



Funding Public Transit in Northern Virginia

--DRAFT--

January 18, 2005

NVTC's Message



- Public transit is vital to the quality of life of Northern Virginia's citizens and boosts the economy of the *entire* commonwealth.
- State statutes call for strong state funding support of public transit, but a lack of sufficient funds means the state has failed to meet its obligations.

NVTC's Message



- Local governments have been compelled to shoulder much of the commonwealth's responsibilities, but doing so unfairly strains property tax-funded local budgets and hurts this region compared to other parts of the commonwealth.
- Given accelerating transit needs confirmed in the commonwealth's VTRANS 2025 multi modal plan, the lack of state funds for transit has reached a crisis stage.
- Immediate action is needed to identify stable, reliable and sustainable dedicated funding sources to protect transit systems from collapse and to build up these systems to meet surging demand for environmentally friendly mobility.

Northern Virginia's Transit Systems



Northern Virginia Transportation Commission



Public Transit Ridership is Strong and Growing

- FY 2004 total average weekday passenger trips in Northern Virginia = 428,977
- FY 2004 annual ridership = 125,685,507
- Transit captures substantial mode shares in peak hours on Northern Virginia's major commuting corridors (e.g. over 60% on I-66 inside the beltway).
- In the following table, notice the diversity of transit providers and their solid growth.



Figure 9: Northern Virginia Average Weekday and Annual Public Transit Passenger Trips, FY 2003 - 2004

System	Average Weekday Passenger Trips, FY 2003	Average Weekday Passenger Trips, FY 2004	Annual Passenger Trips, FY 2003	Annual Passenger Trips, FY 2004
<u>Metrorail Virginia</u>	282,070	294,258	83,529,741	87,817,948
<u>Metrobus Virginia</u>	71,470	65,381	20,855,658	19,190,908
<u>Fairfax Connector</u>	27,765	28,590	7,595,138	7,990,825
<u>DASH</u>	10,235	10,864	2,986,631	3,131,284
<u>VRE</u>	13,231	14,529	3,179,957	3,645,434
<u>PRTC Omni Ride</u>	4,639	5,185	1,182,996	1,251,316
<u>PRTC Omni Link</u>	2,547	2,450	649,405	604,586
<u>CUE</u>	3,282	3,438	925,000	985,500
<u>Loudoun County Transit</u>	1,152	1,642	281,829	392,901
<u>ART</u>	976	2,640	397,001	674,806
Total	417,367	428,977	121,583,356	125,685,507

Benefits of Transit Use

- According to the American Public Transportation Association (APTA), each person switching to transit from a private automobile saves 76 pounds of harmful pollutants in a single year. For FY 2004, transit riders in Northern Virginia saved over 8,150 tons.
- APTA reports that each person using transit instead of driving to work saves 273 gallons of gasoline a year. For Northern Virginia total savings for FY 2004 are 59 million gallons.





Benefits of Transit Use

- The Texas Transportation Institute reports that traffic congestion would cost the Washington, DC metropolitan area over \$3 billion annually in lost time and wasted fuel, but previous investments in transit reduce this “congestion tax” by \$1.2 billion (as of 2002).
- For the period 1995-2010, analysis by KPMG Peat Marwick for NVTTC found that the Commonwealth of Virginia’s investments in Metrorail are spurring transit-friendly development, creating over 90,000 permanent professional jobs, yielding state tax revenues in excess of investments of \$1.2 billion and generating an astounding 19.2 percent annual rate of return.

How Public Transit Costs are Allocated and Funded

- Federal, state, regional and local governments and customers share the costs. Some private sector involvement (joint development, Dulles public-private partnership).
- Transit systems send bills to local governments as “funders of last resort” for their remaining net subsidies.
- Local governments are often forced to issue General Obligation Bonds funded by general revenues (property taxes), or to cut service and raise fares.



How Public Transit Costs Are Allocated and Funded



- As of FY 2004, statewide total costs of transit systems were funded using 30 percent system revenues (fares), 26 percent local funds, 24 percent federal funds, and 20 percent state funds.
- In Northern Virginia, the shares were 36 percent fares, 26 percent local/regional, only 14 percent federal and 24 percent state.

How Public Transit Costs Are Allocated and Funded

- In Northern Virginia, local bus systems are paid for primarily by local governments with some state aid typically through NVTC (or directly for Loudoun County and PRTC). No federal aid is used (except PRTC).
- VRE uses a combination of federal (39%), state (19%) and local (11%) subsidies and fare revenues (33%). VRE subsidy shares for participating jurisdictions for its \$56 million annual capital and operating budget are based on a formula of 90 percent ridership and 10 percent population by jurisdiction of residence.



How Public Transit Costs Are Allocated and Funded

- For its \$1.3 billion annual operating and capital budget as of FY 2005, WMATA is covering about 42% from system revenues, 45% from non-federal subsidies and the rest from federal funds.
- WMATA has many different formulas for allocating net subsidy requirements for Metrobus (regional vs. non-regional routes), Metrorail, Metro Access, Revenue Bond Debt Service, Infrastructure Renewal Program, System Access/Capacity program and System Expansion Program.
- Northern Virginia's share of these WMATA subsidies is about \$144 million in FY 2005.



The Commonwealth Should Be Providing More Transit Funding

- In Virginia, state transit assistance is provided from 14.7 percent of the Transportation Trust Fund (TTF), totaling about \$116 million annually as of FY 2005, plus limited discretionary grants using federal and other state funds totaling about \$24 million in FY 2005.
- State statutes specify a target of 95 percent of net transit operating and capital costs to come from the TTF.
- Actual state shares for FY 2005 from the TTF are 48 percent of net transit operating costs and 38 percent of net transit capital costs, versus the 95 percent target for both.



The Commonwealth Should Be Providing More Transit Funding

- As a result, actual state TTF assistance to NVTC (\$81 million expected in FY 2005) falls far short (\$100 million under funded in FY 2005; \$83 million in FY2004) of meeting the 95 percent target.
- Additional state-directed funding not from the TTF for NVTC transit systems includes \$9 million for Metrorail cars and \$6 million for VRE track leases in FY2005.





**FY 2005 ACTUAL AND SHORTFALL
STATE PUBLIC TRANSIT
EXPENDITURES FROM THE VIRGINIA
MASS TRANSIT FUND**

	--\$millions--	
	<u>Northern Virginia</u>	<u>Statewide</u>
CAPITAL		
Actual ₁	\$26	\$30
Shortfall ₂	\$39	\$51
OPERATING		
Actual ₃	\$61	\$84
Shortfall ₄	\$61	\$82
TOTAL		
Actual ₅	\$87	\$114
Shortfall ₆	\$100	\$133

Source:

CTB FY 2005-2010 Six-Year Transportation Program and DRPT Spreadsheets

1. Actual state matching ratio of 38 percent.
2. Target state matching ratio of 95 percent versus actual of 38 percent.
3. Actual state matching ratio of 48 percent.
4. Target state matching ratio of 95 percent versus actual of 48 percent.
5. Combined weighted state matching ratio of 46 percent.
6. Target state matching ratio of 95 percent versus actual of 46 percent.

Note: The commonwealth provides additional statewide capital (\$24 million) and operating (\$11.5 million) funding from state and federal sources outside the MTF.

The Commonwealth Should Be Providing More Transit Funding

- Given the state shortfalls, local and regional funds of NVTC jurisdictions and transit customers paid 73% of operating and capital costs not covered by federal transit subsidies as of FY 2004, with state TTF funds covering only 27.1 percent.
- In neighboring Maryland, virtually all of the transit costs not covered by fares and federal subsidies are paid by the state.



The Commonwealth Should Be Providing More Transit Funding

- For the eligible statewide transit operating costs and capital projects in FY 2005, the commonwealth would need an additional \$133 million of TTF funds to meet its 95 percent matching target.
- And the statewide funding shortfalls, serious as they are, show an incomplete picture since the transit projects included in the CTB's approved program fall far short of reflecting the realistic needs in each district.



Accelerating Transit Needs are Unfunded

- Total transit spending in Northern Virginia as of FY 2005 is about a half billion dollars for operations and capital needs combined.
- The statewide total is almost \$700 million.
- Projected annual totals to meet reasonable needs through FY 2025 are \$1.1 to \$1.5 billion in Northern Virginia each year and \$1.7 billion statewide.
- In other words, annual spending will have to at least double in Northern Virginia and statewide to keep pace.



NORTHERN VIRGINIA AND STATEWIDE CURRENT AND PROJECTED VIRGINIA PUBLIC TRANSIT NEEDS (AVERAGE ANNUAL FOR FY 2005-2010)



<i>-\$millions-</i>			
	<u>Northern Virginia</u>	<u>Statewide</u>	
TRANSIT NEEDS			
Capital			
Current ₁	\$152	\$217	
Projected ₂	\$459-\$911	\$747	
Operating			
Current ₁	\$347	\$470	
Projected ₂	\$633	\$925	
Total			
Current ₁	\$499	\$687	
Projected ₂	\$1,092-\$1,544	\$1,672	

Sources:

1. CTB Six-Year Transportation Program (FY 2005-2010) and DRPT Spreadsheets.
2. Rail, Public Transportation and TDM Six-Year Plan and Program, Cambridge Systematics, Inc for DRPT (March, 2004)--Scenario 2. (also MWCOG's Time to Act for the \$911 million NOVA capital needs estimate).

Accelerating Transit Needs are Unfunded

- In the midst of an overall funding crisis and the need to exercise a favorable option on up to 120 new Metrorail cars, in October 2004, Northern Virginia's local governments formally committed to provide to WMATA local funds for the *Metro Matters* campaign. Non-federal requirements are \$252 million through 2010 and \$259 million 2011-2025 for *Metro Matters* alone, over and above WMATA's other capital needs. Also, sharp increases in local operating expenses are forecast.



Accelerating Transit Needs are Unfunded

- WMATA's 10 year CIP requires \$12.2 billion, \$6 billion for expansion and \$6.2 billion for refurbishment and capacity.
- *Metro Matters* would cover only \$3.3 billion.



Accelerating Transit Needs Are Unfunded

- *Metro Matters* local funding agreements assume new federal funding of \$260 million in the next four years plus \$144 million for security needs, but Congress has not yet acted.
- While WMATA's local governments are compelled to act first, their federal and state funding partners must quickly meet *their* responsibilities.



Accelerating Transit Needs Are Unfunded

- Maryland's state government is absorbing Maryland's entire share of *Metro Matters*, while NVTC's local governments must bear the lion's share of Virginia's commitment.
- VRE's draft six-year financial plan also shows large and growing shortfalls for rail cars and operations, with a cumulative total shortfall of \$28 million by 2010.
- Virginia's ongoing VTRANS 2025 multimodal plan has ominous projections for the future of all transit systems.



Accelerating Transit Needs Are Unfunded

- VTRANS 2025's middle scenario with transit ridership growing at the same rate as VMT (which doubles transit ridership by 2025) including some transit facility modernization and a limited number of new routes (e.g. Dulles phases I & II) would yield unfunded annual transit capital needs in Virginia of approximately \$490 million and unfunded operating needs of \$344 million, on a total shortfall of \$834 million each year.



Accelerating Transit Needs Are Unfunded



- Even the enormous unfunded needs documented in VTrans 2025 do not tell the entire story.
- COG/TPB's February 2004 Time to Act gives project-specific transit needs estimates for Northern Virginia that far exceed both the CTB's six-year program and VTrans 2025.
- This source shows total capital needs of \$911 million annually with unfunded capital needs of \$438 million annually.

VTRANS 2025
Transit Needs 2005-2025
Scenario 2
(Maintain Market Share)



<u>Statewide</u>	<u>Average Annual</u> <small>(millions Year of Expenditure\$)</small>	<u>Total</u> <small>(millions of YOES)</small>
Operating Needs	925	19,432
Capital Needs	<u>747</u>	<u>15,596</u>
Total	1,672	35,128
Unfunded Operating Needs	344	7,234
Unfunded Capital Needs	<u>490</u>	<u>10,283</u>
Total	834	17,517

Sources:

- Rail, Public Transportation and TDM Needs Assessment, Cambridge Systematics, Inc. for DRPT (April, 2004).
- VTRANS 2025 Virginia's Statewide Multi-Modal Long Range Transportation Plan, Phase 3 and Final Report (November 17, 2004).

Note: "Transit" includes public transportation, intercity bus, intercity passenger and freight rail, and transportation demand management with public transportation comprising about 85 percent of total needs.

What Won't Get Done Without More Money

- Record ridership is straining public transit capacity. For example, by 2008, Metrorail's Orange Line will go from being highly congested to being unmanageably crowded (120+ people per car with 50+ standing).
- Each new Metrorail car costs up to \$3 million. Each VRE bi-level railcar costs up to \$2 million (VRE needs 50) and each new locomotive up to \$4 million (VRE needs 20).
- Each new full-size transit coach costs up to \$400,000 (Fairfax Connector needs 25) with hybrid-fueled buses even more.
- Other Northern Virginia top priorities that are currently not fully funded:
 - Alexandria Bus Garage : \$29 million
 - Expansion of Burke Center VRE parking garage : \$9 million
 - West Ox (Fairfax) Bus Garage : \$15 million
 - Loudoun County Bus Service Expansion : \$7 million
 - VRE Platform Extensions : \$20 million



A Bleak Picture

- Forecasts of unfunded needs vary considerably, but they all portray a very dismal future without new sources of revenue.
- While the state's existing program shortchanges Northern Virginia by \$100 million annually (and growing) in TTF funds, unfunded transit needs exist here of at least a half billion dollars annually just to maintain transit's current market share.



Local Governments Are Scrambling to Pick Up the State's Tab

- From FY 2001 through FY 2004 payments for transit in Northern Virginia using local funds have grown by 41 percent while state TTF aid grew by only 15 percent.
- According to the Virginia Department of Rail and Public Transportation's most recent estimate in FY 2000, Northern Virginia's per capita payments for transit using local funds are at least four times larger than any other locality in the commonwealth.



Local Governments Are Scrambling to Pick up the State's Tab

- To meet *Metro Matters* obligations, many of NVTC's governments are issuing general obligation bonds. Without a dedicated source of funding beyond NVTC's inadequate two percent motor fuel tax (yielding less than \$20 million annually for WMATA), general revenues (property taxes) must be used for debt service.
- The additional cost to Northern Virginia's jurisdictions for the final *Metro Matters* package is up to \$73.5 million more through 2025 than if such a dedicated source of funding offered the opportunity for a pay-as-you-go approach.



Possible New Regional Sources of Annual Funding for Northern Virginia Transit



- The Blue Ribbon Panel on Dedicated Metro Funding reported in January, 2005 that a major funding gap exists that should be filled by a combination of actions including: establishing dedicated regional funding using a sales tax, obtaining matching funds from the federal government and finding a non-transportation revenue source for the growing burden of Metro Access.
- For purposes of discussion, some combination of regional and state funding sources that would serve to relieve the unacceptable burden on local property taxpayers, might include:

Possible New Regional Sources of Annual Funding for Northern Virginia Transit

(Northern Virginia Yields)



- NVTC one percent gas tax increase = \$12 million
- One cent per gallon gas tax = \$5.5 million
- One half (0.5) cent regional sales tax = \$140 million
- One percent regional income tax = \$500 million
- Parking tax of \$1 per space per day = \$115 million
- Payroll tax of one percent per employee = \$324 million
- 75-cents per mile HOT lane fees for SOV's = \$100 million
- “Head Tax” of \$188 on 1.6 million residents = \$300 million
- Metrorail access fee of \$1 per square foot per year = \$97 million

Possible New Statewide Sources of Annual Funding for Northern Virginia Transit

(Yields to NVTC)

- 1-cent per gallon statewide gas tax to TTF = \$5.3 million
- 1 percent increase statewide vehicle titling tax all to TTF = \$16.5 million
- \$5 statewide vehicle registration fee increase all to TTF = \$3.7 million
- 0.5-cent statewide sales tax all to TTF = \$55.1 million
- Shift all insurance premium taxes to TTF = \$39.7 million
- Shift transit's share of the TTF to 29.7% from 14.7% = \$88.5 million



Conclusions



- Transit service provides vital benefits to the commonwealth, including: quality of life; mobility; job creation, access, and other economic benefits; clean air; fuel savings; and congestion relief.
- The unmet needs for transit funding are real and growing.
- The commonwealth is not meeting its obligations.
- NVTC's local governments cannot continue to meet transit needs alone without *new stable, reliable and sustainable dedicated funding sources*.
- The General Assembly should confront the crisis and act *now* to provide a lasting solution.

For Further Information

- Go to www.thinkoutsidethecar.org with a keyword search feature.
- *Northern Virginia Transit Resource Guide* (August, 2003);
- *NVTC Handbook* (2005);
- *The November, 2002 Transportation Funding Referendum in Northern Virginia: Issues and Recommendations Relating to Public Transit Funding in Northern Virginia – Where Do We Go From Here? Draft* (September 7, 2004)



APPENDIX

FY 2004 NVTC FUNDING SOURCES FOR WMATA, LOCAL BUSES AND VRE



**Fiscal Year 2004 Northern Virginia Transportation Commission
Funding Sources for NVTC Jurisdictions' Transit Systems, WMATA and VRE
(Dollars in millions)
(See accompanying notes)**

Jurisdiction	Local Funds	NVTC Aid		WMATA OPERATING AND CAPITAL			Total Funds	% Local Funds	% Regional Funds	% State Funds	% Fed Funds
		Regional Gas Tax	State Aid	Direct State Aid	Total State Aid	Federal Aid					
Alexandria	\$ 10.0	\$ 1.8	\$ 8.0	\$ 1.1	\$ 9.1	\$ 6.4	\$ 27.3	36.6%	6.6%	33.3%	23.4%
Arlington	17.6	2.1	14.5	2.1	16.6	11.5	47.8	36.8%	4.4%	34.7%	24.1%
City of Fairfax	(0.1)	0.7	0.4	-	0.4	0.2	1.2	-8.3%	58.3%	33.3%	16.7%
Fairfax County	24.9	12.3	25.5	3.3	28.8	19.6	85.6	29.1%	14.4%	33.6%	22.9%
Falls Church	0.1	0.7	0.5	0.1	0.6	0.4	1.8	5.6%	38.9%	33.3%	22.2%
Loudoun County	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Fare & Other Revenue	52.5	17.6	48.9	6.6	55.5	38.1	163.7	32.1%	10.8%	33.9%	23.3%
	\$ 119.7	-	-	-	-	-	119.7	100.0%	0.0%	0.0%	0.0%
	\$ 172.2	\$ 17.6	\$ 48.9	\$ 6.6	\$ 55.5	\$ 38.1	\$ 283.4	60.8%	6.2%	19.6%	13.4%

Jurisdiction	Local Funds	NVTC Aid		LOCAL TRANSIT OPERATING AND CAPITAL			Total Funds	% Local Funds	% Regional Funds	% State Funds	% Fed Funds
		Regional Gas Tax	State Aid	Direct State Aid	Total State Aid	Federal Aid					
Alexandria	\$ 3.7	\$ -	\$ 2.3	\$ -	\$ 2.3	\$ -	\$ 6.0	61.7%	0.0%	38.3%	0.0%
Arlington	3.5	-	2.3	0.4	2.7	2.0	8.2	42.7%	0.0%	32.9%	24.4%
City of Fairfax	1.5	-	0.9	0.3	1.2	-	2.7	55.6%	0.0%	44.4%	0.0%
Fairfax County	14.0	-	9.6	7.5	17.1	1.9	33.0	42.4%	0.0%	51.8%	5.8%
Falls Church	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Loudoun County	(3.2)	4.1	-	5.9	5.9	-	6.8	-47.1%	0.0%	86.8%	0.0%
Fare & Other Revenue	19.5	4.1	15.1	14.1	29.2	3.9	56.7	-34.4%	7.2%	51.5%	6.9%
	\$ 7.8	-	-	-	-	-	7.6	-100.0%	0.0%	0.0%	0.0%
	\$ 27.1	\$ 4.1	\$ 15.1	\$ 14.1	\$ 29.2	\$ 3.9	\$ 64.3	-42.1%	6.4%	45.4%	6.1%

Jurisdiction	Local Funds	NVTC Aid		VRE OPERATING AND CAPITAL			Total Funds	% Local Funds	% Regional Funds	% State Funds	% Fed Funds
		Regional Gas Tax	State Aid	Direct State Aid	Total State Aid	Federal Aid					
NVTC/PRTC Jurisdictions	\$ 6.4	\$ -	\$ -	\$ 11.7	\$ 11.7	\$ 12.9	\$ 31.0	20.6%	0.0%	37.7%	41.6%
	6.4	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Fare & Other Revenue	17.1	-	-	11.7	11.7	12.9	31.0	20.6%	0.0%	37.7%	41.6%
	\$ 23.5	\$ -	\$ -	\$ 11.7	\$ 11.7	\$ 12.9	\$ 48.1	-48.9%	0.0%	24.3%	26.8%

Jurisdiction	Local Funds	NVTC Aid		TOTAL OPERATING AND CAPITAL			Total Funds	% Local Funds	% Regional Funds	% State Funds	% Fed Funds
		Regional Gas Tax	State Aid	Direct State Aid	Total State Aid	Federal Aid					
Alexandria	\$ 13.7	\$ 1.8	\$ 10.3	\$ 1.1	\$ 11.4	\$ 6.4	\$ 33.3	41.1%	5.4%	34.2%	19.2%
Arlington	21.1	2.1	16.8	2.5	19.3	13.5	56.0	37.7%	3.8%	34.5%	24.1%
City of Fairfax	1.4	0.7	1.3	0.3	1.6	0.2	3.9	35.9%	17.9%	41.0%	5.1%
Fairfax County	38.9	12.3	35.1	10.8	45.9	21.5	118.6	32.8%	10.4%	38.7%	18.1%
Falls Church	0.1	0.7	0.5	0.1	0.6	0.4	1.8	5.6%	38.9%	33.3%	22.2%
Loudoun County	(3.2)	4.1	-	5.9	5.9	-	6.8	-47.1%	60.3%	86.8%	0.0%
NVTC/PRTC Jurisdictions	6.4	-	-	11.7	11.7	12.9	31.0	20.6%	0.0%	37.7%	0.0%
	78.4	21.7	64.0	32.4	96.4	54.9	251.4	31.2%	8.6%	38.3%	21.8%
Fare & Other Revenue	144.4	-	-	-	-	-	144.4	100.0%	0.0%	0.0%	0.0%
	\$ 222.8	\$ 21.7	\$ 64.0	\$ 32.4	\$ 96.4	\$ 54.9	\$ 395.8	56.3%	5.5%	24.4%	13.9%

Notes - Funding Sources for NVTC Jurisdictions' Transit Systems, WMATA and VRE

- **The purpose of the schedule is to show how the operating and capital needs of the local transit systems, Virginia's share of WMATA, and the VRE are funded.**
- State operating and capital assistance is allocated among the jurisdictions using NVTC's SAM factors in place for each fiscal year.
- State operating assistance is the actual amount contracted and recognized during a fiscal year.
- State operating assistance is allocated between WMATA and local systems using the percentage of WMATA operating subsidies and local system deficits to the total operating requirements.
- State capital assistance for WMATA is the actual amount invoiced and collected during the fiscal year. State capital assistance for local needs is the amount contracted for the fiscal year.
- Regional gas tax is the Motor Vehicle Fuels Sales tax collected during the fiscal year. For all jurisdictions except Loudoun County, the revenue is allocated using the gas tax percentages from NVTC's SAM in place for the fiscal year. For Loudoun County the actual revenue collected based upon the point of sale is recognized.
- The regional gas tax for Loudoun County is shown as a source of funds for their local systems, however the revenue may be used for any transportation purposes. For the other jurisdictions, regional gas tax may be used only for WMATA subsidies.
- Direct state aid is assistance that was not allocated by NVTC's SAM formula and that was not received by NVTC, but rather directly by the jurisdictions, WMATA and VRE. VTA funds received by WMATA are recognized as they are authorized for draw down by the jurisdictions. Direct state assistance for the local transit systems is the amount contracted or budgeted for the fiscal year.
- Federal aid is assistance received directly by the jurisdictions, WMATA and VRE, and includes federal funds administered by the state.
- WMATA capital and operating expenses are the subsidies actually billed during the fiscal year, plus the jurisdictions' respective share of federal assistance budgeted by WMATA. Local system deficits are based upon the fiscal year budgeted activities.
- Funding sources and the capital and operating expenses of VRE are those reported in the audited financials statements of VRE.