Innovative, Sustainable Funding Options for State DOTs

Issues for policy and practice
Today’s Panelists

Paul Morris
Deputy Secretary for Transit
North Carolina Department of Transportation

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Policy and Planning Manager
Vermont Agency of Transportation
The State Smart Transportation Initiative helps transportation leaders develop and implement simultaneously innovative and pragmatic solutions to support efficient, sustainable, and cost effective transportation infrastructure.

- As a community of practice
- As a source of direct technical assistance
- As a resource to the wider transportation community
We have been here before

A short history of business model crises.

- Canal funding crisis.
- Railroad funding crisis.
- Transit funding crisis.
- Highway funding crisis.
The current problem

• Reduced VMT.
The current problem

• Reduced VMT.
• Increased vehicle efficiency.
The current problem

• Reduced VMT.
• Increased vehicle efficiency.
• Insufficient indexing.
The current problem

- Reduced VMT.
- Increased vehicle efficiency.
- Insufficient indexing.
- Increased dependence on GPR.
The current problem

- Reduced VMT.
- Increased vehicle efficiency.
- Insufficient indexing.
- Increased dependence on GPR.
- Overdue bills for system preservation.
One response

Cut costs.

- Reassess VMT trend.
- Postpone or cancel unneeded projects.
- Consider “right-sizing” projects that proceed.
- Consider life-cycle costs.

Revenues and spending

Modal silos a choice, not necessity.

• Massachusetts: State budget.
• Maryland and Delaware: Multimodal transportation budget.
• Wisconsin: Semi-multimodal transportation budget.
• 30 states: Gas tax for highways only.
Revenue options

Some principles.

• User fees often, but not always, preferable.
• No single solution.
• Many relatively easy but marginal options.
• Fewer big-dollar options, and they are harder.
• Private capital does not replace revenue source.
Revenue options

Some directions.

• Mileage-based user fees, including pay-as-you-drive.
• Higher gas taxes, or carbon taxes.
• Tolling.
  o Demand-sensitive pricing.
  o Cordon pricing.
• Value capture.
  o TIF, special assessment, impact fee.
  o BID, SAD.
• Sales taxes.
• GPR.
Innovative, Sustainable Funding Options for State DOTs:

Exploring Revenue Options to Meet NC’s Mobility Needs

October 29, 2012

Paul F. Morris, FASLA
Deputy Secretary for Transit
NC Department of Transportation
Current Challenge

• Funding for today’s U.S. transportation systems faces serious challenges.

• North Carolina, like other states, is interested in exploring possible funding options.
  • Mobility needs exceed projected funding availability

• Sustainable transportation funding is essential to meet the growing and changing transportation needs to maintain the overall health of the state and grow the state’s economy.
NC’s Overarching Objective

To ensure that North Carolina has a financially viable, 21st century transportation system that:

• meets the mobility needs now and into the future
• unlocks economic opportunity and facilitates job creation, and
• improves the quality of life for North Carolinians
NC's 30-Year Needs & Funding Gap

- For a better system: $122 B
- $160 B for the best system

To maintain what we have: $94 B

Expected State & Federal Revenues = $54 Billion

All numbers in current dollars
NC’s Transportation System

- 79,000 miles of highway
- 6 inter-city passenger trains
- 2 trains operated by NCDOT
- 3,345-mile rail system
- 2 marine ports
- 2 inland port terminals
- 21 ferries on 7 ferry routes
- 72 publicly owned airports
- 300 privately owned airports
- 62 million passengers annually on public transit systems
- 3,000 miles of bicycle routes on statewide network
Current Situation in North Carolina

- Expressed interest in exploring revenue options
  - NC Board of Transportation
  - General Assembly
- In the process of gathering information
- Probable next steps
  - Provide information to policy-makers for dialogue
  - More detailed examination of viable options and tradeoffs
  - Possible action for modification of existing or new funding options
Setting the Stage for the Dialogue

SSTI’s “A Survey of State and Local Transportation Revenue Sources” serves as a good resource of revenue options

- Highlights strategies that are being used across the nation
- Provides detailed information
  - Revenue option descriptions
  - Relative revenue potential
  - Modal applicability
  - Specific state examples
A Philosophical Discussion

- Revenue potential (high, medium, low)
- Short term vs. long term revenue generation
- One vs. multiple modes
  - Generation of funds
  - Utilization of funds
- Public vs. private benefit (equity)
- Public vs. private funding or a blend
- Ease of implementation (legislation, policy, public opinion/support, etc.)
North Carolina Highlights

• Red Line Light Rail Project
  • Funding package – variety of funding strategies
  • Bonding, value capture and cost sharing by the state, area transit system and communities benefitting from the project

• Charlotte Gateway Intermodal Station
  • Derivation of public-private partnership and value capture

• Union Station in Raleigh
  • TIGER grant, city transportation bond referendum, NCDOT and Triangle Transit
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Vermont’s Transportation Funding Challenge

October 29, 2012
Joe Segale, P.E./PTP
Policy and Planning Manager
Vermont Agency of Transportation
Presentation

- Vermont Overview
- Current Transportation Revenue Sources
- Needs and Challenges
- Revenue Options
- Summary and Next Steps
VT’s Transportation System

- Highways & Bridges
  - 2,840 miles state system
  - 11,300 miles town systems
  - 2,700 long bridges
  - 1,300 Short Structures

- 50-plus Park and Rides
- Bike/Pedestrian Programs
- Public Transit Programs
- ~310 Miles State-owned Rail Lines
- 10 State-owned Airports
General Funding Sources

Figure 1: Vermont Transportation Funding Sources, SFY 13 (in $ millions)

- Federal-Irene, $84.5, 13%
- TIB Fund, $20.8, 3%
- Federal, $306, 46%
- Local/Other, $10.7, 2%
- TIB Bonds, $10, 1%
- Federal-ARRA, $6.3, 1%
- State, $201.4, 31%
- Internal Services, $18.6, 3%
Transportation Funding
Recent History

Figure 2: VTrans Budget, SFY07-13

$###.# = Total Budget in Millions
State Transportation Fund Revenue Sources

Figure 8: Vermont State Transportation Fund Sources Consensus Revenue Forecast, SFY 2013

- TIB Fund, $22.8, 9%
- Motor Vehicle Fees, $75.6, 30%
- Diesel Tax, $16.1, 6%
- Gasoline Tax, $61.6, 24%
- Purchase & Use, $58.3, 23%
- Other, $19.5, 8%
### Fuel Taxes

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Rate</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>VT Gasoline Tax</td>
<td>20 cpg</td>
<td>(US Average - 28 cpg)</td>
</tr>
<tr>
<td>Federal Gasoline Tax</td>
<td>18.4 cpg</td>
<td></td>
</tr>
<tr>
<td>VT TIB Gasoline</td>
<td>2%</td>
<td>on retail price of gas</td>
</tr>
<tr>
<td>VT Diesel Tax</td>
<td>26 cpg</td>
<td>(US Average - 28 cpg)</td>
</tr>
<tr>
<td>Federal Diesel Tax</td>
<td>24.4 cpg</td>
<td></td>
</tr>
<tr>
<td>VT TIB Diesel</td>
<td>3 cpg</td>
<td></td>
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</tbody>
</table>

### VT DMV Fees (partial list)

<table>
<thead>
<tr>
<th>Service</th>
<th>Rate</th>
<th>Additional Information</th>
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<tbody>
<tr>
<td>Vehicle Purchase &amp; Use Tax</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Annual Auto Registration - Gas</td>
<td>$65</td>
<td>US Average - $186¹</td>
</tr>
<tr>
<td>Annual Auto Registration - Diesel</td>
<td>$27</td>
<td></td>
</tr>
<tr>
<td>Electric Vehicle Annual Registration</td>
<td>$64</td>
<td></td>
</tr>
<tr>
<td>Heavy Trucks Annual Registration</td>
<td>$65 - $4,104</td>
<td>Varies by loaded weight</td>
</tr>
<tr>
<td>Operator License</td>
<td>$45</td>
<td>4 Years</td>
</tr>
<tr>
<td>Commercial Drivers License (CDL)</td>
<td>$75</td>
<td>4 years</td>
</tr>
</tbody>
</table>

1. Based on 2008 study
Needs

- Reconstruction of the Interstate
- Reconstruction state routes
- Bridge Surge
- Resiliency
- Local transportation
- Transit & Rail
- Bicycle and Pedestrian
Challenges

- Max State (W. Virginia): 2.5%
- Min State (Illinois): 0.1%
- National Average: 0.7%
- Vermont: 0.9%
- Average Rural States: 0.7%
Challenges

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Max State (Hawaii)</td>
<td>$ 904</td>
</tr>
<tr>
<td>Min State (Illinois)</td>
<td>$ 37</td>
</tr>
<tr>
<td>National Average</td>
<td>$ 277</td>
</tr>
<tr>
<td>Vermont</td>
<td>$ 347</td>
</tr>
<tr>
<td>Average Rural States</td>
<td>$ 320</td>
</tr>
</tbody>
</table>
• Estimated gap between funding revenue and needs: $200-$250 million per year

• Consequences of not closing this gap
  – Rougher roads, posted and/or closed bridges
  – Increased cost due to deferred maintenance
  – Reduced funding of bike, ped, transit, rail
  – Stagnant funding for local roads (more pressure on the property tax as construction costs increase)
Funding Options

• We can’t go it alone:
  – Increased federal funding is required; but
  – Still need to raise more state revenue

• Some Funding Options
  – Raise the gas and diesel tax
  – Index the gas and diesel tax to inflation
  – Shift to a Mileage Based User Fee
  – Increase registration fees
  – Vary fee by vehicle size and weight
  – Lease space to concessionaires at rest areas
  – Sell naming rights
  – Fair Share/Value Capture
  – Alternative Fuel Vehicle Fees
Evaluation Criteria

• **Revenue Stream Considerations**
  – Revenue Potential
  – Sustainability
  – Flexibility

• **Implementation and Administration Considerations**
  – Public Acceptance and Political Viability -
  – Appropriateness for State
  – Ease/Cost of Implementation, Administration and Enforcement

• **Economic Efficiency and Impact Considerations**
  – Promotion of Efficient Use and Investment -

• **Equity Considerations**
  – User and Beneficiary Equity
  – Equity Across Income Groups
  – Geographic Equity
Summary Next Steps

• Big Funding Gap versus Little State

• No silver bullet revenue options

• Five-year Time Frame
  – Adjustments to available revenue
  – Establish alt. fuel vehicle fees/leverage for future
  – Develop convincing argument for more revenue

• Longer-Term
  – Mileage Based User Fees (Good policy lever)
    • Can’t do it alone (see first bullet)
Thank you for attending the webinar!