ITEM 9 - Information

November 16, 2005

Status Report on the Financial Analysis for
the 2006 Update to the Financially-Constrained Long Range Plan
(CLRP)

Staff Recommendation: Receive status report on the financial analysis for the 2006 CLRP.

Issues: None

Background: Under federal planning regulations a triennial update to the CLRP for the Washington region is required in 2006. A key element of this update is a financial analysis which reviews and updates projected transportation revenues and costs for operating, maintaining, and expanding the regional transportation system through 2030.

At its November 4, 2005 meeting, the TPB Technical Committee was briefed on preliminary findings and issues presented in the enclosed progress report.

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Memorandum

TO: Transportation Planning Board

FROM: Arlee Reno, Cambridge Systematics
Kiran Bhatt, K.T. Analytics

DATE: November 7, 2005

RE: Progress Report on 2006 CLRP Financial Plan Analysis: Preliminary Findings and Issues

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The purposes of this memorandum are to summarize the status of the financial analysis for the 2006 CLRP Update, to present preliminary findings about the expected transportation revenues and expenditures in the plan, and to discuss the implications of these findings for financing our transportation system in the future.

Status of Revenue and Expenditure Forecasts

On November 1, the working group for the financial analysis held its third meeting to review the status of revenue and expenditure forecast date being developed for the CLRP. The review and updating of the revenue estimates and the operation/preservation cost estimates through 2030 are well underway at the three DOTs, WMATA, and the local jurisdiction transportation agencies. However, greater effort and coordination have been necessary than for the 2003 financial analysis because of recent key legislative changes. These changes require careful analyses and more deliberate consensus building among agencies about their financial implications. In particular, efforts are underway to estimate the impacts of the federal SAFETEA-LU legislation.

Draft revenue and expenditure forecast are expected to be synthesized by late November 2005. While some agencies will require approval of the draft numbers, the draft regional summary tables of revenues and expenditures can be prepared in anticipation of the approval processes. We expect to prepare a draft financial analysis report for review by the Technical Committee in January 2006.

Since the 2003 CLRP update, some important financial initiatives have occurred. In 2004, funding was committed through 2010 for the "Metro Matters" near-term rehabilitation and capacity needs. As a result of these commitments, the transit ridership constraint to or through the core area was applied in the 2005 CLRP air quality conformity analysis using 2010 ridership levels rather that 2005 levels. Recently, Congressman Tom Davis introduced a bill authorizing $1.5 billion in federal capital funds, to be provided over 10 fiscal years beginning in FY 2007, contingent on the funds being matched with state/local dedicated funding. This bill and state

4445 Willard Avenue, Suite 300
Chevy Chase, MD 20815
tel 301 347 0100 www.camsys.com **fax** 301 347 0101

and local efforts are moving forward, but this process is expected to take considerable time to be enacted along with the required WMATA Compact agreements.

Also since 2003, the Inter County Connector (ICC) project in Maryland and the Dulles Rail project in Northern Virginia have been included in the CLRP with toll revenues as part of their financial plans. The 2005 CLRP includes a private-sector financial plan for the Beltway HOT lanes project from the Springfield Interchange to almost the Maryland line. Recently, a private-sector financing proposal was selected to proceed for a HOT lane project on I-395/I95 from the 14th Street Bridge to Fredericksburg in Northern Virginia.

Significant Revenue Changes Are Not Expected

While these financial initiatives are being advanced and some changes have occurred in the distribution of revenues and expenditures across modes and sources, the overall picture remains largely unchanged from the financial situation for the 2003 CLRP Update. The vast majority of currently anticipated future transportation revenues will continue to be devoted to the maintenance and operation of the existing transit and highway systems. We do not expect a significant change in the overall revenue picture presented in prior CLRP updates.

Also, the prices of the basic inputs used in highway and transit construction have been increasing rapidly due to world market factors, and the Association of General Contractors (AGC) has just released its first "Construction Inflation Alert", available at <http://www.agc.org/>. The alert says that in the last twelve months, the price increases in cement, diesel fuel, and asphalt prices have particularly affected highway and street construction.

Because no significant sources of new revenues are anticipated for the 2006 CLRP update, all new expansion projects to be considered for inclusion in the CLRP will require a project-specific funding plan with identified revenue sources.

As in the past during the 2000 and 2003 updates there may be desirable projects that will likely not be included in the 2006 CLRP under current funding constraints. With "Metro Matters" expected to expire in 2011, the region needs to address a long-term dedicated source or sources of funding for transit and highway rehabilitation and preservation needs as well as for expansion to improve mobility in the region.

Future Transportation Financing Considerations

Many observers and decision-makers agree that additional revenues and new revenue sources are needed to support worthy future transportation programs and projects in the region. The region has begun to examine new sources of possible future funding and to identify the critical steps needed to achieve more adequate funding for the unfunded maintenance, rehabilitation and expansion needs of the transportation system.

How can the region move forward to more adequately meet future mobility needs of this rapidly growing region? The region must explore enhancements to existing sources or new funding sources, and should consider funding initiatives undertaken by other dynamic regions in the Nation. Although the region is in the process of implementing HOT and toll lanes, these are only appropriate in particular circumstances and for specific corridors.

While project-based funding agreements such as HOT and toll lanes are important steps in the right direction, they are not substitutes for broad-based funding sources such as fuel taxes. Many observers believe that the fuel taxes and other current user fees, which have been the backbone of funding for highways, will be the primary source for the short and mid-term, but that they may not be the best long-term solution. The reasons for enhancing motor fuel taxes in the short-term but also moving to a different long-term future source have been articulated in the "Future of Highway and Public Transportation Financing" report released on Nov. 3, 2005 by the U.S. Chamber of Commerce. The report identifies possible new funding sources and issues surrounding their adoption. It recommends short-term increase in fuel taxes and the eventual long term implementation of new types of fees based on vehicle miles of travel.

A vehicle mile of travel or VMT fee is one alternative that deserves further consideration as a new long-term funding source for our region. This concept has recently received attention in other parts of the country. Over the past few years, the State of Oregon has been studying the potential of VMT fees and the implementation issues with such fees. The Oregon DOT is conducting a field test of alternative technologies to administer VMT fees on a state-wide basis. A study of the state-of-the-art and of implementation issues with VMT fees has been completed recently by a consortium of a dozen mid-western and western states. This multi-year study explored in detail the key issues relating to the technological, administrative, enforcement, institutional, and acceptability issues with adoption of VMT fees on a regional context as a supplement and/or substitute to fuel taxes. We believe that our region could benefit from a review of the findings and lessons from these studies conducted in other areas.