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JLARC Report on Transportation Infrastructure and Funding

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December 2021



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Background on JLARC Review

- **In 2020 the Joint Legislative Audit and Review Commission directed staff to review—**
 - **Infrastructure condition**
 - **Funding sources**
 - **Challenges facing transportation system**
 - **Trends affecting transportation**
 - **State's preparedness to adapt to changes in transportation needs**

Background on JLARC Review

JLARC undertook a multi-pronged approach to the review, including—

- **Interviews and surveys**
 - State, regional, and local transportation organizations; CTB members; subject-matter experts
- **Data analysis**
 - Distribution of funds; historical and projected transportation revenues; conditions of road and transit infrastructure
- **Document review**
 - Tax structure in Virginia and other states; Virginia laws and transportation plans, policies and procedures

Key Findings of JLARC Review

- **Recent legislative changes increased revenues to address near- and long-term funding concerns**
- **State infrastructure condition has been improving, but bridges are aging and locally maintained roads need further improvement**
- **Transportation needs are identified through a data driven process that engages key stakeholders, but a few regional corridors in rural areas may be not be adequately included**

Key Findings of JLARC Review

- **SMART SCALE, Virginia's main program for funding system improvements, is appropriately based on objective benefit and cost data**
- **Longer wait period for revenue sharing program, due to COVID response, will no longer be necessary if revenue forecast improves as expected**
- **Virginia transit assets are generally in serviceable condition, but systems face potential capital and operating funding shortfalls**

Transportation Revenue

- Fuel tax changes likely to offset any revenue lost from declining fuel consumption over next decade
- Highway use fee and mileage-based user fee supplement revenues in the near term and, over the long term, could potentially offset declining fuel tax revenues
 - Highway use fee generated \$43M in FY21 but could generate up to \$700M by 2040
- General Assembly may want to consider—
 - Adding privacy provisions related to the mileage-based user fee
 - Establish a ‘regional’ highway use fee for the regional fuel taxes
 - Applying the highway use fee to (i) electric vehicles over 10,000 lbs and (ii) fuel efficient vehicles between 10,000 and 26,000 lbs

Road Condition and Maintenance Funding

- Virginia ranks 13th among states for pavement condition and 17th for bridge condition
- VDOT maintenance funding appears sufficient to improve condition and meet performance targets
- Local road and bridges are not in as good condition as the VDOT system
- General Assembly may want to consider—
 - Modify the State of Good Repair program to implement the investment strategy identified by VDOT in the comprehensive review
 - Change how maintenance program funds are distributed to cities and towns by eliminating current city street maintenance payment formula and directing CTB to develop a new one based on different drivers of maintenance costs like use, age, etc

Planning for Improvements

- **State effectively evaluates long-term trends and prepares as needed to adapt for the future**
- **Virginia's process to identify needs is well designed but could be extended in rural areas**
 - **There may be some congestion and reliability needs not capture on certain corridors in rural areas**
- **State has been studying many needs and is revising study selection process to target highest priorities**
- **State monitors system performance to support planning and investment decisions**

Improvement Funding

- **SMART SCALE is an objective and apolitical process, and funding outcomes generally appear fair**
 - Funding outcomes generally appear equitable across regions and project types, despite local concerns
 - Board should change policy to require locals to prioritize applications
 - Board may want to consider a pilot to also consider a monetized cost-benefit analysis for larger projects
- **Revenue Sharing changes in response to pandemic appear to have been reasonable and necessary but some changes could be reversed**
 - General Assembly should consider accelerating funds to FY23-FY24 if revenue forecast increases in December

Transit Condition and Funding

- **State transit agency assets generally reported to be in better condition than U.S. transit assets**
- **State capital assistance may not be enough to meet needs**
 - **Federal infrastructure bill may address these needs**
 - **CTB should direct \$39.8M from FY21 CTF surplus to transit capital**
- **Transit agencies have sufficient operating funds in the near-term but their long-term sustainability is uncertain**
 - **Lost fare revenues could lead to service reductions when federal relief funds are used if ridership has not recovered**
 - **DRPT should monitor ridership recovery and consider options for changing MERIT operating funding formula**

Moving Forward

- **Secretary has directed VDOT to undertake a holistic review of State of Good Repair and maintenance program to evaluate mechanisms to allow for the bridge investment strategy to be implemented**
- **Secretary has directed VDOT to review local maintenance program**
 - **First, work with localities that maintain their own roads to evaluate roadway conditions and establish a baseline condition assessment of all roads**
 - **Second, evaluate formula used to distribute city street payments and determine if modifications are appropriate**

Moving Forward

- **Secretary has directed DRPT to conduct the 3-year review of the MERIT operating assistance program, as required by the Code to evaluate whether any modifications are necessary due to pandemic related changes and to promote access to low-income areas**
- **Secretary has directed DRPT to review the MERIT capital assistance program to determine whether any modifications are necessary to help fund minor enhancements**