You Can Get There from Here:

Transit and Rail Investments Keep Virginia's Economy Moving

November 18, 2011

Efficient Transportation is Vital to Economic Competitiveness

Department of <u>Transportation</u>

- 126,529 lane miles
- 19,381 bridges and structures
- 7 tunnels
- 2 toll facilities
- 51 rest areas / welcome centers
- 114 commuter parking lots

Department of <u>Rail and Public Transportation</u>

- 193 million passenger trips
- 178 million tons of freight
- 27,000 jobs

Department of <u>Motor Vehicles</u>

- $ 2.1 billion revenue
- 5.5 million licensed drivers
- 7.8 million vehicle registrations
- 74 customer service centers
- 13 weigh stations
- 2,000 jobs

FY12 <u>Appropriation</u> **$4.5 billion**

Motor Vehicle <u>Dealer Board</u>

- 4,439 automobile dealers
- 19,000 licensed salespersons

Virginia Port <u>Authority</u>

- 7 commercial facilities
- 1.9 million TEU's
- $ 41.1 billion revenue
- $ 1.2 billion local taxes
- 343,000 jobs

Commercial Spaceflight <u>Authority</u>

- 2 launch pads
- 10 scheduled launches

Department of <u>Aviation</u>

- 66 public airports
- 49 million passenger trips
- 3,400 registered aircraft
- 259,000 jobs

Congestion Threatens Economic Productivity and Competitiveness

- In 2011, the Commonwealth is home to three of the nations most congested regions.
  - Results in citizens paying in lost time, money and safety.
  - Estimated annual economic loss of $3.7 billion.

Region	Hours of Delay	Fuel per Commuter	Cost per Commuter	National Rank
Northern Virginia	74	37 gallons	$1,495	1
Hampton Roads	34	9 gallons	$ 654	29
Richmond	20	5 gallons	$ 375	63

Source: Texas Transportation Institute, *2011 Urban Mobility Report*.

- Increasing use of, and demand for, transportation choices keeps transit and rail programs at the forefront of funding discussions.
  - Manage the movement of commuters and commodities within congested urban corridors as well as address the mobility needs of Virginia's increasing aging population.

Mobility Challenges Require Coordinated Solutions

- Investments in commuter, local, and regional transit and rail programs are vital to addressing Virginia's economic, energy, and environmental challenges.
  - Provides access to jobs, education, and commerce.
  - Mitigates congestion for individuals who choose to drive.
  - Saves consumers and employers money.
  - Enhances public safety.
  - Reduces carbon emissions.
  - Improves overall quality of life.

Mode	Available	Operators	Location
Bus Transit	√	62	Statewide
Light rail / Streetcar	√	1	Hampton Roads
Heavy Rail / Subways	√	1	Northern Virginia
Commuter Rail	√	1	Northern Virginia
Intercity Rail	√	1	Hampton Roads / Lynchburg/ Richmond / Northern Virginia
Commercial Rail	√	10	Statewide
Van pool services	√	18	Statewide
Human Services / Paratransit	√	55	Statewide
Ferries	√	1	Hampton Roads
Telework	√	174 companies	Statewide

Local Transit Services have Grown with Consumer Demand

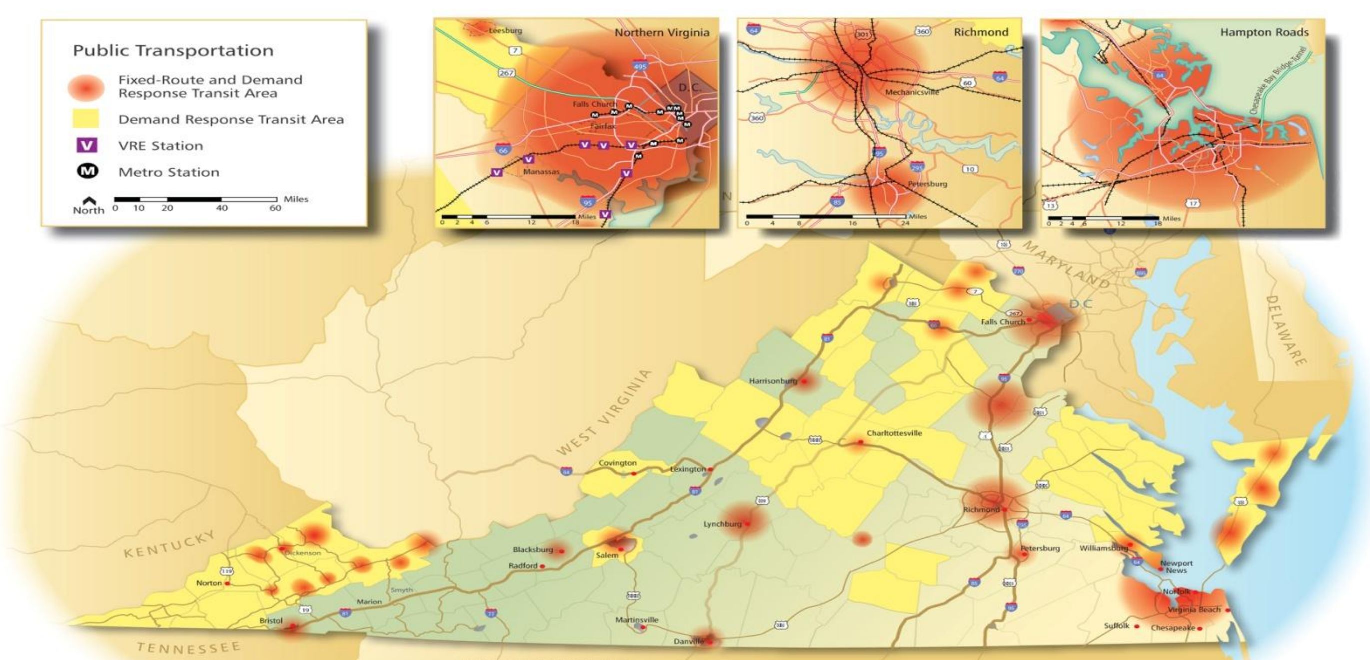
- Local transit systems are generally well-coordinated and highly functional.
  - For the most part, routes do not overlap, services are not duplicated, and systems do not compete.

- Over 60 transit providers serve 85 percent of Virginia's population.

- In 2011…
  - 193 million transit trips
  - 500,000 trips each weekday
  - 76% of ridership is in NoVa

- Since 2000…
  - Ridership increased 31%
  - Population increased 13%
  - Highway VMT increased 10%

Transit Service Areas



Source: Department of Rail and Public Transportation

Innovative Service Delivery Contributes to Success

- Enhancements have focused on improving customer safety, service and convenience.
  - Trip planning tools, e-schedules and smart phone apps allow customers to receive real-time data on bus systems.
  - Transit stores increase access to fare media, schedules and other information.
  - Coordinated fare media in Northern Virginia allows customers to seamlessly move between services operated by different jurisdictions.

- State and federal programs provide financial incentives to employees and employers to reduce transportation demand.
  - Federal employers offer monthly tax-free transit passes up to $230 per rider. Provides benefit equal to parking subsidy.
  - Virginia's telework tax credit provides up to $50,000 per employer ($1,200 per employee) for eligible telework expenses.

Current and Future Service Demands are of Statewide Significance

- An immediate challenge is improving access to employment centers by targeting and expanding service availability in metropolitan corridors.

Region	Coverage	Average Wait	Job Access	National Rank
Northern Virginia	82 %	6.6 min.	37 %	17
Hampton Roads	67 %	16.6 min.	15 %	78
Richmond	31 %	13.7 min.	27 %	92

Source: Brookings, *Transit and Jobs in Metropolitan America*, 2011.

- By 2015, many older Virginians will have poor access to transit service. This challenge will place additional pressure on existing resources.

Region	2015 Population Aged 65-79 with Poor Transit Access
Northern Virginia	41 %
Hampton Roads	69 %
Richmond	72 %
Bristol	90 %
Lynchburg	73 %
Charlottesville	69 %
Danville	68 %
Roanoke	56 %

Source: Transportation for America, *Aging in Place*, 2011.

Complex Service Delivery Relationships

Federal

Principal regulatory and financial oversight. Federal formula and discretionary grants, and safety regulation. Enforces rules for long range planning, labor protection, procurement, and manufacturing.

Congress, USDOT, FHWA, FTA, FRA, EPA

State

Regulation and project selection, distribution of State formula and discretionary grants, statewide capital improvement planning, auditing and compliance reporting, modeling and simulation, technical assistance.

General Assembly, Commonwealth Transportation Board, VDOT, DRPT, DMV, DSS, DMAS

Local / Regional

Funding and management of daily transit services; service planning; contract administration. Zoning and development approval. May directly operate or contract for local transit programs.

Local Governments, Metropolitan Planning Organizations, Regional Commissions, Transportation District, Regional Authorities

Private

Operators of passenger and freight rail systems, as well as public transit contractors, employee more than 6,000 Virginians. The combined industry sector employees more than 27,000 Virginians.

Organization of Transit Services is Evolving

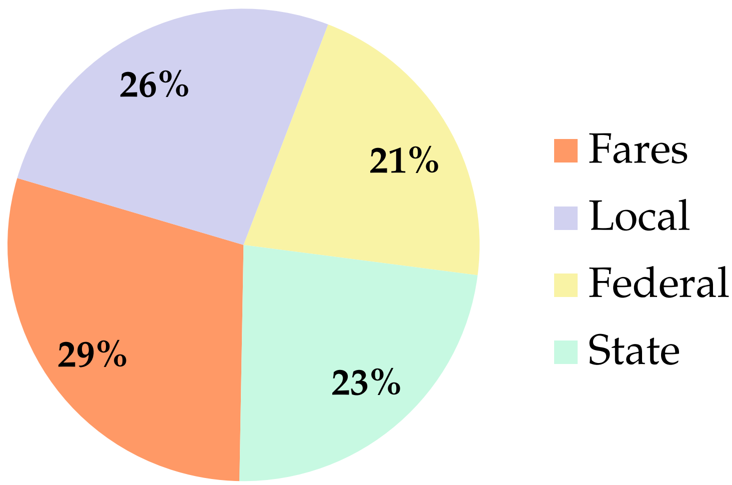
- Regional service models increase transit accessibility in suburban and rural areas as well as improve service coordination in existing service areas.
  - Service demands rarely respect municipal boundaries.
  - Every region is unique and precise governance choices must fit the region.
  - Governance and financing are interrelated and must be addressed together.

Organizational Model	Authority	Examples
State Transit Agency	State Statute	Transit agency created by the state that owns, operates, funds and manages the service. **MARC** (MD)
Transportation District Commission / Authority	General state statute with local ordinance	NVTC, PRTC, NVTA
Regional Transportation Authority	State legislation / Multiple states / Congress	HRT, WMATA, HSR Compact
Municipal Transit Agency	Local Statute	BT, PAT
Joint Authority	Local Arrangements	VRE
Nonprofit Corporations	Local Contract	GRTC, GLTC, VRT

The Central Question: Who Pays for Transit?

- Direct user fees – fares – comprise the largest percentage of total expenditure.

Transit Expenditures 2008 -2011



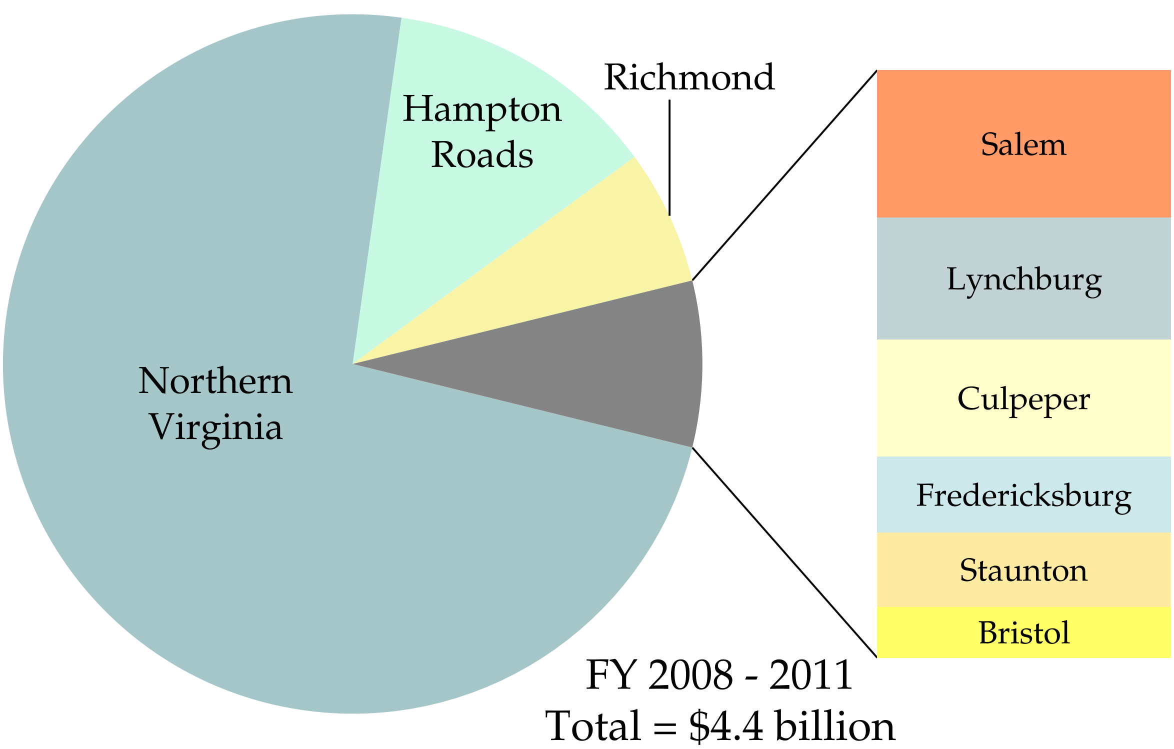
- During the recession, transit systems have increased fares while reducing service.
  - Setting fare rates requires a local balance of ridership and revenue recovery.

System	2003 Fare	2010 Fare	Increase
WMATA (Peak)	$ 1.10	$ 1.90	73%
Fairfax Connector	$ 0.50	$ 1.50	200%
Loudoun Commuter	$ 6.00	$ 8.00	33%
ART (Arlington)	$ 1.10	$ 1.50	35%
Hampton Roads Transit	$ 1.50	$ 1.50	0%
FRED (Fredericksburg)	$ 0.25	$ 0.50	100%
GRTC (Richmond)	$ 1.25	$ 1.50	20%
WATA (Williamsburg)	$ 1.00	$ 1.25	25%
GLTC (Lynchburg)	$ 1.25	$ 1.50	20%

Transit Expenditures are Driven by Service Availability

- In FY 2011, over 90% of statewide transit expenditures are in Virginia's population centers.
  - Service in rural areas is increasing as local programs designed to help Virginians age in place are implemented.
- As availability of transit service increases, funding continues to be diluted among all operators.
  - Large systems coming online --The Tide, Dulles Metrorail -- will further stretch funding.

Transit Program Expenditures by District

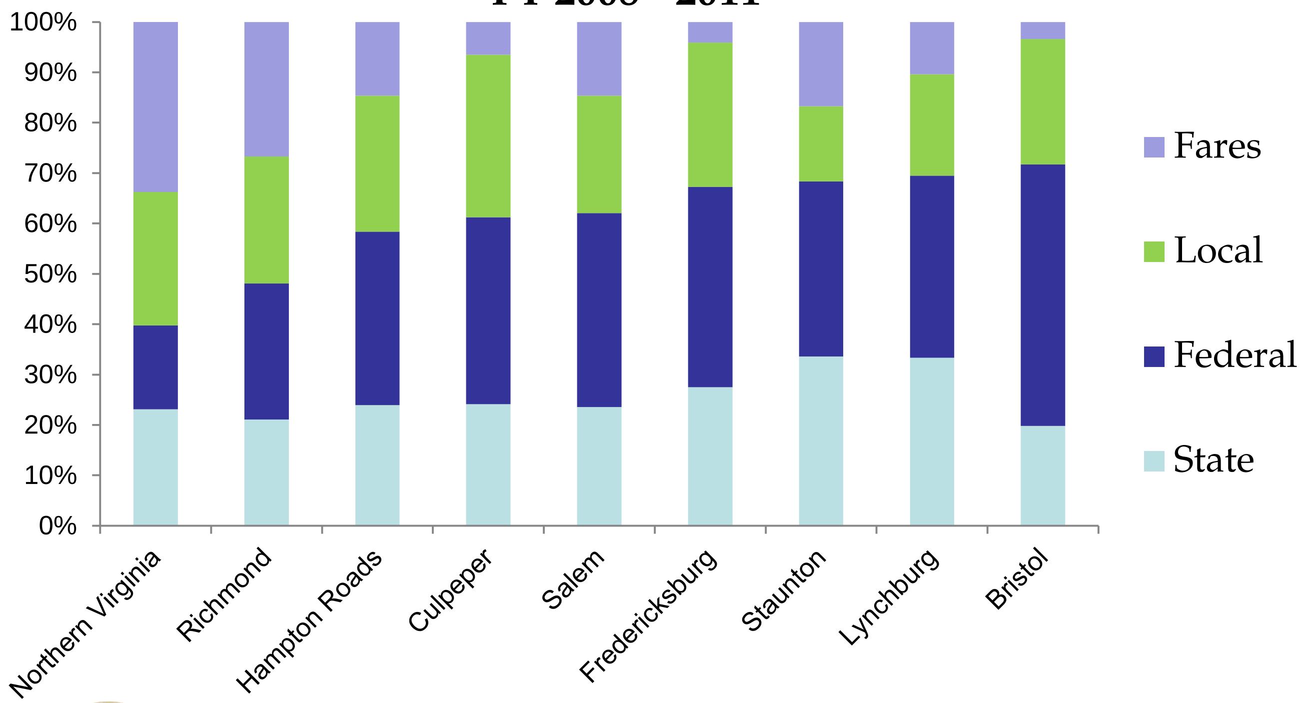


Regional Transit Investments Increase Riders and Revenues

- As transit services mature and regional ridership is expanded, fare revenues tend to support a greater amount of average operations and capital expenses.
  - Customers are willing to pay for reliable regional transportation services.

- In addition to fares, local or dedicated regional revenue sources support transit operations.
  - However, the level of local effort varies regionally.
  - New service in lower density population areas require a greater level of state and federal subsidy.

Average Transit Operating and Capital Funding by Region FY 2008 - 2011

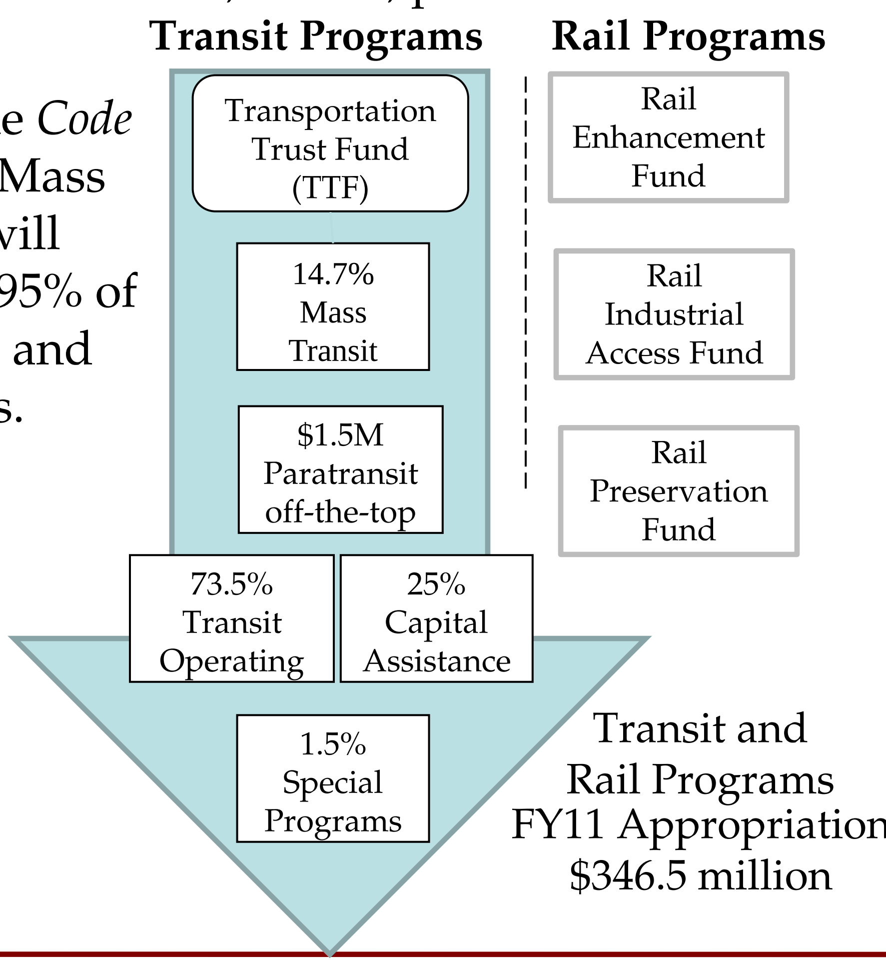


Virginia is a Constrained Funding Partner

- The Department of Rail and Public Transportation (DRPT) funds less than one-quarter of annual transit expenditures.
  - Annual transit appropriation of approximately **<u>$292.3 million</u>** leverages $1.1 billion in additional investment.

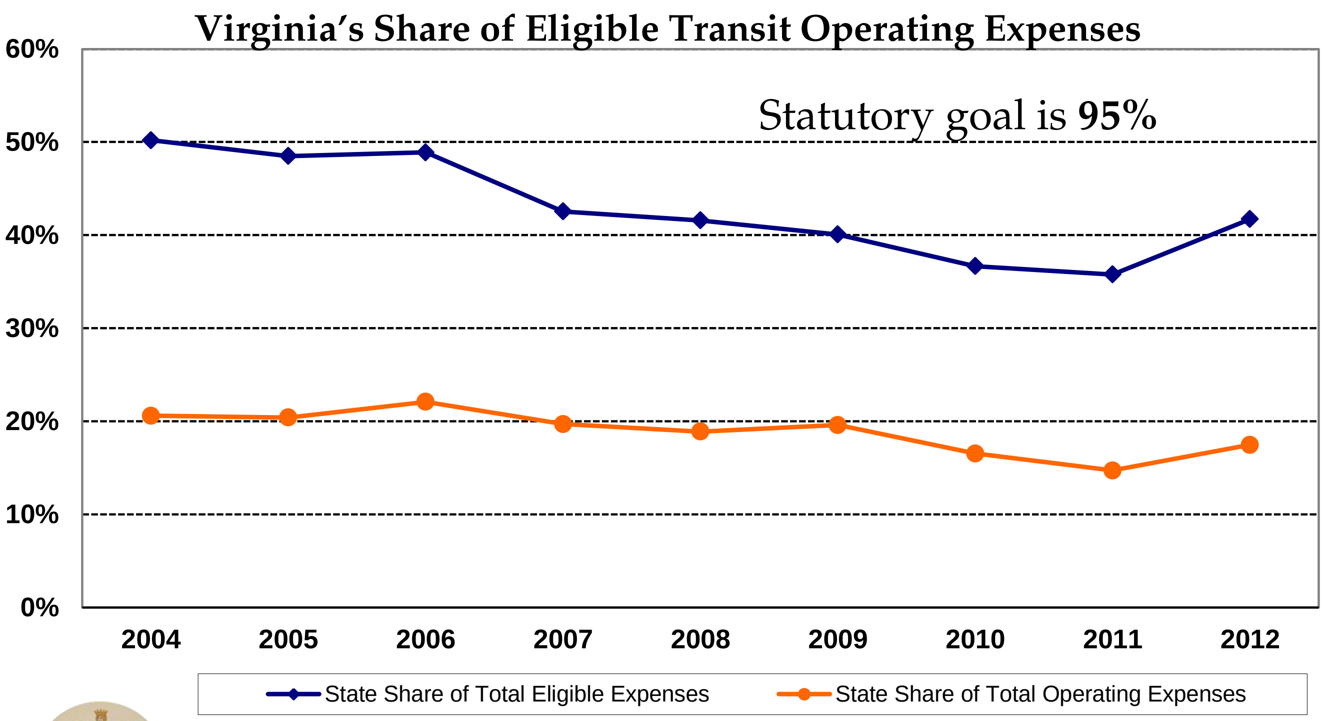
- In 1986, the General Assembly passed a set of statewide taxes and fees to provide dedicated funding for highway construction, transit, ports and aviation.

Specifically, the *Code* states that the Mass Transit Fund will provide up to 95% of eligible capital and operating costs.



State Funds Less Than Half of Eligible Operational Costs

- System expansion and ridership growth, combined with constrained revenues, has eroded the annual state share of eligible matching expenditures.
  - Reimbursable operating expenses largely <u>exclude</u> labor and are sensitive to increases in motor fuels.
- While transit operating funding in FY 2011 increased by $19.4 million over the prior year, the state matching rate is only 41% of eligible costs, or 17.5% of total costs.
  - Appropriations Act language since 2010 allows local grant recipients flexibility to use up to 20 percent of annual capital appropriations for operating expenses.

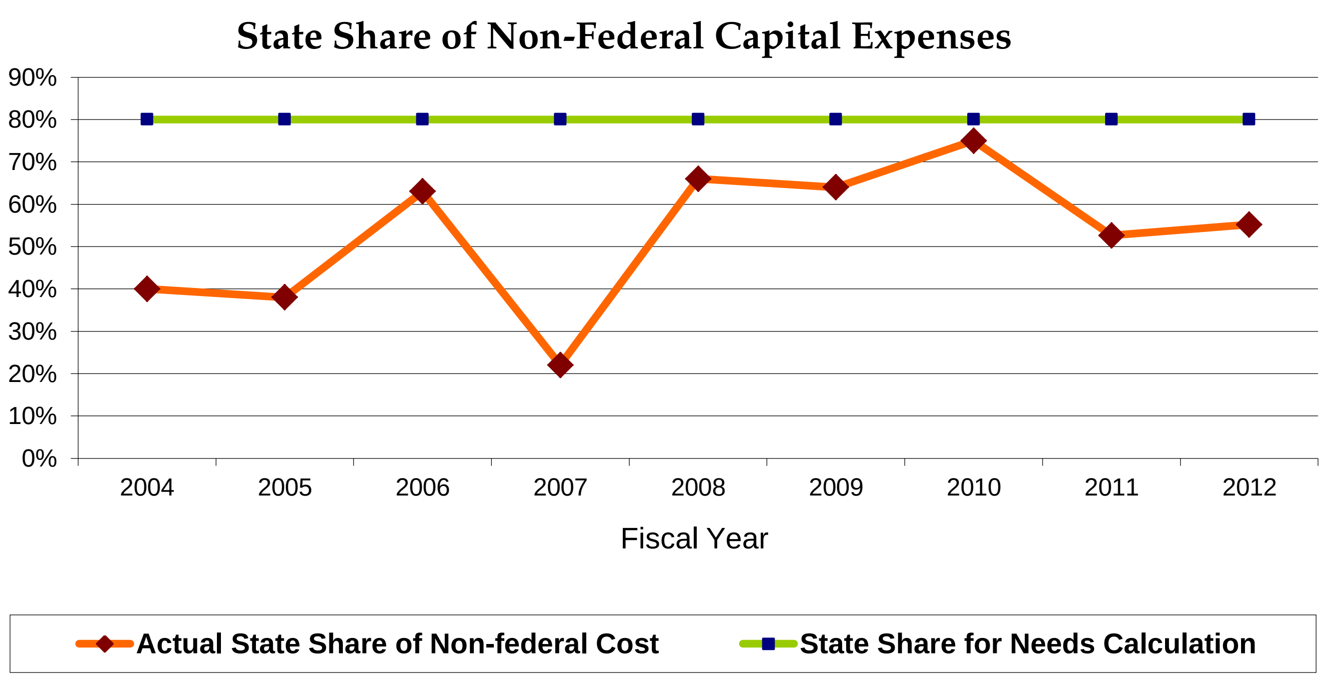


Transit Capital Investments are Sporadic

- Focus of capital program is "state of good repair."
  - While the target state share of non-federal costs is 80%, the actual State share is approximately 55%.
  - Higher match rates since 2008 driven by General Funds and bond proceeds.

- Local procurement decisions and organizational structures compound state funding challenges.

- Lack of state predictability exacerbates funding challenges for local government partners.
  - Increases in state funding requires additional local funding. Challenge is lining up all funding partners.



Cost and Complexity of Large Projects Increase Challenges

- Metro's Silver Line extension to Dulles Airport and Loudoun County is the "perfect storm" of high project cost and management complexity.
  - Managed by the Metropolitan Washington Airports Authority (MWAA) but funded from federal, state, and local sources.
  - Total construction cost is estimated at $5.7 billion.
  - Depending on financing, interest on the debt issued to construct the project will total between $7 and $10 billion in addition to construction costs.
- Upon completion, Dulles Toll Road revenues will contribute over half of total construction cost.
  - Assumed revenue stream of $3.5 billion when the Commonwealth transferred the asset to MWAA.
    - $117.4 million of toll revenues were expended on the project before MWAA took control of the Toll Road.
- Virginia has provided an additional $275 million in bond proceeds and surface transportation funds.
- Organizational structure intended to facilitate project delivery <u>limits</u> the Commonwealth's direct oversight of construction costs and time schedules.
  - Auditor of Public Accounts has no audit authority of project documents or financial records.

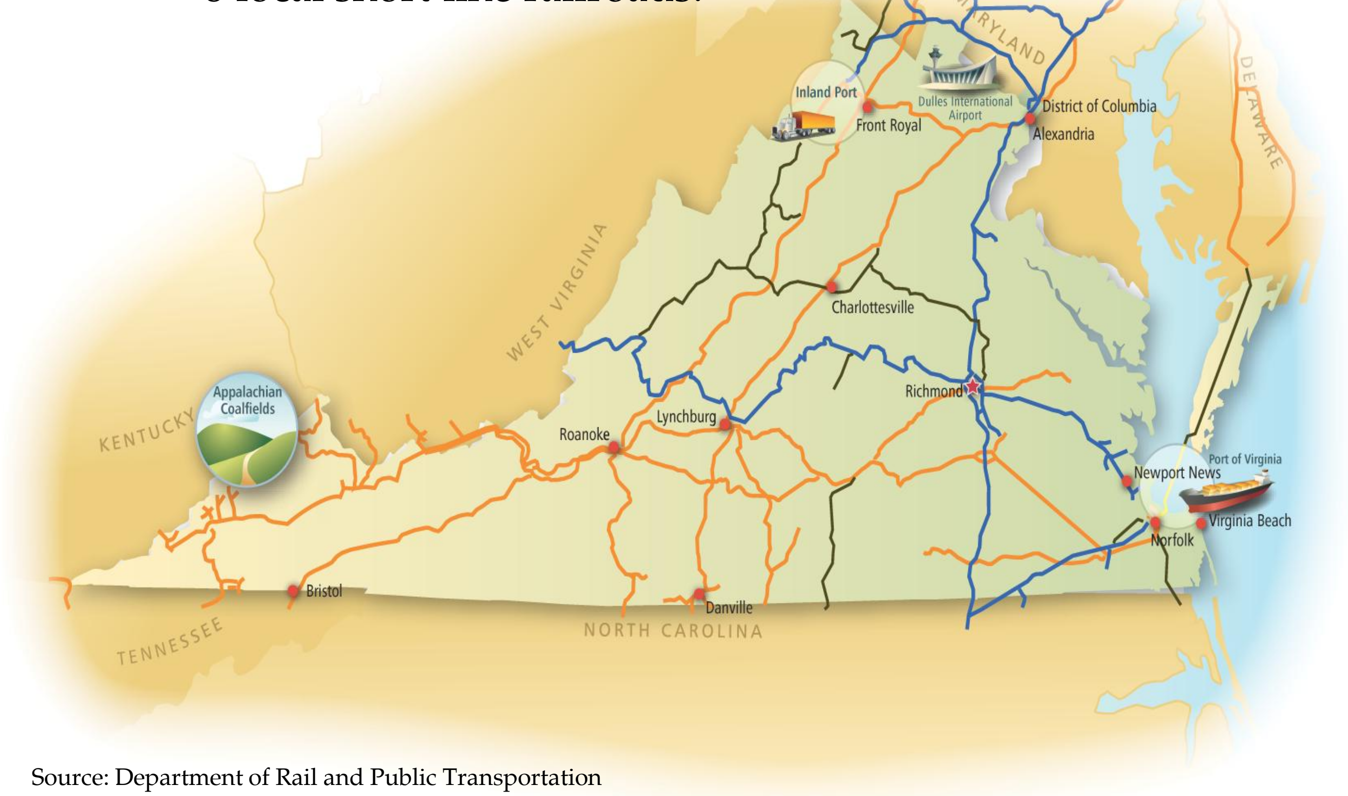
Transit Funding Challenges Require Vision for Services

- The 2011 General Assembly (SJ297) directed DRPT to complete a study prior to the 2012 Session identifying ways to maximize Virginia's transit investments.
  - Performance - awards based on specific criteria.
  - Prioritization - capital requests by categories.
  - Stability - provide stable funding sources and shares.
  - Allocation - evaluate the allocation of the 14.7% of TTF revenues for transit and *Code* language allowing transit funding of up to 95% for capital and operating costs.

- The effort lacks a vision for what Virginia's interrelated system of transit services should look like and how it should perform. The study should include:
  - Incentives for enhancing regional cooperation that accommodate program growth.
  - Options for increasing transit availability around targeted employment centers.
  - Strategies for increasing transit availability for aging population.

Passenger and Freight Rail is Virginia's Transportation Backbone

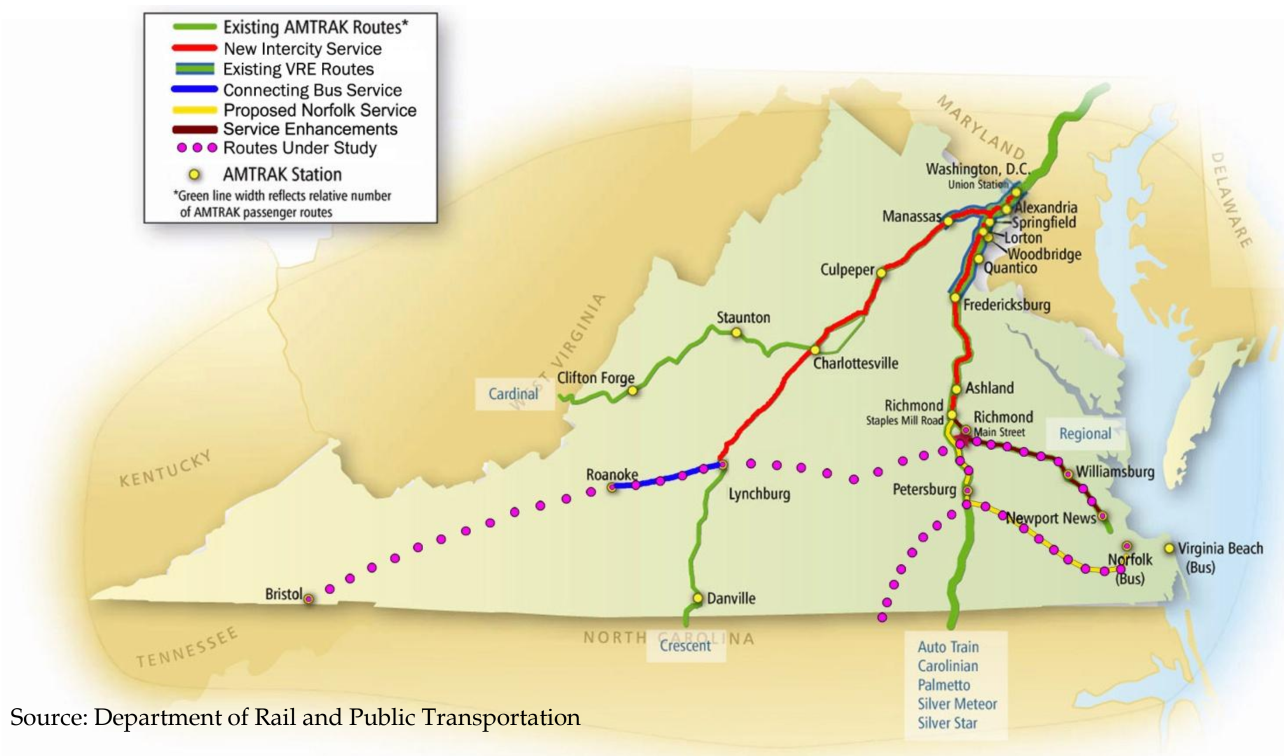
- Rail has contributed to Virginia's economic success by providing a viable alternative for transporting cargo and passengers for more than 170 years.
- Two passenger rail operators -- Amtrak and Virginia Railway Express -- provide intercity and commuter service.
- Ten private freight railroads.
  - 2 national Class I railroads.
  - 8 local short line railroads.



Source: Department of Rail and Public Transportation

Current and Future Passenger Rail Service

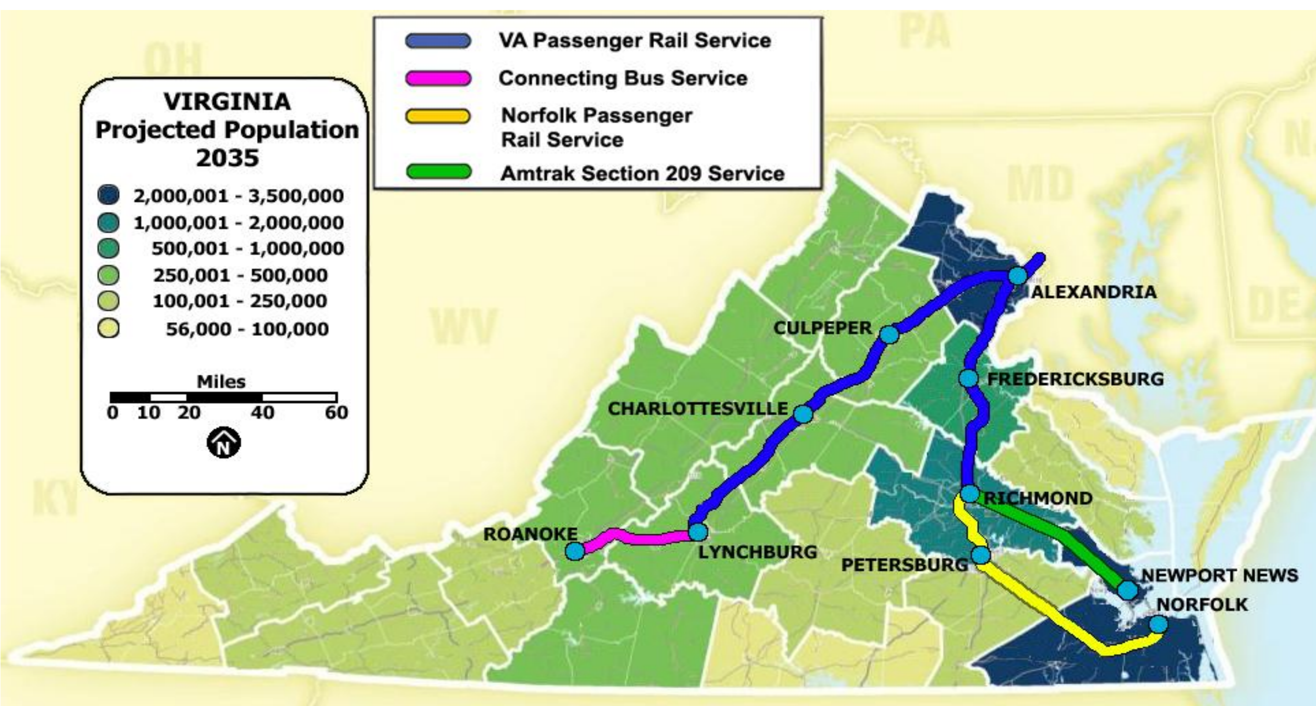
- Lynchburg service is the strongest performing state-supported Amtrak train in the nation.
  - Ridership demonstration project from Roanoke to Lynchburg funded in FY2012.
  - Assessing improvements required for passenger service.
- Richmond regional service continues to perform above its ridership goal.
  - Over $100 million currently appropriated to originate daily service from Norfolk beginning in 2013.
  - Norfolk building station to connect with "Tide" service.



Source: Department of Rail and Public Transportation

Intercity Passenger Rail Initiatives Will Serve 2035 Population Centers

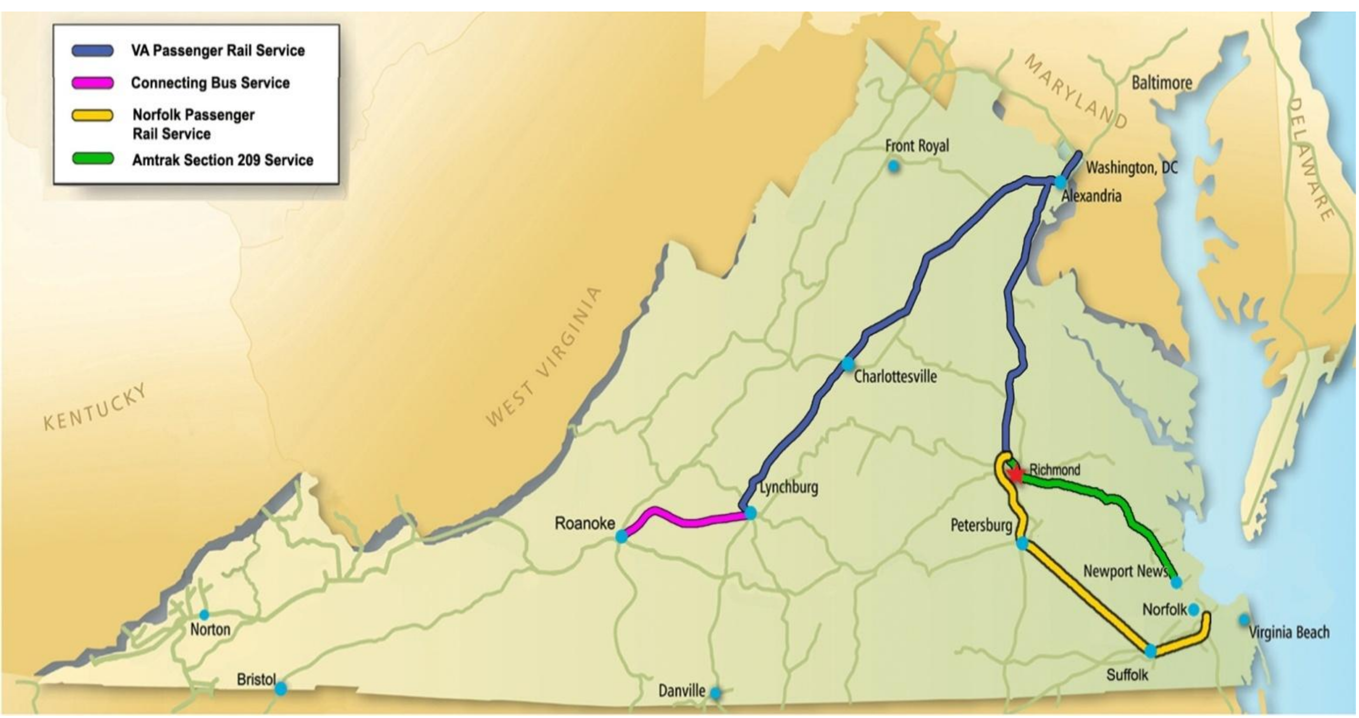
- Virginia's intercity passenger rail program is a unique opportunity to improve coordinated transportation options in growth regions.
- Provides for the efficient movement of commuters and commodities in the most congested corridors.
  - Equivalent to investing in additional lane capacity.
- The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) identified the National High Speed Rail Corridor Program and shifted costs to states for funding intercity service.



Source: Department of Rail and Public Transportation

Regional Intercity Rail Service is an Immediate Investment Priority

- In 2013, Virginia must pay approximately $110 million in initial, and $30 million in ongoing, operating and capital costs for intercity regional service.
  - A total of 6 trains from Richmond, Lynchburg, Norfolk and Newport News.
- Intercity Passenger Rail Operating and Capital Fund was created by the 2011 General Assembly.
  - No dedicated funding source.
  - Authorizes CTB to allocate up to 10 percent of TTF.
- Without a clearly identified long-term funding stream for intercity passenger rail, the Commonwealth stands to lose existing passenger rail service and more than $232.5 million in previous state investments.



Source: Department of Rail and Public Transportation

Intercity Passenger Rail Planning Underway for Over a Decade

- Planning for higher speed passenger rail service from Washington to Richmond and south since 2002.
  - Identified 19 projects necessary to introduce high speed rail in the corridor – initial application for $1.8 billion in federal ARRA stimulus funding was not approved.

- Successful higher-speed passenger rail services requires coordination of regional projects.
  - Virginia has received $120 million in federal rail funds including an additional $44.3 million in September 2011.
  - North Carolina was awarded an initial $512 million and an additional $4.1 million in May 2011.

Intercity Passenger Rail Provides Opportunities for Collaboration

- In addition to location, Virginia has several advantages in securing federal passenger rail funds.
  - Framework agreements with railroads and Amtrak.
  - Multi-state rail corridor agreement.
  - State funding program.
- Before Southeast High Speed Rail (SEHSR) service can begin, significant track capacity improvements are needed between Raleigh and Washington, D.C.
- To address challenges the Virginia-North Carolina High Speed Rail Compact was established in 2004.
  - Affordability of SEHSR Corridor projects.
  - Sequencing of individual projects.
  - Risk and payback of high speed rail service.
  - Protection of the capacity that states have paid for their own intercity passenger and commuter rail services.
- DRPT and NCDOT continue to advance work on the Richmond to Raleigh environmental documents.

Federal Requirements Challenge Rail Programs

- Lengthy federal environmental process can require more than eight years to complete.
- Performance requirements are difficult to achieve without full-funding for corridor-wide improvements.
- Opportunities to apply for funding are limited and may not coincide with planning/construction phases.
- State-funded projects can advance faster, but state funding is insufficient for meeting all needs.
- Virginia did not apply for $2.4 billion in high speed rail funding in March 2011 for several reasons:
  - Did not have matching funds for the $800 million in 80/20 funding.
  - $1.6 billion in 100% ARRA funding available had to be spent by 2017.
  - Schedule for completion of the Richmond to Washington, D.C. project is 2021 – could not risk potential repayment.
  - Grants awarded in 2010 had not yet advanced.

How can Virginia Pay for Intercity Passenger Rail?

- Existing state funding sources dedicated to advancing rail projects are committed to several major initiatives.
  - Crescent (I-81/Route 29), National Gateway (I-95) and Heartland (Route 460) corridor improvement projects.
  - Short line connections for Virginia businesses.
  - Improvements to Port of Virginia, Inland Port and Roanoke Intermodal Facility.
  - Higher speed rail in the DC-Richmond-Raleigh corridor.
  - Virginia Railway Express service improvements.

- The 2010 General Assembly (SJ63) asked DRPT to study potential sources of passenger rail operating and capital funding. The report recommended creation of a dedicated revenue source using one of the following mechanisms:
  - Increase the current Rental Car Tax by four percent.
  - Redirect the four percent of Rental Car Tax revenues currently given to localities.
  - Reallocation of the TTF – Rail is the only mode not included.
  - Potential revenue from the addition of a sales tax to be charged in addition to the rental car tax on rental fees.

Conclusions

- Public transit performs well throughout Virginia, although opportunities for increasing efficiency and reducing bureaucratic layers exist.
  - From the commuter perspective, service should be seamless. Customers care about reliability of service.
  - Immediate challenge is maintaining existing services as state funding is diluted among new systems and operational cost increases.
- State investments should focus on interconnectivity and system coordination.
  - Current studies provide an opportunity to further develop a statewide vision for Virginia's transit systems.
- Virginia has a unique opportunity to play a national leadership role in intercity passenger rail. The General Assembly may wish to identify investment solutions for transit and rail funding needs.
  - Implement a sustainable funding mechanism as recommended in SJ 63(2010), or
  - Direct the Commonwealth Transportation Board to fund these needs from existing surface transportation revenues.