REPORT OF THE

HIGHWAY PROGRAM REVENUE LOSSES COMMITTEE

Of The

VIRGINIA ADVISORY LEGISLATIVE COUNCIL

To The

GOVERNOR AND GENERAL ASSEMBLY OF VIRGINIA

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Report of the

Highway Program Revenue Losses Committee of

The Virginia Advisory Legislative Council

To the Governor and General Assembly of Virginia

Richmond, Virginia

January, 1976

I. INTRODUCTION

One of the major responsibilities of the Commonwealth is providing for the construction and maintenance of a system of highways to meet the transportation needs of Virginia's citizens, businesses and industries. Because of the large costs and long developmental lead times involved in highway construction, economic recession, alteration of the public's driving habits, and changes of policy on the part of the federal government can have significant impacts upon the quality and scope of the Commonwealth's highway program. Appreciating this relationship, the 1975 General Assembly adopted a resolution charging the Virginia Advisory Legislative Council with a investigation of the impact of revenue losses on the Commonwealth's highway program. The resolution states:

HOUSE JOINT RESOLUTION NO. 201

Directing the Virginia Advisory Legislative Council to study the impact of revenue losses on the highway program.

WHEREAS, the General Assembly has approved the program of highway development and improvement of the Department of Highways and Transportation; and

WHEREAS, the oil embargo and economic recession have resulted in a decrease in the projected revenues for the implementation of the program; and

WHEREAS, consequent allowances and adjustments may be required; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Virginia Advisory Legislative Council is directed to undertake a study of the impact of decreased revenues as they affect the State highway program and recommend adjustments as needed. The Council shall complete its study and make a report to the Governor and the General Assembly not later than November one, nineteen hundred seventy-five.

Delegate Lewis A. McMurran, Jr. of Newport News, a member of the VALC, was selected to chair a VALC Committee to undertake the study. The Council approved the following as members of the study Committee: Delegates Robert B. Ball, Sr. of Richmond, Archibald A. Campbell of Wytheville, Orby L. Cantrell of Pound, L. Cleaves Manning of Portsmouth, and James M. Thomson of Alexandria and Senators Omer L. Hirst of Annandale, Paul W. Manns of Bowling Green and Edward E. Willey of Richmond. At the Committee's first meeting, Senator Manns was elected Vice Chairman.

The Committee held a number of public meetings at which they heard testimony from the Commissioner and other officials of the Department of Highways and Transportation. The Committee also heard testimony from Dr. Charles J. Gallagher and Dr. George E. Hoffer in connection with a report (Transportation Taxation in Virginia: An Interstate and Intermodal Analysis) which they authored for the Revenue Resources and Economic Commission. The Committee also reviewed summaries of work of other committees and of earlier highway studies as they bear on the Committee's concerns. An excerpt from the earlier VALC study Urban Streets and Highways , prepared in 1971 and presented to the Governor and General Assembly in 1972, well illustrates the on-going nature of the problem with which the present Committee is dealing:

> "In the two years that have intervened since the Council last reported on this problem, the impossibility of meeting the goals of the nine-year plan has become more evident. Delays in federal funding for the interstate system, higher standards of design and construction for safety and environmental purposes and, most importantly, inflation have put the 1975 target date beyond reach. Clearly major policy changes are needed to counteract the anticipated gap of $1.5 billion in financing the total plan.
>
> As a result the Department of Highways and the Council recommend a new time schedule for achievement of the highest priority aspects of the original nine-year plan, during the decade from 1972 to 1982. This would include all of the remaining projects in the interstate and arterial networks, the highest priority items in the primary and secondary system improvement programs, increased State funds to municipalities for both construction and street maintenance and increased emphasis on urban transit-related projects."

The Committee also questioned representatives of the Department of Taxation, the State Corporation Commission and the Division of Motor Vehicles. A brief list of materials presented to the Committee (in addition to oral testimony) is attached to this report.

II. FINDINGS AND RECOMMENDATIONS

(1) During the past two years the revenues going to finance the

Commonwealth's highway program have declined dramatically in relation to estimated projections made at the time the current ten-year master plan for highway construction was adopted.

(2) Since the adoption of the present plan, highway construction and maintenance costs have risen even as projected highway revenues have declined.

(3) Finding a way out of this cost squeeze has been complicated by several factors:

(a) The federal government has, as yet, not developed a coherent, long-range energy policy. The fate of the federal Highway Trust Fund has been uncertain, and the rate of federal taxation of motor fuels could be radically changed.

(b) The long-term impact of several recently-adopted federal policies upon the Commonwealth's highway revenues is still unclear. Required improvements in vehicle gasoline mileage should actually decrease highway revenues generated per vehicle mile.

(c) The current state of the economy of the nation and of the Commonwealth is very uncertain. An increase in taxes to support the Commonwealth's highway program might well slow economic recovery. Conversely, however, a continued shortage of highway revenues threatens the jobs of highly trained and skilled employees in the Commonwealth's largest operating agency. State highway construction and personnel cut-backs could have a depressing effect on the economy both by the reduction of State payrolls, and also by the resultant deterioration of the Commonwealth's highways—the prime means of distribution of goods and services within and through the State.

(d) Attempts to compensate for highway revenue short-falls through adjustment of taxes which fall on the trucking industry rather than on all highway users could, again, possibly slow economic recovery, or lead as well to reprisals from, or "registration wars" with, neighboring states. The Committee has not had the time nor the technical expertise available to conclusively determine whether or not taxes paid to the Commonwealth by truckers using the roads of Virginia are covering costs which they occasion to the State.

(4) The driving patterns of Virginians, especially since the beginning of the energy crisis have changed. This is one of the reasons for losses in the highway program's projected revenues, and necessitates a reconsideration of the priorities of the ten-year master plan developed by the Department of Highways and Transportation. It may be prudent at present for the department to proceed with acquisition of four-lane rights-of-way even if construction is restricted to two-lane roads wherever present traffic patterns indicate a present critical need.

(5) Along with reconsideration of the sources and levels of funding for the Commonwealth's highway program and a reconsideration of the ten-year highway master plan,

reconsideration ought also to be given to the formulae which allocate total highway revenues among the various categories of road systems (arterial, other primary, secondary and urban) in Virginia.

(6) Because of all the foregoing and because of the desirability to build further on the informational base already established by the present VALC Study Committee it is the recommendation of this Committee that its study be continued for another year.

(7) It is likewise the recommendation of this Committee that should some sudden event—an action by the federal government or a radical change in the nation's economy—so warrant, the General Assembly should proceed to take action in the area of highway program revenues directly, using such information developed by this Committee as may be of value in the circumstances. The Committee finds, once again, that an observation of the 1971/72 VALC study remains valid:

> "Traditionally the motor fuel tax has been considered as a segregated revenue source, its proceeds being used only for highway purposes. This is the most equitable form of taxation, placing the cost burden for highway construction and maintenace on those who derive the benefits thereof. Since the cost of providing those benefits is increasing and the benefits themselves are to be improved, it seems logical that the charges to users, the "tolls" in the form of fuel taxes, should also be raised."

III. DISCUSSION OF RECOMMENDATIONS

(1) Figures introduced by the Department of Highways and Transportation ("Estimated Cost to Complete Original Ten-Year Plan as Compared to Estimated Cost to Complete Ten-Year Plan in 1975") showed estimated annual costs of construction of the Ten-Year Plan in 1972 were expected to rise from a low of three hundred fifty million dollars in 1972-73 to a peak of five hundred million dollars in 1981-82. The five hundred million dollar cost figure, however, was actually reached in 1974-75. The 1975 cost estimates now put the 1981-82 fiscal year cost at one billion, one hundred million dollars—more than twice the peak cost originally projected.

(2) Department of Highways and Transportation figures have been introduced which show that while construction costs have risen dramatically, actual allocations of State revenue to the highway program have been falling, ("Estimated Cost to Complete Original Ten-Year Plan as Compared to Estimated Cost to Complete Ten-Year Plan in 1975" and "Ten-Year Plan Revenue Projections: 1972 Projections as Compared to 1975 Projections"). Whereas originally revenue was estimated to rise steadily from three hundred fifty million dollars in 1972-73 to five hundred million dollars in 1981-82, 1975 projections envision available revenues of about three hundred seventy-five million dollars annually through 1981-82. In the fiscal year ending June 30, 1975, $362,700,000.00 had been

budgeted for highways, while only $333,124,615.27 in revenue was actually generated, leaving a net short fall for the period of $29,575,384.73 (''Virginia Department of Highways and Transportation, Final Analysis of Revenue from State Sources and Allocations to other Agencies").

(3) (a) President Ford has recommended abandoning the federal Highway Trust Fund as presently constituted, retaining one cent per gallon of federal gasoline taxes for trust fund purposes, and financing all noninterstate federal highway programs from the general revenues. If the federal Highway Trust Fund is abandoned the availability of federal funds for highway construction will be far less certain (''Washington Watch'' in Intergovernmental Perspective, Fall, 1975, Vol. 1, No. 1, pp. 5-15).

As Congress adjourned for the year, dispite the efforts of "the administration and some in Congress to restructure the Highway Trust Fund, both the House and Senate have approved legislation to extend it intact for two more years. The two bills differ considerably, however. It is expected that conferees will resolve these differences and that a bill will be passed early next year." (Dateline Washington for State Legislatures, N.C.S.L., December 22, 1975, Vol. IV, No. 33.)

Since Virginia's highway costs have risen and revenues declined, the percentage of federally aided projects in Virginia's yearly highway program has increased (see Chart R-8).

(b) The question of the federal Highway Trust Fund aside, there are other federal policy areas which are still unsettled. As federal policy mandates ever better gasoline mileage for new automobiles, vehicles will be paying less tax per mile to the states since an equal amount of gasoline will take a vehicle further. This question of gasoline mileage may become even more important as regards heavy trucks where any improvement in gasoline (or diesel fuel) mileage will show a greater improvement on a percentage basis, and where the heavier vehicles occasion higher vehicle mile costs for road maintenance. If the Ford administration is successful in decreasing American dependence on foreign energy sources by reducing consumption of gasoline, this decreased use of gasoline will also result in a corresponding decrease in revenues to the states which rely upon a per gallon tax on gasoline or other petroleum products for state highway revenues.

(c) Virginia's tax on gasoline is already next to the highest in the United States. Virginia and twelve other states including North Carolina, Kentucky and Maryland levy a tax of nine cents per gallon on motor fuel; two states and the District of Columbia levy ten cents per gallon. In the other thirty-five states, motor fuel taxes vary from five cents per gallon in Texas to 8.5 cents per gallon in four other states, including West Virginia. The tax in Tennessee is seven cents per gallon. There are only four states (Virginia, West Virginia, North Carolina and Delaware) that maintain county roads without the aid of local funds.

(d) The Committee discussed, but does not recommend, compensating for highway revenue short-falls in part by raising taxes which would fall only on the trucking industry rather than on all highway users equally: the motor fuel surcharge, various users charges, or income taxes on foreign based transport companies. An increase of the motor fuel surcharge was recommended by consultants but rejected by the Stone Commission in 1963-64. Such an increase from two to three cents was again recommended by Dr. Charles J. Gallagher and Dr. George E. Hoffer in Transportation Taxation in Virginia: An Interstate and Intermodal Analysis, prepared for the Revenue Resources and Economic Commission for the 1976 General Assembly. Such an increase would produce only about $3.5 million per year. The Committee is not anxious to start a "registration war".

It has been the contention of many witnesses before this Committee and elsewhere that foreign domiciled truckers are not "paying-their-way" through Virginia. This contention has been denied by the trucking industry. Lacking the technical expertise needed to determine the truth of such competing claims, the Committee has decided not to make recommendations in this area at this time, pending further study.

(4) Highway and Transportation Commissioner Fugate has expressed to the Committee (and the Committee is prepared, on the basis of other evidence, to agree) that the existing balance of the 1972 Ten-Year Master Plan for the State's highways could beneficially be reviewed, revised and updated. One map (Traffic Flow Map: Interstate, Arterial and Primary Routes: Annual Average 24-Hour Traffic—Year Ending December 31, 1974) provided the Committee shows that some parts of the arterial and other primary system carry as few as five hundred vehicles daly while others carry as many as thirteen thousand vehicles daily. The Committee does not feel that equal priority ought be given to such disparate cases. As the energy crisis has altered the patterns of driving, so too it has no doubt altered driving patterns in individual areas of the Commonwealth. It would be advisable for the highway needs of the Commonwealth to be broadly reassessed, before taxes, are raised substantially to build highways to suit the needs of 1972 which may or may not be the highway needs of 1976.

(5) Several exhibits presented to the Committee by the Department of Highways and Transportation have demonstrated the amount of revenues going to construction and maintenace of the several highway systems in the Commonwealth are not being allocated in proportion to the miles traveled on each system in comparison with total miles traveled. If one compares the 'Allocations' section of the chart "Highway Financing 1974-76 and 1976-78" (Chart R-1) with, among others, Chart R-7, Additional Revenue Which Would Be Generated by Each One Cent Annual Increase in the Motor Vehicle Fuel Tax (averaging $25 million) if Distributed to Highway Systems for Construction on a Basis of Miles Travelled (Interstate System Excluded)" or Chart R-6, which includes interstate mileage, one can see that, at present, revenues "generated" by use of some systems are actually "subsidizing" other systems. By and large, the State's arterial system, and rural secondary system are receiving more revenues than they generate,

while the urban road systems are receiving less than that which is their share on a percentge of miles traveled basis. (Charts R-2, R-3, R-4 and R-5.)

Many of the members of the Committee are of the opinion that funding of these highway systems and subsystems ought to be in proportion to vehicle miles traveled. It is not, however, a recommendation that highway revenue allocation formulae ought to be changed now. However, the Committee does feel the time has come for a reconsideration of these formulae.

(6) The Committee, as one can see from the above data, has found the question of highway program revenue losses to be most complex. The current economic environment is unsettled. Because of the great impact which legislative action could possibly have, and because several major questions are yet to be answered, the Committee recommends the continuation of its study mandate for another year.

(7) If the General Assembly feels changes in the economy or changes in federal policy warrant a less cautionary approach, then it is this Committee's belief that the best way of reducing highway program revenue losses under present conditions would be an increase in the motor fuel tax, the increased revenues to be allocated among Virginia's highway subsystems as per Chart R-7 or R-6.

It is estimated that each one cent increase in motor fuel tax would produce approximately twenty-five million dollars of additional revenue.

At the present time, approximately fifty million dollars is allocated to new urban construction each year; to this is added fifteen percent in local urban matching funds, or about 8.964 million dollars. Also about fifty million dollars is allocated to secondary roads for construction and improvement each year. No local matching funds are required for these secondary roads. As has been pointed out above, there are only four states: Virginia, West Virginia, North Carolina and Delaware that maintain county roads without the aid of any local funds. If all localities were required to contribute equally ten percent for new construction, this would produce an additional 2.98 million dollars. It would enable all local governing bodies to have a more decisive role in setting local priorities. This would also put all local governments on an equal basis in terms of highway construction funding contributions.

In conclusion, the Committee would once again like to cite an observation of the 1971-72 VALC study:

> "The Council feels that fears that an increase in the gasoline tax might cause a decrease in road travel and thereby eventually a decline in revenues are unfounded. Experience with gasoline price 'wars' has shown that even fluctuations in excess of ten cents per gallon in gasoline prices have little bearing on total fuel consumption."

The Congress and the President of the United States have finally reached an agreement on the control of fuel prices that is expected to lower the cost of fuel per gallon in the immediate future and gradually decontrol the price within the next forty months causing a gradual increase in the price per gallon. A motor fuel tax increase of one cent per gallon could be levied by Virginia now which would match the ten cents now levied by the District of Columbia, Connecticut and Rhode Island.

Respectfully submitted,

Lewis A. McMurran, Jr., Chairman

Paul W. Manns, Vice Chairman

Robert B. Ball, Sr.

L. Cleaves Manning

Edward E. Willey

The following members of the Committee dissent from the preceding report and have filed supplemental statements.

Archibald A Campbell (Statement 1)

Orby L. Cantrell (Statements 1 and 2)

Omer L. Hirst (Statement 2)

James M. Thomson (Statements 1 and 3)

(1)

SUPPLEMENTAL STATEMENT

I cannot concur in many of the findings, conclusions, and recommendations set forth in the foregoing report.

I. Secondary Roads

The report suggests reducing the allocation for construction and maintenance of secondary roads of any newly enacted revenues by substituting a measure of allocation based entirely on miles traveled on various roads. Not only would this be a breach of faith with those who supported tax increases in the past in order to build the entire highway construction program, but it would be a disaster to 68.7% of all of the highways in Virginia.

Commissioner Fugate testified before the Committee that at the present rate of expenditures by the Highway Department and increasing overhead costs in the various districts and residencies that in a few years there would be no money available for construction or paving of secondary roads in Virginia. This would be both catastrophic and counter-productive, leaving a vast majority of the land area of Virginia to the mud and dust of a past generation and involving the economic loss in wear and tear on vehicles, a danger to school buses, and, incidentally, the inability to obtain industrial expansion in any of the rural areas served by the dirt roads.

II. Foreign Truckers vs. Virginia Taxpayers

In 1956, the General Assembly repealed the gross receipts tax on heavy truck carriers of property in exchange, according to Commissioner Fugate, for a road user tax. At that time the gasoline tax was six cents and the road user tax agreed to by the heavy trucking companies was set at two cents, or a one-third addition in order to eliminate the gross receipts tax. Today the gas tax is nine cents and the road user tax is still two cents. So, in effect, the large trucks have reduced their relative contribution towards the construction and maintenance of our highways from 33 1/3 percent to 22.2 percent above the normal gas tax.

In the comprehensive report on "Transportation Taxation in Virginia" prepared for the Revenue Resources and Economic Commission in 1975 by Gallagher and Hoffer of the Department of Economics of Virginia Commonwealth University, it was found that the intrastate common carriers, which pay a registration fee and a property tax to Virginia, are paying approximately the cost attributable to their use of the highways. However, the report states that the out of state common carriers pay altogether only 4.7 cents per mile whereas their cost to the highway system of Virginia is 9.7 cents per mile. This results in a subsidy to the foreign truckers by Virginia motorists and intrastate truckers to the extent of five cents per mile. In view of the fact that two-thirds of the heavy truck traffic in Virginia is by out of state truckers, this burden rests heavily on Virginia taxpayers and would seem to be unfair to the motorists using and building Virginia's highways. Commissioner Fugate is on record in giving testimony before the Congressional Public Works Committee July 17, 1969 in stating that the larger trucks do not pay their share of highway costs.

In fairness to the motoring public of Virginia, the road user tax should be brought back to its original 33 1/3 per cent of the gas tax, which would mean a one cent increase therein, which would render approximately $3.5 mllion per year. Because of the greater cost being borne by the Virginia licensed intrastate trucking industry, vis-a-vis the foreign trucking companies credit should be given on the additional one percent road user tax to wholly Virginia based and registered truckers against the cost of their registration fees. This would make the Virginia trucker more competitive with the foreign carrier, at which he is at present at a price disadvantage.

III. Enforcement of Income Tax

The Gallagher and Hoffer report referred to the fact that under the existing laws of Virginia, foreign trucking companies were supposed to pay to Virginia an income tax based on the ratio of miles traveled in Virginia to total business, but lack of enforcement and lack of coordination between state agencies had made the program mainly voluntary with no means of audit and collection. The Committee found that there are 2,700 foreign motor carriers certificated by Virginia, but that only 67 of them filed tax returns as required by existing law. Since that discovery by the Committee, the names and addresses of those 2,700 foreign carriers have been delivered to the Tax Department and the non-paying foreign carriers are being contacted.

It is suggested to the Committee that the statute on certification of foreign carriers be amended to provide that the failure to pay any taxes to Virginia, including income taxes, would bar certification.

Certainly, those out of state carriers which fail to pay taxes due to the Commonwealth of Virginia should not be granted the right to utilize the highways of Virginia for a commercial purpose.

IV. Study of Expenditures

I feel, sincerely, that it is time for the General Assembly to study the methods of operation of the Highway Department. This is an agency which spends approximately one-sixth of all of the revenues of the State, yet it has no legislative oversight. In addition, it is the largest employer in the State, and has almost complete autonomy in expenditure of funds.

In 1969, the Highway Department had a Management Self-study which recommended certain changes in methods of operation. In 1970, it was studied by the Governor's Management Study Commission (the Zimmer Commission) which recommended substantial changes and resultant economies. In 1973, there was a report on the implementation of the Governor's Management Study (the Powers Report) which indicated the Zimmer Commission had recommended changes resulting in savings of approximately $17 million and that only $5 million of those savings had been effected. In 1975, the House Appropriations Committee directed a Staff Report, which was made and although couched in subtle language was critical of the methods of operation and management in the Highway Department. Without going into further details, certainly it is time for the General Assembly to look into the lack of implementation of the various consultants' recommendations for changes. Business practices have changed drastically in the past decade, since the Stone Commission Report, and one wonders if the Department of Highways and Transportation has adapted itself to changing business methods. Almost each report has referred to the high ratio of employees in the Highway Department to the number of miles of roads in Virginia, possibly the highest ratio in the United States. I feel, and others concur, that a study of the Highway Department, not by this Committee, but by a Commission composed of people in business and in the public sector as well as Legislators, might well result in revamping procedures sufficient to show economies equivalent to a 3/4 of one cent increase in the gas tax. This suggestion is in no means to be construed as derogatory of the ability of Virginia's Highway Commissioner, generally considered to be one of the most outstanding in the nation. I just feel it is time the people of Virginia ascertain if their business is being effectively and economically operated.

Archibald A. Campbell

I concur in the foregoing statement.

Orby L. Cantrell

I concur in the foregoing statement, except insofar as it commends the Commissioner whose usefulness to Virginia has long since expired

James M. Thomson

(2)

SUPPLEMENTAL STATEMENT

I concur in the recommendation that this study be continued. I dissent from the recommendation that there be a partial funding of the needs of the Department of Highways and Transportation. In my judgment, Virginia should promptly and thoroughly assess the highway and mass transit needs of the various parts of Virginia, should develop a program to satisfy these needs fully within a period of from seven to ten years and should proceed to fund that program. The recommendations fall far short of that goal.

Omer L. Hirst

Orby L. Cantrell

(3)

SUPPLEMENTAL STATEMENT

I would like very much to concur with the opinions of the other members of the VALC Subcommittee on Highway Prgoram Revenue Losses. The facts, however, simply won't allow me to do so.

In the first place, the report is factually inaccurate when it describes gasoline revenues as decreasing. The Highway Department's own figures prove this to be untrue. What has happened is that the Division of Motor Vehicles and other agencies have received increased appropriations from the highway fund. These increased expenditures have reduced the revenue available to the Highway Department.

When the Highway Department deleted the $15 million appropriation to Metro, it in fact had $8 million more revenues going into this biennium than it had in the last biennium.

There are two different problems involving highway revenues which present themselves. The first of these involves the formula by which highway funds are distributed. I doubt seriously whether any state has the jumbled, undirected, exclusive control of special revenues as that given in Virginia to the Highway Department. The laws are antiquated, and they have grown from the time when Virginia's rural county governments dominated all phases of the State government. There are at least three different divisions of local government for the allocation of highway revenues. Cities are placed in the worst possible situation. They are required to put up 15 percent of their construction funds, and no county must do this. We are pegged to a fixed number of dollars for each mile of primary and secondary roads in the cities, and the balance of the primary and secondary funds are divided up among the counties. Two counties (Henrico and Arlington) have been given the special privilege of operating their own construction and maintenance departments, and they draw their highway funds on a special formula. But at least it is a formula which increases with the revenues. The cities are pegged to a fixed amount and are again penalized. It is ridiculous for the cities to continue to increase highway revenues when they are going to receive no benefit. It is like a man butting his head against a stone wall.

The second problem deals with the attitude of the Highway Department. A year or two ago the General Assembly changed the name of the Highway Department to the Department of Highways and Transportation. Our Commissioner of Highways simply refuses to recognize this fact, and he has dropped Transportation from the title just as he dropped the $15 million appropriation for Metro.

Those of us in metropolitan areas who have special problems feel that those problems are treated very casually by our Highway

Department which devotes its attention almost exclusively to the highway system so ardently advocated by the trucking industry. For too long have we recognized the special problem of transportation when it dealt with a road and penalized urban areas like Tidewater with toll bridges and toll tunnels simply because its geographic nature required the construction of these facilities.

In the same fashion, the Highway Department has attempted to shut its eyes to the Northern Virginia jurisdictions and the need to finance the rapid rail transit. On the one hand, the Highway Commissioner complains that the costs of Metro have "almost" doubled, but he is totally unabashed by the fact that it cost $1.95 today to build roads that it only took $1.00 to build in 1967. In other words, highway costs have "almost" doubled.

To make more money available to the Virginia Department of Highways is another way of penalizing your own area when those same funds are going to be diverted to uses which won't help the Northern Virginia area. The same is true of Tidewater and its bridges and tunnels.

There are many reasons for temporizing and continuing this highway study. I certainly intend to follow the progress with interest. The Highway Department needs additional funds, it knows it needs additional funds, and it has set up a VALC study designed to front its requests. On two or three occasions, I asked the Highway Commissioner if he was in fact recommending a tax increase, and he has continued to dodge the responsibility of that recommendation. So long as that attitude prevails in the Highway Department, it is ridiculous for members of the General Assembly to advocate an increase in the gasoline tax.

Finally, let me point out that while it is not true that gasoline revenues have decreased, they have become more static. It should be apparent to a child that with a given number of cents per gallon on approximately the same total number of gallons sold that the revenue is fixed. On the other hand, costs are escalating and by the Highway Department's own figures have almost doubled since 1967. As long as the Highway Department follows this ridiculous position, it must continue to cut back programs substantially. The obvious answer is to put the gas tax on the basis of a sales tax so that, as the cost of gasoline goes up, so does the tax revenue. This was true in 1975 when the Highway Department and the Godwin administration shut its eyes to the problem. It's gotten no better; in fact, it has gotten worse.

One further point—when the time comes for the conversion of the gas tax to a sales tax or an increase of one or more cents per gallon, the general public should not be asked to foot the entire bill. The trucking industry was given a special privilege when the titling tax was imposed at one 2 percent and trade-ins were not permitted to be deducted from the purchase price. Only trckers drive vehicles until they are scrapped. The general public must pay on the full value of the new vehicle even if there is a substantial trade-in. It's time that we helped equate the responsibility for maintaining Virginia's roads. A 4,000 pound automobile is not tearing up

Virginia's highways. The roads are built to handle that. Both the in-state and out-of-state trucker should be asked to foot a larger percentage of the costs of building and maintaining Virginia's highways.

James M. Thomson

CHART R-1

Highway Financing
1974-76 and 1976-78
(in Millions)

		1974-76	1976-78
REVENUE			
REVENUE FROM STATE SOURCES		$ 799.1	$ 737.3
Less Legislative Appropriations for Other Agencies.		62.3	70.9
Less Legislative Appropriations for Mass Transit.			15.0
STATE FUNDS FOR HIGHWAYS		$ 713.7	$ 651.4
Federal-Aid (Excl. Interstate).		100.6	126.7
	SUBTOTAL.	$ 814.3	$ 778.1
Interstate Federal-Aid		249.6	258.0
TOTAL AVAILABLE FUNDS FOR ALLOCATION BY HIGHWAY & TRANSPORTATION COMMISSION.			$1,036.1
ALLOCATIONS			
General Expenses.		$ 51.2 (6%)	$ 56.2 (7%)
Arterial, Primary (Incl. Interstate Matching)		268.5 (33%)	229.3 (29%)
Interstate Arterial & Primary Maint..		90.6 (11%)	106.2 (14%)
Secondary Const. and Maint.		228.0 (28%)	217.9 (28%)
Const. and Maint. in Cities and Towns over 3,500 Pop.		171.0 (21%)	163.5 (21%)
Industrial Access		5.0 (1%)	5.0 (1%)
	SUBTOTAL.	$ 814.3 (100%)	$ 778.1 (100%)
Interstate Federal-Aid.		249.6	258.0
TOTAL FUNDS AVAILABLE FOR ALLOCATION BY HIGHWAY & TRANSPORTATION COMMISSION.		$1,063.9	$1,036.1

CHART R-2

Chart R-2 is an updating of Table A from the Council's report of 1972, detailing the yield of 9 cents per gallon State gasoline tax revenue, motor vehicle license tax and titling tax earned per mile in 1974-75 and estimated yeild per mile in 1975-76.

Yield of Nine Cents Per Gallon State Gas Tax Revenue, Motor Vehicle License Tax and Titling Tax Earned per Mile in 1974-75

Type of Highway	Miles of Highway	% of Total Miles	Vehicle Miles per Day (1,000's)	% of Vehicle Miles	State Gas Tax Total Earned ($1,000's)	State Gas Tax Earned Per Mile ($100's)	M.V. Licenses, Titling Tax & Registration of Titles & Other Fees Total Earned ($1,000's)	M.V. Licenses, Titling Tax & Registration of Titles & Other Fees Earned Per Mile ($100's)	Total Per Mile Cols. (7) & (9) ($100's)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Interstate	836	1.39	15,996	18.02	43,558	52,103	20,280	24,258	76,361
Arterial	1,129	1.88	7,256	8.17	19,749	17,492	9,195	8,144	25,636
Other Primary	6,712	11.14	23,155	26.08	63,041	9,392	29,350	4,373	13,765
Urban Extensions	910	1.51	11,215	12.63	30,530	33,550	14,213	15,619	49,169
Other Streets	6,524	10.83	15,272	17.20	41,576	6,372	19,357	2,967	9,339
State Secondary	42,859	71.16	13,199	14.87	35,944	839	16,735	391	1,230
Arlington Secondary	375	0.62	914	1.03	2,490	6,640	1,159	3,091	9,731
Henrico Secondary	885	1.47	1,773	2.00	4,835	5,463	2,251	2,544	8,007
TOTAL	60,230	100.00	88,780	100.00	241,723	4,013	112,540	1,868	5,881

Estimated Yield of Nine Cents Per Gallon State Gas Tax Revenue, Motor Vehicle License Tax and Titling Tax Earned per Mile in 1975-76

Type of Highway	Miles of Highway	% of Total Miles	Vehicle Miles per Day (1,000's)	% of Vehicle Miles	State Gas Tax Total Earned ($1,000's)	State Gas Tax Earned Per Mile ($100's)	M.V. Licenses etc. Total Earned ($1,000's)	M.V. Licenses etc. Earned Per Mile ($100's)	Total Per Mile Cols. (7) & (9) ($100's)
Interstate	853	1.40	17,000	18.37	42,971	50,376	20,864	24,459	74,835
Arterial	1,168	1.93	7,500	8.11	18,971	16,242	9,211	7,886	24,128
Other Primary	6,715	11.08	24,000	25.95	60,703	9,040	29,475	4,389	13,429
Urban Extensions	925	1.53	11,600	12.54	29,334	31,712	14,243	15,398	47,110
Other Streets	6,624	10.93	15,900	17.19	40,211	6,070	19,524	2,947	9,017
State Secondary	43,059	71.05	13,700	14.81	34,644	805	16,821	391	1,196
Arlington Secondary	375	0.62	950	1.03	2,410	6,427	1,170	3,120	9,547
Henrico Secondary	885	1.46	1,85	2.00	4,678	5,286	2,272	2,567	7,853
TOTAL	60,604	100.00	92,50	100.00	233,922*	3,860	113,580	1,874	5,734

* (Based upon funds allocated by the State Highway and Transportation Commission in early 1975. Actual revenues collected during the first several months of 1975-76 indicated motor fuel taxes will equal amounts collected in 1974-75.)

Chart R-3 is an updating of Table B in the 1972 report, showing the distribution of secondary road funds in 1974-75 and the estimated distribution in the 1975-76.

Distribution of Secondary Road Funds in 1974-75

	State Funds Distributed	Miles of Road	Distribution Per Mile	Population Served	Distribution Per Capita
Other Streets (33 Cities - 33 Towns)	$ 18,200,000	6,524	$ 2,790	2,121,200	$ 8.58
State Secondary	101,785,000	42,859	2,374	2,467,400	41.25
Arlington Secondary	3,915,000	375	10,440	153,200	25.55
Henrico Secondary	5,460,000	885	6,170	166,200	32.85

Estimated Distribution of Secondary Road Funds in 1975-76

	State Funds Distributed	Miles of Road	Distribution Per Mile	Population Served	Distribution Per Capita
Other Streets (41 Cities - 31 Towns)	18,800,000	6,624	2,838	2,124,300	$ 8.84
State Secondary	91,795,000	43,059	2,132	2,464,300	37.25
Arlington Secondary	3,815,000	375	10,173	153,200	24.90
Henrico Secondary	5,325,000	835	6,016	166,200	32.04

CHART R-4

ESTIMATED COSTS TO MAINTAIN FOLLOWING SYSTEMS FOR FY 1975-76

Millions of Dollars	System	Percentage of State Total
14.0	Interstate	9.6
10.0	Arterial	6.9
23.0	Other Primary	15.9
53.0	Secondary	36.5
27.7*	Urban	19.1
3.6***	Arlington	2.5
5.2***	Henrico	3.6
8.6**	Federal Roads and Toll Roads	5.9
145.1	Total	100.0

*Represents direct payments to cities and towns.

**Represents costs to maintain toll roads as paid from toll revenues.

***Represents direct payments to the two counties of Arlington and Henrico. These funds are used by the counties for maintenace, maintenance replacement, and some construction. The detailed records are maintained by the counties and the breakdown is not available to the Department. Maintenance functions within these counties do not always parallel those of the Department. Their functions may include items not generally considered maintenance by the Department while they may exclude other items which are generally considered maintenance by the Department.

Chart R-4 gives the estimated cost to maintain the various systems of highwbay for fiscal year 1975-76 in millions of dollars and gives the percentage spent for each system for maintenance. This chart may be compred with Chart R-5, which gives a summary of the mileage and traffic for highway systems for an average 24-hour period in 1974.

CHART R-5

SUMMARY OF MILEAGE AND TRAFFIC BY HIGHWAY SYSTEMS FOR AN AVERAGE TWENTY-FOUR PERIOD IN 1974

System	Mileage	% of State Total	(Vehicle Miles) Traffic	% of State Total
	....		....	
Interstate	836	1.3%	15,999,102	17.4%
Arterial	1,595	2.5%	10,251,194	11.1%
Other Primary	6,098	9.8%	20,160,369	21.9%
Secondary	42,859	68.7%	13,284,196	14.4%
Urban	7,780	12.5%	26,876,487	29.2%
Arlington	324	.5%	913,718	1.0%
Henrico	726	1.2%	1,773,000	1.9%
Federal Roads (Not Available) and Toll Roads	2,205	3.5%	2,890,583	3.1%
			....	
	62,423	100.0%	92,148,649	100.0%

CHART R-6

ADDITIONAL REVENUE WHICH WOULD BE GENERATED BY EACH ONE CENT ANNUAL INCREASE IN THE MOTOR VEHICLE FUEL TAX (AVERAGING $25 MILLION) IF DISTRIBUTED TO HIGHWAY SYSTEMS FOR CONSTRUCTION ON A BASIS OF MILES TRAVELED. (INTERSTATE SYSTEM INCLUDED)

SYSTEM	VEHICLES MILES OF TRAVEL MILES	%	ANNUAL AMOUNT (THOUSANDS)
Interstate & Arterial	26,250,296	29.4	$ 7,350
Other Primary	20,160,369	22.6	5,650
Arlington County*	913,718	1.0	250
Henrico County*	1,773,000	2.0	500
Secondary	13,284,196	14.9	3,725
Urban	26,876,487	30.1	7,525
	....		....
TOTAL	89,258,066	100.0	$25,000

*EXCLUDING PRIMARY SYSTEM

CHART R-7

ADDITIONAL REVENUE WHICH WOULD BE GENERATED BY EACH ONE CENT ANNUAL INCREASE IN THE MOTOR VEHICLE FUEL TAX (AVERAGING $25 MILLION) IF DISTRIBUTED TO HIGHWAY SYSTEMS FOR CONSTRUCTION ON A BASIS OF MILES TRAVELED. (INTERSTATE SYSTEM EXCLUDED)

SYSTEM	VEHICLES MILES OF TRAVEL MILES	%	ANNUAL AMOUNT (THOUSANDS)
Arterial	10,251,194	14.0	$ 3,500
Other Primary	20,160,369	27.5	6,875
Arlington County*	913,718	1.3	325
Henrico County*	1,773,000	2.4	600
Secondary	13,284,196	18.1	4,525
Urban	26,876,487	36.7	9,175
TOTAL	73,258,964	100.0	$25,000

*EXCLUDING PRIMARY SYSTEM

CHART R-8

VIRGINIA DEPARTMENT OF HIGHWAYS AND TRANSPORTATION
Contract Awards
($1,000's)

Fiscal Year	1972-73	1973-74	1974-75
	Federal Aid Projects (Including State & Local Funds)		
Interstate (includes 10% State)	$ 37,868	$146,861	$ 63,408
Primary (includes 30% State)	51,908	54,581	9,263
Urban (includes 15% State 15% Local)	14,406	51,563	1,009
Secondary (includes 30% State)	9,421	14,401	3,496
Subtotal	$113,603 (45.8%)	$267,406 (63.3%)	$ 77,176 (84.2%)
	Non-Federal Aid Projects (Exclusively State & Local Funds)		
Interstate	$-------	$-------	$--------
Primary	111,044	96,376	3,437
Urban (includes 15% Local)	12,662	31,876	6,600
Secondary	10,646	26,578	4,487
Subtotal	$134,352 (54.2%)	$154,830 (36.7%)	$ 14,524 (15.8%)
TOTAL	$247,955 (100.0%)	$422,236 (100.0%)	$ 91,700 (100.0%)

Additional primary and secondary construction is also done by Highway Department personnel.

94% of Primary mileage; including Arterial, is eligible for Federal Aid

24% of Urban mileage is eligible for Federal Aid

33% of Secondary mileage is eligible for Federal Aid

An average of 40% of total mileage is eligible for Federal Aid

ADDITIONAL SOURCE MATERIALS AVAILABLE
IN THE COMMITTEE'S FILES

Charts and Tables

Virginia Department of Highways and Transportation: Contract Awards

Ten-Year Plan Revenue Projections: 1972 Projections as Compared to 1975 Projections

Estimated Cost to Complete Ten-Year Plan as Compared to Estimated Cost to Complete Ten-Year Plan in 1975

Value of Contracts Underway Based on 1967 Dollars

Estimated Revenue Available for the Last Six Years of Ten-Year Program (Interstate System Federal Aid Excluded)

Highway Financing 1974-76 and 1976-78

Legislative Appropriations for other Agencies (other than the Department of Highways and Transportation)

Estimated Additional Annual Revenue Produced by Increasing Motor Fuel Tax by Two Cents Per Gallon, Increasing Motor Vehicle License Fee by Five Dollars, Increasing Motor Vehicle Sales and Use Tax, Applying 4% Sales Tax to Retail Motor Fuel Sales

Actual and Estimated Receipts from Motor Fuel Tax

State Gasoline Tax (Rates)

Virginia Department of Highways and Transportation Final Analysis of Revenue from State Sources and Allocations to Other Agencies for Fiscal Year Ended on June 30, 1975

Estimates for Alternative Means of Funding Secondary Roads in Arlington and Henrico Counties

Possible Distribution of Federal-Aid Funds When Construction Funds are Distributed by Vehicle Miles of Travel

Estimated Revenue Available for the Last Six Years of Ten-Year Program (Interstate System Federal Aid Excluded) [including calculations for Arlington and Henrico Counties as per present system]

Estimated Revenue Available for the Last Six Years of Ten-Year Program (Interstate System Federal Aid Excluded) [including calculations for Arlington and Henrico Counties in same manner as calculations for all other counties]

Estimated Revenue Available for the Last Six Years of Ten-Year Program (Interstate System Federal Aid Excluded) [including calculations for Arlington and Henrico Counties as if they were cities]

Additional Revenue Which Would be Generated by each One Cent Annual Increase in the Motor Fuel Tax if Distributed to Highway Systems for Construction on a Basis of Miles Traveled (Interstate System Included)

Additional Revenue Which Would be Generated by Each One Cent Annual Increase in the Motor Fuel Tax if Distributed to Highway Systems for Construction on a Basis of Miles Traveled (Interstate System Excluded)

Street Mileage in Cities and Towns in Excess of 3500 Population

Summary of Mileage and Traffic by Highway Systems for an Average Twenty-Four [Hour] Period in 1974

Estimated Fiscal Construction Program for the Secondary System for the Remaining Six Years of the Ten-Year Fiscal Plan with Existing Revenue and with an Additional $25 Million Annually

Staff's Summaries

Staff Report to the VALC Highway Program Revenue Losses Committee, October 3, 1975 (Summary of the Gallagher and Hoffer Report)

Summary of Major Highway Revenue Related Testimony before the Revenue Resources Commission Meeting of November 17, 1975

Summary of Relevant Sections of 1974 Fiscal Prospects Report

Excerpts from the 1963 Stone Commission Report

Studies and Reports

Urban Streets and Highways: Report of the Virginia Advisory Legislative Council to the Governor and the General Assembly, 1971

Allocation of Funds for Use on Secondary System of Highways

International Registration Plan, by American Association of Motor Vehicle Administrators

Virginia Proportional Registration Plan Rules and Regulations Sponsored by the American Association of Motor Vehicle Administrators, Issued by Division of Motor Vehicles, Commonwealth of Virginia

Fiscal Prospects and Alternatives: 1974

The Need for More and Better Highways: Paying for them, Report of the Virginia Highway Study Commission (Stone Commission) to the

Governor and the General Assembly of Virginia, 1963

Transportation Taxation in Virginia: and Interstate and Intermodal Analysis by Charles J. Gallagher and George E. Hoffer

Other

Draft Bill to Amend and Reenact §§ 33.1-24 and 33.1-24.1, as Severally Amended, of the Code of Virginia, Relating to Allocating Funds for Highway Programs

Testimony of Urchie B. Ellis before the Revenue Resources and Economic Commission, November 17, 1975

Minutes of the Committee's Meetings of August 25, October 3, November 7, November 24 and December 8, 1975 (with attached exhibits and charts)

Letter of Valentine W. Southall, Jr., Assistant Attorney General of Virginia, concering existing statutory requirements for allocations of the motor fuel taxes to the counties of Arlington and Henrico, dated January 12, 1976.

Letter of Mr. C. B. Walker, Comptroller of Virginia, relative to gas tax distributions to Arlington and Henrico, dated January 13, 1976.