INTERIM REPORT OF THE

COMMISSION ON THE FUTURE OF TRANSPORTATION IN VIRGINIA

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Interim Report

Commission on the Future of Transportation in Virginia

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Table of Contents

Executive Summary

- State agencies representing the transportation modes estimate that the needs projected by the Commission for the 20-year period 1998-2017 would cost $68.4 billion not including inflation, and $88.8 billion including inflation.

- Federal and state revenues projected to be available will not be sufficient to finance these needs through the year 2017. The apparent revenue shortfall is $44.3 billion with costs not inflated, and $64.7 billion including inflation.

- On an annualized basis, the revenue shortfall with costs not inflated is about $2.3 billion. With costs inflated, the shortfall totals $2.3 billion in the first year and increases steadily to $4.1 billion in 2017.

- For Highways alone, needs through 2017 are projected to cost $57.8 billion, without inflation. Revenues of $20.8 billion are estimated, leaving a revenue shortfall of $37.0 billion. With inflation, needs are projected to cost $74.6 billion, and with $20.8 billion in revenues the shortfall is $53.8 billion.

- The annualized revenue shortfall for Highways is $1.9 billion with costs not inflated. With costs inflated, the shortfall in the first year is $1.9 billion and the shortfall steadily increases to $3.6 billion in 2017.

- Of the $19.5 billion in highway projects currently listed in the Six-Year Transportation Program for feasibility studies, projects totaling $5.2 billion would be funded by 2011 with available revenues, and another $7.3 billion would be funded by 2023; however, funding would not be available from existing revenues for $7.0 billion in projects until after 2023, according to the Virginia Department of Transportation.

- The Commission should continue to review the needs list to better understand priorities and to review alternative financing mechanisms.

- Growth in maintenance costs is outstripping the growth in revenues dedicated to maintenance.

- Maintenance costs currently are projected to exceed revenues dedicated for maintenance within four years, at which time funds dedicated for construction will need to be transferred to maintenance.

- A reliable, long-term source of revenue to finance maintenance should be pursued.

- State funds dedicated by law for transportation maintenance and construction projects should not be diverted to finance other programs.

- If feasible, public transportation services should be significantly expanded and the state should play an increasingly greater role. Subject to feasibility, the Commission supports an active approach to public transit that is estimated to cost $9.5 billion (with costs inflated) over 20 years.

- A carefully thought out performance-based methodology for state assistance to public transit remains a priority for the near term.

- Needs of the Ports and Airports total $2.2 billion not including inflation and $3.2 billion with inflation. The combined revenue shortfalls for these modes is $1.1 billion without inflation, and $2.0 billion including inflation.

- The financing of major, high cost projects -- particularly rail projects -- remains a vexing issue for further analysis and study.

- Virginia should consider refinements to state transportation planning, and should explore growth management policies that reduce transportation needs.

- Needs of Virginians who cannot drive are significant and complex, and a major, well coordinated executive branch study is required to better define the issues.

Introduction

In the 1996 Session of the General Assembly, two identical bills -- House Joint Resolution 160 and Senate Joint Resolution 110 -- were adopted creating the Commission on the Future of Transportation in Virginia. The respective patrons of the legislation were Delegate William P. Robinson, Jr., eventually elected chairman, and Senator Stanley C. Walker, elected vice-chairman.

The Commission is composed of 25 members, of whom 20 have voting privileges, as follows:

- Seven members of the House of Delegates and four citizens appointed by the Speaker of the House; and,
- Five members of the Senate and four citizens appointed by the Senate Committee on Privileges and Elections.

The non-voting, ex-officio members are:

- The Secretary of Transportation
- The Executive Director of the Virginia Port Authority
- The Director of the Dept. of Aviation
- The Director of the Dept. of Rail and Public Transportation
- The Commissioner of the Dept. of Transportation

The 1996 legislation charged the Commission to:

- Review the findings and recommendations of recent studies,
- Identify major transportation needs,
- Determine additional revenue that would be needed to finance transportation needs, and
- Propose the means for raising and allocating such revenue.

The due date contained in the 1996 legislation was July 1, 1997.

Given the difficult and complex nature of the assignment, the General Assembly in the 1997 session adopted HJR 519 that continued the Commission and provided two due dates: September 15, 1997, for an interim report on transportation needs and issues; and December 20, 1997, for the final report with recommendations on needs, revenues and issues.

The joint resolutions relating to the Commission are found in the Appendix to this interim report.

The Commission created two committees: an Advisory Committee on Transportation Needs, and a Special Committee on Virginians Who Cannot Drive. The latter committee was appointed in response to two Senate Joint Resolutions asking that the Commission examine the transportation problems of the aged, the disabled and others who cannot drive.

The Commission met seven times between September 25, 1996, and September 3, 1997. Future meetings are scheduled for November 17 and December 10. In the future, the Commission may hold hearings to help develop its final report, and may appoint a committee of citizens to assist in the process of disseminating the Commission's findings.

Previous Studies

The last major transportation policy changes made in Virginia were the result of the 1986 Commission on Transportation in the Twenty-First Century (COT 21). This commission projected a shortfall of revenues to needs of about $7 billion in the decade following the commission study.

The commission responded to the shortfall projection by proposing a revenue package that contained these features: a general sales tax increase of .75 percent, a 4 cent per gallon increase in the motor fuels tax, an increase in the titling tax from 2 percent to 4 percent, and interest on transportation revenue balances.

Meeting in Special Session, the General Assembly adopted a .5 percent increase in the general sales tax, a 2.5 cent increase in the motor fuels tax, an increase in the titling tax from 2 percent to 3 percent, a $3 increase in motor vehicle licenses, and interest on transportation revenue balances. These additional revenues comprise the Transportation Trust Fund, which in Fiscal Year 1998 is projected to generate nearly $600 million.

Five years after COT 21, the General Assembly began a series of additional studies which are described below. The descriptions that follow present findings and conclusions that were reached based upon data available at the time. Other sections of this report provide current data.

Senate Joint Resolution 188

In 1991, the General Assembly adopted Senate Joint Resolution 188, which called for a study of the formula for allocating the Transportation Trust Fund. This study relied on a comprehensive 1989 needs study by the Virginia Department of Transportation that presented transportation needs by mode as shown in the table on the next page.

Modal Needs 1989-2009
(1988 $ Millions)

Mode	Total Needs	Unfunded Needs
Highways	$37,136.0	$18,914.6
Rail	168.3	156.7
Public Transportation	10,817.0	3,879.3
Aviation	2,846.2	543.3
Ports	1,168.1	727.3
Total	$52,135.6	$24,221.2

Although SJR 188 acknowledged the extent of unfunded needs, no recommendations were made to address revenues. Changes were recommended, however, to the share of total revenue allocated to each mode. SJR 188 recommended eliminating the $35 million provided from the Highway Maintenance and Operating Fund for public transportation, and offsetting this reduction in funding by increasing their proportion of the Transportation Trust Fund to 15.77 percent from 8.4 percent. SJR 188 also recommended reducing the share of the Transportation Trust Fund allocated to seaports and airports.

SJR 188 Modal Allocation Recommendations

Mode TTF Allocation	Current Needs Share	TTF Allocation	Recommended
Highways	85.0%	78.53%	78.66%
Rail	0.0	0.45	*
Public Transportation	8.4	15.45	15.77 **
Aviation	2.4	2.25	2.25
Ports	4.2	3.32	3.32
Total	100.0%	100.00%	100.00%

* SJR 188 recommended funding from General Funds.
** Current public transit grant and Department of Rail and Public Transportation funding is recommended to be eliminated from the HMOF.

The 1989 comprehensive VDOT needs study determined that there had been a shift in needs from the secondary and urban system to the primary system since the last needs study was done in 1984. Therefore, SJR 188 also recommended changes to the highway system allocation formulas. No changes were recommended to the urban system formula. Urban funds would continue to be allocated to cities based on population.

Percent Needs Share by System

	Needs Share 1984 Study	Current Share	Needs Share 1989 Study	Recomm. Share
Primary	36	40	47	42
Secondary	39	30	30	33
Urban	25	30	23	25

SJR 188 findings also recommended changes to the formula allocation weighting system for primary and secondary roads. It was found that 1989 needs correlated more closely to vehicle-miles traveled for primary roads than needs did in 1984. For secondary roads 1989 needs correlated with a greater weighting to population than in 1984.

Primary Allocation Formula

Current Factors	Current Weights	Recommended Weights
VMT	70%	96%
Lane Miles	25%	0%
Need Adjustment	5%	4%

Secondary Allocation Formula

Current Factors	Current Weights	Recommended Weights
Population	80%	88%
Area	20%	12%

Other recommendations included decreasing the funding provided for unpaved roads from 5.67% to 1.5% of the Transportation Trust Fund. Under this proposal, eligibility for unpaved road funds would have increased from 50 vehicles to 100 or more vehicles per day. A supplemental bridge program of about one percent of the Transportation Trust Fund was also recommended. Finally, an inter-city rail and freight rail program was recommended, with the fund source being corporate taxes paid by the railroads into the general fund.

Senate Joint Resolution 240

In 1993, through SJR 240, the General Assembly established a 17 member committee to review the recommendations of SJR 188. This committee was also empowered to review the sufficiency of revenues to meet long-term needs, vehicle cost responsibility studies, and the integrity of the Transportation Trust Fund.

The SJR 240 Select Committee decided that the following issues should be addressed:

- Growth prospects for transportation revenues that are constrained by the types of revenue sources.

  - About 45 percent of state transportation revenues come from motor fuels taxes on gallons consumed. Gasoline consumption will continue to be constrained by increased fuel efficiency.

  - The other large proportion of state transportation funds (about 43 percent) comes from general sales taxes and sales taxes on motor vehicles. Virginia's economy is continuing to become more service-oriented.

  - While federal funds only supply about a fifth of state highway dollars, they currently supply about a third of all state highway construction funds. Federal revenue allocations have declined significantly from the FY 1994 peak.

- With the exception of a few rural areas, most representatives agreed on the need for additional financial support. Rural areas were worried that changes in the present system would leave them worse off than before.

- Urban and suburban representatives endorsed greater emphasis on mass transit and non-highway transportation programs.

- Passenger vehicles pay more in taxes and fees than the costs they cause to the transportation system and all truck and bus classes pay less in taxes and fees than they generate in costs.

The SJR 240 Select Committee reported that the SJR 188 study did not propose actions to deal with:

- Highway maintenance needs and other demands on the HMO Fund that would soon outstrip revenues available;

- Highway construction needs that would outstrip revenues available by at least a two-to-one margin;

- Alternatives to highway construction for congestion management;

- The large relative shift in needs to the primary and especially interstate systems;

- Funding that is currently not available for large expensive projects, including mass transit and bridge needs; and

- Revenue collections that do not keep pace with economic growth.

The SJR 240 study group declined to recommend changes in the allocation formulae without increases in revenues. Alternatives were discussed, but were not endorsed. They included:

1) Targeting Virginia's existing revenues more efficiently, to satisfy the greatest needs.

   - Current needs list assumes all needs are of equal weight. For example, roads projected for future congestion are given the same importance as currently congested roads.

   - An option would be to prioritize the needs list to determine where the most critical needs are, and adjust the allocation formulae accordingly.

-- A cost/benefit process could be used to determine which expenditures would move the most people and goods at the least cost.

- Consider an increased proportion of transportation dollars going to public transit in highly populated urban corridors if it can be proven cost effective in reducing congestion.

- Consider increasing support for the state's freight rail network, to help reduce truck traffic, and use that network for passenger rail if it can be proven cost-effective.

2) Integrating land-use policies with transportation planning.

- Employ land-use practices that avoid suburban sprawl and expensive collector transportation systems. For example, new multi-family housing development and commercial and office space might be limited to existing mass transit routes.

3) Making better use of existing transportation systems.

- Adopt policies and incentives to reduce single occupant and peak travel time vehicle use.

-- Expand use of HOV lanes or increase support for ridesharing and carpooling incentives.

- Increase funding for technological improvements to existing transportation systems, such as better signalization, and traffic flow warning systems.

- Where appropriate, use more innovative approaches than traditional bus service to provide geographic mobility needs.

4) Increase revenues.

- Consider giving regional and local governments more responsibility for funding the urban and secondary road systems and transit funding.

- Encourage expanding privatized funding of special situation transportation improvements.

-- Public Private Transportation Act of 1995 provided one avenue.

1994 Comprehensive Needs List

Section 33.1-23.03 of the Code of Virginia requires a "Quinquennial review of construction needs". On December 31, 1994, the Secretary of Transportation provided needs figures for both "aggressive" and "moderate" scenarios. These scenarios depended on the strictness of criteria applied (congestion levels, pavement condition, safety levels, etc.). The 1984 and 1989 needs studies had used the "aggressive" level of criteria. In a previous presentation (October, 1994) to the SJR 240 Select Committee, the Secretary of Transportation offered his reservations concerning the use of a 20 year needs analysis in general. He pointed out that there was:

-No distinction between current and future needs;

-No integration of different mode capabilities;

-Impacts of market activity not taken into account; and

-No 20 year revenue analysis using economic factors or models.

-The Secretary also suggested that needs be assessed against reasonably expected revenues, likening this to the current Northern Virginia approach.

- Both "aggressive" and "moderate" scenarios were termed "speculative".

1994 Needs List 1995-2015
(1993 $ Millions)

	Aggressive	Moderate
Highway	$53,540.3	$34,743.6
Public Transportation	13,552.9	8,312.0
Rail	413.2	89.2
Aviation	2,399.8	1,628.6
Ports	1,705.8	1,619.3
Total	$71,612.0	$46,392.7

Transportation Needs

The Needs of the Modes

As mentioned in the "Previous Studies" section, the Secretary of Transportation prepared a comprehensive transportation needs analysis in 1994. The report covered the period 1995-2015.

At a presentation of the needs in January of 1996, the Secretary stated: "The inclusion of any specific project ... does not in and of itself constitute an endorsement of the project ... The inverse is also true." The same holds true for the commission as it presents in this report information about the needs of the transportation modes.

After discussing the Secretary's report, the Commission appointed a 19-member Advisory Committee on Transportation Needs to update and further analyze the needs. Persons appointed to the advisory committee were full-time staff to local and regional governmental organizations whose jobs require them to deal with transportation issues on a regular basis.

The advisory committee submitted a report to the Commission in August of 1997 that found that the "moderate" transportation needs identified by the State agencies representing each mode would greatly exceed revenues during the period 1995 - 2015. The advisory committee asked each mode to update the 1994 report, to adjust the costs to include inflation, to project available revenues and determine any revenue shortfall.

Adjusting costs to include inflation over a long period of time is a departure from the way needs studies traditionally have been done in Virginia and at the national level. Normally, costs over a period of time are provided in dollars valued for a particular year (the Secretary's 1994 report on 1995-2015 needs used 1993 dollars). Then, revenues (including inflationary effects) are projected over the time-frame, and revenue shortfalls are calculated.

While the inclusion of inflation in costs is a change from past studies, such an approach provides a more realistic picture of how costs relate to projected revenues.

For this report, the needs data is presented both ways: not inflated, and inflated 2.6 percent per year, according to the WEFA Group's Gross Domestic Product Price Deflator which has a strong correlation with highway construction cost inflation.

The cost of the needs and the revenue projections are for the same 20-year period -- 1998-2017. Also, the Commission has included in Highways the needs of local secondary roads and unpaved roads serving 50-99 vehicles per day. Such needs had not been included in the advisory committee's report.

Following are tables that present, in Table A, costs in 1997 dollars compared to projected revenues, with costs not inflated, and, in Table B, costs inflated 2.6 percent per year from a 1997 base, compared to the same projected revenues.

TABLE A
Needs, Revenues and Shortfalls
1998-2017 -- Needs in 1997 Dollars
($$$ in Millions)

Mode	State Needs	Revenues	Shortfall
Highways	$57,779.5	$20,786.9	$36,992.6
Public Transit	7,162.9	2,135.8	5,027.1
Rail	1,215.4	-0-	1,215.4
Airports	433.9	422.6	11.3
Ports	1,794.8	710.4	1,084.4
Totals	$68,386.5	$24,055.7	$44,330.8

TABLE B
Needs, Revenues and Shortfalls
1998-2017 -- Needs Inflated from 1997 Base)
($$$ in Millions)

Mode	State Needs	Revenues	Shortfall
Highways	$74,545.3	$20,786.9	$53,758.4
Public Transit	9,481.6	2,135.8	7,345.8
Rail	1,608.9	-0-	1,608.9
Airports	570.0	422.6	147.4
Ports	2,584.2	710.4	1,873.8
Totals	$88,790.0	$24,055.7	$64,734.3

For Highways, the amounts in the tables include federal revenues. However, federal revenues are not included in the amounts for public transit, rail and airports. For these modes, the amounts in the tables reflect the state's participation in funding local public transit, rail and airport projects consistent with current laws and policies. The narrative for each mode provides details on total needs compared to needs that the state participates in. The Port of Virginia does not receive federal support, but does receive financial support from Virginia International Terminals, Inc.

For public transit and rail, the amounts in the table are consistent with Scenario 3, which was endorsed by the Commission. Details about the various scenarios discussed for public transit and rail are provided later in this section.

The Commission cautions the reader to understand that each of the transportation modes is very different. The Commonwealth's highways are generally state-owned and operated by a state agency, VDOT. The public transit systems, rail lines and airports are locally-owned and operated, and state-assisted through state agencies. The Port of Virginia is a state agency that operates four port terminals.

If federal and local revenues are not available, public transit, rail and airport capital projects in which the State normally participates generally may not be pursued by local sponsors. The Port of Virginia does not depend on federal or local revenues.

Following are cost and revenue details for each mode:

Highways

The 1994 report from Secretary Martinez showed the "Moderate" needs for Highways totaling $34.7 billion in 1993 dollars. The Virginia Department of Transportation (VDOT) update for the advisory committee reflected inflation and additional projects, bringing the total to $46.7 billion in 1997 dollars for the period 1999 - 2015. To make all modes comparable, VDOT, at the commission's request, provided an update for the period 1998-2017 which totaled $52.1 billion in 1997 dollars. The extension to 2017 is an extrapolation of the 1997 needs update in 2016 and 2017.

The "Moderate" approach for Highways excluded functionally classified local secondary roads and did not provide for paving roads

carrying 50 - 99 vehicles per day. VDOT has estimated that these "other local roads" and unpaved roads carrying between 50 to 99 vehicles per day have needs of about $5.7 billion in 1997 dollars for the period 1998-2017. Following are the needs (in thousands) by VDOT district:

	Unpaved 50-99 V.P.D.	Other Local Needs	Total
Bristol	$385,793	$451,181	$836,974
Salem	$322,391	$727,653	$1,050,044
Lynchburg	$391,255	$523,935	$915,190
Richmond	$162,640	$429,199	$591,839
Suffolk	$34,044	$183,584	$217,628
Fredericksburg	$67,059	$137,757	$204,816
Culpeper	$181,336	$515,764	$697,100
Staunton	$256,503	$736,129	$992,632
No. Virginia	$25,203	$117,797	$143,000
Total	$1,826,224	$3,822,999	$5,649,223

The total increases from $5.7 billion to $7.3 billion when inflation is added.

The Commission has included in Highway needs local secondary roads and unpaved roads serving 50 - 99 vehicles per day, bringing total Highway needs to $57.8 billion, not including inflation, and $74.6 billion including inflation.

The Secretary's "Moderate" approach for highways used traffic and road condition criteria that are somewhat less rigorous than under the "Aggressive" approach. For example, VDOT rates congestion from A (least) to F (most). The "Moderate" approach does not include costs for improvements until the roads have achieved a rating of E in the present and F in the future, while the threshold under the "Aggressive" approach is E for both present and future.

Highway revenues projected for the 1998-2017 period are $20.8 billion. With needs in 1997 dollars of $57.8 billion, the revenue shortfall is $37.0 billion. On an annualized basis, the revenue shortfall is $1.8 billion.

When the cost of needs is inflated 2.6 percent over the 20-year period, the comparison of $74.6 billion in needs to $20.8 billion in revenues results in a revenue shortfall of $53.8 billion. On an annualized basis, the revenue shortfall steadily increases from $1.8 billion in the first year to $3.6 billion in 2017.

Highway revenues include federal funding that assumes adoption of a national highway budget of some $23.0 billion a year, with Virginia increasing its rate of return from roughly 79 cents on the dollar of fuel taxes collected to 95 cents.

The advisory committee asked VDOT to determine both the cost to complete and the time to complete the highway projects on the "Moderate" list, given current revenues. This exercise was carried out for the period 1999-2023 and needs, at the request of the advisory committee, were inflated until 2015.

VDOT used three assumptions for federal funding, the highest being $23.0 billion a year nationally which brings more than $600 million a year for Virginia in the early years of the period and nearly $800 million in the later years. VDOT also currently estimates that beginning in 2001 revenues from the Highway Maintenance and Operating fund will not be sufficient to meet the cost of maintenance requirements, and that revenues from the Transportation Trust Fund will need to be transferred to maintenance. The result of the transfer is that fewer dollars will be available for construction in 2001 and beyond. The projected 2001 "crossover" date is subject to revision based upon budget requirements and revenue forecasts for the 2000-2002 biennium.

Using the $23.0 billion assumption for federal revenues and assuming that Virginia's funding level would increase from the current 79 cents to 95 cents for each revenue dollar generated by the state, VDOT concluded that projects totaling $8.0 billion would be constructed by the year 2006; another $5.2 billion would be allocated by 2011; and, projects totaling $48.7 billion would not be completed until 2023 and beyond.

Looking at the data another way, VDOT's analysis of the "Moderate" needs placed projects in four categories and concluded that:

- The $6.5 billion in projects in the current six-year program (Category I) would be constructed by the year 2006;

- Projects totaling $5.2 billion and funded for feasibility study in the six-year program (Category II) would be funded by 2011;

- Another $7.3 billion in projects funded for feasibility study in the six-year program (also Category II) would be funded between 2011 and 2023, and,

- Projects totaling $7.0 billion and funded for feasibility study in the six-year program (again, Category II) cannot be funded with existing revenues until after 2023;

- Projects totaling $48.7 billion and not included in the six-year program (Categories III and IV) would not be funded until 2023 and beyond. (The advisory committee had added a project with an estimated cost of some $214 million. This project, which relates to highway improvements to accommodate airport improvements in Richmond, is in Category IV.)

There are 60 projects which have received funding for feasibility studies in the current six-year program (Category II). Examples of the following larger projects (amounts represent estimates, in 1997 dollars, of the balance of funding required to fully complete the projects) are shown for illustrative purposes:

• Widening Interstate 81	$1.693 billion
• Route 58 Corridor	$ .780 billion
• Coalfields Expressway	$ .897 billion
• Western Transportation Corridor	$1.393 billion
• Route 29 Corridor	$1.023 billion
• Interstate 73	$1.398 billion
• 3rd Hampton Roads Crossing ($1.675 billion in Category III)	$1.091 billion

It should be noted that no priority weighting has been given to the highway construction needs, although projects with an estimated total cost of $26.0 billion are funded either for various phases of construction or for

feasibility study in the current Six-Year Program. Inclusion of projects in the Six-Year Program would appear to indicate priority.

Also, it should be noted that the revenue shortfall between the costs of needs and available revenues for the 1998-2017 period was determined by considering only federal and state revenue streams on a pay-as-you-go cash basis. At this point, consideration has not been given to the use of tolls or to the use of debt financing as funding sources for certain projects. For example, the General Assembly has financed the first phase of the Route 58 Development program with a general fund appropriation for debt service. Financing of the second phase of Route 58 in a similar manner is not assumed in VDOT's calculation of the revenue shortfall.

Rail and Public Transit

Rail and Public Transportation presented three scenarios to the advisory committee. The scenarios represented cost increases and project updates from the 1994 Secretary's report. The advisory committee presented all three scenarios to the commission.

Generally, the three scenarios flow from one that maintains current services and begins some major projects to a third scenario that represents a greatly expanded approach. The 20-year needs of Rail and Public Transportation and projected revenue shortfalls are shown below in billions. The amounts are the result of the same methodology used for all modes: Table A reflects costs in 1997 dollars, and Table B reflects costs inflated from a 1997 base at the rate of 2.6 percent year for inflation. Both tables (with dollars in millions) are for the period 1998-2017.

Rail does not have a dedicated funding source, so the shortfall for Rail generally is the same as the need. Public Transit receives 8.4 percent of the TTF, plus $35.05 million a year from the Highway Maintenance and Operating Fund.

TABLE A

1998 - 2017
(Costs Not Inflated; $$$ in millions)

Mode	Scenario	State Needs	State Shortfall
Rail	1	$ 108.3	$ 108.3
	2	$ 539.7	$ 539.7
	3	$1,215.4	$1,215.4
Public Transit	1	$4,012.0	$1,876.2
	2	$5,014.9	$2,879.0
	3	$7,162.9	$5,027.0

TABLE B

1998 - 2017
(Costs Inflated; $$$ in millions)

Mode	Scenario	State Needs	State Shortfall
Rail	1	$ 143.3	$ 143.3
	2	$ 713.1	$ 713.1
	3	$1,609.0	$1,609.0
Public Transit	1	$5,310.8	$3,174.9
	2	$6,638.2	$4,502.4
	3	$9,481.6	$7,345.7

On an annualized basis, the rail shortfalls using a cost-inflated methodology for scenarios 1, 2 and 3 respectively are: $7.2 million; $36.7 million; and, $80.4 million. For Public Transit, the annualized shortfalls for scenarios 1, 2 and 3 respectively are: $158.8 million; $225.1 million; and, $367.3 million.

It should be noted that the public transit state needs reflect current state policies regarding the eligibility of public transportation expenses for state funding (wages and salaries are excluded). Local and federal matching amounts are not included in state needs, although it is assumed they will be available.

Public transit needs also reflect state participation ratios as spelled out in the Code. For example, the Code says the state may participate in up to 95 percent of the nonfederal share of capital projects, and the amounts shown assume a 95 percent state match. The 1998 funding level limits the state match to 34 percent of the nonfederal share.

Including local and federal shares of the cost, the total needs of public transit for Scenario 3 are $16.1 billion in 1997 dollars and $21.3 billion when inflated over 20 years. For Rail, total needs under Scenario 3 are $1.6 billion in 1997 dollars and $2.2 billion inflated.

The Secretary's 1994 report showed in the "Moderate" category that Rail needs for the 20-year period would total $102.6 million, and Public Transit Needs would total $8.3 billion. Following are descriptions of each scenario for Public Transit and Rail:

The Three Scenarios for Public Transit

1. Maintain current six-year program levels of service. Except for two new rail transit projects, public transit does not grow to keep pace with population and employment growth. Vehicles and facilities would be replaced or rehabilitated on useful life schedules. Currently planned expansions will be accommodated. Two new rail and light rail transit projects would be in service: West Falls Church to Loudoun County through Dulles Airport, and Norfolk to Virginia Beach.

2. In addition to Scenario 1, expand service to meet future population and employment growth. The Virginia Railway Express (VRE) service is expanded to connect with the Maryland commuter rail system to Camden Yards. The Norfolk Naval Base would be served by light rail. A new light rail service is established on the Peninsula to serve York County, Hampton and Newport News.

3. In addition to Scenarios 1 and 2, expand service significantly. Public transit's market share among the transportation passenger modes is increased. The needs of welfare reform programs are met by providing regional services in all metropolitan areas and new rural systems are established. Chesapeake and Portsmouth are served by light rail. A transit rail line is established in the I-66 corridor between Vienna and Centreville. VRE service is expanded on both the Fredericksburg and Manassas lines.

The Three Scenarios for Rail

1. Rail industrial access projects and rail rehabilitation, safety, and passenger programs would be funded at current levels; improvements would be made at 13 Amtrak stations; rail passenger studies would be funded, including high-speed rail; and, rail corridor improvements would be made between Washington, D.C. and Fredericksburg, including a third track in Potomac Yards in Alexandria.

2. In addition to Scenario 1, track in the Manassas area would be acquired and a third track and signals for high-speed rail would be partially constructed in the I-95 corridor. The construction of the third track will increase capacity, reduce the interferences and delays caused by freight/passenger train conflicts, and allow an increase in the number of trains operated in the corridor. This additional trackage is needed in order to free VRE and Amtrak from constraints on service levels. Recent disruptions in service caused by capacity limitations have resulted in a loss of ridership by VRE, thus requiring additional subsidies to remain in service. With the third track, VRE and Amtrak would be able to improve the reliability of their schedules, and increase the number of trains, thereby enabling VRE and Amtrak to retain and increase ridership. Also, various freight rail improvements and initiatives would be undertaken in Scenario 2; and high-speed rail passenger projects would construct or improve these facilities: Washington D.C. to Richmond; Richmond to North Carolina; Richmond to Newport News; Richmond to Bristol; and Bristol to Washington D.C. Sets of locomotives and cars would be acquired to provide feasible services for the Washington-Richmond line. The sets for the Bristol services would be obtained on a lease-purchase basis.

3. In addition to Scenarios 1 and 2; additional improvements and initiatives would be undertaken in both freight and passenger rail service.

Ports and Airports

By 2015, the "Moderate" needs of Airports and the Ports total some $2.2 billion in 1997 dollars over the 1998 - 2017 period.

The state share of needs for local airports total $433.9 million, not including inflation. The needs for Ports total $1,794.8 million.

The total cost of needed airport capital improvements amounts to almost $6.0 billion in 1997 dollars, and more than $9.2 billion in inflated costs over the 20-year period. Most of the burden for financing these improvements will fall on the local share. Assuming level funding from the federal government (federal funds are actually declining) and the projected state share, the local share of capital projects for the 1998-2017 period is projected to be 73 percent.

Inflating costs over the 20-year period, the needs for airport and ports total $3.2 billion with the state share for Airports at $570.0 million and Ports at $2.6 billion. Ports receive 4.2 percent of the Transportation Trust Fund, and Airports receive 2.4 percent.

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Two funding sources cover the costs of Port needs: the State TTF and revenues from Virginia International Terminals, Inc., which provides terminal operating services for ships using Virginia's ports.

Cargo volume is growing at an annual rate of about 12 percent at the ports, and cargo volume drives the needs. With costs inflated, about $550 million in improvements is required at all the Port's four terminals: Norfolk, Newport News, Portsmouth, and the inland port at Front Royal.

In addition, main channel dredging is expected to cost $364.3 million, and long range plans call for a $1.7 billion new terminal on Craney Island.

Transportation Needs Findings for the Various Modes

1. The Commission accepts as presented the general need levels presented for Ports and Airports.

2. With one exception, the Commission supports the use of the "Moderate" needs level for Highways. The "Moderate" needs excluded the needs of local secondary roads and unpaved roads serving 50 to 99 vehicles per day. The Commission finds that the needs for Highways should include local county roads and unpaved roads serving 50 to 99 vehicles per day.

3. The Commission supports the third scenario for Rail and Public Transit, if the service expansions described in the third scenario are feasible. The Commission also is sensitive to the fiscal concerns of local governments and endorses an expanded State role in public transportation.

4. The Commission also adds to the third scenario for Public Transit that consideration be given to the findings and recommendations of a General Assembly study currently underway of a long-range plan for mass transportation in Northern Virginia. The study is called for by the adoption of House Joint Resolution 572 of the 1997 session.

Virginians Who Cannot Drive

In response to Senate Joint Resolutions -- SJR 308 (Senator Whipple) and SJR 332 (Senator Reynolds) -- that were referred to the Commission for review, the Commission created a Special Committee on Virginians Who Cannot Drive.

The special committee was chaired by Delegate Marian Van Landingham. Other members were Senator Kevin G. Miller; Leo Bevon, Director of the Department of Rail and Public Transportation; and, Frank B. Bradley, Jr., of Richmond.

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Transportation Needs Findings for Virginians Who Cannot Drive

The Commission supports the findings of the Special Committee on Virginians Who Cannot Drive.

TABLE A

1998 - 2017
(Costs Not Inflated; $$$ in millions)

Mode	Scenario	State Needs	State Shortfall
Rail	1	$ 108.3	$ 108.3
	2	$ 539.7	$ 539.7
	3	$1,215.4	$1,215.4
Public Transit	1	$4,012.0	$1,876.2
	2	$5,014.9	$2,879.0
	3	$7,162.9	$5,027.0

TABLE B

1998 - 2017
(Costs Inflated; $$$ in millions)

Mode	Scenario	State Needs	State Shortfall
Rail	1	$ 143.3	$ 143.3
	2	$ 713.1	$ 713.1
	3	$1,609.0	$1,609.0
Public Transit	1	$5,310.8	$3,174.9
	2	$6,638.2	$4,502.4
	3	$9,481.6	$7,345.7

On an annualized basis, the rail shortfalls using a cost-inflated methodology for scenarios 1, 2 and 3 respectively are: $7.2 million; $36.7 million; and, $80.4 million. For Public Transit, the annualized shortfalls for scenarios 1, 2 and 3 respectively are: $158.8 million; $225.1 million; and, $367.3 million.

It should be noted that the public transit state needs reflect current state policies regarding the eligibility of public transportation expenses for state funding (wages and salaries are excluded). Local and federal matching amounts are not included in state needs, although it is assumed they will be available.

Public transit needs also reflect state participation ratios as spelled out in the Code. For example, the Code says the state may participate in up to 95 percent of the nonfederal share of capital projects, and the amounts shown assume a 95 percent state match. The 1998 funding level limits the state match to 34 percent of the nonfederal share.

Including local and federal shares of the cost, the total needs of public transit for Scenario 3 are $16.1 billion in 1997 dollars and $21.3 billion when inflated over 20 years. For Rail, total needs under Scenario 3 are $1.6 billion in 1997 dollars and $2.2 billion inflated.

The Secretary's 1994 report showed in the "Moderate" category that Rail needs for the 20-year period would total $102.6 million, and Public Transit Needs would total $8.3 billion. Following are descriptions of each scenario for Public Transit and Rail:

The Three Scenarios for Public Transit

1. Maintain current six-year program levels of service. Except for two new rail transit projects, public transit does not grow to keep pace with population and employment growth. Vehicles and facilities would be replaced or rehabilitated on useful life schedules. Currently planned expansions will be accommodated. Two new rail and light rail transit projects would be in service: West Falls Church to Loudoun County through Dulles Airport, and Norfolk to Virginia Beach.

2. In addition to Scenario 1, expand service to meet future population and employment growth. The Virginia Railway Express (VRE) service is expanded to connect with the Maryland commuter rail system to Camden Yards. The Norfolk Naval Base would be served by light rail. A new light rail service is established on the Peninsula to serve York County, Hampton and Newport News.

3. In addition to Scenarios 1 and 2, expand service significantly. Public transit's market share among the transportation passenger modes is increased. The needs of welfare reform programs are met by providing regional services in all metropolitan areas and new rural systems are established. Chesapeake and Portsmouth are served by light rail. A transit rail line is established in the I-66 corridor between Vienna and Centreville. VRE service is expanded on both the Fredericksburg and Manassas lines.

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Transportation Needs Findings for Virginians Who Cannot Drive

The Commission supports the findings of the Special Committee on Virginians Who Cannot Drive.

Transportation Revenues

State transportation revenues are derived from a number of sources, most of which are considered user fees, the major exception being the one-half cent general sales tax dedicated for transportation purposes. These state revenues are combined with federal funds into what is known as the Commonwealth Transportation Fund (CTF).

The CTF itself is divided into four revenue funds, the Highway Maintenance and Operating Fund (HMOF), the Transportation Trust Fund (TTF), the Department of Motor Vehicles Special Fund, and the Aviation Special Fund. However, subsequent references in this report to "transportation funds" will refer only to the HMOF and the TTF.

The HMOF is used for funding the operations of the Department of Transportation and for highway and city street maintenance activities. 85% of the TTF is used for major highway improvement projects. The remaining TTF revenues are allocated for public transportation (8.4%), seaports (4.2%), and airports (2.4%). The following table details the fiscal year 1997 revenue collections for the TTF and HMOF:

TTF and HMO Funds
Fiscal Year 1997 Revenues ($ Mil.)

Source	TTF	HMOF	Total
Motor Fuel Taxes	$102.6	$611.4	$713.9
M.V. Sales and Use Tax	143.3	245.9	389.2
State Sales and Use Tax	307.2	--	307.2
M.V. License Fees	16.8	112.6	129.4
Intl. Registration Plan	--	38.5	38.5
Interest Earnings	19.1	--	19.1
Other	--	11.7	11.7
Total State Taxes & Fees	$588.9	$1020.1	$1,609.0
Federal Grants	412.7	6.9	$419.6
Local Contributions			$24.2
Toll Revenues			$47.7
Total of TTF and HMO			$2,100.5

In October 1996, the Commission asked for and received a 20-year transportation revenue projection from the Department of Motor Vehicles. This projection was updated in June, 1997, to a 25 year forecast. The update also reflected December, 1996, forecast revisions and 1997 legislative changes.

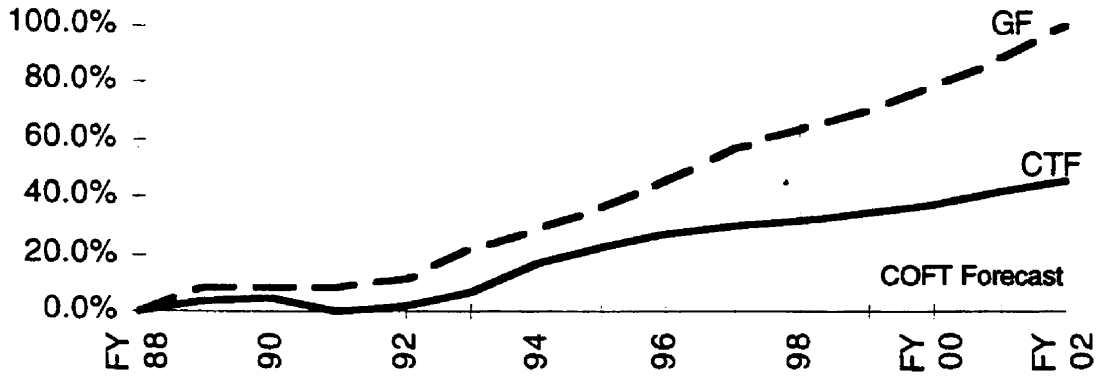
Although year-to-year growth rates naturally vary in the cyclical forecast, the average yearly revenue growth for transportation funds is expected to be about 2.7 percent over the next 25 years. It is interesting to note that state transportation revenues grew only 2.5 percent in the economically strong fiscal year 1997, versus a growth rate of 8.1 percent for the general fund. Transportation revenue growth is constrained by the types of fund sources used.

- About 44 percent of state transportation revenues come from motor fuel taxes. Increases in motor fuel taxes result from increased gasoline consumption. Motor fuels consumption grew 1.9 percent per year from 1988-1996.

- 24 percent of state transportation revenues come from motor vehicles sales taxes. Motor vehicle sales taxes are highly cyclical. While recent growth in vehicle sales has been good, current projections are for growth to slow considerably in the next few years.

- 19 percent of state transportation revenues come from general sales taxes, and the sales tax base is eroding. Currently, only about 40 percent of Virginia's economy is based on goods, while 60 percent is service-based (and growing). During the 1990's, sales taxes have grown an average of about 4.1 percent, while Virginia personal income has grown an average of 5.3 percent.

Growth in General Fund Versus Transportation Revenues Since 1988



Of the two revenue funds, the HMOF is expected to experience particularly slow growth. The reasons are as follows:

- The HMOF relies most heavily on fuel and motor vehicle sales taxes, both of which are forecast to have slower growth over the next several years.

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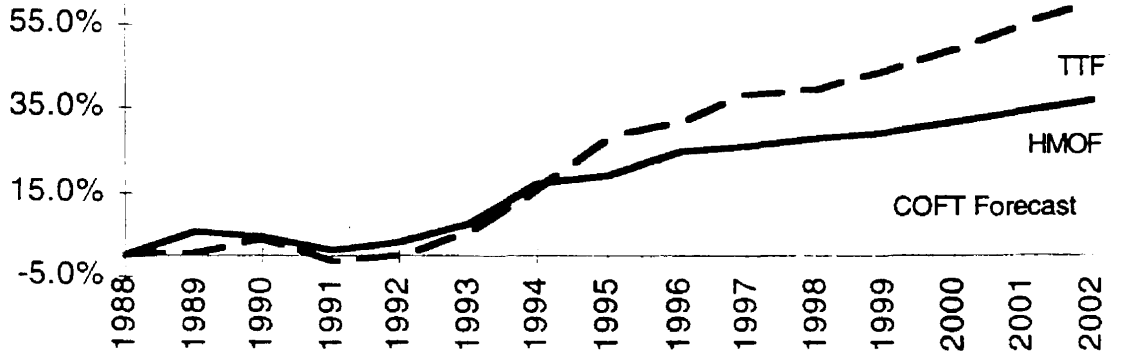

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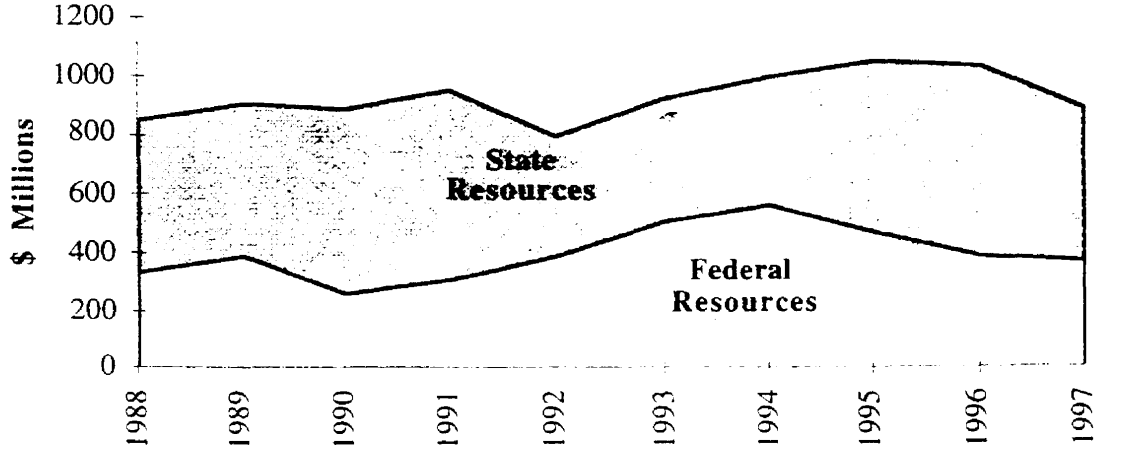
On average, Virginia has received about $400 million per year in federal highway funds over the last ten years. However, in fiscal year 1998, over $600 million in federal highway allocations are expected, mainly due to prior year calculation errors by the U.S. Dept. of Treasury.

State and Federal Highway Construction Allocations



Currently, Congress is debating the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). ISTEA expires at the end of federal fiscal year 1997. Virginia is attempting to secure a greater share of federal revenues from the next re-authorization bill. "Step-21" is a coalition of states that are trying to secure a 95% floor for "donor state" gasoline tax revenues returned. Virginia traditionally receives only about 80% of the gasoline tax revenues it sends to Washington.

"Step 21" recognizes that population growth is shifting to the South and West, creating severe transportation problems in these fast growing areas of the country. The plan also continues to recognize that the large, low population western states need a national presence to maintain their highway systems. The plan also continues to recognize that the densely populated Northeastern states have weather-related and large public transportation system problems that require support from the federal government.

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Traditional State Revenue Alternatives

Traditional revenue sources for financing transportation in Virginia include motor fuel and road taxes, motor vehicle sales and use taxes, one half cent of the general sales and use tax, and registration and license fees. The following table estimates the amount of revenue generated per year by a unit increase in these traditional tax sources.

Transportation Revenue Source	Additional Revenue Generated/Yr.
1 cent increase in gas tax	$42.0 mil.
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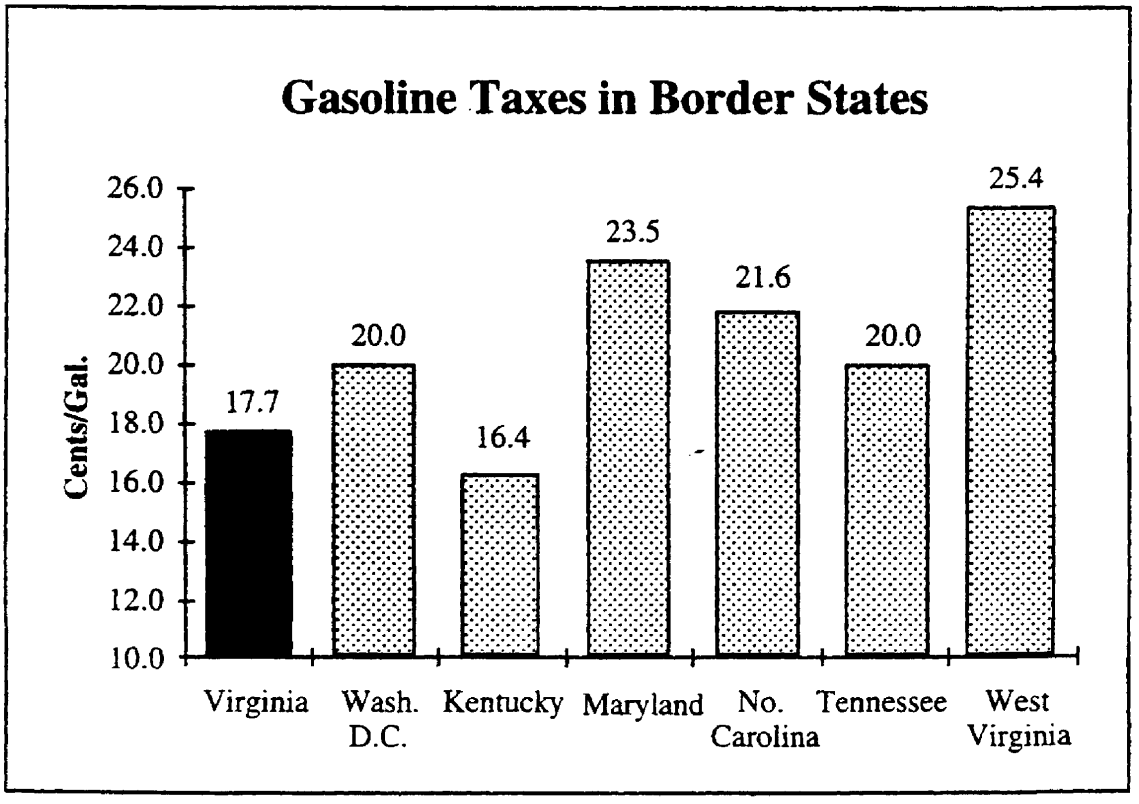

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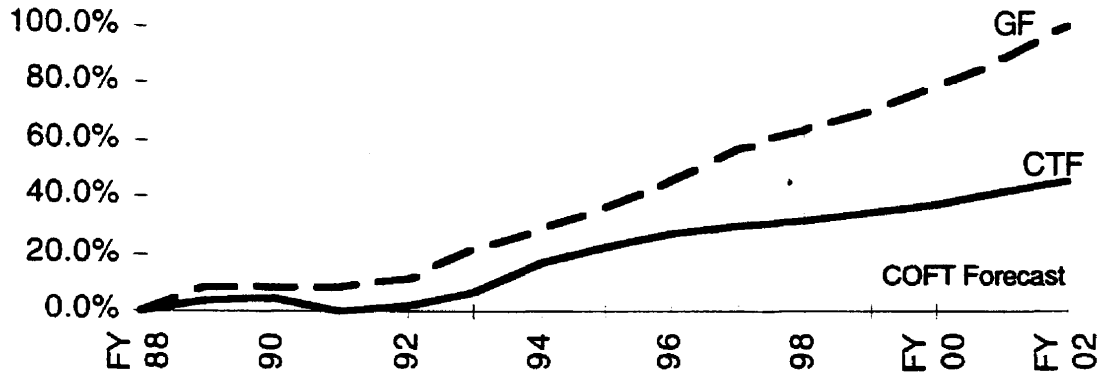

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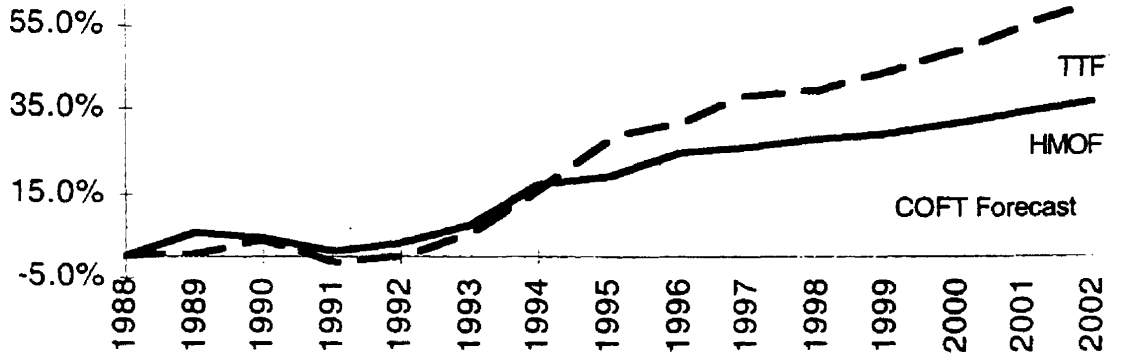

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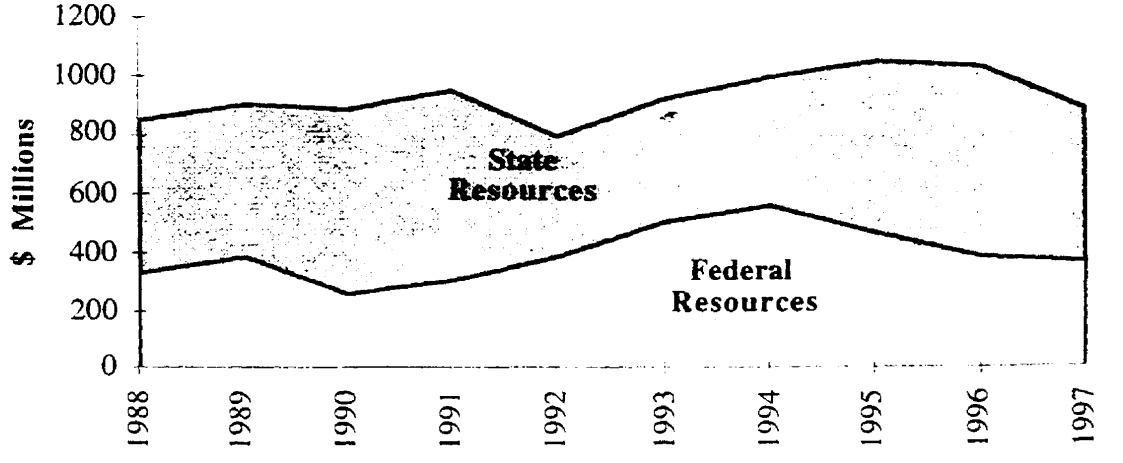

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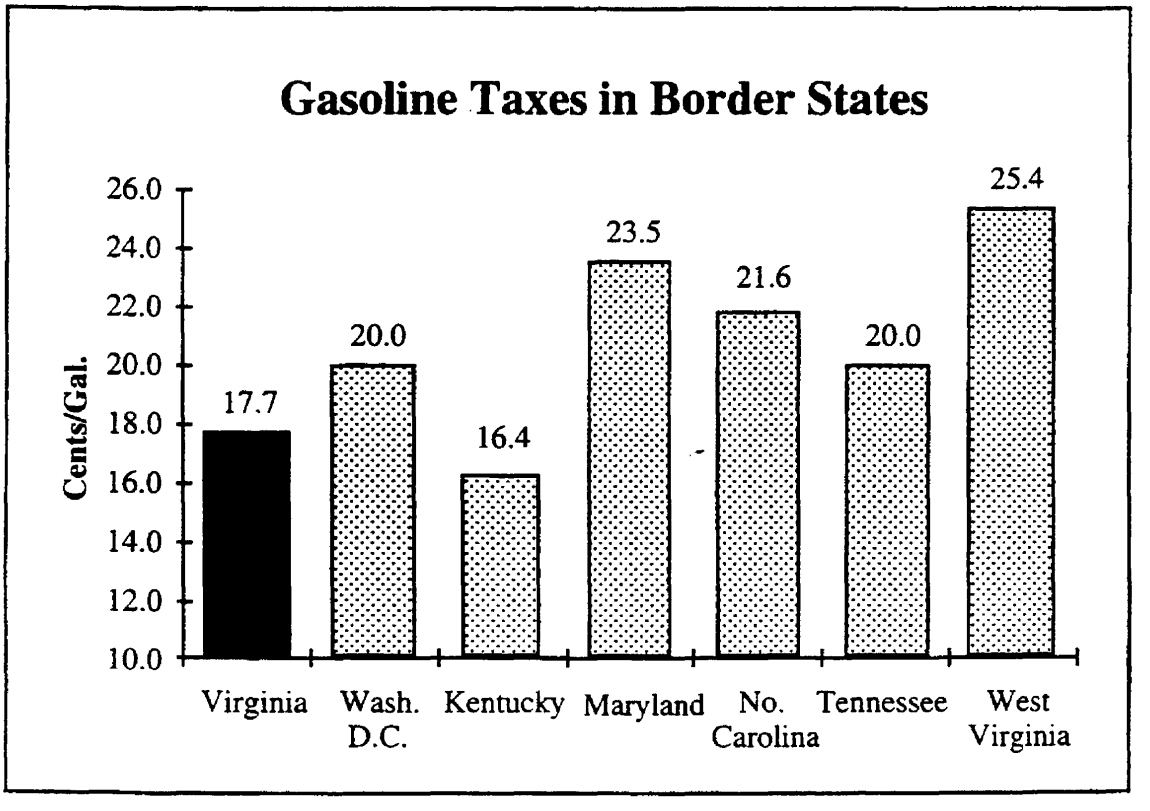

While Virginia generally has a lower motor vehicle sales tax rate than surrounding states, other states (except Maryland) allow trade-in value of vehicles to be subtracted from the sales price.

STATE	TAX RATE	TRADE-IN
Virginia	3%, minimum $35	No
Wash. D.C.	6% under 3,499 lbs., 7% over	Yes
Kentucky	6%, 90% of retail if new	Yes
Maryland	5%	No
North Carolina	3%, min. $40, max. $1,500	Yes
Tennessee	6%	Yes
West Virginia	5%	Yes

Nontraditional Revenue Alternatives

Nontraditional revenue alternatives are defined here to include revenue sources that are used by only a few states, or have not typically been used for transportation funding in Virginia.

One new approach in Virginia would be to index motor fuel tax rates on a yearly basis to at least keep pace with the costs of providing highway maintenance. As an example, Wisconsin administratively adjusts its motor fuel tax rate yearly based on inflation and gallons consumed.

Another revenue approach used in other states, including California, New York, Washington, Illinois and Indiana, is to apply the general sales tax, along with the motor fuel tax, to gasoline purchases.

Since Virginia now uses one-half cent of its general sales tax for transportation purposes, expanding the sales tax base would provide additional transportation revenues. By all accounts, Virginia applies its sales tax to relatively few services compared to other states.

Finally, Virginia has already adopted measures to increase the amount of local revenue dedicated to transportation. For example, Virginia pioneered the use of property tax districts to fund specific transportation projects with the Route 28 Property Tax District in Northern Virginia. Property tax districts are the result of initiatives by local land owners to dedicate a portion of their increased real estate assessments for transportation improvements in the property tax district.

Also in 1989, the General Assembly authorized the Northern Virginia localities and the City of Norfolk to implement a one percent local option income tax. After a local referendum, the local income tax can be adopted in one-quarter percent increments up to a one percent maximum tax. Referenda have yet to be held in either area.

Another alternative Virginia may wish to consider is whether revenues might be increased by revising local match requirements to incorporate a regional approach utilizing planning district commissions and metropolitan planning organizations for match requirements. Currently, localities are required to only provide a two percent match for urban road projects, and none for secondary road projects. Requiring a regional match requirement, rather than a local match requirement would increase flexibility as well as increase funding for transportation projects. This approach would also help prioritize regional road projects, and put road projects on an equal footing with public transit projects, which generally require a local subsidy.

Greater efforts could be made to work with localities through creative financing and other means to complete high priority local projects on a more timely basis. To open an avenue of greater support for public transit, the Code could be changed to allow localities to use their highway allocation shares to support transit operating costs. The Code currently permits the support of transit capital costs with local highway allocations.

Funding High Cost Projects

Many projects, both highway and transit, identified by the Needs Advisory Committee have total project costs of over $250 million. Except in cases where federal revenues are available on a state-wide discretionary basis, current allocation policies or statutes make it very difficult to provide funding for these high cost projects. Much of the federal revenue flows through the allocation formula. While there is no magic formula for funding these projects, the Commission may consider recommending policies that will make it easier to fund these types of projects.

Policy considerations include encouraging expanded use of the Public/Private Transportation Act (PPTA). The PPTA can be a useful tool for supplementing traditional transportation development efforts and funding sources. Most public/private construction initiatives are now proposing to use innovative public tax exempt debt sources that do not impact state debt ceilings, rather than private capital for financing. Private

entities could provide the design and engineering work along with construction and operation services.

Another consideration may be to use state general obligation debt authority, backed by an increase in state revenues. Finally, the Commission may wish to consider creating a discretionary pool of state revenue that could be aggregated for priority inter-regional projects. Currently, federal dollars provide the only ready pool of discretionary funds for high cost projects.

Finding on Revenues

The Commission finds that virtually all revenue issues should await discussion at the November and December meetings. However, the Commission recommends that transportation revenues intended for transportation projects and maintenance should be reserved for such purposes and not diverted to unrelated programs.

Planning and Allocation Issues

As previously mentioned, the Transportation Trust Fund (TTF) is the State source of funding for highway construction and improvement, state aid to local public transit operations, airport construction, and Port capital needs. The State Rail program does not have a dedicated State funding source.

Highways

Highways receives 85 percent of the TTF, or $490 million in 1998. After certain "off the top" adjustments, such as 5.67 percent for unpaved roads, about $370 million is available for formula apportionment, as follows: Primary roads, 40 percent; Urban roads, 30 percent; and, Secondary roads, 30 percent. Primary road funds are used to meet the State 10 or 20 percent match requirement for Interstate and National Highway System projects.

It is projected that the growth rate for TTF funds available for construction in 2001 and thereafter will decline because VDOT estimates that there will not be sufficient revenues available for maintenance; therefore, TTF revenues intended for construction will be transferred to finance a portion of maintenance in 2001 and beyond. The projected 2001 "crossover" date is subject to revision based upon budget requirements and revenue forecasts for the 1998-2001 time period.

Spending decisions for highway projects are ultimately made by the Commonwealth Transportation Board. However, highway construction priorities are established at the local level, especially for urban and secondary projects.

While priorities are made at the local level, virtually all costs of local road construction and improvement are borne by the state. Cities are required to contribute 2 percent of the cost of urban roads, and counties do not contribute to the cost of secondary roads. The State covers the entire cost of primary roads.

Road construction and improvement at the local level is virtually "free" to local governments. However, it must be emphasized that many local governments in Virginia make considerable "extra" contributions toward the solution of their transportation problems, for example:

- The entire northern Virginia area has in effect a 2 percent local tax on motor fuels. In the Potomac-Rappahannock region, the proceeds can be used for any transportation purpose. In the rest of Northern Virginia, the proceeds are used to support the capital requirements of the Washington Metropolitan Area Transit Authority, or "Metro" as it is simply known. A total of $20 million is raised from the local fuel tax.

- Further, Northern Virginia has dedicated its share of recordation taxes to pay debt service on a major transportation program. Other areas of the state, such as the City of Chesapeake and the City of Richmond, also are participating in the financing of their projects.

- Many localities also supplement their maintenance budgets after finding that state support is insufficient to meet their needs, and Virginia also operates a modest state-local match program for construction.

Finding on Local Involvement

The Commission encourages local governments to work with and participate with the State in finding solutions to local transportation issues.

What is Maintenance? What is Construction?

The Code of Virginia says road maintenance takes priority over road construction and the Highway Maintenance and Operating Fund provides revenues for maintenance. The State revenues for the HMO are all the revenues that existed prior to the 1986 Special Session.

The State maintains, or makes payments for localities to maintain, all major roads, urban and rural, because all major roads are considered State roads. (Arterial and collector roads in cities are eligible for State construction and maintenance dollars. Most local streets are eligible for urban maintenance payments.)

While the Code is clear that maintenance is a priority, the Code is not clear on what is maintenance. Neither is the Code clear on what is highway construction. The Code language establishing the TTF, which is intended for highway construction, says the TTF may be used for

maintenance, as well as for construction and improvements. The HMO fund is referenced in the Code, but is not defined.

The line that divides maintenance from improvements can be fuzzy. Six inches of resurfacing on top of old without changing the existing alignment of the road would be considered maintenance funded by the HMO; but, six inches of new pavement plus widening the roadway with improved shoulder width and improved horizontal and vertical alignment would be considered an improvement funded by the TTF. While the Code is unclear in its definition of maintenance and construction, VDOT is very specific and prescriptive in defining maintenance and construction for localities.

VDOT is not able at this time to provide estimates of how its $52.1 billion in highway needs (not adjusted for inflation) break down between additional lane miles or additional capacity on the one hand, and rehabilitation, reconstruction or improvement on the other.

Finding on Issues of Clarification

The Commission recommends that language in the Code of Virginia relating to highway construction and maintenance and their funding sources be reviewed, and that VDOT provide a breakdown of highway needs to reflect projects that add lane miles, projects that significantly add to the capacity of existing roads, and projects that improve existing roads.

Public Transit

The 8.4 percent of the TTF for State Aid to Public Transit will generate about $48.4 million in Fiscal Year 1998. When combined with the traditional $35.05 million "contribution" from the HMO, the total available is $83.4 million. Surplus balances and interest earnings will add to the total.

The TTF is projected to increase at the rate of 3.8 percent per year over the next 20 years; consequently, public transit's share of the TTF also will grow, somewhat keeping up with cost increases. However, the $35.05 million that public transit receives from the HMO has not changed over the years. The result is that about 60 percent of the public transit revenue generally keeps up with cost inflation, while 40 percent remains static, not keeping up with costs.

The Code states that the amount available for State Aid to Public Transit shall be apportioned 25 percent for capital needs, 73.5 percent for operating assistance, and 1.5 percent for special projects.

The formula for distributing capital assistance is based on the non-federal share of total eligible needs and the total of State funds available. Currently, the ratio of State revenues to needs is 34 percent. This ratio is applied against each eligible application for capital assistance. For example, a local transit operation seeking $200,000 as the non-federal share of a capital project would receive 34 percent of the request, or $68,000. Those with the highest eligible needs would receive more State assistance dollars.

The formula for the distribution of operating assistance among the 31 local transit operations is based on costs; for example, if the cost of Transit Operation A is 20 percent of the total costs of all 31 operations, then Transit Operation A receives 20 percent of State assistance.

While the formula for distributing transit operating assistance appears to encourage inefficiencies through higher costs, the practical effect is that for a local transit operation to spend more money there must be more revenue generated through the fare box or local property taxes. It can be argued that local transit operations do not view the language of the State formula as an incentive to increase costs.

Further, because of the number of transit operations, their total costs and the limited State funds available, a transit operation would need to increase its costs substantially to receive a modest increase in funding.

The problem with the language of the formula may be more theoretical than real; nevertheless, the language makes no provision for performance, and the operating assistance has been distributed in such a way that a transit operation is penalized when it reduces costs through greater efficiency and effectiveness.

While the state derives social and economic benefits from public transit, it should be noted that the State does not operate transit operations. Policies, procedures, plans and details for public transit are all decided locally. Through the Department of Rail and Public Transportation, the State works with local transit operations to improve services and operations and to plan for the future; but transit operations are local operations, not State operations.

It also should be noted that local governments in 1997 covered about 29 percent, or $87 million, of the approximate $300 million cost of operating local public transit in Virginia. Other revenue sources are fares and advertising, 46 percent; the State, 21 percent; and federal assistance, 4 percent. The federal level reflects a 50 percent reduction in federal operating assistance for urban transit systems that began in 1997 and continues in 1998.

Many questions emerge in discussions about local public transit, among them:

1. To provide a revenue source that somewhat keeps pace with costs, should Transit's share of the TTF be increased commensurate with the $35.05 million annual contribution to Transit from the HMO? (Transit's share of the TTF would increase about 6 percentage points, and Highways' share would be reduced accordingly.)
2. Is every citizen of Virginia entitled to some form of affordable public transportation?
3. What is the State's interest? What is the local interest?
4. Should the State subsidy to local public transit be tied to local willingness to support transit?
5. Should public subsidies of public transit be based on costs or performance?
6. Should the state establish some policies and procedures for local public transit in return for its subsidy?
7. How can local public transit attract more of the market where the automobile is king?
8. How can funding considerations be neutralized so that local, regional and state planners can give public transit equal weight with highways in developing solutions to transportation problems?
9. Should the state consider the direct operation of multi-jurisdictional mass transit systems?

Findings on Public Transit

The Commission encourages the further development and review of a performance-based funding methodology for public transit, and directs that options continue to be analyzed for providing public transit with a revenue stream that does a better job of keeping pace with cost increases.

Rail

It is difficult to develop an ongoing State-funded program for passenger and freight rail development. Generally, the issue is capital, not operating, and the opportunities that lend themselves to rail, while significant, are limited (there are not 6,000 rail projects on the horizon).

Providing rail with a portion of the TTF would require reductions in the shares for other modes. Providing rail with a portion of existing revenue sources, such as the General Fund, would reduce the availability of General Fund revenues for schools, prisons and other programs traditionally financed by the General Fund.

Other than an on-going commitment to assist short-line railroads that provide essential services in several areas of the state, rail projects involve major, high cost capital investments, even when the equipment would be leased.

While rail should be viewed in some cases as a realistic and cost-effective alternative to the movement of goods and people on highways, it would cost hundreds of millions of dollars for rail to make a significant contribution toward that end.

Certain rail projects are among the many "high cost" projects that Virginia should pursue in the future. The issue is not whether such projects are cost-effective; the issue is how to finance them.

Findings on Rail

The Commission views rail as a viable alternative for the solution to selected transportation issues, and finds that in selected cases the sole issue is how to finance high cost projects.

Transportation Planning and "Growth Management"

Virginia's transportation planning for highways, airports and rail and public transit takes place at the local and regional level, involving local governments, airport owners, transit operators, Department of Aviation Staff, staff from the Department of Rail and Public Transportation, VDOT resident engineers, regional planning agencies, Metropolitan Planning Organizations, and the VDOT planning office.

Planning is continuous. The Commonwealth Transportation Board's Six-Year Program reflects the results of planning and indicates, through allocations for feasibility studies, where proposals have reached the serious stage.

At the state level, the current administration has published a strategic planning document called "Virginia Connections." Also, VDOT's Transportation Planning Division prepares and submits the federally required intermodal transportation plan.

At least one state engages in a state-wide planning process that results in a map of the state showing how the various modes inter-relate and interconnect throughout the state, and which shows planned improvements to the state-wide transportation system. This state-wide planning document is developed after considerable public input. It is a popular, easy-to-read document that is broadly distributed.

Several speakers told the commission how Virginia's development and population growth patterns were changing, and how these changes were contributing to increased transportation needs.

Virginia has not adopted strategies at the state level that tie transportation planning to growth planning. There are no incentives or disincentives for local governments to integrate the most efficient transportation plans into local development plans.

A major reason why parts of Virginia require significant infrastructure expansion can be traced to inefficient and costly decisions allowing developments that sprawl in a leap-frog fashion away from urban centers. A somewhat similar factor is the tendency for employment centers to be located farther and farther from residential centers. These growth patterns result in greater single occupant vehicle use of roads, longer and farther commutes, and increased trip frequencies -- all of which contribute to increases in transportation needs.

The State of Maryland has a "smart growth" strategy that provides funding incentives to local governments that avoid sprawl development by investing in urban centers, and by expanding from the boundaries of urban centers rather than by leap-frogging undeveloped land.

Maryland state law designates "smart growth areas" and classifies them as "priority funding areas." Decision-making prerogatives remain within the purview of local elected officials; however, state support for certain infrastructure improvements, including schools, is targeted only to the "smart growth areas."

Frederick P. Rappe, Jr., the Director of the Office of Systems Planning and Evaluation for Maryland's Department of Transportation, told the commission at its June 16 meeting that Maryland's state law was adopted following an extensive campaign to educate the public about the high cost of urban sprawl -- the loss of farm land and forest land, the air quality problems, the increases in local costs, the decline of older communities.

Developments beyond the urban boundaries may be the result, in part, of what is perceived as urban congestion. However, congestion increases as more people move outward from urban centers, and additional lane miles of road to accommodate the additional people lead to more development, and more people, and more congestion, and more lane miles, and around it goes. Urban planning experts say it is a futile exercise to attempt to build your way out of congestion problems by adding more highways.

Dr. Gary Johnson, Associate Professor of Urban and Transportation Planning at Virginia Commonwealth University told the Commission at its September 3 meeting that Virginia's population between 1990 and 2010 is projected to increase by 1.3 million people and 800,000 cars. He emphasized that fundamental changes must be made in the growth of communities, in land-use policies and in development policies if transportation needs growth is to be brought under control. Dr. Johnson cited Maryland's "smart growth" strategy, but he also cited other states that are using growth strategies -- including growth restrictions, growth boundaries, and facility standards -- to control urban sprawl.

The 1997 Appropriation Act directs the Secretary of Transportation to study whether to establish an Intermodal Coordinating Council as a possible adjunct to the Commonwealth Transportation Board. The study is

to examine whether such a council would be useful in overseeing and coordinating policies related to "intermodal transportation connections" in the Commonwealth. The findings and recommendations of this study are due December 1, 1997.

The Council under review by the Secretary might serve as a forerunner to a State and Local program that integrates and balances land use and transportation planning. Such a program could encourage transportation investments that solve problems without creating new problems, and that anticipate likely responses from the public and accommodate those responses.

Virginia also may wish to expand the transportation planning horizon. Current planning assumes over 20 years that existing systems will remain in place, and needs are defined as deficiencies in the existing system. Virginia may wish to strive to get ahead of the curve -- and perhaps avoid crisis planning in the process -- by developing a longer term vision of where we want transportation systems to be in the next 50 years.

Further, the role of technology in transportation and how it will change traditional views about solving needs should be emphasized in the planning process.

Finding on Planning and Growth Management

The Commission encourages further review of issues relating to state transportation planning and growth management policies in Virginia.

APPENDIX

GENERAL ASSEMBLY OF VIRGINIA -- 1997 SESSION

HOUSE JOINT RESOLUTION NO. 519

Revising the reporting schedule of the Commission on the Future of Transportation in Virginia.

Agreed to by the House of Delegates, January 31, 1997
Agreed to by the Senate, February 19, 1997

WHEREAS, House Joint Resolution No. 160 (1996) established the Commission on the Future of Transportation in Virginia; and

WHEREAS, the Commission was charged with completing its work in time to report its findings and recommendations by July 1, 1997, and to report its findings and recommendations to the Governor and the 1998 Session of the General Assembly; and

WHEREAS, it will not be possible for the Commission to report its findings and recommendations in compliance with this schedule; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Commission on the Future of Transportation in Virginia, created by HJR No. 160 (1996), shall, notwithstanding the provisions of HJR No. 160 (1996), complete its work in time to submit an interim report of its assessment of Virginia's transportation needs by September 15, 1997, and a final report of its findings and recommendations to the Governor and the General Assembly by December 20, 1997. Both reports shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

GENERAL ASSEMBLY OF VIRGINIA -- 1996 SESSION

HOUSE JOINT RESOLUTION NO. 160

Establishing a Commission on the Future of Transportation in Virginia.

Agreed to by the House of Delegates, March 7, 1996
Agreed to by the Senate, March 7, 1996

WHEREAS, it has long been the goal of the General Assembly that transportation needs be assessed objectively and scientifically, both for the present and into the future; and

WHEREAS, it is a similarly well-established policy that prudent provision be made well in advance for funding these needs; and

WHEREAS, because of their substantial impact, both on transportation system users and on the financial mechanisms established to meet transportation system construction requirements, it is essential to foresee the need for and provide means to finance the construction and maintenance for all modes of transportation, particularly the financing of large-scale transportation construction projects; and

WHEREAS, funding such large-scale construction projects through the existing resource allocation structures and mechanisms could result in funding inequities and systemic inequality; and

WHEREAS, it is thus desirable that needs for such major transportation construction be identified as early as possible and that careful consideration be given to the desirability and feasibility of providing a specialized financing mechanism to ensure adequate revenues to cover the large costs of these major projects; and

WHEREAS, the improvement of the state's transportation infrastructure is dependent upon identifying additional sources of revenue and strengthening jurisdictional and agency cooperation; and

WHEREAS, new funding authorities and mechanisms, such as state and regional bonds, lines of credit, public-private partnerships, and private facilities, have made significant transportation improvements possible in the last decade and provide models to develop additional nontraditional funding mechanisms; and

WHEREAS, public transportation is an essential element of the transportation system; and

WHEREAS, federal policies contained in the federal Clean Air Act Amendments of 1990, the Intermodal Surface Transportation Efficiency Act of 1991, and energy policies require an expanded role for public transportation; and

WHEREAS, Congress is planning to eliminate federal operating funds for public transportation over the next several years, placing increased stress on state and local funding for public transportation and resulting in the possibility of increases in passenger fares; and

WHEREAS, reduced funding for public transportation could result in service reductions, which would deprive citizens of basic and essential mobility; and

WHEREAS, local government support for public transportation in Virginia currently is drawn from general funds in local treasuries, placing the responsibility for local support of public transportation primarily upon homeowners and other property taxpayers; and

WHEREAS, public transportation should be studied on a regional basis with a view to determine whether regional transportation district commissions should be created in certain areas of the Commonwealth; and

WHEREAS, it is essential that Virginia have a comprehensive transportation system with excellent highways, rail, public transportation, airports, and ports; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Commission on the Future of Transportation in Virginia be established. The Commission shall be composed of 25 members to be appointed as follows: the Speaker of the House of Delegates; two members of the House Committee on Appropriations, two members of the House Committee on Finance, two members of the House Committee on Transportation, and four citizens of the Commonwealth, to be appointed by the Speaker of the House of Delegates; the President pro tempore of the Senate; two members of the Senate Committee on Finance as designated by the Co-Chairmen of the Senate Committee on Finance, two members of the Senate Committee on Transportation, and four citizens of the Commonwealth, to be appointed by the Senate Committee on Privileges and Elections. The Secretary of Transportation, the Commonwealth Transportation Commissioner, the Director of the

Department of Rail and Public Transportation, the Director of the Department of Aviation, and the Executive Director of the Virginia Port Authority shall serve as ex officio, nonvoting members. The Commission may also appoint a citizen advisory committee, which shall include local elected officials and shall serve without compensation, to assist the Commission in its work.

The Commission shall (i) review and update the findings of the Commission on Transportation for the Twenty-First Century, and the efforts of the Select Committee Studying the Transportation Trust Fund under Senate Joint Resolution No. 240 (1993) and Senate Joint Resolution No. 143 (1994), (ii) identify those major transportation system construction projects whose construction will be required over the next 25 years and the needs of public transportation, (iii) determine the amount of additional transportation revenue to be required over that period to cover these costs, (iv) propose appropriate means of raising and allocating such needed revenues while determining sources of reliable, dedicated funding for public and other modes of transportation, and (v) study existing transportation agencies and authorities and the need to create, restructure, and combine agencies and authorities for Virginia.

The direct costs of this study shall not exceed $26,000.

The staffs of the House Committee on Appropriations, the Senate Committee on Finance, and the Division of Legislative Services shall provide support for the study. The Secretary of Transportation, with the assistance of agencies under his direction, shall provide such technical assistance as the Commission may require. All agencies of the Commonwealth are requested to provide assistance to the Commission, upon request.

The Commission shall complete its work in time to report its findings and recommendations by July 1, 1997, and to the Governor and the 1998 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

SENATE JOINT RESOLUTION NO. 308

Requesting the Commission on the Future of Transportation in Virginia to study the transportation needs of rural residents, the disabled, the poor, and the elderly.

Agreed to by the Senate, February 19, 1997
Agreed to by the House of Delegates, February 17, 1997

WHEREAS, mobility for all Virginians is essential to the economic health of the Commonwealth and the quality of life of its citizens; and

WHEREAS, many Virginians who cannot drive depend on transportation providers to provide them access to highways, rail systems, mass transit, airports, and sea ports; and

WHEREAS, over 30 percent of our one million elderly, and as many as 200,000 persons with disabilities, do not have driver's licenses, preventing many from working; and

WHEREAS, a study conducted by the Federal Transit Administration ranked Virginia 49th of 50 states in providing rural public transit, concluding that public transit is unavailable to 75 percent of Virginia's rural population; and

WHEREAS, agencies transporting the elderly, poor, and disabled served over 45,000 Virginians in 1996, but, in order to do so, many such agencies relied on aging vehicles in need of repair or replacement; and

WHEREAS, the availability and willingness of volunteers to transport disadvantaged persons has been hindered by concerns relating to tort liability and inadequate insurance coverage; and

WHEREAS, legislation enhancing volunteer driver immunity or the provision of insurance to such drivers may encourage potential volunteers to serve the transportation needs of the disadvantaged; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Commission on the Future of Transportation in Virginia be requested to study the transportation needs of rural residents, the disabled, the poor, and the elderly.

All agencies of the Commonwealth shall provide assistance to the Commission for this study, upon request.

The Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1998 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

SENATE JOINT RESOLUTION NO. 332

Requesting the Commission on the Future of Transportation in Virginia to determine the mobility needs of the citizens of the Commonwealth who cannot drive.

Agreed to by the Senate, February 19, 1997
Agreed to by the House of Delegates, February 17, 1997

WHEREAS, mobility for all Virginians is essential to the economic health of the Commonwealth and the quality of life of all its citizens; and

WHEREAS, mobility resources include not only our highway system, rail systems, mass transit, airports and seaports, but also those transportation providers who make these systems accessible to Virginians who cannot drive; and

WHEREAS, over 30 percent of our one million elderly do not have a driver's license; and

WHEREAS, as many as 200,000 working-age adults with disabilities cannot drive and, because of that, many of them cannot work; and

WHEREAS, many of the AFDC recipients affected by welfare reform do not have a car or a valid driver's license; and

WHEREAS, because there is no accessible public transportation to serve them, many of the elderly, disabled, and poor in Virginia depend on human services agencies for transportation; and

WHEREAS, in 1995, Virginia was ranked 49th out of the 50 states in a study of rural public transportation (Section 5311) for the Rural Transit Assistance Program of the Federal Transit Administration; and

WHEREAS, additionally, that study showed that 75 percent of the rural population of Virginia is not served by rural public transit; and

WHEREAS, the study also showed that in the counties that do receive Section 5311 funding, Virginians are well served in both trips per resident (14th nationally) and trips per carless household (22nd nationally); and

WHEREAS, a 1996 survey for the Disability Commission collected information on vehicle mileage from 59 agencies that provide transportation to people who are elderly, disabled, or poor; and

WHEREAS, these agencies reported that 329 of their vehicles (39 percent) had odometer readings above 120,000 miles, the mileage at which the Virginia Department of Transportation usually retires its passenger vehicles from service; and

WHEREAS, these agencies provided 15,317,332 miles while serving a total of 45,376 Virginians, including 17,617 elderly, 17,353 working age adults who are disabled, 6,978 other adults, and 3,428 children; and

WHEREAS, Virginia does not have a plan to meet the mobility needs of its citizens who cannot drive; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Commission on the Future of Transportation in Virginia be requested to determine the mobility needs of citizens of the Commonwealth who cannot drive. Among other things, the commission shall (i) determine the mobility resources available in rural and suburban counties, (ii) determine the mobility needs of those persons who cannot drive, and (iii) recommend a mechanism for addressing these needs over the next five years. The commission shall establish an advisory task force to assist it in its work. The task force shall be comprised of persons with expertise in elderly and disability issues and others who provide special transportation to citizens who cannot drive. Members of the advisory task force who do not serve on the commission shall not be entitled to compensation or reimbursement for their expenses.

All agencies of the Commonwealth shall provide assistance to the commission and the advisory task force, upon request.

The Commission on the Future of Transportation in Virginia shall complete its work in time to submit its findings and recommendations to the Governor and the 1998 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.