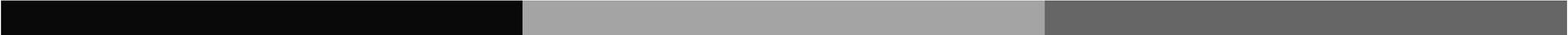


Funding and Responsibilities for Virginia's Local Roadways



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Introduction

- ❑ Composition of State highway system
- ❑ How are state maintenance funds distributed among roadway classes?
- ❑ How are state construction funds distributed among roadway classes?
- ❑ What role does local funding play?
- ❑ What innovative methods are available to supplement current funding mechanisms for local roadway improvements?
- ❑ What drives local roadway needs?

Composition of Virginia's Highway System

- ❑ Virginia maintains both roads of statewide and regional significance as well as local roads in the counties
- ❑ Four Systems
 - Interstate – federally-designated, access controlled highways
 - Primary – generally major arterials, but there are no guidelines on what constitutes a primary road
 - Secondary – local county roads including subdivisions and collectors. But not defined and also includes some major arterials
 - Urban – all roadways within city and town boundaries except Interstates. Includes primary extensions
- ❑ VDOT maintains and constructs all roads on first three systems
- ❑ Cities and towns in the Urban system are responsible for their own roadways
- ❑ Only four other states – Alaska, Delaware, North Carolina and West Virginia – maintain and construct local roads

State Control of Local County Roads

- 1932 General Assembly passed what became known as the “Byrd Road Act” creating the secondary system of State highways
- All counties were given the option to place their roads under the management (and funding) of VDOT
 - 4 counties originally opted out of the system
 - Today, local roads in all counties except Arlington and Henrico are part of the State secondary system
- Basis for creating the secondary system was to:
 - Benefit from economies of scale
 - Eliminate duplication of effort (staff, facilities and equipment) by state and local road agencies
 - Take advantage of VDOT’s higher technical capacity
 - Ensure consistent standards applied

VDOT Maintained Lane Miles

	Interstate	Primary	Secondary	Frontage	Total
1995	5,186	21,141	93,191	675	120,194
2005	5,375	21,955	97,579	666	125,574
Growth	189	814	4,388	-10	5,381

Non-VDOT Maintained Lane Miles

	Urban	Arlington	Henrico	Total
1995	21,338	954	2,820	25,112
2005	23,513	961	3,201	27,675
Growth	2,175	7	381	2,563

▣ In combination, “local” roads – the secondary and urban systems – make up 82 percent of the Commonwealth’s road mileage

Distribution of Funding for Maintenance and Construction



Maintenance of State System of Roads

- VDOT funds Interstate, primary and secondary road maintenance
- Current FY 2007 VDOT financial plan sets total state maintenance funding at \$1.186 billion in FY 2007
 - Set to increase to \$1.437 billion in FY 2012 (about 4 percent each year)
- Secondary system maintenance comprises about 40 percent of total VDOT maintenance
 - \$483 million in FY 2007
 - Increase to \$557 million in FY 2012
- No statutorily set methodology for distributing VDOT maintenance funds
 - Historically, maintenance allocations have been set based on prior year expenditures, increased to reflect inflation and any identified special needs
 - VDOT moving toward a more quantitative method for determining maintenance needs and how to distribute those funds among the systems and districts

Urban System Maintenance

- Funding for roadway maintenance in cities and towns with populations greater than 3,500 is set out in the *Code*
 - VDOT must make quarterly payments to each jurisdiction based on a per lane-mile rate, depending on the type (function) of roadway
 - Language stipulates that an index of statewide maintenance costs (MCI) be used to adjust rates annually to reflect changes in costs for labor, equipment and materials
- Since FY 2003 – with authority provided by language in Appropriation Act – VDOT has been adjusting city street payments at same rate as the increase in VDOT’s state maintenance program in lieu of using the MCI
- VDOT’s FY 2007 financial plan sets city-street payments at \$328.6 million in FY 2007
 - Set to increase 4 percent each year to \$394.9 million in FY 2012

Maintenance Expenditures by System 1996-2008

(\$ in thousands)

Year	All VDOT Roadways	Secondary System	Secondary Percent of Total	Local Assistance	Grand Total	Secondary/Local Share of Total	Annual Growth
1996	668,028	292,871	44%	187,054	855,082	56%	
1997	678,636	287,776	42%	192,173	870,809	55%	1.84%
1998	679,982	314,470	46%	196,509	876,492	58%	0.65%
1999	733,618	326,848	45%	207,696	941,314	57%	7.40%
2000	774,773	322,688	42%	210,366	985,139	54%	4.66%
2001	837,221	313,662	37%	228,844	1,066,064	51%	8.21%
2002	845,323	332,400	39%	232,977	1,078,300	52%	1.15%
2003	906,587	378,163	42%	250,043	1,156,630	54%	7.26%
2004	875,307	358,017	41%	259,647	1,134,954	54%	-1.87%
2005	1,022,984	424,996	42%	271,404	1,294,387	54%	14.05%
2006	1,024,009	382,414	37%	346,980	1,370,989	53%	5.92%
2007	1,185,715	483,161	41%	328,578	1,514,293	54%	10.45%
2008	1,230,688	502,431	41%	339,212	1,569,900	54%	3.67%
						Average Growth	5.28%

Construction Funding: Project Selection and Management on Local Systems

- Although VDOT maintains and constructs secondary system roads, project selections are made at the sole discretion of county boards of supervisors
 - Separate local secondary Six-Year Improvement Programs (SYIP)
 - No local matching requirement
- Urban system construction project selections made by city/town council resolution
 - Code requires CTB concurrence and projects are included in VDOT SYIP
 - Reflects need for coordination/interconnectedness given that urban system localities responsible for primary system extensions
 - *Code* requires a 2 percent local match
 - Urban localities have option to use urban construction funds for “4-R” maintenance projects
- This means project selection and land use decisions are made at local level while VDOT administers construction of projects on both systems – with prioritization made by localities

VDOT Construction Funding

- After other construction program requirements are met first, \$1,132.5 million remains in FY 2007 for projects in the Interstate, primary, secondary and urban systems, which is distributed as follows:
 - Interstate: \$403.2 million
 - Primary: \$327.8 million
 - Secondary: \$185.4 million
 - Urban: \$216.3 million
- The federal share of construction funding has increased to 74%
 - In 1990 federal funding made up 40 percent of construction program
- Thus, a large proportion of systems construction funding now is financed with federal funds, even on the local road systems
- Only 19% of urban and secondary systems qualify for federal funds
 - Means sources of revenues for improvements to lower classifications of local roads very limited
 - Localities can spend available revenues only on limited portion of roadways
 - VDOT policy requires projects to be federally-eligible

Local Funding Mechanisms



Local Funding for Transportation

- All local governments can dedicate a portion of their general revenues for transportation
 - Many localities issue their own bonds for transportation improvements
 - Total outstanding local debt for transportation in FY 2005 was \$929 million
 - 95 percent of that total comes from 8 jurisdictions: Arlington, Chesapeake, Fairfax, Newport News, Prince William, Richmond, Roanoke and Virginia Beach
 - According to the Auditor of Public Account's annual report, \$450.3 million in local expenditures were made for maintenance in FY 2005 (although this includes about \$280 million in state pass-through funds)

Local Funding Mechanisms (continued)

- Title 58.1-1720 authorizes a 2 percent additional sales tax on gasoline in the Northern Virginia and Potomac Rappahannock Transportation Districts
 - FY 2005 revenues totaled:
 - \$27.3 million for NVTC
 - \$14.7 million for PRTC

- Title 58.1 of the *Code of Virginia* gives certain localities the right to have local income tax for transportation purposes
 - By referendum
 - Northern Virginia localities and City of Norfolk
 - Never been used

Local Funding Mechanisms (continued)

□ Cash Proffers

- Form of conditional zoning authorized for certain localities under §15.2-2298 and 2303, Code of Virginia
- 81 counties and 34 cities can impose proffers based on requirements
 - Code authorizes proffers in areas of high growth (or contiguous thereto) and in Eastern half of state (Chesapeake Bay watershed)
- Rates determined by individual localities
 - Maximum proffers range from just under \$3,000 in Cumberland County to a high of \$48,000 in Loudoun County
- Commission on Local Government 2005 survey indicates about ¼ of eligible localities reported proffer activity in FY 2005
- Largest category of use was for transportation – 43 percent of total
- Total of \$71.5 million collected statewide in FY 2005
 - Loudoun - \$19.5 million
 - Prince William -- \$23.1 million
 - Chesterfield -- \$6.6 million

Local Funding Mechanisms (continued)

□ Impact Fees

- §15.2-2317 through 2327, Code of Virginia, authorizes certain jurisdictions to assess impact fees to generate revenue to fund road improvements necessitated by new development
- Those authorized include Fairfax County and all contiguous counties and cities, as well as Stafford, Fauquier, Spotsylvania and Frederick counties
- Rates determined by individual localities and adopted by ordinance
- Impact fees may not be assessed if the developer has made proffers for off-site road improvements
- Impact fees more flexible – can apply to all types of new development, not just development authorized because of rezoning

Local Funding Mechanisms (continued)

□ Tax Districts

■ Route 28

- §15.2-4600 authorizes Fairfax and Loudoun Counties to utilize a special tax district to support bonds for improvements along Route 28 corridor
- Additional property tax assessment on commercial and industrial properties
- Landowner petition required

■ Transportation Service Districts

- Individual jurisdictions or multiple jurisdictions
- Additional property tax assessment
- Limited applicability
- Chesterfield has utilized this option

□ Northern Virginia Transportation District

- Jurisdictions pledge share of recordation tax returned to localities to support bond program
- Because it is CTB issued debt, authorizing legislation required for original issuance as well as later bond issues

Policy Issues



Should Additional Responsibility and Financing Authority be Transferred to Localities?

- ❑ Vast majority of roads in state network local in nature
- ❑ State responsible for funding system, yet has little control in decisions that drive need for new roadways
- ❑ Existing funding streams not well suited to funding local roadways
- ❑ Congested regions requesting authority to raise additional funds to address regional and local transportation issues

Land Use

- ❑ The large number of jurisdictions in Virginia with each having its own zoning powers – 95 counties, 39 cities and 194 incorporated towns – makes planning and coordination difficult
- ❑ VDOT's regulatory authority over entrances to state highways cannot be exercised at the zoning stage of development when proffers are negotiated
- ❑ Because transportation impacts and VDOT's recommendations to address them are but two criteria for determining whether or not to approve a rezoning, localities may ignore them
- ❑ Other challenges in land use planning include reconciling competing economic and political interests; dealing with unwillingness to give up control of land use decisions; and the fears of citizens who must live with the decisions
- ❑ 2006 legislation sets out impact analysis of planned development – VDOT has released report on traffic impacts of planned development in Loudoun County

Authority to Withdraw from State Secondary System

- ❑ Legislation approved by the 2001 General Assembly added Section 33.1-84.1 and sets forth the process by which a county could take over responsibility for its local roads, as follows:
 - County Board of Supervisors must pass resolution requesting to resume responsibility for secondary highways
 - VDOT Commissioner may then enter into an agreement with the respective county to take over *any portion* of the state secondary system
 - Could include planning, constructing, maintaining and operating such highways
 - Agreement would specify equipment, facilities, personnel and funding to implement the transfer
- ❑ To date, no county has taken advantage of the authority
- ❑ Pursuant to 2005 budget language, VDOT convened a stakeholder group to develop recommendations on how to best set up a process for county road takeover
- ❑ Authority without ability to raise revenues may not be sufficient impetus

Local Administration of Urban System Projects and Funding

- ❑ Two pieces of legislation enacted by the 2003 General Assembly provide urban localities the option of taking on additional authority over the urban construction program
- ❑ SB 852 (2003) allows urban funds to be expended by a locality for design, land acquisition and construction of projects
 - This provides a mechanism to increase local participation in project development and implementation
- ❑ SB 1222 (2003) authorizes urban localities to receive direct payment of urban allocations in equal quarterly amounts if they choose to take over responsibility for their construction program
 - Hampton, Richmond, Virginia Beach, Charlottesville already participate. Harrisonburg and Town of Bridgewater joined this year and Lynchburg has expressed intent to join the initiative in FY08
 - Budget language allows VDOT to waive 2% urban system match for these jurisdictions as a small incentive

Additions to Secondary System 98-06 (centerline miles)

Locality	Mileage	Percent of Total
Chesterfield	214.1	15%
Prince William	135.7	9%
Fairfax	122.9	8%
Loudoun	115.7	8%
Stafford	96.6	7%
Spotsylvania	94.7	6%
Hanover	58.2	4%
Suffolk	55.2	4%
James City	44.8	3%
Albemarle	36.9	3%
High Growth Subtotal	974.8	67%
Statewide Total	1,457.8	100%

Pros and Cons of Local Control

- Interest in taking over local roads driven by:
 - Better coordination of land use and transportation development decisions
 - Improved responsiveness, accessibility and accountability of road program administrators to the citizens of the locality
 - Increased flexibility to move funds between activities – such as maintenance and construction – as need arises
 - Greater local control over a program that often includes local funding
 - Allow VDOT to focus efforts of system of statewide significance

- Although no counties have taken over any portion of responsibility for local roads, interest has been expressed by a number of the larger urban counties
 - Evaluation of costs involved has discouraged use of this provision
 - Also local concern that public has higher expectations for locally provided services