

# Briefing on Draft 2010 CLRP Financial Analysis

*presented to*

**Transportation Planning Board**

*presented by*

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# Goal of Today's Presentation

- **Summarize the results of the financial analysis for the 2010 CLRP**
- **Identify potential revenue alternatives**
- **Outline steps needed to achieve new revenues**

# Reason for the CLRP Financial Analysis

**Federal planning regulations require:**

- **a financial plan that demonstrates how the adopted transportation plan can be implemented**
- **the forecast revenues which are reasonably expected to be available must cover the estimated costs of expanding and adequately maintaining and operating the highway and transit system in the region (through 2040)**
- **all revenue and cost estimates are to be shown in year of expenditure (YOE) dollars**

# Major Changes Since 2006 CLRP

- **Suburban Maryland: Intercounty Connector**
- **Northern Virginia: Dulles Corridor and I-495 HOT Lanes**
- **DC: transit services enhanced with circulator and opening of the New York Avenue station**
- **WMATA: Metro Matters and the Rail Improvement and Investment Act of 2008 were implemented**
- **New revenue sources: Maryland sales tax allocation, DC fuel tax and other fees, toll contributions (Virginia HOT lanes projects and Maryland ICC), and local taxes in VA**

## Revenues and Expenditures (2011-2040)

| <i>(Billions of YOE Dollars)</i> | District of Columbia | Suburban Maryland | Northern Virginia | Regional | TOTALS  |
|----------------------------------|----------------------|-------------------|-------------------|----------|---------|
| <b>REVENUES</b>                  | \$28.4               | \$74.5            | \$58.2            | \$61.8   | \$222.9 |
| <b>EXPENDITURES</b>              | \$28.4               | \$74.5            | \$58.2            | \$61.8   | \$222.9 |
| <i>Revenues - Expenditures</i>   | -\$0                 | -\$0              | -\$0              | -\$0     | -\$0    |

**Note: all figures are in billions of year of expenditure dollars, including inflation**

## Overall Conclusion

- **Forecast revenues and expenditures through 2040 are balanced.**
- **The region's CLRP is financially constrained as required by federal planning regulations.**
- **Of the forecast total revenues, 39 percent are state (including DC), 24 percent transit fares, 18 percent federal, 12 percent local, and 7 percent tolls/bonds and private sources.**

# Summary Observations

- **The federal and local shares declined between 2006 and 2010, while the shares increased for states, transit fares, and tolls.**
- **Operations/preservation expenditures continue to represent about 70 percent of the total, and expansion 30 percent.**
- **From the 2006 CLRP to the 2010 CLRP, the highway percentage declined from 43 percent to 36 percent, local transit declined from 14 percent to 13 percent, and WMATA increased from 43 percent to 51 percent.**
- **Despite the percentage change, not all of WMATA's requests for capital and operating support were funded in the analysis.**

## WMATA Request Versus Funding Allocations: Capital

- **WMATA requested funding for capital investments with a continuation past 2020 of the Passenger Rail Investment and Improvement Act of 2008 federal aid funds and matching funds totaling \$7.5 billion, but neither federal legislation nor local matching funds have been identified, so this funding is not included in the CLRP financial analysis.**
- **Such differences have occurred for prior updates of CLRP and have been addressed by applying a transit ridership constraint to account for a shortfall in transit capacity due to the constrained funding.**
- **The region will again apply the transit ridership constraint post 2020.**



## WMATA Request Versus Funding Allocations: Operating

- **WMATA requested operating subsidy funding of \$2.8 billion more than the District identified for the support of its operating subsidies.**
- **The District has determined that by building upon its recent experience and the experiences of the other jurisdictions with alternative ways of delivering Metrobus and MetroAccess services, it will increase alternative services to substitute for WMATA services.**
- **With less expensive services, the District will provide the levels of service in the CLRP within the funding that it has identified.**

# Potential Revenue Solutions

- **Wide array of candidate revenue sources, but there is not a one size fits all solution**
- **Fuel taxes - MD, VA, and DC are below the national average, while States such as Kentucky, Maine, Nebraska, New York, North Carolina, and West Virginia have variable rates, usually responding to price indices**
- **Tolling, pricing, fees assessed in specific benefit districts, and other types of direct fees may be appropriate sources for specific projects**
- **Need major enhancements of the general revenue sources for maintenance, preservation, and operations**

# Candidate Revenue Sources

| Specific Tool  | Scope   |         | Potential Yield | Locations Used                              |
|--|---------|---------|-----------------|---|
|  | Program | Project |                 |   |
| <b>Fuel Taxes</b>  |         |         |                 |   |
| Motor fuel excise (per gallon) tax   | X       |         | H               | All states, Federal                         |
| Indexing of the motor fuel tax   | X       |         | H               | FL, KY, ME, NE, NY, NC, PA, WV              |
| Sales tax on motor fuel  | X       |         | H               | CA, GA, HI, IL, IN, MI, NY                  |
| Other petroleum related taxes  | X       |         | H               | NY, PA                                      |
| <b>Registration and Vehicle Fees</b>   |         |         |                 |   |
| Registration or related fees   | X       |         | H               | All states                                  |
| Sales tax on vehicle sales   | X       |         | H               | KS, NC, NE, MN, MO, OK, SD                  |
| <b>Tolling and Pricing, and Other User Fees</b>  |         |         |                 |   |
| Tolling new or existing roads and bridges  |         | X       | M               | About one-half of states (e.g., TX, FL, VA) |
| HOT lanes, express toll lanes, truck toll lanes  |         | X       | M               | CA, CO, GA, MN, TX                          |
| VMT fees   | X       |         | H               | OR testing, 15 state pooled fund study      |
| Transit fees (fares, park-and-ride fees, other)  | X       |         | H               | All transit agencies                        |
| Freight/Container fees   | x       | x       | M               | CA  |
| <b>Local Option and Beneficiary Charges</b>  |         |         |                 |   |
| Beneficiary charges/value capture (special assessment, impact fees, and tax increment financing) |         | X       | L               | Multiple (e.g., CA, FL)                     |
| Permitting local option taxes for highway and transit improvements (e.g. sales tax)              | X       | X       | M               | 46 states have legislation                  |
| <b>General Revenue Sources</b>   | X       |         | H               | Most states and localities                  |

Source: NCHRP Finance Study.

# In response to the Nation's Transportation Funding Crisis, Congress Created Two Commissions in SAFETEA-LU

- **National Surface Transportation Policy and Revenue Study Commission**
- **National Surface Transportation Infrastructure Financing Commission**

# What Did National Transportation Policy and Revenue Commission Say About Funding Gap?

High Capital Investment scenario suggests we are investing less than 40 percent of annual capital needs for all surface modes

| Range of "high" capital investment levels analyzed<br>(billions of Constant Dollars) |                       |                    |       |
|--|-----------------------|--------------------|-------|
|  | Currently Sustainable | Range Through 2035 |       |
|  |                       | From               | To    |
| Highway  | \$68                  | \$182              | \$250 |
| Transit  | \$13                  | \$23               | \$34  |
| Freight Rail   | \$4                   | \$5                | \$7   |
| Passenger Rail   | \$1                   | \$9                | \$9   |
| All Modes Combined   | \$86                  | \$220              | \$301 |

# National Surface Transportation Policy and Revenue Study Commission Recommended

- **HTF**
  - Increase fuel taxes 25 to 40 cents over next five years and adjust for inflation
  - Adjust heavy vehicle taxes
  - Address exemptions, interest, evasion, credits
- **Other**
  - Broaden flexibility for tolls and pricing
  - Freight-related fees
  - PPPs
  - Tax credit approaches
- **Longer term transition to mileage-based user fees (e.g., VMT fees)**

# National and Other Recent Revenue Actions

- **No actions yet on Reauthorization after September 2009**
- **Longer term transition to mileage-based user fees (e.g., VMT fees) is being studied in many places**
- **The Netherlands solicited bids from vendors to implement a national VMT charge**
  - **Netherlands bids were about \$300 per vehicle for initial equipment and \$50 to \$100 per year for administration**
  - **US total highway expenditures are about \$400 to \$500 per year per vehicle, so the implementation and administrative costs for VMT charges have to be brought down below the Netherlands levels to make VMT charges more attractive**

# Actions Needed to Enhance Revenues

- **Establish Policy Rationale**
- **Provide Sound Technical Analysis**
- **Assure Sustained Leadership**
- **Establish Political Consensus**
- **Educate and Inform the Public**
- **Reconcile Institutional Roles, Responsibilities, Relationships**



# Actions Needed to Enhance Revenues

- **Reconcile Administrative Responsibilities and Procedures**
- **Establish the Legal Framework**
- **Combine Management of New and Emerging Revenue Sources**
- **Introduce Necessary Technologies**
- **Invest in the Phase-In**

# Next Steps

- **Nov 17 - TPB asked to approve the 2010 CLRP, which includes the financial analysis**