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August 23, 2005

The Honorable John H. Chichester
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Dear John:

Several months ago, I offered my congratulations on the formation of the Statewide Transportation Analysis and Recommendation Task Force (START). Today, I offer my congratulations again, this time for the well-deserved recognition last week as the Outstanding Legislator in the Nation by the National Conference of State Legislators (NCSL).

START is an impressive panel of legislators and leading Virginians from the private sector, and I look forward to following its progress as it begins its work in September. Your mission is timely. You asked if I would forward any suggestions that the Task Force might consider during the course of its deliberations this fall.

Virginia's transportation challenges have been much on my mind in recent years, and as you know I've spoken about them several times in recent months. I have found Virginians very receptive and concerned about the challenge, but I have also found a wide diversity of strong opinion on the potential solutions. To date, most of my effort has been focused on describing the problem and seeking to create a sense of urgency.

The signs and symptoms of stress are well known to you, I'm sure, and START is bound to focus on them in great detail.

Growing congestion on our highways and the lack of viable alternatives reduce the quality of life and threaten the economic vitality of our fast-growing urban crescent. Many rural areas of the state face the exact opposite problem -- a road system dating back to the 1950s, even earlier, that deters economic opportunity.

The recent VTRANS 2025 report found a gap of \$108 billion between Virginia's anticipated transportation revenue for the next 20 years, and the cost of the various multi-modal



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projects it considered necessary. "Necessary" like "beautiful" is a subjective term, but on the list are many projects that are clearly necessary now or in the near future. Even if the VTRANS "gap" were questioned and cut in half, the amount is still staggering, and the longer we wait to fill the "gap," the more expensive it will become for the citizenry at large.

Virginia's strong population and employment growth have fueled an explosion in highway usage and growing demand for every other mode of transportation. At the same time, the revenue sources that pay for our transportation system are stagnant. For example, as I understand it, while last year's General Fund revenue ran approximately 15 percent ahead of projections -- thanks to that economic vitality -- the revenue for the Commonwealth Transportation Fund grew no more than three percent.

Maintenance costs continue to grow far faster than transportation revenues, and there is a \$3 billion backlog of projects just for highway maintenance. That gap is for real. The Warner administration wisely has increased attention to maintenance, but the result is fewer dollars available for highway construction, congestion mitigation and new mass transit alternatives.

Resistance to any form of tax increase remains strong, and the rising gas prices only increase that resistance. The temptation to use General Funds is powerful, but transportation projects should be capital budget items because of the years required to design and build most major roads and bridges, and the necessity for sustained sources of revenues. Furthermore, the General Fund is required for the general operational costs of government, such as K-12 education, higher education, health care costs and mental health needs, public safety, environmental protection, the arts and culture. Then, there are local government needs, as well as the state funds required to address the car tax cut, and the food tax cut, not to mention the many other current political promises, apparently all to be redeemed out of the General Fund.

The bottom line is that transportation needs must be able to depend upon dedicated revenue sources -- sources that the public can be confident will be spent purely on transportation.

Even painting with broad strokes, the canvas is compelling, the needs are overwhelming, the costs are enormous. So are the consequences of delay and denial.

When I speak about these problems I am usually pushed to provide my opinion on proposed solutions. I have provided some thoughts on that, but not in great detail.



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Based on some private research and reflection over the past six months or so, I would now like to make two specific suggestions that I hope that START will consider. Neither would be easy or without controversy; both promise to be effective and quick.

I.

When you dig into the statistics on vehicle miles traveled in Virginia, one fact jumps out. The vast majority of the growth is on the interstate highway system. Virginia's interstates are the backbone of our highway network and the major arteries of interstate commerce and personal travel on the Eastern Seaboard. With Virginia at the center of the Eastern Seaboard and transected both by I-81 and I-95, and with I-64 the major corridor to the west from the Ports of Hampton Roads, this is not surprising.

Many of the most expensive repair and expansion projects that we face are also on the interstate system. Think, for example, of I-81, I-95, I-66 and the major water crossings in Hampton Roads or Northern Virginia. The other major problems are focused on roads that carry traffic loads comparable to our interstates, such as sections of U.S. 17, U.S. 29 and U.S. 58 corridors -- problems that would be alleviated if sections of those roads were upgraded to meet interstate or expressway standards.

There is another important fact about our interstates. They carry the highest proportion of through traffic, trips starting or ending -- or both -- in other states.

One efficient way to focus the cost of improving the interstates on the user of the interstates is with a statewide network of interstate tolls, and here is one way to accomplish that objective: Thirty-eight (38) toll locations on Virginia's extensive interstate system at \$0.85 per toll would provide the Commonwealth with a billion dollars a year of new money. (Open road technology has advanced to the point that toll booths would not be required.)

A billion dollars of new money annually, sustained over 12 to 15 years, for example, would give Virginia sufficient resources to address a long list of significant projects. There would be no concerns that we couldn't match all available federal funds. (The sum would be roughly equivalent to an additional ten cents on the gas tax, plus a half-cent on the sales tax.)

What are some of the major high-cost projects that have been languishing for years because of the lack of resources? We know them all too well.



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In Northern Virginia, the list of projects is endless -- widening I-66, adding HOT lanes to I-95, I-395 and I-495 come to mind.

In Hampton Roads there are the Third Crossing, the MLK/Midtown Tunnel and upgrading Rt. 460 to I-95, for example.

In Southside, completing U.S. 58 to I-81 and I-77, upgrading Rt. 29 from Danville to I-66, and beginning the preliminary work on I-73 would help revitalize the region and improve public safety.

In Southwest Virginia, in addition to completing Rt. 58, starting the Coalfields Expressway and the 460 Connector would move projects that have been on the boards for decades.

In the Shenandoah Valley, improving I-81, one of the most dangerous roads anywhere, could begin.

In Central Virginia, upgrading Rt. 29 North and South, and widening I-64 from Richmond to Newport News would meet increasing needs of a fast-growing region.

Then, there is the challenge of how to address rail service in Virginia -- high speed rail from Washington to Richmond and beyond (Hampton Roads and Raleigh) as well as rail service from Bristol to Washington and Richmond. The costs are significant, and the needs must not continue to be deferred for decades.

These projects -- and many others, including the \$3 billion backlog in highway maintenance projects -- have been discussed for years and political support has been freely promised, but the money has not been forthcoming.

A billion dollars a year of new money, if leveraged to support revenue bonds could be "locked up" in the requisite financial instruments, so that the revenues could not be diverted to other purposes. That should provide a measure of public comfort that many of these projects could be undertaken, and perhaps completed, within a dozen years or so, depending upon the priorities selected.

In thinking about the structure of such a concept, it might appear that there are as many questions as answers, but in my judgment, the obvious questions that require research are toll site



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locations and toll amounts that would produce a billion dollars a year of new money for transportation. As a first step I have provided a list of 38 toll locations, starting, of course, with every interstate highway border crossing. Based on the most recent traffic counts, to reach \$1 billion annually the toll would have to be \$0.85.

I have attached a memorandum (Exhibit A) that shows traffic flows on Virginia interstates, potential toll site locations and projected revenues for regions as well as specific site locations. Under these projections, such a toll system would generate \$1,061,055,000 each year.

There are several advantages to using tolls:

- (1) They are indisputably a user fee, and many in the legislature apparently believe that the people would prefer user fees over tax increases. (I'm not completely certain of that).
- (2) Out of state travelers pay their fair share.
- (3) They can and should be tied to revenue bonds, which allows the projects to move forward promptly in anticipation of the revenue and eliminates any concerns that the funds would be diverted to other programs.
- (4) Open road tolling technology eliminates the "stop and go" toll booths of the past.
- (5) This proposal would be statewide and would give no advantage or disadvantage to any of the areas dependent on the interstate system.

Let me make several other points: The interstate toll of 85 cents could be an average. That would not preclude different toll rates on cars and trucks, or higher tolls at border crossings and lower tolls on commuter routes. Nor would it preclude ideas such as congestion pricing and privately operated HOT lanes that seek to control demand for road space at peak times. If the tolls were collected electronically, many things become possible, including price breaks for the heaviest users like the discount tickets we once used on I-95 (formerly the Richmond-Petersburg Turnpike) in Richmond. Overall, tolls might be lower if another source were found to provide part of the \$1 billion annual revenue needed to pay for the list of projects.

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You might anticipate the question: How long would the interstate tolls be imposed? That is a public policy question for the legislature, but the answer should be “until the bills have been paid.” The “size of the bill,” of course, would be contingent upon the list and costs of the projects selected.

Whether the interstate toll system would be operated by the Commonwealth or through the Virginia Public Private Transportation Act (PPTA) would be a decision for the Commonwealth and, perhaps, even the federal government. The indisputable fact is that transportation projects cost money, and that money is raised either through taxes or tolls or both, even if some people don’t want to acknowledge that fundamental fact of life. (The other option, of course, is to do nothing -- or take small incremental steps -- and permit the traffic challenges to overwhelm us in the near future.)

I’m sure this proposal will be picked to pieces and, if it survives, may be barely recognizable at the end, but I offer it as a way to start discussion. We would need to use our congressional delegation’s proven clout to get the needed federal approvals. Virginia may be pilloried nationwide for such a proposal or hailed as innovators and promptly imitated. I think the latter is more likely, especially among the nearby states sharing the same interstate routes.

And -- this must be kept at the forefront -- the projects that we need to move the traffic today and the traffic to come would be built in a timely fashion. This proposal needs to be tied to a balanced and reasonable list of projects that will clearly improve Virginia’s quality of life and competitive position.

There is one other thing: Access management, transportation impact statements* and strict compliance with environmental requirements, especially storm drainage run-off and “no loss” wetlands and preservation of historic resources, should be “locked in” into our surface transportation programs. Furthermore, Virginia’s financial commitment to rail service in our urban corridors and across the Commonwealth must be given much higher priority and greater infusions of money.

* I’m persuaded that the time has come to recognize, as a matter of state policy, that local land use decisions should no longer be the significant determining factor in state transportation financing decisions. Better coordination of local-state efforts could be achieved through the development of a transportation impact statement for major development projects and roads.

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II.

My second proposal is focused on our seaports and airports. All of Virginia benefits from the seaports in the Hampton Roads region. Our coal exports depend on them. They have spawned a growing network of retail distributors. Our manufacturers depend on parts and raw materials that enter the port, and send their goods out to the world by that route. The ports inevitably become surface congestion points on both the roads and the railways. Likewise, Virginia's airports are economic engines, especially those with major national and international connections.

But shippers look at the total travel time when making decisions and congestion in the Hampton Roads area and around Washington Dulles International Airport is reducing their attractiveness.

The revenue these economic assets now produce within a certain geographically determined region should be set aside and reinvested in related transportation projects through the creation of Port District Transportation Funds (PDTF). The combined facilities currently generate in excess of \$80 million annually in state taxes, exclusive of local taxes, and many millions more in state taxes from the economic activity they have created. For some projects those state funds could be leveraged and in other cases they could attract private capital into partnerships. The potential return on investment is huge.

Let me give you an example of the potential. In 1989 the Commonwealth expended \$130 million to improve Route 28 alongside the Washington Dulles International Airport. Slightly more than a decade later that investment had produced \$6 billion in annual economic activity and a \$1 billion increase in real property values.

A PDTF need not be a major bureaucratic endeavor with a large staff and high overhead. It could be run by a board of directors similar to the authorities that manage the ports in Hampton Roads and the airports in Northern Virginia or through the Commonwealth Transportation Board (and the Virginia Department of Transportation) or a regional transportation district commission. Its purpose would be to ensure that the state tax revenues generated by those international entry points were reinvested in transportation projects that improved access to them for people and goods. It would also reduce the list of unmet transportation needs waiting for funding from the existing revenue sources.

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The membership of START should be commended for tackling a difficult problem. There are few political rewards for seeking solutions that balance short term sacrifice against long term benefits. (The political benefit is often found in short term gain followed by long term pain.) But the rewards for the wiser approach are there -- in a better quality of life and continued prosperity -- and with the programs I propose the rewards should appear in a reasonable time frame.

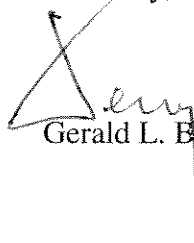
I would not recommend pursuing such an undertaking, however, unless there is a deep and abiding commitment by the Commonwealth to addressing the intermodalism needs of Virginia's infrastructure.

Could most of the major projects be completed within a dozen years or so? That's a tough question to answer, if recent history is any guide. It would require unwavering support from the federal and state governments, and industry. There are project-specific risks to be certain, and logistical questions that must be addressed. The greater risks are political and financial, as you know so well.

For your information, I will be away from the office during much of September, including several weeks of travel outside the country, but I hope you find these suggestions useful during the course of START's deliberations. Thank you for your consideration, and good luck in this noble endeavor.

With kindest regards, I am

Sincerely,



Gerald L. Baliles

Attachment



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cc: The Honorable Mark R. Warner
The Honorable Pierce Homer
Members of Transportation Task Force

Interstate Toll Concept

VDOT traffic counts on Virginia's portion of the interstate highway system indicate that an 85¢ toll collected electronically (without slowing down) at 38 locations on Virginia's extensive interstate system would generate \$1 billion a year in new transportation money. \$400 million would be generated in Northern Virginia and its approaches, about \$220 million in the Richmond/Petersburg area, and just over \$200 million in the Hampton Roads area. The remainder would be generated on the interstates at state borders and on points between the major urban areas.

Points to Note

1. Time is money for commuters as well as truckers, so an 85¢ toll is unlikely to cause substantial traffic to detour off the interstate onto local roads.
2. Toll collection should be on an open-road basis without requiring "stop and go" booths to pay toll. The technology to collect tolls electronically without the vehicle slowing down is already used elsewhere, including the Dulles Greenway. Vehicles without a transponder are photographed and billed.
3. Federal legislation would be required to permit Virginia to place tolls on its interstates. However, Congress has authorized a pilot program. With the current strength of our Congressional delegation, Virginia would be in a good position to gain the necessary federal legislation. Virginia is, after all, a bridge state whose traffic congestion affects interstate commerce.
4. The toll system, if adopted, could be in the form of a contract (revenue bond instruments) that required the money to be spent on improvements to relieve congestion within Virginia.
5. The 38 locations picked to indicate the possibilities were located at:
 - state borders;
 - infrequent points on interstates between urban areas;
 - infrequent points on interstates within the urban areas of Northern Virginia, Richmond/Petersburg, and the Hampton Roads area. Alternative choices of location could be expected to increase the revenue stream and/or address any "fairness" issues raised.
 - The total was the same for all traffic. In any refinement an additional charge should be made for "extra axles" i.e. trucks.
 - Only traffic through the toll location would pay tolls -- local traffic between these locations would be free.

Traffic Flows on VA Interstates***Urban Areas**

		Average Daily Traffic Count	Av. of 365 days /year	# Electronic Toll Collection Points
	<u>Northern Virginia</u>	<u>Both Directions</u>	Toll Annual Revenue	
Capital Beltway				
	Woodrow Wilson Bridge	173,000	\$0.85 \$53,673,250.00	
	Rt 50/I-66	208,000	\$64,532,000.00	
	American Legion Bridge	196,000	\$60,809,000.00	
	Sub Total	577,000		3
I-395				
	DC Line	205,000	\$63,601,250.00	
	Sub Total	205,000		1
I-66				
	Vienna ECL	175,000	\$54,293,750.00	
	Prince William/Fairfax CL	117,000	\$36,299,250.00	
	Fauquier/Prince william CL	33,000	\$10,238,250.00	
	Sub Total	325,000		3
I-95				
	Backlick Rd, Fairfax Cty	200,000	\$62,050,000.00	
	Sub Total	200,000		1
	Total Northern Virginia	1,307,000		
	<u>Richmond/Petersburg</u>			
I-95				
	Hanover/Henrico CL	119,000	\$36,919,750.00	
	Jct with I-64 in Richmond	143,000	\$44,365,750.00	
	NCL City Petersburg	93,000	\$28,853,250.00	
	Sub Total	355,000		3
I-85				
	SCL Petersburg	51,000	\$15,822,750.00	
	Sub Total	51,000		1
I-295				
	Hanover/Henrico CL	71,000	\$22,027,750.00	
	Sub Total	71,000		1
I-64				
	SR 161/I-95	143,000	\$44,365,750.00	
	US 360	91,000	\$28,232,750.00	
	Sub Total	234,000		2
	Total Richmond/Petersburg	711,000		

* Traffic flow data
from Virginia Department
of Transportation

Hampton Roads Area

I-64	Newport News WCL	80,000	\$24,820,000.00	
	Norfolk WCL	96,000	\$29,784,000.00	
	SR 166/US 13 to I-264	169,000	\$52,432,250.00	
	Sub Total	345,000		3
I-264	VA Beach SR 190/SR 225	196,000	\$60,809,000.00	
	Norfolk WCL	49,000	\$15,202,250.00	
	Sub Total	245,000		2
I-664	SR337/663	72,000	\$22,338,000.00	
	Sub Total	72,000		1
Total Hampton Roads Area		662,000		
Urban Total		2,680,000		

Inter City Flow

I-95	Fredericksburg NCL	140,000	\$43,435,000.00	
	N Carolina SL	40,000	\$12,410,000.00	
	Sub Total	180,000		2
I-77	N Carolina SL	31,000	\$9,617,750.00	
	Wythe/Carroll CL	41,000	\$12,720,250.00	
	West Virginia SL	21,000	\$6,515,250.00	
	Sub Total	93,000		3
I-81	TN/KY/VA SL	29,000	\$8,997,250.00	
	Bristol NCL	48,000	\$14,892,000.00	
	SR 112 Wildwood - Roanoke	65,000	\$20,166,250.00	
	Port Republic - Harrisonburg	48,000	\$14,892,000.00	
	Winchester SCL	56,000	\$17,374,000.00	
	West Virginia SL	39,000	\$12,099,750.00	
	Sub Total	285,000		6
I-64	West Virginia SL	11,000	\$3,412,750.00	
	US 11	12,000	\$3,723,000.00	
	Augusta/Rockbridge CL	42,000	\$13,030,500.00	
	SR 20/SR 631 - Charlottesville	48,000	\$14,892,000.00	
	James City/ New Kent CL	44,000	\$13,651,000.00	
	Sub Total	157,000		5
I-85	N Carolina SL	25,000	\$7,756,250.00	
	Sub Total	25,000		1
Total Interstate Intercity Flo		740,000	740,000	
Total Urban and Intercity			3,420,000	38