



FY 2017 Recommended Budget Budget Question

Frequently Asked Question #: 2

BUDGET QUESTION: By year, how much have we received in fuel tax revenue for transportation? How much has been allocated, and to which projects?

RESPONSE: Attached is a spreadsheet showing several pieces of information related to transportation. The figures in this forecast assume the recommended CIP transportation projects.

- **Section A** shows the amount received in fuel tax revenue and the general purposes for which it was spent for FY 2010 through FY 2015. It also shows the fuel tax revenue and related expenditures projected for years FY 2016 through FY 2021. Because half of the annual subsidies are due at the beginning of each year, to ensure sufficient cash flow, staff recommends that the fuel tax balance not be reduced beyond the amounts shown in section A for years FY 2018 – FY 2021.
- In addition to the fuel tax balance, the Transportation Fund balance also supports transportation debt service. **Section B** shows the portion of projected out-year debt service that is anticipated to be funded by the Transportation Fund balance. Note that the transfer of the decal revenue and set-asides is assumed to resume in FY 2018.
- **Section C** shows the combined Transportation Fund balance projections from Section A and Section B. Note that the combined total of \$54,003 in FY 2021 is insufficient to allow the flexibility necessary to ensure adequate cashflow and insufficient to fund the half of the subsidies that would be due at the start of FY 2022. A balance of \$54,003 would also not allow for flexibility to continue Transportation operations in the event that fuel tax and other expenditure projections are incorrect.

Reinstatement of the transfer of the decal and setaside fee revenue (or another equivalent revenue source) will allow us to balance the Transportation Fund in FY 2018, FY 2019, and FY 2020. In FY 2021, even when the decal revenue is assumed, note that we will be more than \$1.3 million short of the \$1.4 million necessary to fund the first half of subsidies at the beginning of FY 2022. Funding beyond the decal and setaside revenue will be necessary beginning in FY 2020 to begin addressing what will become a problem with the Transportation Fund balance in FY 2021. If we do not begin to address the problem in FY 2020, there will be an even larger negative impact to the General Fund in FY 2021.

In response to the question concerning the projects to which the fuel tax funding has been applied, we have not applied the fuel tax revenue directly to any particular project. Instead, as shown in Section A of the attachment, we have been using the fuel tax to fund Transportation positions, operating costs, FRED bus service, and debt service associated with capital projects for transportation purposes. The debt service stems from the sale of bonds in 2006, 2009, 2012, 2013, 2014 and 2015 and is associated with the following projects:

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- Mine/Lansdowne intersection improvements;
- Chancellor/Gordon intersection improvements;
- Smith Station/Piedmont intersection improvements;
- Mine/Hardwood/Campbell intersection improvements;
- Harrison/Kingswood/Beauclaire intersection improvements;
- Towles Mill Road;
- Lanes Corner Road;
- Unpaved roads ranked “poor” and “fair;”
- General engineering consultants for transportation purposes;
- Mine/Falcon/Spotsylvania intersection improvements;
- Smith Station/Courthouse intersection improvements;
- Harrison/Rt. 1 intersection improvements;
- Jones Powell hill improvement;
- Hickory Ridge/Rt. 1 intersection improvements;
- VRE station and parking areas;
- Improvements to exits 118 and 126;
- Thornton Rolling/Rt. 17 intersection improvements;
- Grand Brooks Road resurfacing; and
- Corridor studies – Rt. 1, Rt. 3, Rt. 17 & Rt. 208.

SECTION A

	Actuals							Projections					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fuel Tax Receipts ¹	\$1,202,212	\$3,371,308	\$4,893,011	\$5,298,620	\$9,427,646	\$4,768,243	\$28,961,041	\$3,908,821	\$3,672,032	\$3,798,634	\$3,949,515	\$4,175,245	\$4,292,500
<u>Uses</u>													
Subsidies ²	\$0	\$0	\$606,820	\$3,661,452	\$1,398,800	\$1,485,482	\$7,152,554	\$1,443,288	\$1,525,149	\$1,935,023	\$1,741,228	\$1,918,967	\$2,218,358
Positions	\$0	\$331,434	\$139,140	\$465,440	\$290,146	\$305,919	\$1,532,079	\$521,568	\$593,046	\$599,500	\$606,083	\$612,798	\$619,647
Operating Costs	\$0	\$0	\$0	\$0	\$0	\$6,670	\$6,670	\$12,258	\$9,607	\$9,741	\$9,878	\$10,016	\$10,156
FRED Bus Service	\$0	\$421,332	\$411,381	\$429,659	\$411,946	\$405,724	\$2,080,042	\$400,041	\$399,369	\$404,960	\$410,630	\$416,378	\$422,208
Debt Service ⁴	\$0	\$1,620,527	\$638,620	\$2,897,048	\$2,370,556	\$2,590,977	\$10,117,728	\$3,543,300	\$3,969,031	\$3,160,574	\$1,081,697	\$1,017,086	\$822,131
Rural Additions	<u>\$0</u>	<u>\$0</u>	<u>\$25,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$25,000	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Uses	\$0	\$2,373,294	\$1,820,960	\$7,453,600	\$4,471,448	\$4,794,772	\$20,914,073	\$5,920,455	\$6,496,202	\$6,109,798	\$3,849,516	\$3,975,245	\$4,092,500
Fuel Tax Balance ³	\$1,202,212	\$2,200,227	\$5,272,278	\$3,117,299	\$8,073,497	\$8,046,968	\$8,046,968	\$6,035,334	\$3,211,164	\$900,000	\$1,000,000	\$1,200,000	\$1,400,000

¹ The FY 2014 receipts include a \$3.4 million adjustment made by the State as a result of audits. There was one major distributor who failed to report for the period Feb. 2010 - Feb. 2013.

² Subsidy payments were deferred for the first 2.5 years of Spotsylvania's membership in VRE. The subsidy payments for FY 2010, FY 2011 and half of FY 2012 were due and paid in FY 2013.

³ Since half of the annual subsidies are due at the beginning of the year, must maintain at least funding equal to half the annual subsidies to have adequate cash flow.

⁴ Debt service for FY 2012 appears to decline because part of the FY 2012 Transportation debt service was claimed against fuel tax receipts in FY 2013. This is purely related to timing of claims.

SECTION B

The figures in Section A represent only the portion of the Transportation Fund expenditures supported by fuel tax revenues. Additionally, the Transportation Fund balance supports the following debt service

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Estimated beginning fund balance (other than fuel tax receipts)	\$2,634,005	\$2,616,720	\$3,405,885	\$1,937,117	\$333,928
<u>Receipts</u>					
Interest Earnings	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Review Fees	\$15,315	\$15,315	\$15,315	\$15,315	\$15,315
Transfer from General Fund	\$0	\$3,354,494	\$3,365,395	\$3,376,509	\$3,387,842
<u>Uses</u>					
Debt Service	\$0	\$2,531,444	\$4,783,678	\$4,912,613	\$4,984,082
OPEB Reserve	\$47,600	\$64,200	\$80,800	\$97,400	\$114,000
Estimated ending fund balance (other than fuel tax receipts)	\$2,616,720	\$3,405,885	\$1,937,117	\$333,928	-\$1,345,997

SECTION C

Combined Transportation Fund Balance Projections: \$5,827,884 \$4,305,885 \$2,937,117 \$1,533,928 **\$54,003**