

Highway Financing in the Commonwealth

Barbara W. Reese, VDOT CFO

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We Keep Virginia Moving

Key Revenues

Key Revenue Sources

- Motor fuel taxes, vehicle sales tax, license fees are largest sources of revenue at federal and state level
- 95 percent of all transportation revenues are user taxes and fees
- At the state level, we are now in the longest period of no adjustments to state taxes and user fees for transportation
 - 1986 was the last time there was a statewide adjustment in the revenue structure

Key Revenue Sources - State

▪ 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		
▪ 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		
▪ Motor Vehicle License Fee (\$29.50)		
- HMOF	\$16.00	\$153.6 mil.
- TTF	\$ 3.00	\$ 24.6 mil.
- DMV	\$ 4.00	
- State Police/General Fund/EMS/Rescue Squad	\$ 5.50	
- Jamestown 2007	\$ 1.00	
▪ State General Sales and Use Tax (4.5 percent)		
- TTF	0.5 percent	\$398.0 mil.

Revenue Comparisons

- Virginia's motor fuels tax rate is 41st in the nation

	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

Revenue Comparisons, continued

- 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 percent

Key Revenue Sources -- Federal

- Federal motor fuels tax is 18.4 cents per gallon for gasoline and makes up almost 87 percent of the Federal Highway Trust Fund
- Federal motor fuels tax has been adjusted 5 times since 1986
- Federal funds are now the single largest source of revenue in Virginia's highway programs

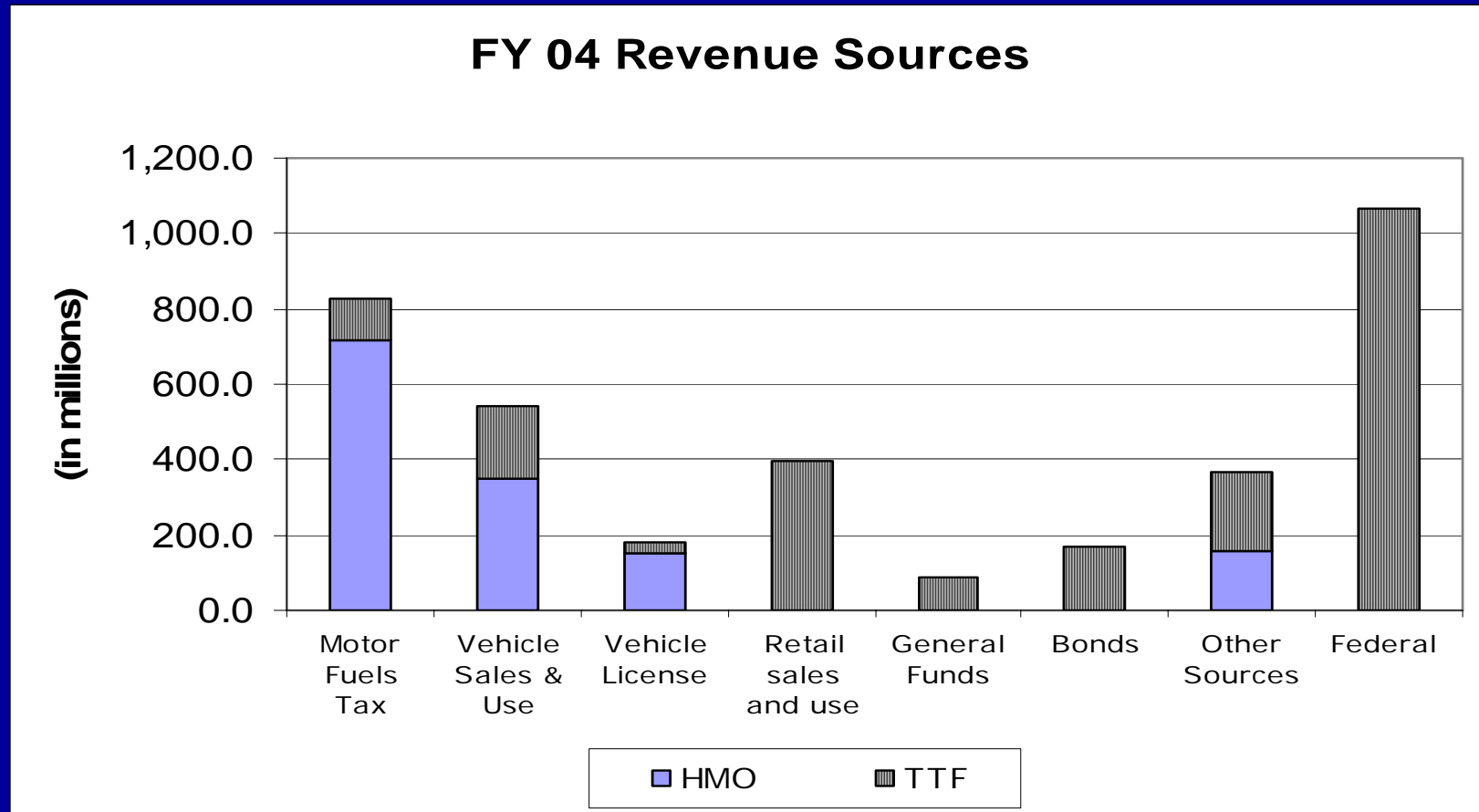
Key Revenue Sources - Federal

- Under TEA-21, Virginia can be reimbursed 2.5627% of federal funds allocated to states from the Highway Trust Fund
- TEA-21 expires September 30, 2003 without Congressional action, federal reimbursements will cease
 - If this happens, there will be implications in our spending because new work cannot be authorized or paid for

Other Sources of Funding

- Since 1987, debt has also played a role in highway funding in Virginia
 - 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 services for debt service when enacted
 - \$2.1 billion in transportation debt is outstanding – meaning it remains to be paid off

FY 04 Revenues



Six-Year Outlook

Future Financial Outlook

- In May, legislative staff reported the following outlook to the HJR 211 Committee
 - Relatively flat growth in revenues
 - Increasing costs of maintenance and operations
 - Increasing reliance on debt financing which requires increasing debt service
 - Increasing federalization of construction

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 VTA debt)	\$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%)

Use of Transportation Revenues

- Use of transportation revenues is directed by:
 - Code of Virginia – Title 33
 - The Appropriations Act – Chapter 1042
 - Virginia Transportation Act of 2000
 - Federal Law

 - CTB Policy and Guidance

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

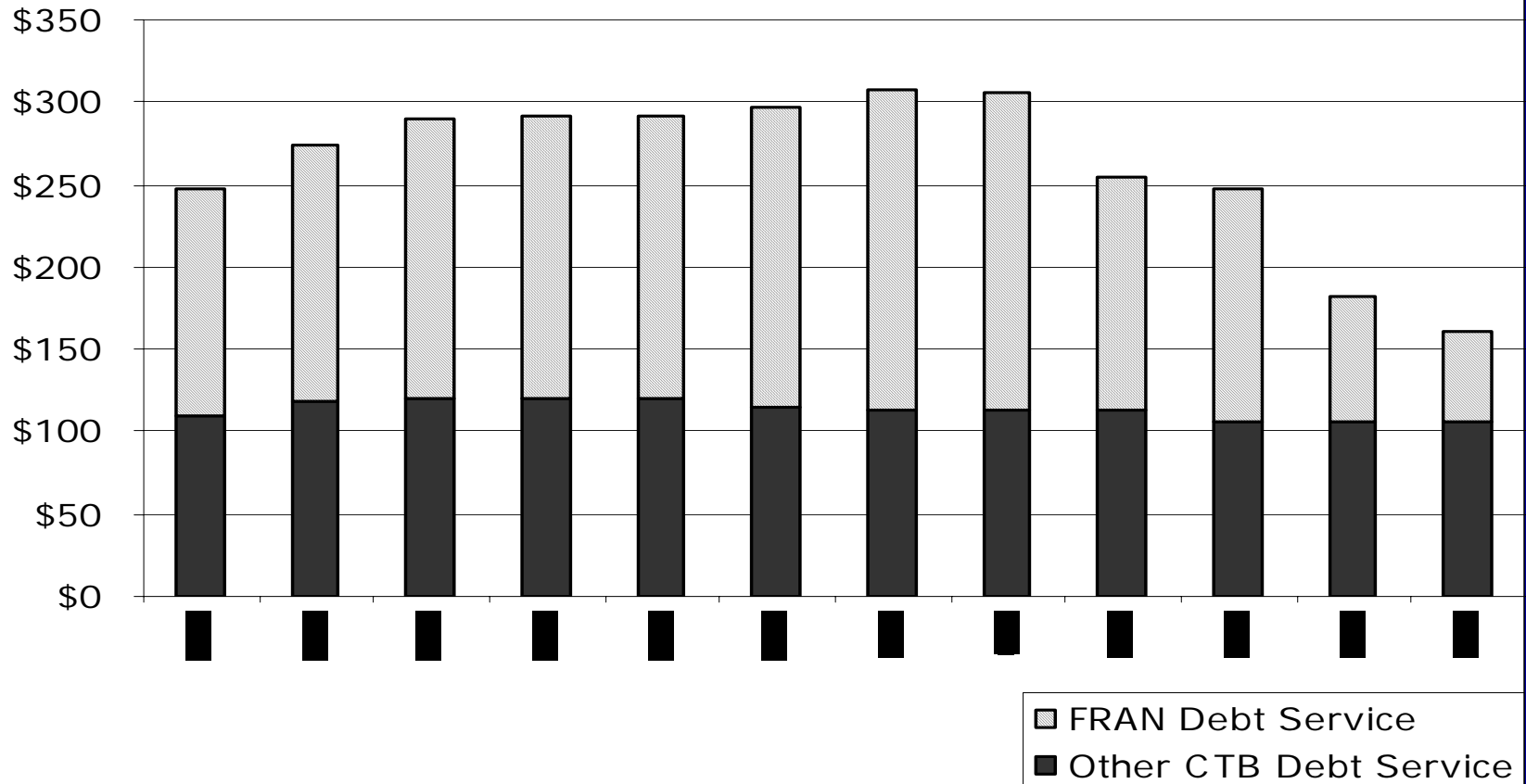
Impact of Highway Maintenance

- In 1986, for every 73 cents spent on maintenance, \$1 was available for highway construction
 - In 2003, \$1.85 will be spent on maintenance for every \$1 construction dollar
- Six years from now, maintenance spending will be at least \$1.4 billion
- 1986 Special Session dollars are now funding maintenance -- \$407 million over the six years – more than the total estimated revenue increase in the TTF

Impact of Debt

- Use of debt, particularly FRANs, has a value but also a price
- FRANS –\$167.5 million sale planned during FY04 and another \$365 million between FY05 and FY08
- Because new dedicated revenue has not been identified for FRAN debt service, these payments require an equal subtraction in revenue available for new construction

Total Projected CTB Debt Service (in millions)

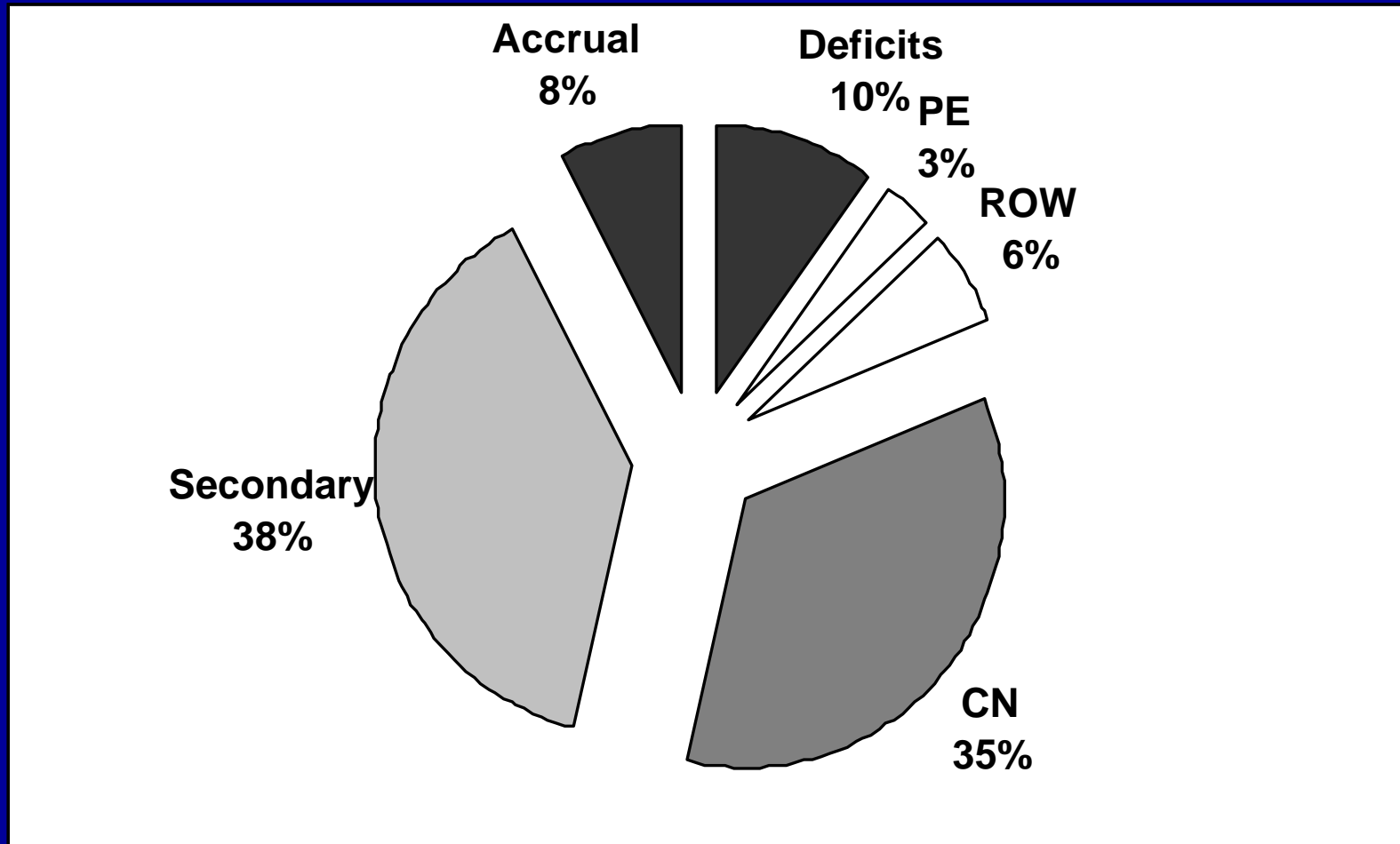


In 1986, debt service impact was less than 1% now
13% of revenues

FY 04-09 Six-Year Improvement Program

- \$6.6 million in funding available for highway projects over the six-year period in the Program
- The priorities for the funding are budget overruns and on-going work
- Policy no longer allows projects to start without funding identified

What the \$6.6 billion funds



Impact of Construction Budget Overruns (Deficits)

- Of \$6.6 billion in highway funding available, \$670.4 million is allocated to deficits on 127 projects

(\$ in millions)

	<u># of Projects</u>	<u>Completed</u>	<u>Underway</u>
Interstate	34	\$ 146.5	\$ 59.6
Primary	52	\$ 277.5	\$ 130.7
Urban	<u>41</u>	<u>\$ 31.6</u>	<u>\$ 24.5</u>
Total	127	\$455.6	\$214.8

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