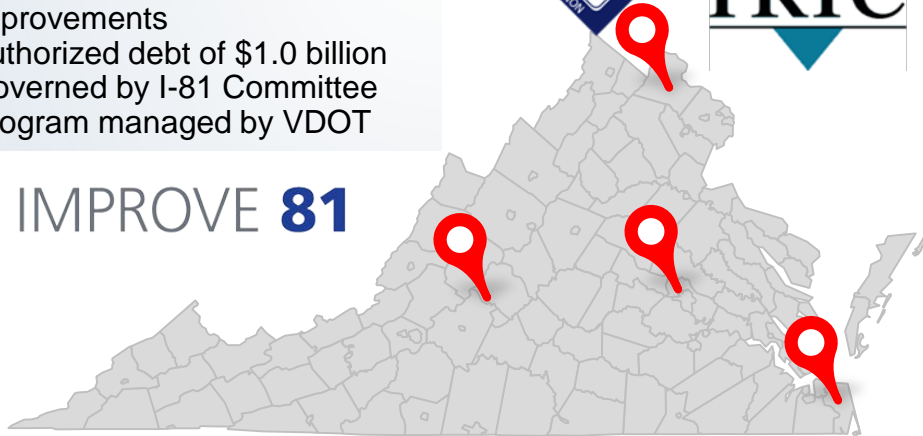
(\$ in millions)	FY 2021
Northern Virginia Transportation Authority Fund	\$265.9
WMATA Capital Fund	141.2
Hampton Roads Transportation Fund	181.9
Hampton Roads Regional Transit	26.1
Central Virginia Transportation Fund	136.9
I-81 Corridor Improvement Fund	55.1
Dedicated Construction District Grant Fund	<u>92.0</u>
Total	\$899.1

Regional Funding Programs Address Regional Needs

Interstate 81 (2019)

- \$2.2 billion in identified improvements
- Authorized debt of \$1.0 billion
- Governed by I-81 Committee
- Program managed by VDOT

IMPROVE **81**



Northern Virginia (2008)

- Three regional entities for planning, construction, transit and rail
- Direct distribution of locality shares
- Joint-ownership of commuter rail

Central Virginia (2020)

- Regional transit operations
- Direct distribution of locality shares
- Remaining funds for regional transportation needs

Hampton Roads (2013)

- Separate regional construction and transit programs
- Toll-facility operations





COVID-19 IMPACT TO TRANSPORTATION PROGRAMS

COVID-19 Impact on State Transportation Revenues

- August 2020 reforecast assumes a reduction in transportation revenues of \$870.7 million NGF, including:
 - FY 2020 - \$121.0 million (actual) and
 - FY 2021-22 - \$749.7 million (August forecast).
- Forecast reductions did not account for impact on regional revenues.
 - Existing regional authorities do not benefit from increased fuels tax rates, will provide more drag on local revenues.
- Collections through the first quarter suggest CTF revenues may be \$100 million above the revised forecast.
 - **Actual biennial reductions may be closer to \$500 million.**

	YTD Actual (%)	Annual Est. (%)	Var. (%)
Motor Fuels Tax	(8.1)	16.6	(24.7)
Recordation Tax	3.9	(1.2)	5.1
Motor Vehicle Sales Tax	(2.7)	(6.4)	3.7
Retail Sales Tax	10.9	(9.1)	20.0
Vehicle License Fees	(5.3)	(17.9)	12.6
All Other Revenues	63.2	20.7	42.5
Total	2.3	(1.5)	3.8

Source: Secretary of Finance monthly presentation, October 2020.

Phased Implementation of Funding Formula was Planned

- Omnibus legislation contemplated flexibility in implementation of new formula allocations through FY 2023.
 - Enactment Clause 11 directs that the allocation of new revenues ensure appropriate coverage ratios on any outstanding debt and that funds for modal programs are at least maintained at the FY 2020 funding level.
- HB 5005 provides the Commonwealth Transportation Board additional flexibility to reprogram up to \$1.1 billion in revenues from currently planned.
 - Projects must be repaid within the Six-Year planning window.
 - One-month public comment period.

HB 5005 Authorization	Estimated (\$ in millions)
Revenue Sharing – Active	\$445.1
Revenue Sharing – Balances	49.9
State of Good Repair	71.1
High Priority Projects	113.1
District Grant Programs	27.3
Modal Distributions	350.0
Transit Capital to Operating	<i>A sum sufficient</i>
TOTAL	Up to \$1.1 billion

Revenue Sharing Program Provides Initial Flexibility

- Revenue sharing program provides state funding to match local contributions for construction projects.
 - Approximately \$500 million in reprogrammed funding.
 - No project schedules to be delayed or funding commitments withdrawn.
 - Additional \$200 million proposed in repayment schedule.

“Flexible” Funds	(\$ in millions)
Previously programmed projects	\$445.1
Completed project balances	49.9
Total	\$495.0

(\$ in millions)	No. Project	State Match
Bristol	6	\$8.2
Culpeper	18	16.9
Fredericksburg	12	27.2
Hampton Roads	55	144.9
Lynchburg	14	10.3
Northern Virginia	65	142.5
Richmond	55	51.8
Salem	36	18.9
Staunton	<u>29</u>	<u>24.3</u>
Total	290	\$445.1

COVID-19 Opportunity Costs Remain Unknown

Forecast SMART SCALE Round 4 (\$ in millions)	March Est. (\$)	November Est. (\$)
High Priority Projects	\$859.6	
Bristol DGP	95.1	
Culpeper DGP	127.7	
Fredericksburg DGP	87.0	
Hampton Roads DGP	181.7	
Lynchburg DGP	131.0	
Northern Virginia DGP	179.8	
Richmond DGP	164.9	
Salem DGP	134.5	
Staunton DGP	<u>84.9</u>	
TOTAL	\$2,046.2	

- Traditional six-year planning process delayed.
 - Focus on continuing annual operations at FY 2020 levels.

(\$ in millions)	Biennial (March)	Biennial (November)
Special Structures	\$40.0	\$5.0
Highway Safety	8.3	10.5
WMATA PRIIA Match	50.0	50.0
Transit Operating	52.8	5.0
WMATA Operating	90.9	3.0
Ridership Incentives	11.7	3.6
Rail	<u>7.4</u>	<u>7.7</u>
TOTAL	\$261.1	\$84.8

COVID-19 Increased Transit Expenses and Decreased Revenues

- Programming of FY 2021 state transit grants is focused on sustaining operating grants at the FY 2020 level with a limited capital assistance program.
 - Total funding level of \$101.6 million for FY 2021, a slight increase from the prior year.
 - Five-year transit capital budget not updated due to uncertainty of post-pandemic capital needs; expected to be developed for FY 2022.
- Meets long term, annual commitment of \$154.5 million to the WMATA capital funding program.
 - Cover estimated shortfall in the dedicated WMATA Capital Fund of \$17.6 million using unobligated funds.
- COVID impact on toll revenues from short-term market impacts of initial stay at home orders reduced funding available to transfer to other modes.
 - NVTC I-66 round four revenues to support Commuter Choice programs reduced from \$25 million over two years to a one-year \$4.0 million program.

CARES Act Provided Short-Term Transit Relief

- Virginia was allocated \$456.3 million in federal transit infrastructure grants through the CARES Act:
 - \$356.6 million directly to large urban transit agencies;
 - \$52.5 million allocation to rural transit agencies; and
 - \$47.2 million to small urban transit agencies.
- Approximately three times the amount of federal transit funds appropriated to Virginia transit agencies in FY 2020.
 - No state or local match required.
- WMATA received \$876.8 million from a direct CARES allocation.

Impact on Transit Revenues and Costs Remains Severe

- Recovery pace for FY 2021 much slower than when services were reduced in Spring.
 - Fare revenue likely to remain substantially below budget.
- CARES Act funds will be depleted by end of year.
 - No additional federal relief on the immediate horizon.
- Transit operators will likely continue to face operating shortfalls until well after vaccine and WMATA faces significant challenges. Therefore, the draft FY21 funding plan recommends:
 - \$50 million for PRIIA Match:
 - \$173.6 million for WMATA operating and capital needs (increase of \$14.6 million); and
 - \$154.5 million in dedicated capital funding, part of \$500 million regional commitment.

2021 Session: Patience and Prudence

- Phased implementation of legislative changes adopted by the 2020 General Assembly are underway.
- State and regional funding programs lost revenue from COVID-19, but the cost was largely new opportunities.
 - Transportation related revenue sources appear to be improving as sales remain stable and travel is beginning to return.
 - State programs benefited from fuels tax increase as consumption declined.
 - Additional travel restrictions could negatively impact revenues in the future.
- COVID-19 will place new operating costs on transit while ridership is down, uncertain when additional federal support will be available.
 - This may put pressure on state and local governments for additional operating support.
- Limiting legislative changes during the 2021 Session would ensure stability in the implementation of changes adopted last year.
 - JLARC study may provide recommendations for programmatic enhancements in 2022.