

Transportation

The Governor's proposed 2004-06 appropriation for Transportation includes \$427.0 million GF and \$6,871.9 million NGF. Included in the recommended general fund appropriation is \$130.4 million in the first year and \$141.6 million in the second year representing one-third of the projected insurance license tax revenues, as provided for by the Virginia Transportation Act of 2000. Accompanying language stipulates that this appropriation is contingent upon passage of the Governor's tax proposal.

Also included in the proposed general fund appropriation for VDOT is \$37.4 million each year to continue general fund support for the debt service costs of the Federal Revenue Anticipation Notes (FRANs) issued to replace the \$317.0 million of transportation revenues transferred to the General Fund in FY 2003.

VDOT's proposed program-level appropriations reflect a significant restructuring of its operating programs. Included are new programs for bond construction and environmental monitoring, as well as fund shifts among programs to more accurately reflect the activities for which funding is used. There is no net change to the department's budget as a result of these changes.

HB/SB 30 proposes adjusting the appropriations for all the transportation agencies to more accurately reflect historic expenditure and revenue levels. In many cases appropriation levels have never been adjusted legislatively to reflect expenditures of these agencies, and spending authority has been provided administratively. These adjustments result in substantial increases in the appropriation levels for the Department of Aviation and the Department of Motor Vehicles in particular.

Finally, proposed language would authorize an increase in the Commonwealth Port Fund debt limit from \$250.0 million to \$265.0 million. Additional language would provide for debt service to support the issuance of \$60.0 million additional Port Fund bonds to complete Phase III of the Norfolk International Terminals South project, as well as the issuance of debt for purchase of additional straddle carriers and crane replacements.

- **Secretary of Transportation**
 - ***Clarify Maintenance as Funding Priority.*** Includes language enumerating the policy goals of the transportation secretariat. Also contains language stating that the highway share of the Transportation Trust Fund is to be used to supplement highway

maintenance and operating (HMOF) funds as necessary to support VDOT operational and maintenance activities, prior to distributions for construction projects. This language is intended to clarify §33.1-23.1 of the *Code of Virginia*.

- ***Establishment of Cash Reserve.*** Authorizes the Secretary of Transportation to establish a cash reserve in the Highway Maintenance and Operating Fund. The creation of such reserve is intended to address a recommendation made by the Auditor of Public Accounts.
- ***Federal Transportation Infrastructure Finance and Innovation Act (TIFIA).*** Authorizes the Commonwealth Transportation Board (CTB) to assist private entities in obtaining federal credit assistance through the federal TIFIA for projects to be developed under the Public Private Transportation Act of 1995. TIFIA offers loans, lines of credit, and loan guarantees to revenue generating projects. Potential projects which could receive credit assistance under this federal program include I81, I-495 High Occupancy Toll (HOT) Lanes and the Coalfield’s Expressway. The language clarifies that CTB participation in any such proposal does not implicate the credit of the Commonwealth.
- ***Expenditure of Congestion Mitigation and Air Quality Improvement (CMAQ) Funds.*** Includes language vesting in the CTB additional authority over the allocation of the Commonwealth’s apportionment of the federal CMAQ funds. Funding would be permitted only for projects for which funds can be obligated within 24 months and expended within 48 months. This language is intended to ensure that federal funds do not lapse.
- ***Use of Federal Bridge Funding.*** Provides that federal highway bridge replacement and rehabilitation funding be allocated to eligible projects across the Commonwealth and directs the CTB to consider the sufficiency and deficiency ratings of eligible bridges when making allocations. This language is intended to ensure that the Commonwealth utilizes all federal funding available to it, and is not penalized for utilizing bridge funding for other purposes.
- ***Transfer Funding for Two Positions from VDOT.*** Recommends an increase of 2.0 FTE positions, \$79,892 NGF in the first year, and \$87,154 NGF in the second year to provide administrative support to the Secretary’s office. The funds for these positions would be transferred from VDOT.

- **Department of Aviation**
 - ***Reflect Actual Expenditure Levels.*** Increases the appropriation for three programs at the Department of Aviation (Financial Assistance to Airports, Aircraft Maintenance and Operations and Air Transportation Planning) by \$4.2 million NGF each year to reflect historical expenditure and revenue levels. Prior legislatively established appropriation levels for these programs did not fully reflect revenues deposited to the Aviation Special Fund or the 2.4 percent share of the Transportation Trust Fund dedicated to aviation.
 - ***Transfer Commonwealth Transportation Funds to General Fund.*** The proposed budget includes language in Part 3 transferring funds from the Department of Aviation to the general fund. Language stipulates two different levels of transfers. Contingent upon passage of the Governor’s tax proposal, transfers would total \$3.2 million in the first year and \$2.1 million in the second year. If the tax package is not approved, the Governor recommends transfers of \$3.8 million each year. Under either scenario, the majority of reductions would come from financial assistance to airports.
 - ***Increase Funding for General Aviation Airport Security.*** Recommends \$750,000 NGF in each year to increase funding for the airport security improvements in accordance with Virginia’s General Aviation Airport Security Certification Program.
 - ***Small Aircraft Transportation System (SATS) Program.*** Recommends \$500,000 NGF in each year to continue the research and development of the Small Aircraft Transportation System, a program administered by NASA. This funding would be used in part to match a \$4.2 million federal grant for a national demonstration project in Danville.
 - ***Increase Funding for Facilities and Equipment Program.*** Recommends \$900,000 NGF each year to upgrade Automated Weather Observation Systems (AWOS-III) and install Instrument Landing Systems (ILS) at the Farmville, Tazewell, and Warrenton/Fauquier Airports.

- ***Require Secretarial Approval for Obligation of Unappropriated Revenues.*** Includes language that requires the Department of Aviation to obtain the approval of both the Secretaries of Transportation and Finance prior to obligating any unappropriated Aviation Special Fund revenues.
- **Department of Motor Vehicles**
 - ***Increase Appropriation for Motor Vehicle Special Funds.*** Increases the appropriation of Motor Vehicle Special Funds by \$8.8 million each year to more closely reflect actual expenditure and revenue levels. Prior legislatively established appropriation levels have not accurately reflected either DMV’s actual expenses or Special Fund revenues.
 - ***Reflect Federal Revenues.*** Recommends increasing funding for transportation safety by \$9.8 million NGF each year to more accurately reflect federal grants received for such activities.
 - ***Increase Appropriation for Uninsured Motorist Funds.*** Proposes increasing the appropriation for this fund by \$923,489 NGF each year to more accurately reflect expenditure levels for the uninsured motorist monitoring program. Changes made to the insurance monitoring and verification program have increased operating costs and resulted in substantial increases in revenue collected.
 - ***Establish Base Appropriation for Hauling Permits Program.*** Adjusts the agency’s appropriation by \$1.7 million NGF each year and provides 10 FTE positions to reflect the transfer of the oversize and overweight permit program from VDOT as authorized by the 2003 Session.
 - ***Legal Presence Funding.*** Proposes an appropriation increase by \$1.0 million NGF each year to support the costs associated with the “legal presence” legislation approved by the 2003 Session (Chapters 817 and 819). Funding would be used in large part for 26 FTE positions, of which 20 would be located in the customer service centers in Northern Virginia and Hampton Roads.
 - ***Transfer of Commonwealth Transportation Funds to General Fund.*** The proposed budget includes language in Part 3 transferring funds from the Department of Motor Vehicles to the general fund. Language stipulates two different levels of transfers. Contingent upon passage of the Governor’s tax proposal, transfers will total

\$6.6 million in the first year and \$3.3 million in the second year. If the tax package is not approved, the Governor recommends transfers of \$8.7 million each year.

- **Provide Line of Credit.** Language included in Part 3 authorizes the establishment of a \$5.0 million line of credit for the Department of Motor Vehicles to help address short-term cash-flow issues.

- **Department of Rail and Public Transportation**

- **Reflect Revised Revenue Forecast.** Increases mass transit operations funding by \$206,702 NGF in the first year and \$4.9 million NGF in the second year to reflect revised Transportation Trust Fund forecasts.
- **Reflect Federal Revenue Projections.** Increases federal funding for mass transit by \$14.0 million NGF in the first year and \$106.7 million NGF in the second year to reflect anticipated federal funding, as included in the Six Year Improvement Program. The substantial increase in the second year assumes the receipt of federal revenues for the Dulles Corridor Rapid Transit project.
- **Increase Appropriation for Transportation Efficiency Improvement Fund (TEIF) Program.** Recommends an increase of \$1.1 million NGF each year (from \$1.9 million NGF to \$3.0 million) to allow for expansion of the statewide transportation demand management programs. These funds would be transferred from the highway share of the Transportation Trust Fund.
- **Authorize Eight Additional Positions.** Recommends an increase of \$733,431 NGF in the first year, \$678,422 NGF in the second year, and 8.0 FTE positions for transportation demand management, rail programs, capital projects administration and planning activities at the department. All positions and funding would be transferred from the Virginia Department of Transportation.

- **Department of Transportation**

- **Restructure VDOT Budget Structure.** The proposed budget includes an extensive restructuring of VDOT’s budgetary programs in an attempt to align the VDOT budget (and associated positions) more closely with widely understood definitions of activities undertaken. The structure changes do not result in a net change to the department’s total funding, although substantial increases and

decreases occur in specific programs as funding is shifted. The majority of these funding shifts do not reflect increased (or decreased) expenditures for a particular activity. Instead, they are the result of moving activities (and the associated funding) under a different program heading. The major program changes include the creation of two new programs – one for environmental monitoring and evaluation, the second for highway bond programs. Previously, bond programs were included in the overall construction program. One large subprogram – construction management – also was shifted from the construction program to administration and support services to more accurately reflect the uses of construction management funding.

- ***Insurance Premium Revenues for Transportation.*** Recommends an increase of \$130.4 million GF the first year and \$141.6 million GF the second year, representing the deposit of one-third of the insurance premium tax revenues into the Priority Transportation Fund as provided for by the Virginia Transportation Act of 2000 (VTA). This deposit, required by the VTA beginning in FY 2003, was made in FY 2003 but not in FY 2004. Budget language makes the spending contingent upon passage of the Governor’s tax proposal.
- ***Debt Services Costs for FRANS.*** Recommends the deposit of \$37.4 million GF each year into the Priority Transportation Fund to fully meet the debt service requirements of the \$317.0 million of Federal Revenue Anticipation Notes (FRANS) issued to replace the VDOT share of the ½ cent general sales and use tax dedicated to transportation that was transferred to the General Fund in FY 2003. The General Assembly provided general fund dollars for the debt service for these FRANS in FY 2003 and FY 2004. FY 2005-06 appropriations includes an increase of \$9.0 million, reflecting revised debt service estimates.
- ***Reflect Revised Revenue Forecast.*** Decreases nongeneral fund appropriation by \$164.9 million in the first year and \$101.4 million in the second year to reflect revised federal and state revenue forecasts. The adjustment includes a nongeneral fund reduction in federal funds of \$206.3 million in FY 2005 and \$194.4 million in FY 2006, largely reflecting the special earmarked funding for the Woodrow Wilson Bridge that had been included in FY 2004. The adjustments also reflect projected increases in state transportation revenues included in the December 2003 revenue forecast.

- ***Fund Deferred Hurricane Isabel Costs.*** Transfers \$37.9 million NGF in FY 2005 from VDOT’s construction program to its maintenance program to fund maintenance activities deferred as a result of utilizing maintenance funding for expenses related to clean-up after Hurricane Isabel. Deferred expenditures include equipment purchases, guardrail upgrades and slope repairs as well as routine maintenance activities. Total direct VDOT costs of hurricane Isabel are estimated at \$70.0 million. The remaining amounts were financed with unforecasted revenues, anticipated FEMA grants, and reductions to VDOT’s administrative and operational activities, including maintenance.

- ***Prioritize Coalfield’s Expressway.*** Includes language directing VDOT to begin negotiating a fixed price contract for Section A of the Coalfields Expressway, and once such an agreement has been reached, to develop a financial plan for such project. It further expresses the General Assembly’s intent that sufficient funding will be provided to support the finance plan from all available transportation revenue sources.

- ***Authorize VDOT to Recover Costs of Providing Services to Other Entities.*** Includes language authorizing VDOT to recover the costs of providing services to other entities, public and private. Potentially impacted services include special event traffic control and subdivision and land development plat reviews.

- ***VDOT/Local Agreements for Enforcement of HOV Restrictions.*** Authorizes VDOT to enter into agreements with state and local law enforcement officials for the enforcement of high occupancy vehicle (HOV) restrictions on Virginia roadways. VDOT proposes funding the costs of HOV enforcement because law enforcement agencies have been unwilling to focus their efforts on this activity.

- ***Transfer Positions to Other Transportation Agencies.*** Authorizes the transfer of 18 FTE positions from VDOT to DMV and DRPT. Ten of these positions are to be transferred to DMV to support the overweight and oversize hauling permit function transferred to DMV from VDOT pursuant to legislation enacted by the 2003 Session. Funding associated with this activity has already been transferred between the agencies. The eight positions to be transferred to the Department of Rail and Public Transportation would be used to support a number of the agency’s activities. A corresponding transfer of \$733,431 NGF in the first year and

\$678,422 NGF in the second year would be transferred to fund the positions.

- **Motor Vehicle Dealer Board**

- **Reflect Actual Expenditure Levels.** Increases the appropriation for the Motor Dealer Vehicle Board by \$315,701 NGF each year to reflect historical expenditure and revenue levels. Prior legislatively-established appropriation levels for the board did not fully reflect revenues available.
- **Fund Database Conversion.** Recommends an increase of \$90,000 NGF each year to develop, convert and merge several independent databases to one large central database.

- **Virginia Port Authority**

- **Norfolk International Terminals South – Phase III.** Recommends increasing the Commonwealth Port Fund debt limit from \$250.0 million to \$265.0 million. The additional debt capacity would be used to support the issuance of \$60.0 million of additional Port Fund Bonds to complete Phase III of the Norfolk International Terminals South project. Authority for the project is contained in the port’s capital outlay section. Also provides an increase of \$2.7 million NGF in the first year and \$3.3 million NGF in the second year to support the debt service costs of these additional bonds.
- **Provide Debt Service for Straddle Carriers and Crane Replacements.** Increases the appropriation for debt service by \$2.0 million NGF in the first year and \$4.1 million NGF in the second year to support debt service costs for the purchase of additional straddle carriers and replacement cranes. Authority to purchase these items is included in the capital outlay section.
- **Adjust Appropriation to Reflect Actual Debt Service for Previously Approved Projects.** Includes technical adjustments totaling \$4.4 million NGF in the first year and \$4.8 million NGF in the second year to reflect actual special fund and Commonwealth Port Fund debt service payments on existing bonds and lease purchase agreements. This includes the provision of debt service for the purchase of 10 straddle carriers and the \$50.0 million of special fund revenue bonds authorized by the 2003 Session.

- **Reflect Revised Revenue Forecast.** Recommends increasing the funding for port operations by \$787,516 NGF in the first year and \$2.7 million NGF in the second year to reflect the revised revenue forecasts for the Commonwealth Port Fund and special funds.
- **Authorize Four Additional Positions.** Authorizes \$175,000 NGF in the first year and \$200,000 NGF in the second year to fund 4.0 additional FTE positions. Three positions would be for security officers and the fourth an additional marketing/research position. These positions would be supported from the port's special funds.
- **Increase Funding for Advertising.** Provides \$135,750 NGF in the second year for advertising related to the promotion of the 2007 Jamestown anniversary and the 2007 AAPA International Conference.
- **Increase Funding for Payments in Lieu of Taxes.** Provides an additional appropriation of \$100,000 NGF in the first year and \$150,000 NGF in the second year to provide payments in lieu of taxes to Warren County, where the VPA's inland port is located. Warren County recently passed legislation charging the ports for payments in lieu of taxes for the first time.
- **Allow Increased Funding to be Used for Entertainment Costs.** Includes language authorizing an increase from \$25,000 to \$37,500 NGF each year the cap on the amount of VPA funding that can be used for entertainment costs.