

**ADDRESS OF  
GOVERNOR TIMOTHY M. KAINE**

Address to the Joint Assembly  
during 2008 Special Session II –  
Transportation

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



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**COMMONWEALTH OF VIRGINIA  
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Governor Timothy M. Kaine today addressed the 2008 Joint Special Session of the General Assembly:

"Mr. Speaker, Mr. President, Members of the General Assembly:

2008 has already been a challenging year and remarkable year for this legislature. We have wrestled with a national economic slowdown that has reduced state revenues, forcing us to make tough choices about cuts and reductions in state and local government programs.

But, we haven't let our short-term challenges block our progress toward a better Virginia. Working together – Democrat and Republican, House and Senate – we have transformed the delivery of mental health services, advanced an ambitious effort to improve service to troubled youngsters through foster care reform and agreed upon the most significant capital investment in higher education in the Commonwealth's history.

Our focus on measurable progress – even in a challenging time – recently led *Governing* magazine to recognize Virginia, once again, as the top performing state government in America.

We know there remains an important issue before us in 2008 – an issue that calls on our best thinking to find common ground in moving Virginia forward. We must find reliable investments for a 21st century transportation system in our Commonwealth. We have worked to find that solution for many years, but definitive action has eluded us. The special session I have called today gives us the opportunity to get this right.

### **Magnitude of the Problem**

Starting just ten days after my election in November 2005, I have traveled around the state and talked to thousands of Virginians about transportation. Since you adjourned sine die on March 13, I have conducted 20 town hall meetings and talked to numerous business groups, gatherings of local elected officials and everyday people in every corner of the Commonwealth. Let me tell you something that you already know – citizens and businesses believe that our current transportation network isn't meeting their needs. They are correct. They also expect us to do something about it.

I've heard from frustrated commuters in Northern Virginia and Hampton Roads whose quality of life deteriorates as they spend hours sitting in traffic every week.

Parents are missing family dinners and soccer games. Businesses that move goods and services on the road network can't set reliable work schedules. Firefighters and EMTs who race to fires, accidents and health emergencies lose precious time as congestion blocks their paths. And working families already struggling with the price of gas feel frustrations rise when a short commute turns into hours of stop and go traffic, while the gas burns out of their tanks.

According to the 2007 Annual Urban Mobility Report by the Texas Transportation Institute, in Northern Virginia, 81% of travelers are trapped in congestion during their drive to work – wasting more than a 2-week vacation each year. In Hampton Roads,

congestion costs taxpayers \$467 million each year in lost time and fuel costs. And the problem will get worse.

I've heard from people who want more public transportation options – commuters, senior citizens and our disabled. They are frustrated that we aren't doing a better job planning growth so that it doesn't make traffic worse.

In rural Virginia, citizens are waiting for new roads that will help bring new jobs to revive their local economies. I work on economic deals all the time – and nearly every project requires a state financial commitment to land a prospect or expand an existing business.

All Virginians care about basic safety issues – what will we do to maintain safety on the state's nearly 20,000 bridges, with an average age of 47 years? How can we pave rural dirt roads that school buses navigate if the state's unpaved road fund keeps being reduced? As you know from our annual budget, we have experienced a deficit in road maintenance funding each fiscal year since 2002. This coming fiscal year, our maintenance fund will be short by nearly \$400 million, and if we do nothing, that shortfall will grow to nearly \$600 million in the next 6 years.

I've heard from business groups that are concerned about the impact a crumbling transportation infrastructure will have on the state's economy. For example, Dulles Airport and the Port of Virginia are directly or indirectly responsible for an estimated 375,000 jobs and \$895 million in state revenue, nearly 6% of our total economic product. These are our two most valuable connections with the global economy, but they depend upon a network that will allow easy movement of people and goods to and from these critical transportation hubs.

Local elected officials are worried about the dramatic reductions in Virginia's road construction as they see needed local improvements cancelled or pushed into the distant future. Just last week, the Commonwealth Transportation Board announced that nearly 600 projects across the state – many that were already underway – have been dropped from our six year plan, stopped or delayed indefinitely.

At a town hall meeting in Hopewell last week, one Southside supervisor told me "Governor, the state's six-year plan is turning into a sixty-year plan." Many are worried that, with all of the focus on traffic congestion in the more densely populated areas, their region's transportation needs will be forgotten.

As of today, the elected representative of 55 cities, counties and towns have passed resolutions asking us to solve this problem now. In addition, more than 40 other organizations– VML, VACO, First Cities, the AARP, the Virginia Chamber of Commerce and many local Chambers, numerous other business groups, public safety agencies and others– have added their voices in support of immediate action for transportation relief.

Each of these groups is concerned about increasing taxes at a time when the economy has created serious challenges for many Virginians. But I've also heard Virginians tell me that they understand how desperately we need to invest in our transportation network– that we cannot grow our way out of a tough economy with a declining infrastructure. Virginians are responsible people. They don't demand a free lunch. Our

constituents are open to a reasonable, moderate plan to raise the revenues we need. They appreciate the economic stimulus that road and rail construction can bring.

### **The Need for Action**

It is clear that this problem is real, significant and growing. Our public expects us to act.

The vast majority of you have acknowledged the need for a transportation solution and have taken steps to address it. After an extended regular session and two special sessions in 2006 produced no meaningful advance on this problem, both houses passed House Bill 3202 in 2007 by strong margins. That bill contained significant land use reforms, regional packages of taxes and fees to provide congestion relief in Northern Virginia and Hampton Roads, dedicated funding for public transit and a bond package for new road infrastructure.

While the land use reforms, public transit investment and bond package remain viable, the biggest injection of reliable new revenue in HB 3202— the regional packages— was struck down by the Virginia Supreme Court in February. This created a gap of nearly \$500 million annually in these two regions' plans for fighting congestion. And, we abandoned last year's decision to rely on civil abuser fees to fill the growing maintenance gap, leaving that deficit widening every day. Finally, the slowing economy and changes in driving habits due to high gas prices have further reduced existing transportation revenues.

Since you just acted in 2007 to solve these financing problems, there is no reason we should not act right now to make sure that the promised regional relief materializes and that our maintenance problem is solved. In fact, a failure to act is essentially backtracking on the commitment that we made last year to truly address this issue.

That's why I proposed a simple 3-part plan 6 weeks ago, a plan that addresses these needs and does so with some of the same revenue sources that you identified and were willing to support just one year ago. It is not perfect— no plan is— but it addresses the basic needs of our citizens and puts us on a path to solve the transportation problem that has festered for over two decades. It is simple, sustainable and statewide.

My first step is to fix the maintenance deficit. We can do it by raising the annual vehicle registration fee by \$10 and increasing the sales tax on automobiles (in two steps) from 3% to 4%. These increases are modest— our auto title tax would still be significantly below the national average. And, both houses voted for these identical tax and fee increases as part of the now-defunct regional packages in HB 3202.

My second step is to fix the regional packages by imposing a 1% regional sales tax on goods other than food, medicine or automobiles. This is a different approach than the regional packages from last year— it is easier to collect— but it produces essentially the same amount for regional projects in Hampton Roads and Northern Virginia, projects that will be chosen and financed at the local level. Why do I propose regional sales taxes? I have followed discussions by the regional delegations and believe this approach— discussed with approval by Democratic and Republican legislators in both areas— is a good idea. This approach has also been received warmly by local elected officials in the two regions.

The third step builds upon last year's land use and public transit reforms to promote transportation change going forward. The system of the future will not be the same we have had in the past. We must invest more heavily in rail and public transit, carpooling, teleworking and other innovative strategies for enabling people to get where they need to go with less reliance on automobiles. We also need new industries and the infrastructure to attract them to Virginia. Thus, I propose a Transportation Change Fund, with 75% of the revenue going for new transit strategies and 25% dedicated to projects that have a direct tie to economic development of the Commonwealth. This would be funded by a grantors' tax on property sale proceeds— 25 cents for each \$100 in value. As you will recall, you overwhelmingly voted for a 40 cent grantors' tax as part of the stricken regional packages in HB 3202.

So, my plan fixes maintenance, addresses regional congestion and positions us for a more balanced transportation future. It relies on 3 revenue sources that each house voted for just last year and an additional source— regional sales taxes— that has been publicly discussed by many of you in recent weeks. Each of these revenue sources will expire if any of the funds are used for any purpose other than the advertised transportation use.

Let me stress one point that I made when I introduced this plan on May 13. This is a solid plan that gets the job done. But, if you want to make improvements, amendments and changes, I will work cooperatively with you to do so. Any who advance a legitimate proposal will find a friend in me, willing to join in a solution to our needs. But, none of us should tolerate inaction— evasion of responsibility should not be a character trait of this body. We didn't become the "best managed state" and the "best state for business" by shirking our duties. We've gotten to where we are by making hard choices and smart investments.

### **Addressing Your Concerns**

As you wrestle with this bill, and seek to propose your own solutions, let me offer a few thoughts based on conversations with many of you.

First, some have suggested that the problem needs more study. Bluntly, I think that's a dodge. We know what we need to know. The citizens and businesses of this Commonwealth are begging for relief and it is insensitive to people to suggest that we don't know of their legitimate needs. In fact, the very action of this body in passing a bill last year demonstrated that all were aware of the pressing need.

Second, some argue that the primary relief is to be found in reforming VDOT. We must always look for ways to improve all our agencies— that's why I championed a provision last year requiring VDOT to submit reports on its maintenance needs and budget to JLARC. In response to this requirement, VDOT has provided JLARC with a report dealing with the conditions of Virginia's roads and bridges, the agency's growing maintenance needs, workforce reductions and our increasing reliance on private contractors. Let me share with you a few facts about the agency.

In fiscal year 2002, approximately 20 percent of Virginia's highway construction projects were delivered on time and 51 percent on budget. By the end of fiscal year 2007, VDOT

successfully completed almost 90 percent of projects on time and on budget, exceeding all of its performance targets for the first time ever. This is a remarkable turnaround.

Since 2002 at VDOT, we've eliminated \$867 million in project deficits, reduced the size of the agency by approximately 2,000 employees, and reduced the number of maintenance facilities from 335 to 248. The agency has also been the subject of at least 8 audits and performance reviews by JLARC and the APA since 2001, all of which have been helpful.

And, VDOT has been evaluated by outside groups as well. The most recent report on state highway systems by the Reason Foundation contains much good information about our state-maintained road system. We have the third largest road system in America. But, on a per mile basis . . .

- We have the second lowest level of expenditures for construction and bridges in America.
- Road maintenance expenditures are less than the national average
- Administrative expenditures are less than half the national average (in fact, the entire VDOT administrative budget is more than \$100 million less than the current maintenance deficit).
- Total road expenditures are the seventh lowest in America.

The Reason Foundation summarizes VDOT and our road system this way "Virginia has good system condition managed on a thin budget."

A prominent transportation commentator, Ken Orski, recently rendered this opinion about VDOT in his newsletter "Innovation Briefs," focusing specifically on our progressive use of public-private financing opportunities:

The Commonwealth of Virginia and its Department of Transportation (VDOT) have long been recognized as being on the forefront of transportation innovation. The State's longstanding tradition of partnering with the private sector, its recent cutting-edge public-private venture to develop a network of HOT lanes on the Capital Beltway and I-95, its ambitious projects to reconstruct the Wilson Bridge and the Springfield and Gainesville interchanges, have clearly established VDOT's leadership as bold and creative problem solvers.

So, while we can all agree that a culture of continuous improvement must be the goal, the notion that we can kick VDOT as the all-purpose excuse to do nothing is transparent and irresponsible. VDOT has come a long way and is performing at a high level on a "thin budget." We are leaders in public-private partnerships. But, we are unable to avoid some fundamental laws of math— if we set the 3 largest revenue sources for transportation (gas tax, auto title tax and general sales tax) significantly below the average levels in other states, we will have a sub-standard system.

Some have suggested that we need only replace the revenue that HB 3202 dedicated to the two most congested regions. But if we don't address the maintenance deficit statewide, whatever funding we provide for Northern Virginia and Hampton Roads will start to evaporate as soon as we commit it. In fiscal year 2009, \$74 million of the \$388 million we are diverting from highway construction to maintenance is from construction in

Northern Virginia and \$80 million is coming out of Hampton Roads construction projects. So, without a maintenance fix, the regional plans just don't do the job as advertised.

Just as important, we shouldn't perpetuate the notion that the needs of the rest of Virginia just aren't that important. I've spoken all over this state in recent weeks— Danville, Hopewell, Marion, Radford, Staunton, Winchester, Fredericksburg. I've read the resolutions from local governments— urban, suburban and rural. The word from our public is clear. We need a statewide solution.

Finally, I know that many of you support a constitutional lockbox for transportation funds, just as I do. But, there is no reason to wait for the completion of the constitutional amendment process to find transportation relief. The structure of my bill guarantees that all new revenues will only be used for transportation. And I have pledged to amend any transportation revenue bill that reaches my desk with the same structure. We can take this protective step now while we begin the constitutional amendment process.

## **Conclusion**

In conclusion, what I've proposed to address our transportation funding needs are modest tax and fee increases that keep our transportation taxes (and total tax burden) significantly below our neighboring states. The proposal uses your ideas from last year's legislation and also leverages public-private partnerships to ensure we are using the most innovative financing methods available. We can solve this problem if we want to.

Do we want to solve this problem? I sense that the willingness is there to do it. We all come here to serve, but the reality is that other concerns begin to intrude— concerns about electoral or caucus politics, concerns that willingness to compromise might be frowned on or interpreted as weakness. If we let our actions be dictated by the insular concerns of Capitol Square, the problem could well be evaded until infinity. But, let's fit our actions to the standards that prevail outside Capitol Square— the standards of our citizens who send us here to solve problems and get things done.

In Virginia, we don't make our reputations or improve our communities by delay or inaction. We rise and fall by our results. In the words of Cervantes, "good actions ennoble us and we are the children of our deeds."

Good luck as we work together in the days ahead. Our action to solve Virginia's transportation crisis can be an ennobling accomplishment for the good of all our citizens. They are waiting. They deserve our best. Let's not let them down."