



INTERIM REPORT

THE GOVERNOR'S COMMISSION ON TRANSPORTATION POLICY

December 1, 1999

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December 1, 1999

The Honorable James S. Gilmore, III
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Gilmore:

On behalf of the Governor's Commission on Transportation Policy, I am transmitting to you the interim report of the Commission.

At the Commission's first meeting on June 29, 1999, you noted that Virginia is the most exciting, progressive, emerging, forward-thinking state in America today. You called on Commission members to ensure that our transportation system has the tools to take advantage of all the opportunities before us. Virginia must renovate its concept of a transportation system in order to position the Commonwealth for a prosperous future. The Commission is addressing the challenges you put before us, such as thinking new about transportation in ways that include intermodalism, innovative financing, technology integration, and improved management and planning.

This interim report sets forth the results of the Commission's deliberations since its inception. It identifies the issues presented and discussed during the Commission's hearings and meetings with interested parties throughout the Commonwealth. **The report, the first of three to be submitted to you, is intended to frame the dialogue for long range integrated transportation policy for the Commonwealth and develop the strategies and opportunities available to us.** The purpose is to take a fresh look at our transportation policies, to take stock of what those policies are doing well and poorly, and to set a course that will ensure that we have a transportation system that supports our goals for the future. Ultimately the focus will be on developing more effective and strategic transportation solutions, changing the structure of our transportation agencies to move away from "doing business as usual", supporting the implementation of new and innovative funding mechanisms, and identifying cost saving approaches so that we can develop and maintain an effective and efficient transportation infrastructure for the Commonwealth.

The Commission has held seven meetings. Members established an agenda to better understand where Virginia stands today in its transportation policy. Knowing where Virginia is now, and has been in the past, will enable Commission members to evaluate

which existing policies and management practices benefit the Commonwealth and which do not. The Commission's meetings included the following topics:

At the first meeting, held on June 29, 1999, members of the Commission had the opportunity to hear your charge to the Commission. In addition, the meeting included presentations on the history of each agency, and a presentation from former Secretary of Transportation Robert Martinez on the evolution of the office of the Secretary.

During the second meeting, held on July 28, 1999, the Commission continued its effort to gain an historical perspective on transportation policy in Virginia by hearing about past transportation studies and other research work.

For the third meeting, held on August 30, 1999, the Commission held a public hearing to ensure all Commission Members had an opportunity to hear from a variety of interest groups and interested parties.

The fourth meeting, held on September 13, 1999, included presentations on planning, transportation and the environment, and transit.

In meeting five, held on October 13, 1999, the Commission heard from innovative financing experts and heard a presentation from the State of Ohio regarding special transportation funds.

For the sixth meeting, held on November 8, 1999, the Commission traveled to Roanoke, Virginia to hear about planning issues and transit, and to discuss the proposed Priority Transportation Fund.

During the seventh meeting, held on November 29, 1999, the Commission continued its discussion of the Priority Transportation Fund and the Commission's report.

In an effort to meet the goals you set for the Commission, members organized into three Task Forces: Strategy, Structure, and Support. These three Task Forces will enable members to examine how Virginia's transportation system, which includes all modes of transportation for people and goods, can best be organized to plan for the future. Virginia needs a strategy for its transportation system that is dynamic; a structure that supports a dynamic strategy; and support for the system. The Commission has met with business, environmental and government groups from across the state and is receiving quality ideas and suggestions.

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The Commission is not focusing on individual transportation projects. We feel that previous commissions have examined compilations of individual project proposals thoroughly. We are working to develop long-term policies for a better transportation system in Virginia. In the second report of the Commission, I anticipate addressing strategic planning and specific criteria for the Priority Transportation Fund. In addition, the report will contain the Commission's findings regarding the structure of Virginia's transportation system, and begin to identify long-term funding issues and solutions.

I look forward to continuing the diligent and deliberate work of the Commission as we endeavor to meet your original charge. Please contact me if I may be of assistance regarding this report.

Sincerely,

J. Kenneth Klinge
Chairman
Governor's Commission on Transportation Policy

COMMISSION MEMBERS

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- The Honorable John H. Hager,
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INTRODUCTION

Transportation policy is not made in a single document or a single day. It evolves through a series of policy and program actions, through tough decisions and the failure to make decisions over periods of time. It also evolves from the participation of many diverse groups within the Commonwealth, including governmental bodies, public interest groups and individuals, private sector groups and transportation users. This report makes clear that Virginia must change its approach to transportation policy, and move toward a truly integrated transportation system that is well coordinated and that provides opportunities for long range planning and vision. Virginia's citizens deserve no less!

This interim report of the Governor's Commission on Transportation Policy sets forth the results of the Commission's deliberations since its inception. It identifies the issues presented and discussed during the Commission's hearings and meetings with interested parties throughout the Commonwealth. **The report, the first of three to be submitted, is intended to frame the dialogue related to a long-range integrated transportation policy for the Commonwealth and lay out the strategies and opportunities available to us.** The purpose is to take a fresh look at our transportation policies, to take stock of what those policies are doing well and poorly, and to set a course that will ensure that we have a transportation system that supports our goals for the future. Ultimately the focus will be on developing more effective and strategic transportation solutions, changing the structure of our transportation agencies to move away from "doing business as usual", supporting the implementation of new and innovative funding mechanisms, and identifying cost saving approaches so that we can develop and maintain an effective and efficient transportation infrastructure for the Commonwealth.

A critical element of any long term transportation policy is the development of a strategic planning perspective that is integrated into the legislative, budgeting and decision making process throughout the transportation organizational network. This planning perspective will permit building clearer goals and guidelines into everyday operations-- an anecdotal fact within the Commonwealth illustrates this point -- that is the situation where our transportation districts were originally drawn in 1922 and have only been changed once with the creation of the Northern Virginia district in 1984—**this situation needs to be addressed!** A strategic planning perspective will enable the decision makers in the transportation policy arena to assess future needs and be able to respond to emerging issues beyond the perspective of a single mode, sector or level of government. The objective to be achieved should be one that deals with transportation planning on a statewide basis and emphasizes a regional perspective to sound transportation planning.

EXECUTIVE SUMMARY

Introduction

Virginia is an ever-changing and evolving state. Our economy is dynamic, our regions are distinct and our view as a Commonwealth is forward-looking. Transportation plays a critical role in our success and our achievements as a Commonwealth. The ability for us to provide opportunity, and to foster a high quality of life while protecting the lives of the traveling public is inextricably linked to an efficient and effective transportation system.

As we stand on the cusp of the 21st century, Governor Gilmore has asked the Commission to examine the policies and procedures that have governed transportation in Virginia for decades. During the past six months the Commission has heard testimony and presentations on myriad transportation issues. In this interim report the Commission sets forth its first steps towards the goal of changing transportation in Virginia. The Commission recommends various options for attacking the problems of traffic and congestion through new policies on teleworking, commuter and business incentives for the use of public transportation and the utilization of the latest available transportation technologies.

The Commission has also set forth the first thoughts on the criteria for the Governor's Priority Transportation Fund (PTF). The PTF is a new approach to transportation planning in Virginia, a new way of prioritizing and funding our greatest needs from a statewide perspective.

The Commission also endorses the Governor's Innovative Progress transportation package that seeks to address the short term transportation issues using new and innovative funding mechanisms, while allowing the Commission to set forward ideas and continue its study and creation of long-term solutions.

The Interim Report represents the consensus of the work and deliberations of the Commission, however, each member does not necessarily agree with pursuing every option discussed in the report.

This is the first step for the Commission. In the coming months the Commission will continue to explore new strategies, examine long-term financial mechanisms, and begin to build a new structure to set forward innovative transportation policies that will meet the demands of the next millennium. We need policies that govern a true multimodal transportation system that is designed and planned for the movement of people and goods over all modes because transportation in the Commonwealth will encompass more than just highways.

Recommendations of the Telework, Public Transportation and Transportation Technology Task Force

In his remarks on WTOP Radio on August 31, 1999, Governor Gilmore "proposed a partnership between government and our major employers to make significant changes in how we do business, how we get to work, and where we work." This partnership, known as the Ad Hoc Task Force for Telework, Public Transportation, and Transportation Technology, was charged with making recommendations to this Commission regarding telework, public transportation, and transportation technology.

The Commission supports the menu of options for encouraging innovation presented by the Ad Hoc Task Force for Telework, Public Transportation, and Transportation Technology in its attached report to the Commission. Further examination of the recommended options will enable the Commonwealth to remain a leader in its ability to take advantage of new technology, and to encourage innovative uses of technology in daily living. As noted in the Task Force's report, although many of their recommendations focus on Northern Virginia, the recommendations are adaptable to other regions of the state. Below is a summary of some of the Task Force's findings.

Telework

Approximately 20 million Americans telework today; of them, approximately 250,000 people telework in the Washington, D.C. area. Some studies estimate that an additional 470,000 people could telework in the Washington, D.C. area; this could potentially eliminate 658,000 vehicle trips and more than 3.6 million vehicle miles. This information illustrates that telework can benefit Virginians by saving commuting time and alleviating some of the pressure on our transportation system statewide.

The policy options recommended by the Ad Hoc Task Force on teleworking will facilitate implementation of telework programs, and promote an increase in the use of telework. The recommendations include:

- Tax incentives for businesses;
- Matching grants for telework training programs;
- Continued support for state teleworking resource centers;
- A state telework program;
- Incentives for computer hardware manufacturers and Internet Service Providers to encourage use by small businesses;
- Teleflex, which is telework coordinated to increase the number of employees teleworking at the most congested times on the highways; and
- Supporting Congressman Frank Wolf's legislation to allow for the granting of federal pollution credits to those regions and businesses that effectively employ teleworking to reduce air pollution.

Public Transportation

Citizens of the Commonwealth benefit from the use of public transportation. Virginians used public transportation for approximately 107.5 million passenger trips during the past year, which means that Virginians are some of the biggest users of public transportation in America. In fact, the Washington, D.C. area ranks number one in the country in carpooling. These public transportation successes relieve pressure on Virginia's transportation system as a whole, which makes it reasonable for the Commonwealth to further encourage the use of public transportation by its citizens.

Some of the recommendations of the Ad Hoc Task Force for public transportation include:

- income tax credits to employers for providing transit and ridesharing benefits to employees;
- incentives to encourage the use of transit instead of employer provided parking; and
- State support of a proposed demonstration program by Metro, which is the Northern Virginia/Washington, D.C./Maryland underground rail system, and the Virginia Department of Rail and Public Transportation to develop a universal transportation card that may be used to pay tolls, transit fares, and parking fees.

Transportation Technology

Transportation technology is becoming available at an increasingly rapid rate. There is enormous potential for innovation in this arena and, according to the Ad Hoc Task Force, the Commonwealth should continue supporting transportation technology in order to take advantage of this potential.

Some of the recommendations of the Ad Hoc Task Force for the use of transportation technology include:

- Acceleration of intelligent transportation systems projects, emphasizing technology that alerts drivers in real time to road work, accidents and breakdowns, and also provides alternate routes;
- Synchronization of traffic lights;
- Continue state efforts to put as many state services online as possible; and
- Coordination among state entities to ensure that Virginia is effectively deploying intelligent transportation technologies.

Criteria for the Priority Transportation Fund

The Governor charged the Commission to review options for the Priority Transportation Fund (PTF) and to develop and recommend appropriate criteria by which the fund can be used. The PTF would provide a mechanism for directing additional funds to transportation solutions deemed critical to Virginia's interests on a Commonwealth-wide basis. The Fund will be authorized to finance multimodal transportation solutions of critical importance, including, but not limited to, buses, rail, transit, roads and highways. The Fund therefore, is intended to be long range in funding concept, statewide in implementation and multi-modal from a transportation policy standpoint. To be successful in achieving its goals and objectives, a set of applicable criteria for selection of transportation solutions must be established.

Any transportation project selection criteria process should be included in a strategic planning perspective dealing with transportation policy over the long term. It should be open and objective and meet the transportation system's long range needs. The criteria areas that the Commission will consider, include, but are not limited to the following: (In no order of priority)

- Objective and Equitable on a state-wide basis using a scoring system
- Safety
- Cost Efficiency ("Best Bang for the Buck")
- Economic Development
- Land Use and its impact on transportation infrastructure
- Multimodal
- Environmental Considerations
- Public Involvement (Jurisdictional input)
- Public/Private Partnerships
- Maintenance of Assets
- Pre-screening in the application of criteria (e.g. 6 year plan, minimum funding threshold)
- Quantitative measures of use (e.g. level of service, congestion relief)
- Regional cooperation
- Local financial involvement
- Innovation

More analytical effort needs to be made and the Commission intends to devote significant time to sorting through the issues involved before arriving at a set of recommended selection criteria. In the implementation of any selection criteria process, the Commission believes that the Commonwealth Transportation Board should be asked to play an important role.

Support Task Force Highlights

This Commonwealth depends on its transportation network, and must invest in it to enable the state to continue moving forward today and into the future. The Commission supports the Governor's Innovative Progress transportation initiative to keep Virginia moving forward today and in the near term. According to the Governor's charge to the Commission on June 29, 1999, it is the responsibility of the Commission to continue to examine and evaluate how to keep Virginia moving forward over the long term.

With regard to the short term, the Commission endorses the Innovative Progress transportation initiative put forward by Governor Gilmore to provide new funding now.

Innovative Progress

1. Accelerates \$590 million of federal funds to advance more than 90 projects statewide utilizing Grant Anticipation Revenue Vehicle (GARVEE) instruments.
2. Repays \$200 million into the Transportation Trust Fund funds to give back to all regions and communities of the state the money denied them in the early 1990's.
3. Repays \$112 million in interest on the \$200 million of funding taken from the Transportation Trust Fund and places the funding in the new Priority Transportation Fund.
4. Securitizes 40% of the Tobacco Settlement funds to provide over \$800 million in the next six years to fund the new Priority Transportation Fund.
5. Implements an electronic fuels tax collection system to provide \$210 million over the next six years to support the debt service on the Route 58 and Northern Virginia Transportation District bonds.
6. Provides \$700 million in general fund support over the next six years for the new Priority Transportation Fund.

Innovative Financing

The Commission heard detailed testimony from financing experts from Wall Street and the federal government on the newest tools available to states for maximizing transportation dollars. These new tools include GARVEEs, the Transportation Infrastructure Finance and Innovation Act (TIFIA), State Infrastructure Banks (SIB), and others, all of which provide states new ways to utilize and leverage precious transportation dollars.

Toll Roads

The Commission heard presentations and suggestions on the use of tolls to support new transportation projects. The proliferation of the use of toll facilities to finance projects has been greatly expanded nationwide. Toll facilities can utilize capital markets for funding, providing new sources of revenue to build needed infrastructure faster than traditional funding mechanisms. Consolidation of facilities may improve a state's ability to take advantage of capital markets.

Long-term Funding Considerations

The Commission faces the challenge of finding stable, dedicated, funding for the years and decades ahead. There are a number of modifications that will provide, in combination, significant long term funding for transportation **without raising taxes**.

- Implementing an electronic fuels tax collection system as proposed in Governor Gilmore's Innovative Progress transportation initiative.
- Pay sales tax collected by automotive businesses for transportation purposes
- Dedicate more of the existing Motor Vehicle License Fee to transportation
- Eliminate the current practice of supporting other state agencies with monies collected for transportation purposes
- Fund the Department of Motor Vehicles out of General Fund with the result that \$126.1 million a year will then be available for transportation purposes

Continuation of Innovative Financing Through Existing Programs

All of these options are premised on the state continuing to pursue innovative financing through a number of existing programs:

- Public-Private Transportation Act
- State Infrastructure Bank
- Federal Transportation Infrastructure Finance and Innovative Act (TIFIA)
- Toll Facilities Revolving Account
- Special Transportation Tax Districts
- Community Development Authorities

General Obligation Bonds

Another option is the issuance of General Obligation Bonds. Without a dedicated revenue source for such bonds, these would be 9 (b) bonds requiring approval by voter referendum. With a dedicated revenue source, these could be 9 (d) revenue bonds that may be approved by the General Assembly.

Regional and Local Government Funding Options

Listed below are options that impact localities and regions throughout the Commonwealth. These concepts could be addressed through specific legislation as advanced by a particular region or local government. **These ideas must be developed in a manner that incorporates the principle of taxation by representation.** The general concepts of the approaches are outlined below for examination.

- Authorize local governments to impose an additional regional gas tax, income tax, or sales tax for regional transportation purposes after approval in a voter referendum
- Authorize creation of a Regional Transportation Financing Authority with the approval of local governments

The Next Steps of the Commission

During the past 6 months the Commission has reviewed and explored the broad policies and issues that govern transportation in Virginia. During the next year the Commission will begin to probe beneath the broad issues into the specific areas of the three Task Forces, Strategy, Structure, and Support. Issues include:

1. Transportation planning
2. Role of local governments
3. Use of Intelligent Transportation Systems
4. Use of public transportation
5. Use of passenger rail
6. Contracting issues and management
7. Changes in agency roles and responsibilities
8. Reorganization of agency structures
9. Innovative financing
10. Local financing issues
11. Modifying use of existing resources

By the next scheduled report in July 2000, the Commission plans to address the general Strategy issues, the final recommendations of the criteria for the PTF, and complete the first stage of the structural and long-term funding discussions. All conclusions and recommendations of the Commission will be set forth in the final report due to the Governor on December 1, 2000.

BACKGROUND

A New, Modern Framework

Historically and today, Virginia and the state employees working in transportation continue to strive for excellence. In the fields of engineering, technology, planning, public affairs and others Virginia's transportation agencies are truly setting national standards for building, developing and maintaining a system of roads, airports, ports, rail and public transportation facilities. But there is a need in a new and ever-growing Commonwealth for a new and modern framework to continue the development of our transportation system. New ideas and policies from financing to planning are necessary to meet the new demands that the future holds. This Commission is charged with creating a new framework using the capable men and women of Virginia's transportation agencies to move it forward.

I. History of the Department

Office of the Secretary

The Zimmer Commission established by Governor Linwood Holton in 1971 began examining a new system of Cabinet Secretaries reporting directly to the Governor. Their final report released in 1972 recommended the new Cabinet system and was approved by the General Assembly in 1972. Although the General Assembly approved Holton's Cabinet Secretaries, the power of the Secretaries was weakened through legislative compromises during the passage of the bill in the General Assembly session.

Between 1984 and 1989, the Secretary of Transportation also handled the duties of Public Safety and the oversight of myriad agencies from the Department of Transportation (Highways) to the Department of Corrections and the State Police. Governor Douglas Wilder appointed the first Secretary of Transportation who had oversight of three state agencies including the Department of Transportation (Highways), Department of Motor Vehicles, and the Department of Aviation. In 1992, the Secretary gained the new Department of Rail and Public Transportation from the Department of Transportation (Highways) and in 1995 the Virginia Port Authority from the Secretary of Commerce and Trade.

Currently, the Secretary's role is to oversee these 5 state agencies and advance the transportation policies of the Governor. The Secretariat oversees over 12,000 employees with a budget of just under \$3 billion, this compared to the Secretary of Finance that oversees about 1,000 employees.

On the federal level, the Office of the Secretary at the United States Department of Transportation has offices that cover administration, policy, budget, governmental affairs, intermodalism, public affairs and legal matters. These offices assist the U.S. Secretary in promoting the President's transportation initiatives and managing and coordinating the operations of the transportation agencies within the secretariat. Although Virginia's transportation Secretary, Deputy and Assistant Secretary continue to dutifully manage these many operations reorganization of the agencies and the Secretariat, but additional power and oversight may be critical to bring about the necessary change to implement

true multimodal planning and policies. This would require structural changes in the agencies and in the Cabinet, both areas that the Commission will explore further.

Virginia Port Authority

In 1922, the Hampton Roads Port Commission was established as an advisory group to oversee port activity. In 1958, the General Assembly granted the Authority the power to employ staff, set rates, and issue revenue bonds with an interest cap set at no higher than 6%. The Commonwealth also appropriated funds so the Authority could acquire, develop and operate port facilities. In 1964, the Peninsula Ports Authority of Virginia was created by the General Assembly with the same powers as Virginia State Port Authority.

Based in part on recommendations issued by the Breeden Commission study, the General Assembly created the Virginia Port Authority out of the Virginia State Port Authority in 1970. An emphasis was placed on consolidation of the port terminal located in the Hampton Roads harbor, authorizing the new Virginia Port Authority to acquire port facilities from each political subdivision. It was not until the completion of another General Assembly Commission study in the early 1980's that port consolidation would occur.

The 1981 Virginia Legislative Council study recommended revision to the Authority's enabling legislation so as to subordinate the local port cities and towns and other entities to the VPA; to consolidate state-owned marine terminal operations; to acquire property owned by federal, state and local governments; provide for a tariff, and the construction, maintenance, and operation of port facilities in Virginia. This bill (SB 548) constituted the mandate for the Virginia Port Authority to complete unification of the terminals on both the Peninsula and Southside.

Soon after port unification in 1983, Virginia International Terminals, Inc. was formed as a non-stock, non-profit corporation, to operate under the direction of the Virginia Port Authority. Virginia International Terminals was formed to unify operations of VPA facilities in Norfolk, Portsmouth and Newport News, to advance a more efficient movement of cargo, unify pricing, and strengthen the Port's marketing program.

The establishment of the Transportation Trust Fund in the mid-1980's became the source for monies allocated to the Commonwealth Port Fund, which equates to 4.2% of the total Transportation Trust Fund annually. The Commonwealth Port Fund consists of the revenue derived from the state motor fuels tax, motor vehicle sales and use tax, vehicle registration fees, and half of a percent of the general sales and use tax. Monies set aside for the Commonwealth Port Fund by the General Assembly are allocated to the Board of Commissioners of the Virginia Port Authority to be used for revenue debt service, capital outlay projects, and port maintenance projects. Through port-sponsored legislation passed by the General Assembly in 1996, the VPA's dependence on General Fund support from the Commonwealth's budget was eliminated. The VPA is now completely self-funded from terminal revenue for port operation.

In 1989, the VPA opened a 161-acre truck/rail transfer facility known as the Virginia Inland Port in Front Royal. This facility was built to position the Commonwealth to better compete for business markets to the north; particularly the Ohio Valley markets. Norfolk Southern provides daily rail service connecting the Inland Port to marine terminals.

Department of Aviation

From 1928, through July 1, 1979, the former Virginia Division of Aeronautics was a Legislative Branch Agency under the State Corporation Commission. On that date, legislation transferred the Virginia Department of Aviation to the Executive Branch of State Government reporting directly to the Secretary of Transportation. Since becoming a separate agency the Department has developed a statewide system of airports, including 9 commercial service airports.

1. Norfolk International
2. Newport News/Williamsburg International
3. Richmond International
4. Lynchburg Regional
5. Charlottesville Regional
6. Shenandoah Valley Regional
7. Roanoke Regional
8. Ronald Reagan National
9. Dulles International

In 1986 as part of the creation of the Transportation Trust Fund, the Commonwealth Airport Fund was created taking 2.4% of state motor fuels tax, motor vehicle sales and use tax, vehicle registration fees, and half of a percent of the general sales and use tax for statewide airport investment.

Department of Rail and Public Transportation

During the first oil crisis of the early 1970's the General Assembly widened the policy scope of the then Department of Highways to create a "balanced transportation" system. The new Department of Highways and Transportation was limited to coordinating air, rail and waterway facilities but new divisions in the Department soon took a hold of new federal policies that had to be administered by the state.

The Department administered a statewide rail system study pursuant to the Regional Rail Reorganization Act and submitted the plan to the Federal Railroad Administration on January 9, 1976. Among other the things, the act provided limited funds for rail financial assistance and began the Federal Railroad Administration's grant programs now administered by the Department of Rail and Public Transportation.

During the second oil crisis in the late 1970's the General Assembly formally established a Public Transportation Division within the Department to heighten and strengthen the use of public transportation in the Commonwealth during the 1978 General Assembly session. The decision to create a new division expanded a public transportation program that began in the Department earlier in the 1960's. The division was responsible for Federal Transit Administration grants to Virginia's public transportation system. This new organizational title elevated Public Transportation to a new level, but it was not until 1992 that the Department gained its independence.

In 1992, the General Assembly established the Department of Rail and Public Transportation in the Code of Virginia, Section 33.1-391.1 as a separate entity from the Department of Transportation. With the Department of Rail and Public Transportation as

a separate agency the title of the Department of Transportation is misleading. The Virginia Department of Transportation only administers road and highway planning and construction even though its name has a broader focus. Last year, the Director of the Department of Rail and Public Transportation finally gained a formal seat on the Commonwealth Transportation Board through legislation (SB 1119) passed by the General Assembly and signed into law by Governor James Gilmore.

Department of Transportation

The Virginia General Assembly established the first State Highway Commission in 1906. The original mission of the Commission was, "to maintain, operate, and construct the primary system of highways around the Commonwealth. The first 4,000 miles of Virginia's first highway system was established in 1918. In order to facilitate the allocation of new federal highway funds the General Assembly designated 8 construction districts; those districts remain in place today with one addition, the Northern Virginia District added in 1983.

The official state agency, the Department of Highways, was established in 1927. By this time the citizens of the Commonwealth had rejected a bond referendum for road construction and instead on the advice of Governor E. Lee Trinkle instituted a "pay as you go" policy that relied on a 3 cent per gallon tax on gasoline for road construction.

The 1932 Byrd Road Act established a unified State Secondary Road System. This permitted each county to give the responsibility for its secondary roads to the Highway Commission. At the time four counties chose to keep this responsibility including, Warwick, Nottoway, Arlington and Henrico, currently only two remain, Arlington and Henrico. One economist estimated that the Byrd Road Act would reduce rural taxes by \$2,895,102 annually, which was certainly Byrd's aim.

In 1956, Congress authorized the development of a 42,500-mile national interstate system with the first section in Virginia designated for Emporia, the I-95 bypass. To fund the system the federal fuel tax was increased to 3 cents per gallon and the Federal Highway Trust Fund was created. Just a few years later, the findings of a General Assembly highway commission resulted in the authorization of the State's arterial network. This system of four-lane divided highways, in conjunction with the interstate system, would connect, "every city within the Commonwealth of 5,000 people or more and nearly every town having a population of 3,500 – 5,000."

In 1974 the General Assembly changed the name of the Highway Department to the Virginia Department of Highways and Transportation. It also changed the Highway Commission to the Virginia Highway and Transportation Commission and added two at-large members, one urban and one rural, increasing the membership from 9 to 11.

The addition of the Northern Virginia construction district in 1984 also created an extra member on the Highway and Transportation Commission. The Commission's name was changed again in 1985 by the General Assembly to become the Virginia Highway and Transportation Board.

As a result of the 1986 Commission on Transportation in the 21st Century, the General Assembly created the Transportation Trust Fund along with a series of innovative financing tools, they also changed the name of the Department to the Virginia

Department of Transportation and added three at-large members to the newly named Commonwealth Transportation Board. At least two of the at-large members were to be from urban areas and at least two from the rural areas.

In 1990 the Board gained one additional member with the designation of the Secretary of Transportation as the Chairman by the General Assembly. New federal funds were authorized in both 1991 and 1998 with new and innovative financing tools and greater emphasis on planning, public participation, environmental impacts, and multi-modality. Following these new trends, the General Assembly passed the Public Private Transportation Act in 1995 that expanded the role of the private markets in transportation building in the Commonwealth.

II. Transportation Planning

For almost 40 years, a host of federal and state mandates helped shape transportation planning in Virginia. Federal mandates on the transportation planning process established the Continuing, Cooperative, and Comprehensive planning process in urbanized areas (3C) in 1962, the Metropolitan Planning Organizations (MPOs) for the urbanized areas in 1973, and a large change in focus occurred with the passage of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Transportation Efficiency Act of 1998 (TEA-21).

ISTEA mandated increased levels of public involvement, greater consideration of land use and environmental planning, established Constrained Long-Range Planning (CLRP) requirements, and enhanced the role of the MPO. TEA-21 reaffirmed the path of ISTEA, but also mandated seven planning factors, the involvement of local officials in non-metropolitan areas, focused the planning process as a foundation for transportation decisions, integrated the Major Investment Studies (MIS) into the National Environmental Policy Act (NEPA) process, and emphasized the use of Intelligent Transportation Systems (ITS) technologies.

State mandates created Planning District Commissions across the Commonwealth, and the requirement that localities have a "transportation element" as part of their Comprehensive Plan. State law also outlines the role of the Commonwealth Transportation Board and the VDOT Commissioner in the planning process and provides for the use of federal funding for planning, the four-year review of construction needs and defines administrative and functional highway planning classifications.

Although the mandates and requirements in the transportation process in Virginia is vast, there continues to be a lack of large-scale, comprehensive, multi-modal transportation planning in the Commonwealth. The transportation planning process as administered by VDOT continues to be mostly a highway and roads process taking into account public transportation in some, but not all, regions and corridors. The current process also does not take into account the airport system planning done by the Department of Aviation or public transportation and passenger rail planning done by the Department of Rail and Public Transportation.

The Commission heard from a former state planning engineer who noted a number of critical issues that has changed transportation planning over the past 30 years.

1. Local land use issues
2. Evaluation techniques
3. Public involvement
4. Economic impacts
5. Multimodal considerations
6. Environmental impacts
7. Air quality conformity
8. Fiscally constrained plans
9. Not In My BackYard (NIMBY) attitudes

These issues coupled with the lack of a clear state policy linking and coordinating local land use decisions with the state transportation planning process continues to hinder the Commonwealth's ability to establish effective transportation plans and policy to meet our future needs.

It is critical that the Commonwealth begins to look at transportation across all modes, integrating transportation to ensure the most efficient and effective movement of people, goods and services. This multimodal approach will need coordination across agency lines as well as updating agency policies to bring together a new comprehensive plan. The Office of the Secretary of Transportation may be the best coordinator for this coordination, similar to the role the Office of the Secretary plays at the United States Department of Transportation.

RECOMMENDATIONS OF THE AD HOC TASK FORCE ON TELEWORK, PUBLIC TRANSPORTATION, AND TRANSPORTATION TECHNOLOGY

In his remarks on WTOP Radio on August 31, 1999, Governor Gilmore "proposed a partnership between government and our major employers to make significant changes in how we do business, how we get to work, and where we work." This partnership, known as the Ad Hoc Task Force for Telework, Public Transportation, and Transportation Technology, was charged with making recommendations to this Commission regarding telework, public transportation, and transportation technology.

The Commission supports the menu of options for encouraging innovation presented by the Ad Hoc Task Force for Telework, Public Transportation, and Transportation Technology in its attached report to the Commission. Further examination of the recommended options will enable the Commonwealth to remain a leader in its ability to take advantage of new technology, and to encourage innovative uses of technology in daily living. As noted in the Task Force's report, although many of their recommendations focus on Northern Virginia, the recommendations are adaptable to other regions of the state. Below is a summary of some of the Task Force's recommendations.

Telework

Approximately 20 million Americans telework today of them, approximately 250,000 people telework in the Washington DC area. Some studies estimate that an additional 470,000 people could telework in the Washington DC area; this could potentially eliminate 658,000 vehicle trips and more than 3.6 million vehicle miles. This information illustrates that telework can benefit Virginians by saving commuting time and alleviating some of the pressure on our transportation system statewide.

As the Task Force notes in its report, promoting telework offers many benefits to citizens, the private sector, and the Commonwealth. These include:

- Improving the quality of life for employees by increasing the flexibility of employee working conditions;
- Enabling employers to become employers of choice;
- Allowing employers to recruit from a larger pool of talent;
- Improving employee retention;
- Increasing employee and organizational productivity; and
- Cutting the costs of employer real estate.

The policy options recommended by the Ad Hoc Task Force on teleworking will facilitate implementation of telework programs, and promote an increase in the use of telework. The recommendations include:

- Tax incentives for businesses;
- Matching grants for telework training programs;
- Continued support for state teleworking resource centers;
- A state telework program;

- Incentives for computer hardware manufacturers and Internet Service Providers to encourage use by small businesses;
- Teleflex, which is telework coordinated to increase the number of employees teleworking at the most congested times on the highways; and
- Supporting Congressman Frank Wolf's legislation to allow for the granting of federal pollution credits to those regions and businesses that effectively employ teleworking to reduce air pollution.

Public Transportation

Citizens of the Commonwealth benefit from the use of public transportation. Virginians used public transportation for approximately 107.5 million passenger trips during the past year, which means that Virginians are some of the biggest users of public transportation in America. In fact, the Washington, D.C. area ranks number one in the country in carpooling. These public transportation successes relieve pressure on Virginia's transportation system as a whole, which makes it reasonable for the Commonwealth to further encourage the use of public transportation by its citizens.

Some of the recommendations of the Ad Hoc Task Force for public transportation include:

- income tax credits to employers for providing transit and ridesharing benefits to employees;
- incentives to encourage the use of transit instead of employer provided parking; and
- State support of a proposed demonstration program by Metro, which is the Northern Virginia/Washington, D.C./Maryland underground rail system, and the Virginia Department of Rail and Public Transportation to develop a universal transportation card that may be used to pay tolls, transit fares, and parking fees.

Transportation Technology

Transportation technology is becoming available at an increasingly rapid rate. There is enormous potential for innovation in this arena and, according to the Ad Hoc Task Force, the Commonwealth should continue supporting transportation technology in order to take advantage of this potential.

Some of the recommendations of the Ad Hoc Task Force for the use of transportation technology include:

- Acceleration of intelligent transportation systems projects, emphasizing technology that alerts drivers in real time to road work, accidents and breakdowns, and also provides alternate routes;
- Synchronization of traffic lights;
- Continuation of state efforts to put as many state services online as possible; and
- Coordination among state entities to ensure that Virginia is effectively deploying intelligent transportation technologies.

CRITERIA FOR THE PROPOSED PRIORITY TRANSPORTATION FUND

The Governor has charged the Commission on Transportation Policy with reviewing options for this fund and to develop and recommend appropriate criteria by which the fund can be used. The Priority Transportation Fund will provide a mechanism for directing additional funds to transportation solutions deemed critical to Virginia's interests on a Commonwealth wide basis. The Fund will be authorized to finance transportation solutions of critical importance on a multi-modal basis, including buses, rail/transit, roads. Therefore, the Fund is intended to be long range in funding concept, statewide in implementation and multi-modal from a transportation policy standpoint. To be successful in achieving its goals and objectives, there needs to be put in place a set of applicable criteria for selection of transportation solutions:

The Commission has had the opportunity to hear presentations and review documentation on how other states deal with the criteria issue. It is clear that the criteria selection process is fundamentally a balancing of complex and often competing goals and interests. It is also clear that to ensure the success of the Fund there must be a scoring system created that is truly objective. The Commission is not prepared at this time to recommend a specific set of criteria for the targeting of priority transportation fund dollars, but it is prepared to begin the dialogue on what such criteria need to focus on. Much more discussion and analysis is necessary before finalizing a specific set of criteria-- it is the intention of the Commission to complete this analysis prior to the submission of its next report due in July.

Any transportation project selection criteria process should be part of a strategic planning perspective dealing with transportation policy over the long term. It should be open and objective and meet the transportation system's long range needs. The criteria areas that the Commission will be looking at in greater detail include but are not limited to the following: (In no order of priority)

- Objective and Equitable on a state-wide basis using a scoring system
- Safety
- Cost Efficiency ("Best Bang for the Buck")
- Economic Development
- Land Use and its impact on transportation infrastructure
- Multimodal
- Environmental Considerations
- Public Involvement (Jurisdictional input)
- Public/Private Partnerships
- Maintenance of Assets
- Pre-screening in the application of criteria (e.g. 6 year plan, minimum funding threshold)
- Quantitative measures of use (e.g. level of service, congestion relief)
- Regional cooperation
- Local financial involvement
- Innovation

As can be seen, all of the above raise issues in their own right-- there is no magic criteria recipe! Much more analytical effort needs to be made and the Commission intends to devote significant time to sorting through the issues involved before arriving at a set of recommended selection criteria. In the implementation of any selection criteria process, the Commission believes that the Commonwealth Transportation Board should be asked to play an important role.

REPORT OF THE SUPPORT TASK FORCE

This Commonwealth depends on its transportation network, and must invest in it to enable the state to continue moving forward today and into the future. The Commission supports the Governor's Innovative Progress transportation initiative to keep Virginia moving forward today and in the near term. According to the Governor's charge to the Commission on June 29, 1999, it is the responsibility of the Commission to examine and evaluate how to keep Virginia moving forward over the long term.

As Governor Gilmore noted in his charge to the Commission on June 29, 1999,

"We are emerging from an old century where we have been burdened with things that have prevented us from going where we needed to go, where we're going now. We're moving fast, and we're ahead of the game, and we need to keep accelerating, and not rest on our laurels, and certainly not turn back."

The Commission must evaluate the methods the Commonwealth currently uses to fund its transportation system, and determine how to renovate our concept of transportation dollars. This Commission is about new thinking, and therefore is not focused on individual transportation projects. Previous commissions have examined compilations of individual project proposals thoroughly. We are working to develop long-term policies for a new concept of transportation funding in Virginia.

We believe the Commonwealth has two related obligations as follows:

- The Commonwealth has an obligation to ensure Virginia has a comprehensive transportation system that enhances our citizens' quality of life, safety, and promotes our economic viability; and
- The Commonwealth has the obligation to be a good steward of the assets of its citizens, spending what is taken effectively and efficiently to maximize the impact of every tax dollar.

The Commonwealth needs to examine the transportation system of today and tomorrow, including the effectiveness of existing and newly available funding mechanisms, with both such obligations in mind. Further, the Commission must also work in the context of Governor Gilmore's Executive Order Forty-three (99), where he charged this Commission, in part, as follows:

- "Virginia must have a transportation infrastructure that will allow our state and its citizens to fully grasp opportunities that will become available in the 21st Century;"
- "And we must ensure that adequate funding exists to meet tomorrow's transportation challenges."

Issues and Options

The funding issues and options we have identified are divided into two general categories, short-term solutions, and long term proposals. The Commonwealth's transportation **problems** are not ones that have been recently created and are not ones that will be quickly resolved. The **solution**, however, must commence immediately for Virginians to have the quality of life and economic development opportunities they require and deserve.

As the Governor noted on June 29, 1999, Virginia had acquired over \$1.1 billion in transportation money at that point in his administration. Additionally, on August 31, 1999, the Governor proposed a short-term financing package of over \$2.5 billion. Virginia is investing in its transportation system. The issue the Governor has asked this Commission to address is how, over the long term, Virginia will secure its transportation future.

Innovative Progress

1. Accelerates \$590 million of federal funds to advance more than 90 projects statewide utilizing Grant Anticipation Revenue Vehicle (GARVEE) instruments.
2. Repays \$200 million into the Transportation Trust Fund funds to give back to all regions and communities of the state the money denied them in the early 1990's.
3. Repays \$112 million in interest on the \$200 million of funding taken from the Transportation Trust Fund and places the funding in the new Priority Transportation Fund.
4. Securitizes 40% of the Tobacco Settlement funds to provide over \$800 million in the next six years to fund the new Priority Transportation Fund.
5. Implements an electronic fuels tax collection system to provide \$210 million over the next six years to support the debt service on the Route 58 and Northern Virginia Transportation District bonds.
6. Provides \$700 million in general fund support over the next six years for the new Priority Transportation Fund.

With regard to the short term, the Commission endorses the proposals put forward by Governor Gilmore to provide new funding now. Proposals designed to immediately address some of our more pressing, severe concerns are critical. They will have favorable impact on our citizens' quality of life and keep Virginia moving today. Important for our future, however, is that the Commonwealth put in place a permanent structure in transportation funding that will be flexible and benefit Virginians for the years and decades ahead.

Innovative Financing

The Commission heard detailed testimony from financing experts from Wall Street and the federal government on the newest tools available to states for maximizing transportation dollars. These new tools include GARVEEs, the Transportation Infrastructure Finance and Innovation Act (TIFIA), State Infrastructure Banks (SIB) and others. all of which provide states new ways to utilize and leverage precious transportation dollars.

GARVEEs allow states to plan ahead by anticipating the financial needs of their transportation projects, and to use GARVEEs to keep the projects moving instead of using the traditional method of cash funding over a longer period of time. Five states have taken advantage of this new financing mechanism already, Ohio, Massachusetts, New Mexico, Mississippi, and New Jersey. Five other states, including Virginia, are considering GARVEEs: Arizona, Arkansas, Colorado, Florida, and Virginia.

Leveraging of state funds for transportation is an opportunity that comes in many forms. According to financial experts, states may take advantage of the sources of funding they use for transportation, such as the Transportation Trust Fund or the motor fuels tax, to create means to provide greater access to capital markets by responsibly leveraging these funds.

TIFIA is another tool that provides a means to use Federal credit, rather than grants, to move forward projects of "national significance." According to presentations before the Commission \$10.6 billion of credit assistance will be available for qualified projects through fiscal year 2003. Eligible projects include highways, rail, public transportation and intermodal facilities. Under TIFIA, credit assistance can come in the form of loans, loan guarantees or lines of credit. The credit assistance can not compromise more than 33% of project costs and repayment of TIFIA obligations is subordinate to private funding for the project.

Many borrowing tools are available to states, all of which can augment existing available funds. Some borrowing options impact the state's debt capacity, some do not. Borrowing tools include: Certificates of Participation; federal credit assistance, known as TIFIA, explained above; GARVEEs, explained above; Revolving Loan Funds; 63-20 Corporations; and State Infrastructure Banks. This list is not exhaustive; it illustrates the magnitude of the task before us in evaluating new and innovative financing tools.

Toll Roads

The Commission heard presentations on the use of tolls to support new transportation projects. The proliferation of the use of toll facilities to finance projects has been greatly expanded nationwide. Toll facilities can utilize capital markets for funding, providing new sources of revenue to build needed infrastructure faster than traditional funding mechanisms. Consolidation of facilities may improve a state's ability to take advantage of capital markets.

In Virginia, the Dulles Greenway is an example of a private toll road built with private investment and capital but for public use. I-895 in Richmond is an example of how, using the Public Private Transportation Act, a new highway can be built with both public and private investment that also relies on toll revenue. New technology allows toll roads to improve efficiency in collecting tolls. New SmartTag technology in Virginia uses transponders in the vehicle and at tollbooths that automatically deduct the toll from an established account. On a new toll facility in Denver, this type of technology is used at higher speeds, allowing a more efficient and convenient flow of traffic rather than stopping or slowing down at a toll plaza. As is mentioned later in this report, this type of technology should be reviewed by Commonwealth. In the coming months, the Commission will continue exploring the use of toll roads to build critical transportation infrastructure.

Long-term Funding Considerations

The Commission faces a challenge that has not been met before: finding stable, dedicated, enhanced funding for the years and decades ahead. **Of course, a key component of answering this challenge is ensuring that Virginia structures its transportation system for the future in a manner that promotes effective and efficient strategic planning and spending.** There are a number of modifications that would provide, in combination, significant long-term increased funding for transportation without raising taxes. These modifications should be further examined by the Governor, General Assembly, and the Commission to determine what combination of changes can best be matched with innovative financing to meet our challenge.

Some of these modifications include the following:

- Implementing an electronic fuels tax collection system and moving the point of initial taxation from the retail to wholesale distributor level would generate approximately \$38 million a year.

This proposal as advanced by the Governor in his Innovative Progress transportation initiative, would help ensure that Virginia has the most efficient tax collection system possible and also enhance revenue collections for transportation purposes by approximately \$38 million a year. Twenty-one states have moved to the collection of this tax at the terminal rack with each experiencing enhanced collection efficiencies and revenues.

- Pay sales tax collected by automotive businesses for transportation purposes, thus benefiting all modes of transportation to the extent of \$ 90 million annually.

The Department of Taxation divides annual taxable sales into different business activity categories, with the categories generally reflecting the primary business activity as reported by the taxpayer. One of those categories is "automotive."

There are about \$3 billion in taxable sales under the automotive category on an annual basis. Of the 4.5% sales tax, one percent goes to local government and .5% is earmarked for transportation purposes already. The remaining 3% on the automotive category for sales, which now goes into the General Fund, could be designated for transportation purposes and used to fund all modes of transportation.

The automotive group classification includes:

Accessories, batteries, repair parts, tires, etc.
Aircraft
Boats, boat motors, boating accessories
Motor vehicle dealers, motorcycle dealers
Service stations, garages, auto repair shops, truck stops (tractor parts and equipment)
Other automotive (installation of windshield and other glass for cars, trailers, mobile homes, etc.)

The advantage to this modification is that it provides \$90 million more annually for all modes of transportation, without increasing the amount being paid by Virginians or the method of collecting such taxes. Obviously, that \$90 million would no longer be available to the General Fund.

- Dedicate more of the existing Motor Vehicle License Fee to transportation, raising \$35.3 million a year.

The current Motor Vehicle License Fee of \$26.50 is divided, creating the following revenues:

	<u>Portion</u>	<u>Revenue</u>
• Highway Maintenance Fund	\$16.00	\$121.5m
• Department of Motor Vehicles	\$ 4.00	\$ 25.8m
• Transportation Trust Fund	\$ 3.00	\$ 17.6m
• Emergency Medical Services	\$ 2.00	\$ 11.3m
• State Police	<u>\$ 1.50</u>	<u>\$ 9.5m</u>
TOTAL:	\$26.50	\$185.7m

This proposal is to eliminate the payments to DMV and to the State Police, distributing those funds to (no change is necessary to move for EMS/Rescue Squad because of those local needs). In this fashion, there would then be \$174.4 that could be designated for transportation purposes:

	<u>Portion</u>	<u>Revenue</u>
• Transportation Purposes	\$24.50	\$174.4m
• EMS/Rescue Squad	<u>\$ 2.00</u>	<u>\$ 11.3m</u>
TOTAL:	\$26.50	\$185.7m

This change, in combination with other options herein, would make DMV a General Fund agency and eliminate non-General Fund funding for DSP.

Again, the \$35.3 million taken from DMV and State Police programs would now need to be funded through General Fund appropriations.

- Eliminate the current practice of supporting other state agencies with monies collected for transportation purposes, adding about \$25 million a year for all modes of transportation.

Certain monies are collected from Virginians with the anticipation that they will be placed in the Transportation Trust Fund or Highway Maintenance Operating Fund and used for transportation purposes. Yet, there are a number of specific statutory provisions and additional Appropriation Act provisions that provide that those funds be used by other state agencies for non-transportation purposes such as the following:

Department of Education	Marine Resources Commission
Department of General Services	Chesapeake by Initiatives
Department of State Police	Department of Minority Business
Virginia Liaison Office Enterprises	VA Economic Development Partnership
Department of Emergency Services	Department of Agriculture & Consumer Services
Department of Taxation	Indirect Cost Allocation
Department of Law	Department of Health
Department of Treasury	VAASP
Virginia Tourism Authority	Department of Motor Vehicles
State Corporation Commission	

It is the belief of the Task Force that the programs being funded in this fashion have merits, but they should be funded from the General Fund or other funds currently available to the respective agencies, and not from transportation dollars.

Restated, there is almost \$25 million a year collected from Virginians for transportation purposes that the Task Force feels is being diverted when it is needed to meet existing transportation needs.

Summary of annual impact of above proposals for non-tax increase revenue enhancements: an additional \$314.4 million to transportation each year.

Sales tax/automotive businesses	\$90 million
Motor Vehicle Licensing Fee	\$35.3 million
Eliminating support of other state agencies	\$25 million
DMV/General Fund	\$126.1 million
Electronic tax collection/tax at rack	\$38 million
TOTAL:	\$314.4 million

- Fund the Department of Motor Vehicles out of General Fund with the result that \$126.1 million a year will then be available for transportation purposes.

Transportation revenues now are deposited primarily into three accounts: Highway Maintenance Fund, Transportation Trust Fund, and the DMV Special Fund. As referenced above, there are also other instances in which funds from the TTF or HMOF are transferred to DMV for its funding purposes. The Commission believes that consideration should be given to funding DMV from the General Fund as are almost all other state agencies and not by transportation taxpayers. This change would increase transportation funding by \$126.1 million a year. (There is an obvious corresponding consequence to the General Fund.)

It is recognized using these monies for transportation purposes would have a corresponding impact on the General Fund annually. The Commission understands the merits of these options, and recognizes that their implementation needs to be planned and addressed in the normal budgeting process. If, and only if, significant short-term funding proposals are adopted, these above changes should become effective July 2, 2001, so the budget in the second year of the new biennium can be addressed accordingly at the 2001 Session.

General Obligation Bonds

Another option that should be given consideration is the issuance of General Obligation Bonds. Without a dedicated revenue source for such bonds, these would be 9 (b) bonds requiring approval by voter referendum. With a dedicated revenue source, these could be 9 (d) revenue bonds that may be approved by the General Assembly.

One approach would be to take an existing revenue source such as the automotive sales tax component of sales tax revenues (which would generate about \$90 million a year as set forth above) and dedicate that to serve as a revenue source for 9(d) bonds. This would allow the generation of approximately \$1.3 billion in bonds. This is basically the same approach that was taken with the Route 58 program and the Northern Virginia Transportation District Bond program. As with those programs, any new programs of this nature would be subject to appropriation.

There may be other existing revenue sources that the Governor or General Assembly may want to dedicate for bonds. The above idea is but an illustration of the leverage that such an approach may provide. There are many other dedicated sources that may be used in a similar fashion. Obviously, serious consideration must be given to the debt capacity of the Commonwealth and the maintenance of our triple-A rating.

Continuation of Innovative Financing Through Existing Programs

All of these options are premised on the state continuing to pursue innovative financing through a number of existing programs:

- Public-Private Transportation Act
- State Infrastructure Bank
- Federal Transportation Infrastructure Finance and Innovative Act (TIFIA)
- Toll Facilities Revolving Account
- Special Transportation Tax Districts
- Community Development Authorities

To the extent permitted by law and sound fiscal policy, these programs should be used in conjunction with these options and other financing. They also may be used in combination with other innovative programs such as the GARVEE instruments. For example, a particular major project could be financed under the Public-Private Transportation Act in combination with the use of GARVEE instruments for that particular project.

Regional and Local Government Funding Options

Listed below are options that impact localities and regions throughout the Commonwealth. These concepts could be addressed through specific legislation as advanced by a particular region or local government. **These ideas must be developed in a manner that incorporates the principle of taxation by representation.** The general concepts of the approaches are outlined below for examination.

- Authorize local governments to impose an additional regional gas tax, income tax, or sales tax for regional transportation purposes after approval in a voter referendum.

The statute would allow a regional entity of various local governments to impose an additional regional gas tax, income tax or sales tax for regional transportation purposes provided:

1. The revenues from such additional regional gas, income tax, and sales tax must be used for specified regional transportation projects.
2. The imposition of such tax is approved by a majority vote of a referendum of the registered voters in that region.
3. With such referendum question specifying the tax increase, the projects to be funded and the duration of the tax. In this instance, any transportation projects undertaken would be by the appropriate state transportation agency. The taxes could be collected by the state government.
4. Such referendum must be approved by a majority vote of the region.

NOTE: Virginia law currently allows certain areas in the Commonwealth to impose a regional/local income tax, subject to voter approval at referendum. The recommendation basically would be that such an approach should be updated and that the Sunset Clause on such authorization should be removed.

NOTE: This should only be considered for regions within the Commonwealth.

- Authorize creation of a Regional Transportation Financing Authority with the approval of local governments.

This concept is the authorization by statute of a specified region composed of various local governments that have requested such authorization to establish a Regional Transportation Financing Authority. The authority would be empowered to provide funding for the construction and maintenance of new or enhanced capacity to existing regional transportation projects through the issuance of bonds, borrowing of funds, accepting of grants, imposition of tolls on such projects, etc.

In this option, there is no required referendum. The precondition is that the local governing bodies have requested such authority for a regional transportation financing authority.

THE NEXT STEPS OF THE COMMISSION

During the past 6 months the Commission has reviewed and explored the broad policies and issues that govern transportation in Virginia. During the next year the Commission will begin to probe beneath these broad issues into the specific areas of the three Task Forces, Strategy, Structure, and Support. The following is an outline addressing some of the issues the Task Forces have identified for further study.

By the next scheduled interim report in July, 2000 the Commission plans to address the general Strategy issues, the final recommendations of the criteria for the PTF, and complete the first stage of the structural and long-term funding discussions. All conclusions and recommendations of the Commission will be set forth in the final report due to the Governor on December 1, 2000.

Strategy Task Force – Chairman, Todd Stottlemyer

- Definition of Strategy
 - A. Establishing what your goals are and how to attain them
 - B. Mission for VDOT and VDRPT
- Public Transportation (bus, rail, others)
 - A. Can we reinvent public transportation?
 - B. Findings from Secretary's study
 - C. High Speed Rail and other passenger rail options
- Intelligent Transportation Systems
 - A. Usage in Virginia
 - B. Various types/forms and functions
 - C. Future
- Evaluation of Planning Process

How to combine current bottom-up planning with a statewide mission (effectively moving people and goods throughout the Commonwealth)

 - A. Top-down planning and prioritization
 - 1. Creation of "real priorities"
 - 2. Giving the Commonwealth Transportation Board more latitude in planning in prioritization
 - B. Long-range planning/Six-Year Plan
 - 1. Operational plan compared to a master plan or 2020 plan
 - 2. Review its effectiveness to deliver the message of progress
 - 3. Need for a "public affairs-type" document/public can understand elements of the planning process
 - C. Outside Influences and their effects on the planning process
 - 1. NIMBY
 - 2. Environmental issues
 - 3. Legal and legislative roles and influences
 - 4. Inaction by local governments
 - D. Integrated planning models
 - 1. Washington State, Georgia, Texas and Florida

E. Cooperative planning and programming

1. Enhance relationships with MPO's and PDC's

- Power of the Secretariat
 - A. Philosophies of the cabinet, Commissioner's powers
 - B. Is it effective?
- What role should local governments play? Virginia is one of only three states with a completely centralized process. Is that still the most effective method of management?
- Explore the oversight of Secondary Roads by the localities
- Politicization of the process
- Change in Agency Roles/Responsibilities
 - A. Intermodal/multimodal projects and coordination
 - B. Coalitions for operational coordination/multi-state coordination
 - C. Economic development issues (branch line abandonment, port and airport access, development of high speed rail)
 - D. Rationalization of project development responsibilities
 - 1. More local responsibility
 - 2. Closer to the customer
 - E. Joint powers agreements
 - 1. California. Texas and Pennsylvania have empowered local governments to band together to fund and develop larger projects using their own as well as state and private resources
 - 2. More local control – Arlington/Henrico Model
- Business Process Reengineering/Program Delivery Techniques
 - A. Enterprise model concept
 - 1. Michigan model – decentralized decision-making, improved customer focus, better linkage between state long-range plans and project selection, projects selection guided by performance standards, program and process management (Six-Year Plan)

Structure Task Force – Chairman, Mitch Carr

- Reducing costs and implementing cost efficiencies
- Privatization of Rest Areas and Welcome Centers
- Lynchburg VDOT Construction District
 - A. Only district without an interstate
 - B. Region relies on its state primary system for handling heavy local traffic volumes
 - C. Receives the third smallest construction allocation
 - D. Review other districts and issues of equity
- Business Process Reengineering/Program Delivery Techniques
 - A. Enterprise model concept
 - 1. Michigan model – decentralized decision-making, improved customer focus, better linkage between state long-range plans and project selection, projects selection guided by performance standards, program and process management (Six-Year Plan)
 - B. Streamlining policies and procedures
 - C. Examining reengineering techniques
 - D. Contracting issues
 - 1. Privatization
 - 2. Additional areas for privatization
 - 3. Bid process, its effectiveness
 - 4. Smaller vs. larger contracts
 - 5. Contract management
 - 6. Incentive contracting and outsourcing
 - 7. Quality assurance
 - 8. Innovative project delivery
 - E. Right of Way acquisition issues
- Evaluation of Planning Process
 - A. Top-down planning and prioritization
 - 1. Creation of “real priorities”
 - 2. Giving the CTB more latitude in planning in prioritization
 - B. Integrated planning models
 - 1. Washington State
 - C. Cooperative planning and programming
 - 1. Enhance relationships with MPO’s and PDC’s
 - D. Internal agency planning
- Change in Agency Roles and Responsibilities
 - F. Intermodal/multimodal projects and coordination
 - G. Coalitions for operational coordination/multi-state coordination
- Reorganization and Staffing Issues
 - A. Retooling the workforce – issues from early retirement
 - B. Performance incentives – VDOT’s CBS program
 - C. District flattening/reorganization

1. Construction Districts

Are they outdated? Do they make sense geographically?

- Coordination between VDOT and VDRPT
- Research and Technology
 - A. Research management plans and research collaboration, what is next?
 - B. Broader focus (planning, environment, air quality, materials)
 - C. Burden of product review – Research Advisory Committee (Idaho DOT)

SUPPORT TASK FORCE – Chairman, Bill Axselle

- **Innovative Financing**
 - A. Flexible match, advance construction
 - B. State Infrastructure Banks (SIBs) – Ohio, Missouri, and Florida models
 - C. Land developer/Private sector funding – Florida, Texas, Pennsylvania, and California models
 - D. Private toll roads – Dulles Greenway
 - E. Public Private Transportation Act (PPTA)
 - F. GARVEE Bonds
 - G. Toll Road Financing Authority

- **Modify Use of Existing Revenues**
 - A. Dedication of sales and use tax for transportation for transportation-related products
 - B. Allocation formulas and Hold Harmless provisions
 - C. Recordation tax
 - D. 5% of state income tax revenues
 - E. Unrefunded marine fuel tax

- **Bonded Indebtedness**

- **Modification of Existing Revenue Sources**

- **Local Financing Issues**
 - A. Local tax authorities
 - B. Tax districts (Route 28 and Route 5)
 - C. More local control – Arlington/Henrico model
 - D. Dedicated funding source, subject to local approval

- **General Fund Absorbing Administrative Costs Now Borne by Transportation-Related Funding**
 - A. Operational expenses

- **Trucking issues. Are trucks paying their fair share?**

COMMONWEALTH OF VIRGINIA

OFFICE OF THE GOVERNOR

Executive Order 43 (99)

Creation of the Governor's Commission on Transportation

By virtue of the authority vested in me as Governor under Article V of the Constitution of Virginia and under the laws of the Commonwealth, including but not limited to Section 2.1-51.36 of the Code of Virginia, and subject to my continuing and ultimate authority and responsibility to act in such matters, I hereby establish the Governor's Commission on Transportation Policy.

Preamble

Today we stand at the threshold of a new era, an era where new technologies empower individuals to maximize their personal freedom and achieve their highest potential. Virginia is poised to reach new levels of economic prosperity by being a global leader in this new era. To reach these goals and to make this vision of the future a reality, Virginia must have a transportation infrastructure that will allow our state and its citizens to fully grasp the opportunities that will become available in the 21st Century.

In recent years, Virginia has enjoyed continuous and unprecedented economic growth. This success has brought prosperity to our citizens by attracting new residents, providing new business opportunities, and offering a better quality of life. Our rich and varied outdoors, as well as our many historical sites, enhance our quality of life and help draw new residents, tourists, and businesses to the Commonwealth. Transportation will play a pivotal role in the continued success of our communities, businesses, and people.

Merely assessing our infrastructure needs for the future is not enough. We must ensure that our system for planning and managing our transportation needs does not act reflexively based upon past practice, but rather is both flexible and innovative. We must look to new ways to streamline our procedures and avoid needless delays and expense while ensuring thoroughness, thoughtfulness, and protection of our natural resources. And we must ensure that adequate funding exists to meet tomorrow's transportation challenges.

Duties of the Commission

The Commission is classified as a gubernatorial advisory commission in accordance with Section 2.1-51.35 and Section 9-6.25 of the Code of Virginia. The Commission shall evaluate Virginia's existing system of transportation planning to assist in its development of broad-based principles that will move all of Virginia into the next century. The Commission shall help define transportation policy beyond the existing planning process to enable the Commonwealth to take advantage of new technology and changing demographics both now and in the years to come. Finally, the Commission shall examine

how to best insert foresight into transportation planning, as innovation will be the key to unlocking transportation solutions.

The Commission shall devote particular attention to the following tasks:

- Examining historical trends and policy decisions to ensure that past mistakes are recognized and understood;
- Examining the process for developing project cost estimates to ensure greater accuracy of estimated cost at the outset;
- Developing recommendations to alleviate congestion and improve efficiency on existing facilities;
- Developing innovative ways of financing projects to facilitate expedited construction schedules, while preserving high levels of infrastructure safety and quality;
- Developing policies and proposals that ensure the expeditious delivery of engineering and construction activities;
- Developing a long-term strategy to ensure that construction and reconstruction of infrastructure focuses resources on high-priority projects; and
- Examining operations at the Virginia Department of Transportation to assess its strengths and weaknesses, and develop recommendations for improvements.

The Commission may examine any aspect of relevant transportation policy it deems pertinent, including current and projected state and federal funding; current and potential technological innovation; and the processes followed by state, local and federal agencies and officials in planning, financing, or constructing transportation projects.

Structure and Funding of the Commission

The Commission shall be composed of no more than 24 members, appointed by the Governor, and serving at his pleasure. Members of the Commission shall not be compensated but shall receive reimbursement for expenses incurred in the discharge of their official duties only upon approval of the Secretary of Transportation.

Such staff support as is necessary to support the Commission's work during the term of its existence shall be furnished by the Office of the Governor, the Office of the Secretary of Transportation, the Department of Transportation, the Department of Rail and Public Transportation, and any other executive branch agencies having definitely and closely related purposes, as the Governor may designate. An estimated 2,000 hours of staff time will be required to support the work of the Commission.

Necessary funding for the term of the Commission's existence shall be provided by sources, including both private contribution and state funds appropriated for purposes related to the work of the Commission, as authorized by Section 2.1-51.37 of the Code of Virginia. Direct expenditures for the Commission's work are estimated to be \$50,000, exclusive of costs related to personnel.

Report of the Commission

The Commission may gather such information pertinent to its tasks as it deems suitable, including reviewing past transportation legislation and policies, studies, and recommendations; holding public hearings to gather citizen input; or meeting with public and private sector representatives.

The Commission shall make an interim report to the Governor no later than December 1, 1999, on its findings to date. Subject to the issuance of an appropriate continuance order

4. Sprawl will continue

- Outer rings, small towns will grow
- Little evident appetite for land use control
- Watch Atlanta experience
- Smart Growth can help direct development

How can Virginia grow smarter?

- Smart Growth is difficult
- Time-consuming
- Expensive
- Politically delicate
- “Bottoms up” Smart Growth
- Community based planning
- Regional cooperation
- Facilitated by the state

5. Urban renaissance will accelerate

- Urban poor largest untapped labor pool
- Progress in crime and education efforts
- Cities increasingly attractive to “empty nesters” and young DINK’s

How can Virginia use transportation to promote an urban renaissance?

- Don’t choke cities
- Fix infrastructure
- Public transportation
- Pedestrians
- Parking supply
- Child care
- Reverse commute

6. Airport development will get even harder

- Community opponents become more vocal
- NIMBY issues will frustrate new starts
- Can limit development
- May become advantage for small/medium communities

How does Virginia build or expand airports?

- Recognize importance to competing in global economy
- Streamline project development
- Look at feeders
- No easy answers...Just do it.

7. Freight will grow in importance

- Supply chain management depends on freight
- Increasing congestion will hurt trucking
- Intermodal will grow
- Freight will dictate job growth

V. Presentations to the Commission on Major Transportation Proposals Regional Perspectives

While the Commission believes it is best to approach the Commonwealth's transportation issues from a statewide perspective, it did feel it appropriate to provide an illustrative listing of some of the project proposals as presented to the Commission by various regional advocacy groups and planning organizations. The Commission does not endorse any of the specific projects listed below.

SOUTHSIDE/SOUTHWEST/FAR SOUTHWEST

- Route 81 from the West Virginia State Line to Bristol
- Route 58 Stuart to Cumberland Gap
- I-73 from Roanoke to N. C. line
- Route 220 improvements between Martinsville and Roanoke
- Route 501 improvements from Brookneal to Amherst County
- Route 220 improvements from Boutetourt to Clifton Forge
- Route 460 improvements from Blacksburg through Giles County
- Trans-Dominion Express (rail from Bristol through Roanoke to Lynchburg, with alternative routes to Washington and Richmond)
- Coalfields Expressway (Buchanan, Dickerson, Wise and surrounding counties)
- Route 72; Moncasin Gap
- Route 460 Improvements
- Route 23 from Bristol to Kentucky line

HAMPTON ROADS

- Hampton Roads 3rd Crossing
- Widening I-64 (Peninsula area)
- Transit needs, including light rail
- Route 460 improvements
- Midtown Tunnel/Pinners Point/Martin Luther King Freeway Extension
- Southeast Parkway and Greenbelt

CENTRAL VIRGINIA

- Route 29 Madison Heights Bypass. Amherst to Lynchburg
- Route 29 South Bypass
- Oddfellows Road Interchange with Route 460
- Candler's Mountain Road, Lynchburg Expressway and Route 460
- Route 221, Bedford County west to Forest
- Route 501, Four lanes from North Carolina Line to Lexington

FREDERICKSBURG

- Various projects such as outer connector, Route 95/627 Interchange, etc; determined by Fredericksburg area MPO

NORTHERN VIRGINIA

- Capital Beltway (I-495) widening between I-95 and Dulles Toll Road (Route 267) intersection
- Widening I-66 from Route 234 to Spout Run Parkway
- State portion of new Woodrow Wilson Bridge
- Completion of Springfield Interchange
- Construction of the Western Transportation Corridor, including a northern Potomac River crossing
- Rail service from East/West Falls Church Metro Station to Dulles International Airport, providing needed transit within Tyson's Corner
- Rail extensions in the I-66 and I-495 Corridors
- Light rail linking Manassas and western Prince William to Dulles area
- Tri-County Parkway
- Route 234 Bypass north of I-66
- 44 improvements to increase capacity on existing corridors, including upgrading intersections to interchanges where practical, on many roads such as Fairfax Parkway, Prince William Parkway, etc.

GREATER RICHMOND

- Richmond International Airport access improvements
- Route 288
- Route 360 east of I-295 (Hanover)
- Renovation of Main Street Station
- High-speed rail linking Richmond and Washington
- Greater Richmond Transit Company improvements
- Route 360 west and Route 10 widening (Chesterfield)
- Parham/Patterson Avenue Urban Interchange
- Twenty-two Richmond area interstate projects
- I-64 improvements from Richmond to Williamsburg

Appendix III

MEETINGS OF THE GOVERNOR'S COMMISSION ON TRANSPORTATION POLICY

Meeting I
June 26, 1999
Richmond

The first meeting was held in Richmond with Governor Gilmore giving the Commission its initial charge. The Commission heard testimony on the history of Virginia's transportation agencies including the Office of the Secretary. Additional overview of the transportation agencies continued discussing federal and state funding for transportation in Virginia. The overview concluded with the first glimpse at transportation planning from VDOT and VDRPT.

Meeting II
July 28, 1999
Richmond

The next meeting focused on transportation planning and association issues with planning. Former VDOT planning engineer, Richard Lockwood presented to the Commission the historical evolution of planning detailing the rise of numerous federal regulations and processes that have lengthen the transportation building process. Lockwood also presented historical evidence supporting the assertion that many of the transportation problems in Northern Virginia arose out of years of local government decisions on the growth and development of the transportation network. He described roads and highways that VDOT set forth but were rejected by local governments and never built.

Other presentations included a comprehensive presentation from David Shulz, of Northwestern University on future trends in transportation, the economy and travel behavior. Trip Pollard, of the Southern Environmental Law Council presented their study *Beyond Asphalt* and other thoughts on transportation planning. Finally, Gary Bowman author of *Highway Politics in Virginia* presented to the Commission his insight on the historical evolution of politics in Virginia transportation policy and the effects of these trends in our abilities to build infrastructure.

Meeting III
August 30, 1999
Richmond

The Commission held its first public hearing in August soliciting comments and recommendations for the Commission to examine. Public comment lasted all day and included a wide range of both local and state elected officials, transportation interest groups and advocates, business leaders and citizens. Overall the comments were right on target with the Governor and the Chairman's charge for innovative ideas and thoughts. Testimony focused on solutions and not needs and many opportunities and options were expressed.

Meeting IV
September 13, 1999
Richmond

The fourth meeting included the first meetings of the three Task Forces on Strategy, Structure, and Support. The Virginia Chamber of Commerce presented their recently released project prioritization study, giving the Commission their first opportunity to discuss the idea of subjective criteria for transportation projects. Examples of long-range planning was presented by Fairfax City Mayor, John Mason who discussed and presented the Northern Virginia 2020 Transportation Plan, as did Arthur Collins of the Hampton Roads Planning District Commission who presented the Hampton Roads 2020 Transportation Plan. Al Moyer of the Roanoke Regional Chamber of Commerce also presented a study on Transportation in Southwest and Southside Virginia.

Meeting V
October 13, 1999
Richmond

During the fifth meeting, the Commission focused on innovative financing and given perspectives by the Federal Highway Administration, and Wall Street. The Commission heard presentations by Goldman Sachs and Bear Stearns that provided a nationwide view of innovative financing in transportation. In the afternoon the Commission heard a presentation by the Ohio Department of Transportation on a transportation prioritization fund that has been established in Ohio. The structure of Ohio's Transportation Review and Advisory Council gave the Commissioners great ideas and perspectives for the Commission to begin discussion of the criteria for the Governor's Priority Transportation Fund.

Meeting VI
November 8, 1999
Roanoke

During the 6th meeting the Commission further explored transportation planning in the Richmond area from the Greater Richmond Chamber of Commerce and the Richmond Regional Metropolitan Planning Organization and far Southwest Virginia from the LENOWISCO Planning District. The meeting also included an overview of public transportation policy issues and trends presented by Richard White of the Washington Metropolitan Area Transit Authority (WMATA). The Commission concluded the meeting discussing the criteria for the Governor's Priority Transportation Fund and the contents of the interim report.

Meeting VII
November 29, 1999
Richmond

During the 7th meeting the Commission reviewed and approved the final draft of the Interim Report.

Teleworking, Public Transportation & Transportation Technology

Recommendations to the Governor's
Transportation Commission

November 29, 1999

Governor Gilmore's Charge to the Ad Hoc Task Force

"Every day we are creating new opportunities for technology to solve problems and enhance our quality of life. My goal is within three years; Virginia will use its technology resources to become the nation's leader in both telecommuting and the use of Intelligent System Technology.

"I am now proposing a partnership between government and our major employers to make significant changes in how we do business, how we get to work, and where we work. We must create financial incentives and use our technology to promote telecommuting and flex time, to locate satellite offices closer to where people live, to promote van pools, public transit programs, and smart roads, which can communicate to drivers the location of breakdowns and the best way to avoid them."

Governor Jim Gilmore
August 31, 1999

Overview of the Recommendations to the Governor's Transportation Commission

- The ad hoc task force is providing recommendations in three areas:
 - Teleworking
 - Public Transportation
 - Transportation Technology
- While the ad hoc task force believes that its recommendations are *part* of the solution to the congestion we face in Northern Virginia, these recommendations are not in themselves a substitute to the urgent need for new and improved connections between major activity centers and the need for additional road and transit capacity within this region.
- While these recommendations focus principally on Northern Virginia, the ad hoc task force believes the recommendations are equally applicable to other parts of the State.

TELEWORKING

A. Teleworking in the United States and Northern Virginia

- Approximately 20 million Americans telework today.
- Approximately 250,000 people telework in the Washington DC area.
- Some studies estimate that an additional 470,000 people could telework in the Washington DC area; this could potentially eliminate 658,000 vehicle trips and more than 3.6 million vehicle miles.

B. Factors Leading the Growth of Teleworking

- **The Internet:** The impact of the Internet has reached the level of universal awareness, which has created a demand for PCs, access to the world wide web, and the skills needed to communicate from a home office.
- **Technology has Reached Critical Mass:** Cell phones, notebook computers, and other technologies -- with telecommunications linking it all together -- have resulted in the workforce being better equipped to work anywhere.
- **American Employees are Realizing they have Work/Life Choices:**
 - They recognize they have the means to telework
 - They are making the choice to do so
 - They are conditioning acceptance of new jobs on their ability to telework

C. Advantages of Teleworking

- Improving the quality of life for employees by increasing the flexibility of employee working conditions
- Becoming an employer of choice
- Being able to recruit from a larger pool of talent
- Improving employee retention
- Increasing employee and organizational productivity
- Cutting the costs of employer real estate

D. Barriers to Teleworking

- Management resistance (requires a shift from “management by observation” to “management by results”) and lack of appropriate telework training
- Lack of planning (many programs are informal)
- Competing organizational demands
- Lack of resources to support teleworking

- Failure to provide adequate equipment (costs and other factors) and support remote workers
- Overly burdensome federal government regulations relating to private contractors

E. Teleworking Recommendations

- The State should formally recognize teleworking as an effective mode of transportation.
- The State should provide an income tax credit to employers for the purchase and installation of new or used equipment that allows an employee to telework. Computers, fax machines, modems, phones, printers, software, copiers, and other expenses necessary to enable telework would be eligible for the income tax credit. For non-profits and other organizations not paying Virginia income taxes, the State should consider offering direct grants equal to what these organizations could take as a tax credit for such investments.
- Localities should allow employers to fully depreciate 100% of the cost of teleworking equipment for business personal property taxes in the year the equipment is purchased.
- The State should provide matching grants to approved telework training programs.
- The State should continue to support the national moratorium on Internet taxes through the continued implementation of tax policy that encourages wider use of computers, the primary tool of teleworkers.
- Localities should not impose cable “right of way” fees, taxes or levies, essentially a backdoor Internet tax that will discourage broadband development and teleworking; beyond their actual incurred costs.
- The State should continue to expand and financially support its teleworking resource centers.
- The State should mandate that 15% of the State’s “eligible workforce” telework. In the Northern Virginia and Hampton Roads regions, where transportation congestion is most severe and where there are air quality issues, the State should mandate that 20% of the State’s “eligible workforce” within that region telework. It is recommended that the State model its program after the Arizona telework program. Localities should be encouraged to follow the State’s lead.
- The State should encourage and consider providing incentives to computer hardware manufacturers and Internet Service Providers (or third party conduits such as chambers of commerce) to give small business owners and sole proprietorships favorable pricing on computer purchases and Internet access in order to make teleworking more available to these types of businesses by reducing teleworking costs.
- The Virginia Department of Transportation should disseminate information to the public on the most congested times of the day so that employers can institute greater and better use of flextime. Flextime could be combined with teleworking to create “teleflex.”

- The State should champion telework best practices and become a member of the International Telework Association and Council (ITAC); the ITAC partnership would allow the State to broadly disseminate telework best practices information.
- The State should work through the Virginia Congressional delegation to address several related telework issues:
 - Employees who telework should be issued a “T-2000” W-2 style form to confirm to federal, state, and local taxing authorities that they are *bona fide* teleworkers; this would allow *bona fide* teleworkers to deduct telework related home office expenses without raising a “red flag” to federal taxing authorities.
 - Define the residency of a teleworker for tax purposes -- where is the “Place” of work.
 - Confirm the tax status of a teleworker: an employee, not an independent contractor.
 - The State through the Virginia Congressional delegation should urge the General Services Administration to mandate that a certain percentage of eligible federal employee’s telework. This would alleviate congestion in regions of Virginia where there are a substantial number of federal employees, in particular the Northern Virginia and Hampton Roads regions.
 - The State through the Virginia Congressional delegation should work with the appropriate federal government agencies and departments, particularly the Department of Defense and the Defense Contract Audit Agency, to ensure that teleworking is encouraged for private sector employees working under contract with federal government agencies and departments. Specifically, federal government agencies and departments should encourage teleworking as part of their contracts, eliminate requirements that contractor employees must work onsite, and provide bonus points in contract awards for contractors that pledge to use minimum levels of telework to accomplish the contract objective.
 - The State should support and work through the Virginia Congressional delegation to support Congressman Frank Wolf’s legislation to allow for the granting of federal pollution credits to those regions and businesses that effectively employ teleworking to reduce air pollution.

PUBLIC TRANSPORTATION

A. Public Transportation in Virginia

- Virginians used public transportation for approximately 107.5 million passenger trips during the past year.
- The Washington D.C. region is 2nd in the country in public transportation use and has the 2nd highest level of rail ridership in the country.
- The Washington D.C. region ranks 1st in the country in carpooling.
- Public transit funding in Virginia in FY 2000 is \$547.1 million:
 - \$148.4 million in federal funds
 - \$145.5 million in state funds
 - \$253.2 million in local funds

B. Public Transportation Recommendations

- The State should provide an income tax credit to employers for a certain percentage of employer-provided transit and ridesharing benefits for employees, up to a certain monthly dollar threshold per employee. The income tax credit would be applicable to employer provided van pool and transit expenses. It is recommended that the State model its program after legislation that was recently enacted in Maryland.
- The State should establish a parking cash out program whereby employees may choose to cash out the value of employer provided parking, forego parking, and receive the taxable cash value of the parking, or receive a tax-free transit or eligible van pool benefit up to \$65 per month. If the employer provides the transit or vanpool benefit, then the monthly Virginia income tax credit limit would apply.
- Toll fares for all HOV-2 vehicles using the Dulles Toll Road and passing through the main toll plaza at Tyson's Corner should be reduced by 50% to encourage greater car and van pools in the Dulles corridor (the far left hand lane at the main toll plazas would be reserved for HOV-2 vehicles). This could be an effective pricing strategy to change commuter behavior and encourage HOV use in the Dulles corridor.
- The State should encourage the use of the Metrocheck program as a pre-tax benefit to individuals that can be used on any of the Washington DC region's participating transit systems and by those using van pools.
- The State should support the proposed demonstration program by Metro and the Virginia Department of Rail and Public Transportation to develop a universal transportation card for paying tolls, transit fares, and parking fees.
- With the changes in federal/state funding formulas for transit, the State should examine its contribution percentage to ensure that it is making a fair contribution to encourage regional transit projects that effectively move people.

- **The State should support the expeditious development and deployment of bus/rail transit in the Dulles corridor, Virginia's technology corridor (Note: While the ad hoc task force members did not discuss specific transportation projects, the group believes the deployment of bus/rail transit in the Dulles corridor is critical and that all steps should be taken to deploy a system as soon as possible).**

TRANSPORTATION TECHNOLOGY

A. Transportation Technology in Virginia

- Northern Virginia, with its more than 2,000 technology companies, is a leading worldwide technology center *and* a part of the second most congested region in the country.
- The State intends to spend \$53 million in FY 2000 on Intelligent Transportation System projects; up from the \$46 million in funding for FY 1999 but down from the \$70 million in funding for FY 1998.

B. Transportation Technology Recommendations

- The State should accelerate its intelligent transportation systems projects and provide the appropriate funding to effect this acceleration in order to take advantage of the enormous potential for technology innovation. Particular emphasis should be on the development and deployment of intelligent transportation systems that alert drivers in real time to road work, accidents, and breakdowns and provide alternative routes.
- Northern Virginia, with its Internet, software, information technology, and telecommunications dominance and the presence of the National Center for Intelligent Transportation Systems Implementation Research at George Mason University, should serve as a laboratory for the development and deployment of Intelligent Transportation System technologies.
- The State should consider naming a "Transportation Technology Czar" with dual reporting responsibilities to the Secretary of Transportation and the Secretary of Technology to ensure that Virginia is effectively developing and deploying intelligent transportation technologies to help reduce congestion and improve public safety.
- The State should take steps to strengthen the relationship between the Secretary of Transportation, the Secretary of Technology, Virginia's universities and colleges, and Virginia's private sector technology industry to support the development and deployment of intelligent transportation systems technology. Consideration should be given to having the National Center for Intelligent Transportation Systems Implementation Research based at George Mason University play a lead role in these efforts.
- The State, through the Secretary of Technology and the Secretary of Administration, should move expeditiously to put as many state services online as possible; 24-hour online services will reduce the number of vehicle trips required to utilize State services or interact with State government. Localities should be encouraged to follow the State's lead.
- The State should continue to support the proposed demonstration program by Metro and the Virginia Department of Rail and Public Transportation to develop a universal transportation card for paying tolls, transit fares, and parking fees (*See*

also the recommendations under the "Public Transportation" section). The State should also explore, in conjunction with other states, the feasibility of a universal transportation card for use beyond the borders of the Commonwealth.

- The State should make certain changes to the use of Smart Tag in the Dulles Corridor:
 - Smart Tag transponders should initially be given away free to commuters who desire to utilize this technology instead of charging commuters \$35 for their initial transponder. This should increase the use of Smart Tag in the Dulles Corridor.
 - To the maximum extent possible, particularly at the main toll plaza, tollbooths should be removed in order to have a freer flow of traffic. Toll collection technology exists today, and is being used in such cities as Denver, that virtually eliminates the need for tollbooths. By eliminating the tollbooths and allowing freer movement of traffic, toll facilities become more popular and provide a more acceptable way to finance transportation infrastructure requirements.
- The Virginia Department of Transportation and local governments in Northern Virginia need to agree on how best to improve in a timely manner the synchronization of traffic lights within the region to provide better traffic flow.
- The Virginia Department of Transportation should be more flexible in its use of the shoulder lanes on I-66. Specifically, in addition to the current set times for HOV use during the regular workweek, the shoulder lanes should be opened and closed in response to actual traffic volume or accidents during non-HOV times. This would allow the lanes to open up until traffic dissipates or the accident is cleared and then the lanes could be closed again.
- The State should deploy the "PrePass" technology, an automated weigh station technology that enables qualified motor carriers to comply electronically with state operating requirements -- safety, registration, and weight compliance.

Appendix V

POTENTIAL REVENUE ENHANCEMENTS AS PRESENTED TO THE COMMISSION

These items are considerations presented to the Commission for increasing revenues in the future should such revenues be needed.

- Increase motor fuel taxes by six cents a gallon to generate \$264 million annually in increased transportation revenues.

Virginia's current motor fuel tax is 17.5 cents. (Actually, the tax is 17.7 cents when you include .2 cents for the underground storage tank fund.) Thirty-eight states have higher motor fuel taxes; Virginia has the twelfth lowest gas tax in the United States.

There have been no adjustments in the gasoline tax rate since 1986. Since 1986, there has been a 52.6% increase in the Consumer Price Index. If Virginia's 17.5 cents per gallon gasoline tax had been increased only by the Consumer Price Index change, the gasoline tax would have been raised by 9.2 cents to 26.7 cents.

Virginia compares favorably with its adjoining states whose gas tax rates are as follows:

District of Columbia	20.0
Maryland	23.5
North Carolina	21.2
Tennessee	20.0
West Virginia	25.35

The average gasoline tax rate of our five contiguous states is 22.01 or 4.51 cents more than Virginia. It would appear Virginia could increase its gasoline tax by six cents per gallon and still be in the range of its contiguous states.

A one-penny increase in gasoline tax generates approximately \$44 million annually. A six-cents per gallon gasoline tax increase would generate \$264 million a year for transportation and would be a stable and reliable source of funding on a continuing basis.

- Increase Virginia's Motor Vehicle Sales and Use Tax by one percent to add approximately \$150 million annually for transportation.

Virginia currently imposes a 3% Motor Vehicle Sales and Use Tax.

The Motor Vehicle Sales and Use Tax imposed in our adjoining states are as follows:

District of Columbia	9%
Maryland	5%
North Carolina	3%
Tennessee	6%
West Virginia	5%

A 1% increase in this tax would add approximately \$150 million annually for transportation.

(The tax revenues are currently divided in two parts for the HMOF and one part for the TTF; that relationship would continue.)

- Increase the Vehicle Registration Fees. Virginia's Motor Vehicle License Fee is currently \$26.50.

The Motor Vehicle License Fee of our adjoining states is as follows:

District of Columbia	\$27.85 annually
Maryland	\$27.00
North Carolina	\$20.00
Tennessee	\$20.50
West Virginia	\$30.00

Again, this tax has not increased since 1986. Applying the same 52.6% increase in the Consumer Price Index in the intervening years, this license fee would have been increased by \$13.94 to \$40.44. A one-dollar increase would add \$6 million annually for transportation.