

# 2012 Governor's Transportation Conference

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## Transportation Funding: Perspectives From the Industry

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# Governor's Transportation Conference

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- The State of our System
- Industry Impact on Virginia's Economy
- The State of the Industry
- The Economics of Investing in Transportation Infrastructure
- The Fix: What We Have Tried and Why it Hasn't Worked

# The State of the System

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- Over \$400 M/year in “crossover”
- No Secondary program
- >\$3 Billion for deficient bridges; >\$1 billion in unmet maintenance needs
- Debt Service >\$300 M/Year and growing
- Congestion choking economic development
  - Est. economic loss \$3.7 billion (time, money, safety)
  - Forbes ranking drop
- 42<sup>nd</sup> in per capita transportation spending
- No construction program in three years

# Industry Impact on Virginia's Economy

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- Annual value of capital outlays for construction and maintenance exceeds \$2.5 billion.
- Larger than the annual output of Virginia's:
  - air transportation industry (\$1.48 billion)
  - farm production (\$1.48 billion)
  - paper manufacturing (\$1.2 billion)
  - warehousing and storage (\$1 billion)
- \$3.4 billion in total annual economic activity for the state—the equivalent of just under 1 percent of the Virginia's Gross Domestic Product (GDP)

# Industry Impact on Virginia's Economy (Con't):

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- Supports 94,901 full time jobs
  - 42,277 direct & indirect jobs
  - 47,625 induced jobs
  
- \$4 billion in direct & induced wages
  
- \$312.2 million in state & federal payroll taxes
  
- 2 million workers in Virginia industries dependent on transportation infrastructure network
  - \$34.2 billion in wages
  - \$5.2 billion in state and federal payroll tax revenue

# The State of the Industry

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- 25% anticipate laying off more employees in the next 12 months.
- 42% anticipate making less capital investments in Virginia in the next year. Only 10% anticipate making more capital investments in the Commonwealth.
- 87% are pursuing business opportunities in other states. 83% anticipate their company will invest more resources pursuing business opportunities in other states in the next two years.
- 22% of companies have permanently or temporarily closed facilities or operating locations in Virginia in the past two years.

# The Economics of Investing in Transportation Infrastructure

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- Sustainable \$1 billion investment
  - 18,695 new jobs (8,349 construction/10,346 other)
  - Boost Virginia's economic output by \$2.45 billion
  - Increase output for manufacturing (\$265 M); retail (\$135.6 M); professional/technical services (\$123.10 M); real estate and rental/leasing (\$148.3 M)
  - Generate and sustain \$162 M in new tax revenues

# The Economics of Investing in Transportation Infrastructure

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- Unique and synergistic nature of transportation capital investments:
  - Triggers immediate economic activity that creates and sustains jobs and tax revenues
  - Produce long-lived capital assets that promote further economic activity
  - Transportation capital investments improve mobility, help reduce congestion and increase safety — all factors that will help improve the quality of life in Virginia for today and years to come.

# The Legislative Fix: What We Have Tried...

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- Gambling proceeds
- Increasing gas tax
- Indexing the gas tax
- Raising other taxes
- Referendum
- Increasing the sales tax
- Changing gas tax to a sales tax
- Transferring general sales and use tax revenues to transportation

# Why Hasn't Anything Worked?

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- General Assembly leadership has failed to craft a solution that is acceptable to both Houses
- The 2012 General Assembly's 11 Funding Initiatives Failed

*"For the legislators that are here, I want to say thanks, but we are just starting. There's a lot more that needs to be done. I'm going to ask you to do some things this session, without fail and without delay, to do what's necessary to address this maintenance deficit and to make sure that we can continue to have these major projects go forward in Virginia and preserve the Commonwealth's Transportation Construction Trust Fund."*

Governor Bob McDonnell  
495 Express Lanes Dedication  
November 13, 2012