

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

RESOLUTION

MOTION: _____

**RESOLUTION NO. 08-05-_____
OFFICIAL COMMISSION MEETING
MAY 1, 2008**

SECOND: _____

RE: PROPOSED SIX-YEAR PLAN – PRTC COMMENTS

WHEREAS, the Virginia Department of Transportation (VDOT) and the Virginia Department of Rail and Public Transportation (VDRPT) have released a proposed six-year (FY 2009 – FY 2014) plan and a hearing is scheduled on May 14, 2008 in Northern Virginia so the Commonwealth Transportation Board can hear public reaction before taking any action; and

WHEREAS, this year’s proposed six-year plan marks the first time that the combined impact of the Supreme Court’s invalidation of the Northern Virginia (NOVA) taxes/fees, the loss of “abusive driver fee” revenues, and the erosion of other sources of statewide funding for transportation can be fully understood; and

WHEREAS, the ramifications of these funding set-backs underscore how critical it is for the General Assembly to legislate a transportation funding solution in the special session the Governor has pledged to convene shortly; and

WHEREAS, testimony by the Potomac and Rappahannock Transportation Commission (“the Commission”) and others at this and other hearings scheduled statewide serves the important purpose of drawing attention to the difficulties that this problem, left unattended, will create; and

WHEREAS, the Commission has reviewed the draft testimony prepared by management to make these points.

NOW, THEREFORE, BE IT RESOLVED that the Potomac and Rappahannock Transportation Commission does hereby accept the draft testimony and authorizes the Executive Director to deliver it at the public hearing.

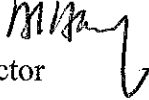


Potomac and Rappahannock
Transportation Commission

14700 Potomac Mills Road
Woodbridge, VA 22192

May 1, 2008

TO: Chairman Jones and Commissioners

FROM: Alfred H. Harf 
Executive Director

RE: Proposed Six-Year Plan – PRTC Comments

Recommendation:

Approve the proposed testimony for delivery to the Commonwealth Transportation Board (CTB) at the upcoming public hearing in Northern Virginia (on May 14, 2008).

Background:

Each year the Virginia Department of Transportation (VDOT) and the Virginia Department of Rail and Public Transportation (VDRPT) develop a proposed six-year transportation plan and schedule hearings across the state so the CTB can hear and consider public reactions before taking any action. This year's proposed plan (covering the period FY 2009 through FY 2014) is especially important because it marks the first time that the combined impact of the Supreme Court's invalidation of the Northern Virginia (NOVA) taxes/fees, the loss of "abusive driver fee" revenues, and the erosion of other sources of statewide funding for transportation can be fully understood. As the Commission knows, these losses are substantial negating much of what the General Assembly legislated in 2007 to address the problem of inadequate transportation investment by the state.

Thus while state transportation funding is higher than it was previously, the magnitude of the increase has been seriously eroded by these developments. This can be readily seen by examining Transportation Secretary Homer's February 25th communication to the Governor, the General Assembly, and local governments, and the accompanying presentation that the CTB received on February 20th (attachment one). Secretary Homer's characterization succinctly tells the story – a \$1.1 billion reduction over the six years relative to projections made a year ago right after HB 3202 was legislated, exclusive of the loss stemming from the elimination of the NOVA taxes/fees. The \$1.1 billion reduction translates into a 10% reduction in transit funding and a 44%

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reduction in primary, secondary, and urban highway construction. The "highway" program experiences a much larger reduction because funds designated for highway construction must be diverted as necessary to fully fund highway maintenance needs, the state's designated top priority.

The Secretary's gloomy prognosis underscores how critical it is for the General Assembly to legislate a transportation funding solution in the special session the Governor has pledged to convene shortly. The upcoming public hearings on the proposed six-year plan are an ideal opportunity for the public at-large and transportation providers like PRTC to draw attention to the difficulties that this funding problem, left unattended, will create. As noted earlier, the NOVA hearing is scheduled to occur on May 14th, and the attached draft testimony has been prepared for delivery at that time.

The draft testimony makes three essential points:

1. Underinvestment in transportation is imperiling the NOVA's economy;
2. State assistance for transit continues to be well below the "95% of what is eligible" aim established by General Assembly a number of years ago, a situation exacerbated by the previously referenced funding set-backs; and
3. While local governments have in years past compensated for inadequate state transportation funding by tapping local resources more heavily, they can't continue to be the "safety net" in light of the economic downturn and their own related budget difficulties.

If there is a "silver lining in this cloud", it is that deliberately conservative projections of available state assistance for public transportation in FY 2009 were made by both DRPT and PRTC, and thus the six-year program as proposed is more favorable to PRTC than the budget assumptions underpinning the proposed FY 2009 budget and five year plan¹. To some extent this was anticipated -- DRPT had informed PRTC management last month that there would be more grant assistance for bus overhauls and

¹ This positive development is only after substantial "pruning" during the course of preparing the proposed budget, necessitated by the knowledge of how tight things are financially. By "pruning", I am referring to deferrals of bus and rail service expansion, as well as capital and operating investments that were envisioned to be funded by the invalidated NVTa regional taxes/fees (e.g., additional VRE locomotives, the Dominion Valley park-ride lot, VRE parking expansion; VRE platform lengthening, accelerated replenishment of the VRE self-insurance reserve, etc.). In other words, it is a "positive development" only because major reductions already made ended up being slightly greater than necessary.

power train purchases than the original PRTC proposed FY 2009 budget assumed, and thus PRTC management took the unorthodox step of recommending at last month's Commission meeting that the PRTC FY 2009 budget proposal be amended to account for this, which the Commission agreed to do. Now that DRPT's six-year plan is available for full inspection, however, it is apparent that the magnitude of proposed grant assistance is even greater than PRTC's FY 2009 budget proposal as amended last month, which the table below summarizes:

| <u>Type of Assistance</u> | <u>Proposed 6-Year Plan</u> | <u>PRTC's Amended Proposed FY 2009 Budget</u> | | <u>PRTC's Originally Proposed FY 2009 Budget</u> | |
|---------------------------|-----------------------------|---|---------------------------|--|---------------------------|
| | <u>Amount</u> | <u>Amount</u> | <u>Favorable Variance</u> | <u>Amount</u> | <u>Favorable Variance</u> |
| Capital et. al. | \$10,344,454 | \$9,479,326 | \$865,128 | \$6,599,786 | \$3,744,668 |
| Operating | \$4,344,007 | \$3,900,000 | \$444,007 | \$3,900,000 | \$444,007 |
| Intern | \$36,575 | - 0 - | \$36,575 | - 0 - | \$36,575 |
| TOTAL | \$14,725,036 | \$13,379,326 | \$1,345,710 | \$10,499,786 | \$4,225,250 |

As shown, the aggregate favorable variance between the proposed DRPT six-year plan and the amended FY 2009 PRTC proposed budget is \$1,345,710. This favorable variance (which is beyond what the FY 2009 amended PRTC budget proposal accounted for) will be shown as mid-year FY 2009 budget revisions.

The proposed testimony appears here as attachment two.

Fiscal Impact:

Not applicable.

Attachments: As stated



COMMONWEALTH of VIRGINIA

Office of the Governor

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Richmond, Virginia 23218

Pierce R. Homer
Secretary of Transportation

(804) 786-8032
Fax: (804) 786-6683
TTY: (800) 828-1120

TO: Governor Kaine
General Assembly
Local Governments

FROM: Pierce R. Homer *Pierce Homer*

DATE: February 25, 2008

RE: Revised Transportation Revenue Forecast

In response to the current economic climate, the Commonwealth Transportation Board received the attached presentation on February 20, 2008. This presentation incorporated the November 2007 revenue revisions, the elimination of the abusive driving fees and the February 2008 revenue revisions. The cumulative effect of these revenue revisions will be to reduce the current Six Year Program by approximately \$1.1 Billion, as illustrated in the attached spreadsheet.

Assuming federal revenues remain steady, highway maintenance and interstate highway construction should remain relatively constant. Transit allocations will be reduced by approximately 10%. Primary, secondary, and urban highway construction will be reduced by approximately 44%. Local impact data will be provided later this week.

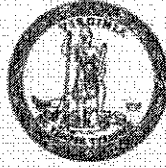
These reductions pose a very serious financial challenge to the current Six Year Program, especially for regional and local highway construction.

Please contact Commissioner Ekern, Mr. Tucker or me with any questions you may have.

PRH: mr

Attachments

Cc: Senate Finance
House Appropriations
VML
VACO



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000

DAVID S. EKERN, P. E.
COMMISSIONER

To: County Governments & Urban Municipalities

From: David S. Ekern, P.E. *dse*

Date: February 28, 2008

Subject: Revised Transportation Revenue Forecast

On February 25th, Secretary Homer communicated the cumulative effect of current reductions in anticipated transportation revenues. In this memo he referenced that primary, secondary, and urban highway construction allocations will be reduced by approximately 44%.

As a follow-up to this, the resulting impact to the state formula allocations by locality for the secondary and urban construction programs have been posted on our webpage at: www.virginiadot.org (under "What's New").

These spreadsheets provide insight into the funding outlook that will be faced as we jointly update the Six Year Programs for each locality.

These reductions will seriously challenge our ability to jointly move projects forward. Localities will have to make difficult decisions as to which projects are advanced in the secondary and urban systems. The Commonwealth Transportation Board will be required to make similar choices on the primary system. We will continue to work with you and your staff to ensure that these limited resources are maximized to the greatest extent possible.

Please feel free to contact your District Administrator with any questions.

cc: The Honorable Pierce R. Homer
Commonwealth Transportation Board
Matthew O. Tucker, DRPT
Virginia Municipal League
Virginia Association of Counties

State Transportation Revenues
Comparison of Official Forecast (May 2007) and February 2008 Revenue Forecast
(Dollars in Millions)

| Fund | Revenue Source | Fiscal Year | | | | | | | Grand Total |
|---------------------------------|------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| | | 2008 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
| HMOF | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$0.0 | \$61.9 | \$65.4 | \$65.4 | \$65.4 | \$65.4 | \$65.4 | \$65.4 |
| | February 2008 Difference | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Motor Fuels Tax | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$79.8 | \$83.5 | \$83.0 | \$83.6 | \$83.0 | \$82.5 | \$83.0 | \$83.0 |
| | February 2008 Difference | (\$0.0) | (\$24.0) | (\$39.1) | (\$43.1) | (\$45.0) | (\$45.0) | (\$45.0) | (\$45.0) |
| Motor Vehicle Sales and Use Tax | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$383.9 | \$405.6 | \$417.4 | \$423.9 | \$423.9 | \$431.7 | \$432.2 | \$432.2 |
| | February 2008 Difference | (\$34.5) | (\$25.6) | (\$33.0) | (\$34.4) | (\$34.4) | (\$27.5) | (\$8.3) | (\$8.3) |
| Recordation Tax (1 cent) | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$0.0 | \$17.7 | \$19.3 | \$19.1 | \$19.3 | \$19.1 | \$19.3 | \$19.3 |
| | February 2008 Difference | \$0.0 | \$15.3 | \$16.7 | \$16.5 | \$16.4 | \$16.4 | \$16.4 | \$16.7 |
| Motor Vehicle License Fees | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$241.3 | \$241.1 | \$243.0 | \$242.1 | \$242.1 | \$242.6 | \$242.6 | \$242.6 |
| | February 2008 Difference | \$231.7 | (\$4.8) | (\$4.9) | (\$2.1) | (\$0.5) | \$0.4 | \$1.7 | \$2.4 |
| Miscellaneous | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$16.4 | \$16.7 | \$17.0 | \$17.3 | \$17.3 | \$17.6 | \$17.8 | \$17.8 |
| | February 2008 Difference | \$15.8 | \$15.8 | \$15.9 | \$16.0 | \$16.1 | \$16.1 | \$16.2 | \$16.3 |
| Road Tax | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | (\$2.4) | (\$2.4) | (\$2.5) | (\$2.5) | (\$2.5) | (\$2.6) | (\$2.7) | (\$2.7) |
| | February 2008 Difference | (\$0.5) | (\$1.7) | (\$2.9) | (\$3.3) | (\$3.3) | (\$3.8) | (\$3.8) | (\$3.8) |
| International Registration Plan | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$94.5 | \$96.0 | \$98.7 | \$98.8 | \$98.8 | \$72.9 | \$74.7 | \$76.6 |
| | February 2008 Difference | \$94.5 | \$96.0 | \$98.8 | \$98.8 | \$98.8 | \$73.0 | \$75.2 | \$77.5 |
| Totals | Forecast | | | | | | | | |
| | Official Forecast (May 2007) | \$1,493.5 | \$1,610.7 | \$1,658.8 | \$1,688.8 | \$1,688.8 | \$1,719.2 | \$1,722.3 | \$1,724.4 |
| | February 2008 Difference | \$1,451.7 | \$1,487.8 | \$1,515.0 | \$1,541.7 | \$1,541.7 | \$1,576.4 | \$1,518.8 | \$1,627.4 |
| | | (\$41.8) | (\$122.9) | (\$143.0) | (\$147.9) | (\$147.9) | (\$142.8) | (\$103.5) | (\$87.0) |

State Transportation Revenues
Comparison of Official Forecast (May 2007) and February 2008 Revenue Forecast
(Dollars in Millions)

| Fund | Revenue Source | Fiscal Year | | | | | | | | | | Grand Total |
|--------|------------------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2014 | 2014 | 2014 | |
| TTF | Official Forecast (May 2007) | \$536.0 | \$566.4 | \$597.2 | \$555.6 | \$651.5 | \$671.0 | \$691.2 | \$671.0 | \$691.2 | \$691.2 | \$4,338.0 |
| | February 2008 Difference | \$517.8 (\$18.2) | \$540.1 (\$26.3) | \$587.6 (\$29.6) | \$585.4 (\$29.2) | \$621.1 (\$30.4) | \$647.1 (\$23.9) | \$668.8 (\$21.4) | \$668.8 (\$21.4) | \$668.8 (\$21.4) | \$668.8 (\$21.4) | \$4,158.0 (\$180.0) |
| | Official Forecast (May 2007) | \$212.1 | \$218.4 | \$234.8 | \$238.9 | \$232.5 | \$232.7 | \$232.7 | \$232.7 | \$232.7 | \$232.7 | \$1,661.5 |
| | February 2008 Difference | \$198.9 (\$13.2) | \$202.5 (\$15.9) | \$207.0 (\$17.8) | \$203.8 (\$16.5) | \$217.7 (\$14.8) | \$228.3 (\$4.4) | \$227.5 (\$5.2) | \$227.5 (\$5.2) | \$227.5 (\$5.2) | \$227.5 (\$5.2) | \$1,481.7 (\$180.8) |
| | Official Forecast (May 2007) | \$52.6 | \$53.0 | \$47.8 | \$43.6 | \$43.1 | \$42.7 | \$42.8 | \$42.7 | \$42.8 | \$42.8 | \$308.6 |
| | February 2008 Difference | \$43.5 (\$9.1) | \$37.2 (\$15.8) | \$38.2 (\$9.6) | \$36.0 (\$5.7) | \$35.0 (\$8.1) | \$33.2 (\$9.5) | \$31.8 (\$7.8) | \$31.8 (\$7.8) | \$31.8 (\$7.8) | \$31.8 (\$7.8) | \$256.0 (\$51.0) |
| | Official Forecast (May 2007) | \$0.0 | \$35.3 | \$36.5 | \$35.1 | \$38.1 | \$38.5 | \$38.0 | \$38.5 | \$38.5 | \$38.0 | \$227.5 |
| | February 2008 Difference | \$0.0 | \$30.6 (\$4.7) | \$33.3 (\$5.2) | \$32.9 (\$5.2) | \$32.8 (\$5.3) | \$32.9 (\$5.6) | \$33.4 (\$5.8) | \$33.4 (\$5.8) | \$33.4 (\$5.8) | \$33.4 (\$5.8) | \$195.9 (\$31.6) |
| | Official Forecast (May 2007) | \$3.6 | \$3.8 | \$4.0 | \$4.1 | \$4.3 | \$4.5 | \$4.7 | \$4.5 | \$4.7 | \$4.7 | \$29.0 |
| | February 2008 Difference | \$2.4 (\$1.2) | \$2.6 (\$1.2) | \$2.6 (\$1.4) | \$2.6 (\$1.5) | \$2.6 (\$1.7) | \$2.6 (\$1.9) | \$2.6 (\$2.1) | \$2.6 (\$2.1) | \$2.6 (\$2.1) | \$2.6 (\$2.1) | \$18.0 (\$11.0) |
| | Official Forecast (May 2007) | \$8.4 | \$8.5 | \$8.5 | \$8.6 | \$8.7 | \$8.7 | \$8.7 | \$8.7 | \$8.7 | \$8.7 | \$60.1 |
| | February 2008 Difference | \$8.0 (\$0.2) | \$8.5 (\$0.1) | \$8.4 (\$0.1) | \$8.3 (\$0.3) | \$8.3 (\$0.4) | \$8.3 (\$0.4) | \$8.3 (\$0.4) | \$8.3 (\$0.4) | \$8.3 (\$0.4) | \$8.3 (\$0.4) | \$58.7 (\$1.4) |
| | Official Forecast (May 2007) | \$20.0 | \$20.0 | \$20.0 | \$20.0 | \$20.0 | \$20.0 | \$20.0 | \$20.0 | \$20.0 | \$20.0 | \$148.0 |
| | February 2008 Difference | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$20.0 \$0.0 | \$148.0 \$0.0 |
| | Official Forecast (May 2007) | \$21.8 | \$21.8 | \$21.8 | \$21.7 | \$21.8 | \$21.8 | \$21.8 | \$21.8 | \$21.8 | \$21.8 | \$162.1 |
| | February 2008 Difference | \$21.4 (\$0.2) | \$21.8 \$0.3 | \$22.3 \$0.5 | \$22.4 \$0.7 | \$22.4 \$0.6 | \$22.6 \$0.8 | \$22.8 \$1.0 | \$22.8 \$1.0 | \$22.8 \$1.0 | \$22.8 \$1.0 | \$155.8 \$6.3 |
| | Official Forecast (May 2007) | \$31.3 | \$32.3 | \$33.1 | \$34.0 | \$34.8 | \$35.8 | \$35.8 | \$35.8 | \$35.8 | \$35.8 | \$237.2 |
| | February 2008 Difference | \$31.6 \$0.3 | \$32.3 \$0.0 | \$33.3 \$0.2 | \$34.4 \$0.4 | \$35.6 \$0.7 | \$36.8 \$1.0 | \$38.1 \$2.3 | \$38.1 \$2.3 | \$38.1 \$2.3 | \$38.1 \$2.3 | \$242.1 \$4.9 |
| | Official Forecast (May 2007) | \$108.1 | \$110.9 | \$114.2 | \$116.9 | \$119.0 | \$119.0 | \$119.0 | \$119.0 | \$119.0 | \$119.0 | \$897.1 |
| | February 2008 Difference | \$112.7 \$4.6 | \$113.1 \$2.2 | \$114.4 \$0.2 | \$117.1 \$0.2 | \$119.3 \$0.3 | \$123.3 \$4.2 | \$123.2 \$4.2 | \$123.2 \$4.2 | \$123.2 \$4.2 | \$123.2 \$4.2 | \$822.1 \$75.0 |
| | Official Forecast (May 2007) | \$0.0 | \$132.0 | \$138.8 | \$145.3 | \$153.8 | \$163.4 | \$173.5 | \$163.4 | \$173.5 | \$173.5 | \$508.8 |
| | February 2008 Difference | \$0.0 | \$139.6 \$7.5 | \$144.8 \$6.0 | \$164.0 \$8.7 | \$159.8 \$6.1 | \$166.7 \$3.3 | \$173.9 \$0.4 | \$173.9 \$0.4 | \$173.9 \$0.4 | \$173.9 \$0.4 | \$508.8 \$0.0 |
| Totals | Official Forecast (May 2007) | \$693.7 | \$1,202.2 | \$1,248.7 | \$1,268.2 | \$1,327.7 | \$1,352.1 | \$1,370.2 | \$1,352.1 | \$1,370.2 | \$1,370.2 | \$8,766.8 |
| | February 2008 Difference | \$656.9 (\$36.8) | \$1,148.3 (\$53.9) | \$1,191.9 (\$56.8) | \$1,233.8 (\$34.4) | \$1,274.7 (\$52.4) | \$1,320.8 (\$31.9) | \$1,351.2 (\$28.4) | \$1,351.2 (\$28.4) | \$1,351.2 (\$28.4) | \$1,351.2 (\$28.4) | \$8,477.8 (\$289.0) |



Update on Transportation Revenues and Program Impacts

Reta R. Busher
February 20, 2008

Revenue Outlook for Next Six Years

- Like the overall economy, the transportation revenue continues to slow since the last update in December 2007.
- The November 2007 Commonwealth Transportation Fund revenue estimate for the current and next six years was down \$387 million.
- On February 15th, the Department of Taxation provided a February Transportation revenue forecast update – down an additional \$722 million over the current and next six years.
- **As a result, the six year revenue reduction is \$1.1 billion from that planned a year ago.**
 - The result is a 44% average reduction in the secondary, urban, and primary construction allocations

Revenue Outlook for Next Six Years – Change Since June 2007

- The \$722 million February 15th transportation revenue forecast reduction -
 - Reflects the pending repeal of the Abusive Driver Fees
 - Significant reductions in Motor Vehicle Sales and Use Taxes
 - Additional reductions in Vehicle License Fees, Retail Sales and Recordation taxes

| | <i>(amounts in millions)</i> | | | | | | | |
|--------------|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Total |
| HMOF | \$ (41.8) | \$ (122.9) | \$ (143.6) | \$ (147.8) | \$ (142.8) | \$ (103.4) | \$ (97.0) | \$ (799.3) |
| TTF | (36.8) | (53.9) | (56.8) | (52.5) | (53.0) | (37.4) | (18.9) | (309.3) |
| Total | \$ (78.6) | \$ (176.8) | \$ (200.4) | \$ (200.3) | \$ (195.8) | \$ (140.8) | \$ (115.9) | \$ (1,108.6) |

Impact of Revenue Reductions

- Formula Transit funding from the TTF plus Recordation Taxes is down an average of 10% a year.

| | <u>FY 2008</u> | <u>FY2009</u> | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> |
|---|----------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Mass Transit (TTF + Recordation) | | | | | | | |
| 2008-13 | \$ 131.8 | \$ 180.4 | \$ 188.7 | \$ 193.9 | \$ 199.0 | \$ 202.4 | \$ - |
| 2009-14 | - | 158.1 | 169.8 | 174.4 | 179.6 | 185.5 | 189.4 |
| Difference | - | (22.3) | (18.9) | (19.5) | (19.4) | (16.9) | - |
| Reduction | | -12% | -10% | -10% | -10% | -8% | |
| Average | | | | | | | -10% |

- Rail funding is flat

HMOF Shortfall / Crossover

- The revenue loss in the HMOF further exasperates the fund's shortfall and the construction crossover.

| | <i>(amounts in millions)</i> | | |
|---------|------------------------------|------------------------|--------------|
| | <u>Deficit / Crossover</u> | <u>Federal Funding</u> | <u>Total</u> |
| FY 2009 | \$388.1 | \$157.1 | \$545.2 |
| FY 2010 | 387.0 | 160.7 | 547.7 |
| FY 2011 | 432.3 | 166.3 | 598.6 |
| FY 2012 | 471.1 | 172.5 | 643.6 |
| FY 2013 | 504.9 | 179.0 | 683.9 |
| FY 2014 | 575.7 | 187.1 | 762.8 |

- Based on this forecast, state construction funds become unavailable to fully support the needed HMOF transfer beginning in FY 2016.

Impact to Highway Systems Construction Formula

- As a reminder, by law, the last items funded in the allocation formula are the primary, secondary and urban construction allocations.
- With the latest revenue outlook, there will be an average annual reduction in formula allocations of 44%.

| State Formula | (amounts in millions) | | | | | | |
|------------------------------|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | FY 2008 | FY2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| Primary | | | | | | | |
| 2008-13 | \$ 136.5 | \$ 179.0 | \$ 158.2 | \$ 162.6 | \$ 159.2 | \$ 136.3 | \$ - |
| 2009-14 | - | 95.2 | 91.0 | 87.7 | 87.1 | 83.1 | 60.5 |
| Difference | - | (83.8) | (67.2) | (74.9) | (72.1) | (53.2) | - |
| Secondary | | | | | | | |
| 2008-13 | 102.4 | 134.2 | 118.7 | 121.9 | 119.4 | 102.2 | - |
| 2009-14 | - | 71.4 | 68.2 | 65.8 | 65.3 | 62.3 | 45.4 |
| Difference | - | (62.8) | (50.5) | (56.1) | (54.1) | (39.9) | - |
| Urban | | | | | | | |
| 2008-13 | 102.4 | 134.2 | 118.7 | 121.9 | 119.4 | 102.2 | - |
| 2009-14 | - | 71.4 | 68.2 | 65.8 | 65.3 | 62.3 | 45.4 |
| Difference | - | (62.8) | (50.5) | (56.1) | (54.1) | (39.9) | - |
| Reduction Average | | -47% | -43% | -46% | -45% | -39% | -44% |

SYIP Development

- The review of the Interstate and Primary priorities provided by the Districts is underway
 - Ensuring that schedules and estimates are up to date.
- Available funding for construction has been recalculated based on last week's revenue estimate so reductions can begin.
- The schedule is for the draft interstate six-year program to be provided to CTB members in early March and the primary system draft planned for early April.
- The draft rail and public transportation programs will be provided to CTB members in early March and April respectively.

ATTACHMENT 2

Chairman Homer and Members of the Commonwealth Transportation Board:

My name is Alfred Harf, and I am here on behalf of the Potomac and Rappahannock Transportation Commission ("the Commission"), for whom I serve as Executive Director. My testimony was approved by the Commission at its May 1st meeting.

Chairman Homer, your February 25, 2008 communication to Governor Kaine, members of the General Assembly, and local governments as a prelude to the release of the proposed six-year plan tells the story succinctly – recent developments have seriously diminished available state funding for transportation investment. No area of the state and no mode of transportation are immune, and the situation promises to impede efforts to rectify a long-standing problem of transportation underinvestment that the Governor and the General Assembly thought HB 3202 would partially remedy. As the CTB knows, HB 3202 was itself a compromise, featuring additional statewide and regional revenues for transportation investment with yields lower than quantified needs, and that shortfall has now become larger because of the Supreme Court's recent decision invalidating the regional taxes and fees, the elimination of the so-called "abusive driver" fees, and the eroded yields of those transportation funding sources that are still intact.

If these recent developments are not reversed in some fashion by the General Assembly in its upcoming special session, the consequences will be far-reaching and severe, as the balance of my testimony describes. I'll be making three essential points.

First, the economic well being of Northern Virginia is at risk because of growing traffic congestion, which the Texas Transportation Institute's (TTI) latest Urban Mobility Report details:

- Sixty (60) hours of lost time per year for every peak period traveler (ranking the region second worst in the country);
- 81% of all peak travel forced to endure congested conditions;
- \$1.1 billion of annual delay-related costs; and
- What was once referred to as the "rush hours" is now an ordeal spanning eight hours daily.

As sobering as these statistics are, the same Urban Mobility Report observes that if it weren't for the region's robust and well-used public transportation system, annual delay-related costs would be a half-billion dollars higher (\$1.6 billion).

To adequately address this burgeoning congestion problem and continuing regional growth, there is an urgent need for increased transportation investment. The Northern Virginia Transportation Authority's (NVTA) *Transaction 2030 Plan* defines the magnitude of what is needed -- \$700 million dollars more each year than the funding

levels that existed prior to the enactment of HB 3202 – which is why the \$300 million of regional taxes and fees legislated by HB 3202 was widely seen as only a partial remedy. The more recent funding set-backs move us back nearly “to square one”.

As I said earlier, no one is immune from this problem – PRTC and other transit operators in the region are confronting painful choices in light of lowered state assistance, which is the second point of PRTC’s testimony. With FY 2009 state assistance amounting to only 52% of the aggregate transit expenses qualifying for state assistance, plans on PRTC’s drawing board for service expansion to meet growing service demands are on hold. While PRTC will not be driven to bus service cuts or fare increases for budget balancing in FY 2009, everything will have to be on the table beyond FY 2009 because we obviously can’t spend what we don’t have. Declining state participation ratios projected for FY 2010 and beyond if there isn’t a positive outcome to the special session punctuate this observation. Essential capital investments will also have to be deferred – locomotive purchases for VRE, VRE parking and platform extension projects, and plans for a westerly bus maintenance facility to name a few prominent examples.

That brings me to the third point I want to highlight -- while local governments have in past years “dug into their own pockets” to compensate for inadequate state transportation funding, they are not in the position to do that any longer in light of the economic downturn and their own related budget difficulties. The dependence on local funds for PRTC bus and VRE rail services has now grown to the point that available reserves would be fully depleted in as little as two years even if service is not expanded, assuming nothing fruitful comes from the special session.

While the concerns I have highlighted are in large measure a plea for help directed at the General Assembly, the CTB is in the position to help in a number of ways. The remainder of my testimony focuses on this.

1. The CTB can be a strong advocate for both statewide and regional funding remedies for transportation. Because of its statewide complexion, the CTB can forcefully argue that the transportation investment problem does not lend itself exclusively to regional remedies, since highway maintenance needs statewide command the highest priority and since funding required to do is diverted from other vital transportation programs.
2. The CTB can seek to insure that state bond sales are punctually timed to permit expedited transit investments. Frankly, it is unclear when bond sales will be timed so this is a subject deserving of careful further analysis under the CTB’s oversight to synchronize the timing of sales and projected needs.
3. The CTB can seek to insure that plans for the HOT lanes in the I-395/I-95 corridor and the I-495 corridor are well integrated so that promised transit benefits are realized. A well conceived HOT lanes transit plan has recently been completed under DRPT’s overall direction, and its timely execution depends in part on how well it is integrated into the implementation plan for

the design and construction of the HOT lanes themselves. Collateral issues about design speeds and safety/enforcement issues that are still under study also warrant the CTB's careful attention. With regard to speeds, it is essential to insure that the HOV-to-HOT conversion does not diminish average speeds in the peak periods, because time is money for a transit operator—slower speeds increase labor costs and decrease the attractiveness of transit as a travel choice. With regard to safety/enforcement, the conversion of two travel lanes to three travel lanes and the attendant narrowing of the lanes and loss of one shoulder will increase risk exposure, which should not be a cost imposed on the transit operators as a byproduct of the conversion. An indemnification remedy should be provided.

Thank you for your consideration of PRTC's views.

Sincerely,

Alfred H. Harf
Executive Director