



**Crossover: Flow of Funds between  
Construction and Maintenance Programs**

**September 22, 2011**

**Jose Gomez, P.E., Ph.D.  
Director, Virginia Center for Transportation  
Innovation and Research**

## Overview of Presentation

- **Definition and History of Crossover**
- **Why Crossover is Necessary**
- **How Crossover Affects Virginia's Transportation Future**
- **Benefits of Stopping Crossover**
- **Options for Eliminating Crossover**

# Definition and History of Crossover

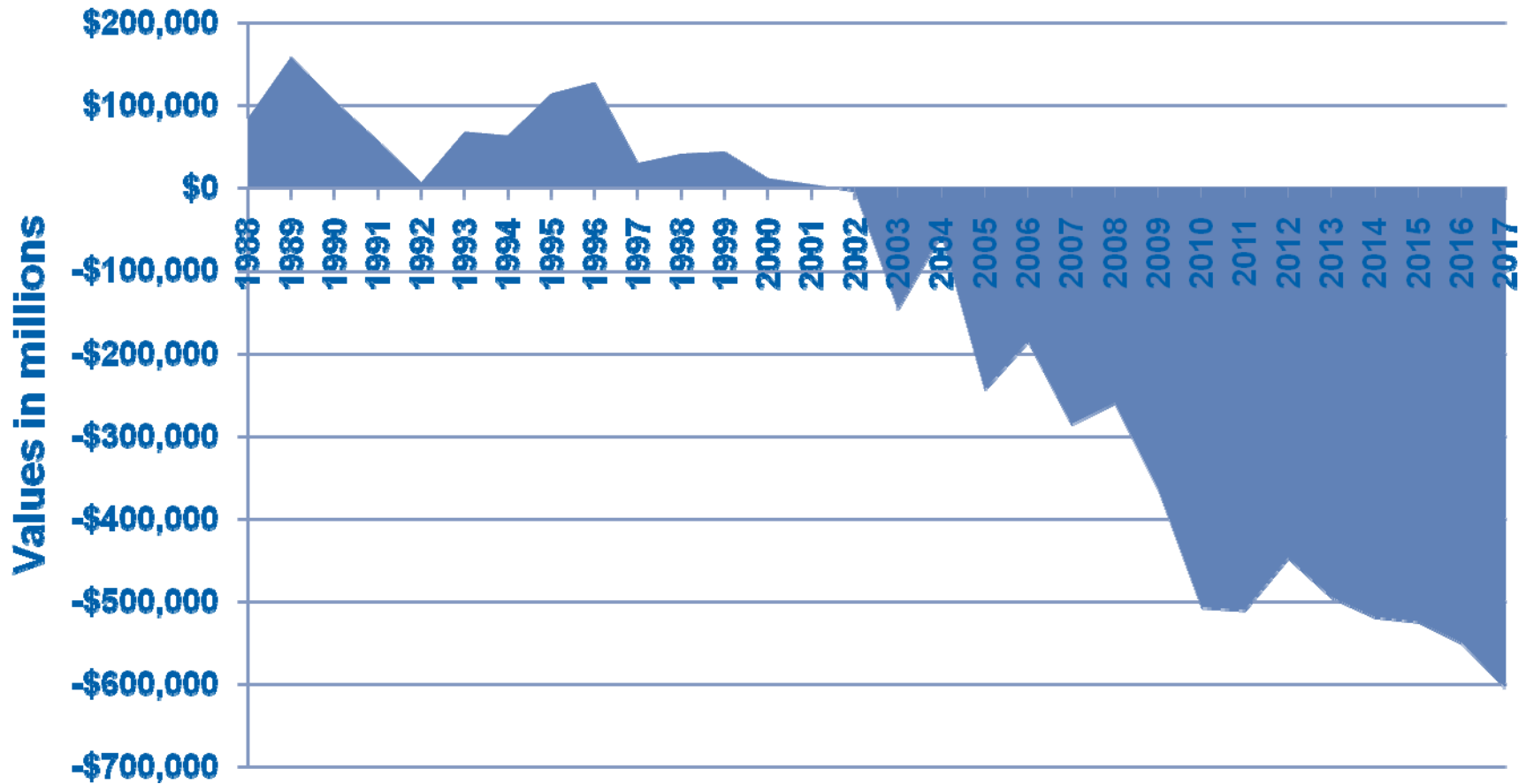
## Definition and History of Crossover

- **“Crossover” is defined as the point at which the HMOF is no longer sufficient to sustain maintenance and administrative activities at current levels.**
- **If there is a deficit of funds in the HMOF, funds from the TTF are directed to the HMOF by the CTB.**

## Definition and History of Crossover

- **Between 1986 and 2002 excess or surplus revenues from the Highway Maintenance Operations Fund (HMOF) flowed into the construction share of the Transportation Trust Fund (TTF).**
- **In FY2002, the CTB approved the first transfer of \$3.6 million from the highway construction fund of the TTF to the HMOF to cover program costs; this practice is referred to as crossover**
- **From FY2008 – FY2012, crossover transfers have averaged \$418 million annually.**
- **Since FY2002, \$3.02 billion have been transferred to the HMOF.**

# Figure 1. History of Crossover



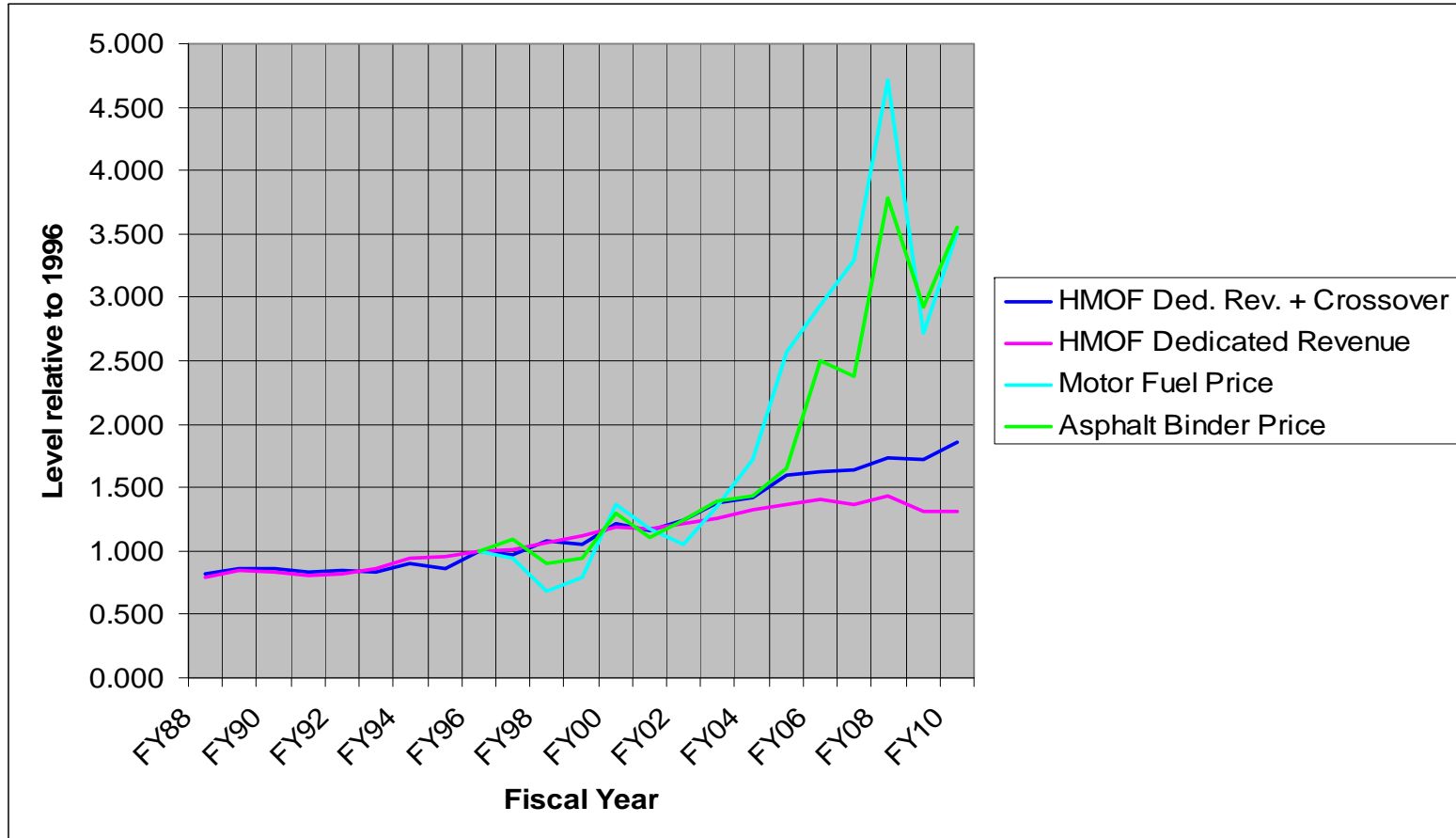
# Why Crossover is Necessary

## Why Crossover is Necessary

- There has been a heavy dependence of HMOF dedicated revenues on per gallon motor fuels excise taxes and other revenues that have not kept pace with increases in the prices of key resources such as asphalt and motor fuel necessary to deliver maintenance (see Figures 2 and 3).
- Virginia's highway system is aging and requires increasing maintenance resources to maintain.



## Figure 2. HMOF Comparison to Key Resources

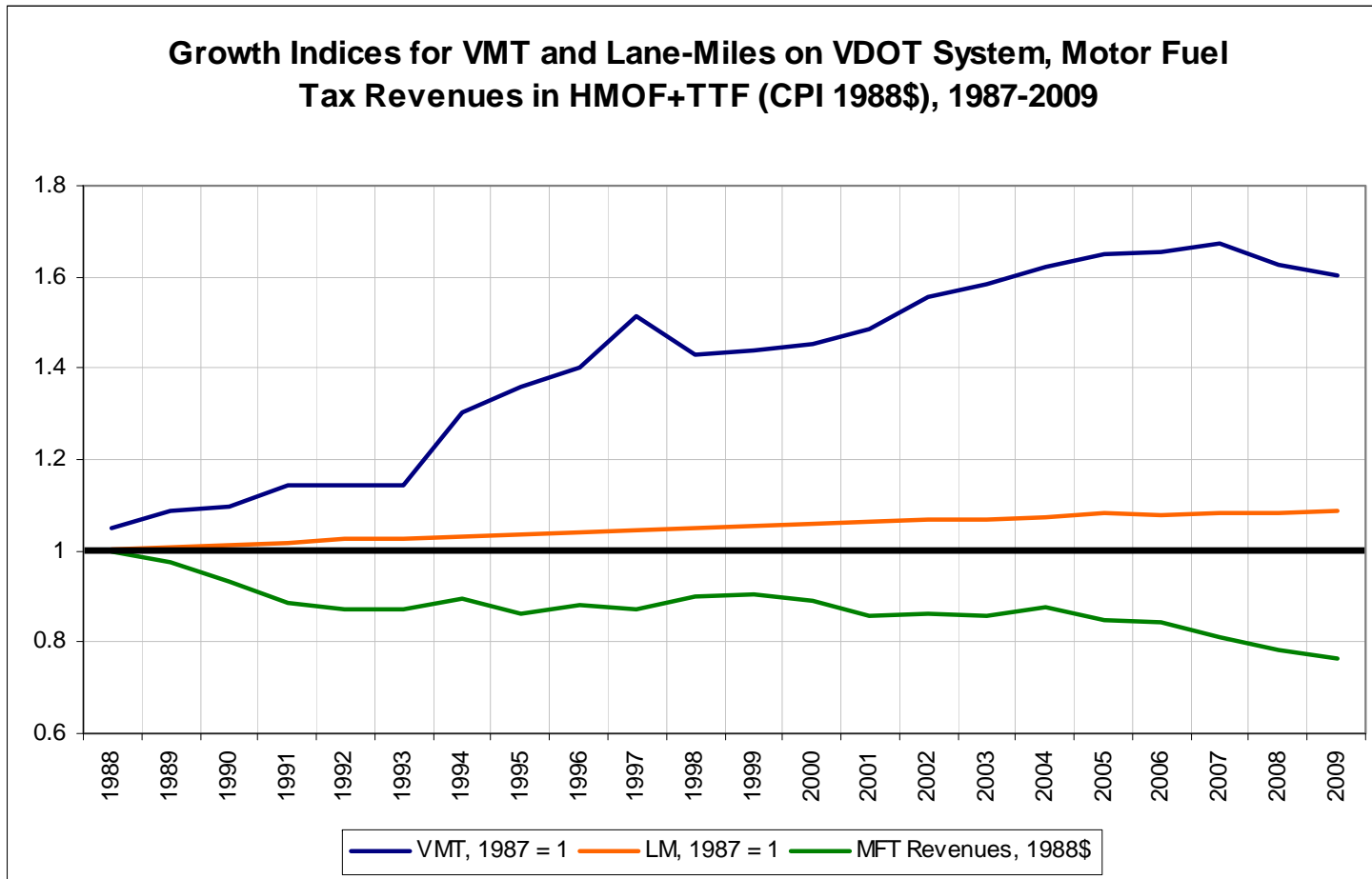


## Why Crossover is Necessary

### Metrics of the age of the State System:

- 1116 lane miles of interstate highways are in poor condition
- 5,032 lane miles of primary highways are in poor condition
- 27,166 lane miles of secondary roads are in poor condition (34% of the secondary system)
- 1730 bridges are structurally deficient
- Approximately 4600 structures are in danger of becoming structurally deficient in the next five years
- An additional 2500 lane miles of roadway added to the system to maintain, along with an increase of 1.8 billion annual vehicle miles traveled (VMT) which causes more wear and tear on the system and increases the cost of traffic control for maintenance activities (see Figure 3)

## Figure 3. Growth Indices



# How Does Crossover Affect Virginia's Transportation Future

## How Does Crossover Affect Virginia's Transportation Future

- **Although Virginia has key transportation elements in place, continuing transfers from construction to HMOF is a real and dangerous threat:**
  - In FY2011, state fund crossover transfers to HMOF (\$511 million) equaled approximately 83% of total dedicated 1986 Special Session revenues for highway construction
  - Crossover transfers are from state revenues since most maintenance work does not qualify for federal funding
  - Crossover has rendered Virginia's construction program primarily a Federal Aid and bond financed program
- **Crossover transfers from construction will continue to increase and requirements for the HMOF will necessitate that increasing amounts of federal funds be transferred as well (see Figure 2)**
  - The combined state crossover and Federal transfer is estimated to be almost \$900 million by 2017

# How Does Crossover Affect Virginia's Transportation Future

- **Crossover is indicative of a two-sided problem:**
  - The lack of necessary revenue to maintain the existing state highway system and city and local streets
  - “Robbing Peter to pay Paul” that results in decreased funding for investment in system capacity, safety improvements, congestion reduction and major reconstruction of bridges and aging pavements
- **This two-sided problem boils down to whether or not Virginia will build on the positive elements in its transportation future to maintain and provide the transportation infrastructure that is vital to continue to be a strong attractor of businesses and jobs for the near and long-term future**
- **Even with substantial transfers from construction to HMOF, data on asset condition reveal that a large number of bridges are in danger of becoming structurally deficient and secondary system pavements are deteriorating at an extremely high rate**

## Benefits of Stopping Crossover

## Benefits of Stopping Crossover

If \$500 million/year (average of crossover in FY2011 and 2012) were available to invest in the Construction Program:

- Produces \$3 Billion over the six years of the Construction Program; in addition to the \$3 Billion generated by the Governor's transportation funding package approved by the 2011 General Assembly
- 15,000 jobs will be created and sustained, \$1.25 billion in economic activity will be generated, and \$36 million in additional state taxes and fees will be added to state coffers annually



# Options for Eliminating Crossover

## Options for Eliminating Crossover

The Secretary is working with the Governor on developing options for eliminating crossover. This strategy session presents an opportunity for the CTB to provide options to the Governor.

Some of the criteria for developing these options are:

- **Current outlook projects crossover of state construction funds in 2017 at \$600 million**
  - **Option or package of options selected should provide at least this amount with projected growth**
- **Options selected should be reliable, sustainable and address long-term funding needs**
- **Options selected should either provide additional revenue or reduce programmatic needs of the HMOF or a combination of the two**
- **Options selected should focus on revenue enhancements and cost reductions through policy changes**

# Options for Eliminating Crossover

## Policy Changes

Policy changes, many of which would require legislation, could reduce the funding needs of the HMOF, thus reducing crossover. This strategy session is an opportunity for the CTB to discuss and recommend policy changes.

The presentations to follow will focus on three areas for policy change considerations:

- **Maintenance and Operations; Possible policy changes include:**
  - Phase out support from transportation funds for other state agencies – up to \$47 million
  - Eliminate the practice of taking subdivision roads into the secondary system - \$1 million per year cumulatively (\$1 million year one, \$2 million year two, etc.)

## Options for Eliminating Crossover

- **City Street Payments:** a potential policy change is to revise city street maintenance payments and secondary road payments to Arlington and Henrico Counties to be consistent with VDOT maintenance expenditures - \$75 million
- **Devolution;** Devolve secondary roads to counties and give counties taxing authority to cover the costs of taking over all secondary roads