

# HRTPO Freight Transportation Advisory Committee

## Project Funding

### FREIGHT OVERVIEW

Freight moves primarily by four modes—highway, rail, air and sea. Economic benefits; employment, revenues, and taxes passed through to jurisdictions increase when costs for these moves are reduced. Delays, congestion and access limitations typically raise these costs (“the hidden tax”) and the negative impact to the economy trickles all the way through the system down to the store shelf.

Transportation projects, large and small, can be identified that can facilitate the movement of goods throughout the region. Funding these projects across all modes comes from the private sector (PPTA, proffer, impact fees and private property investments) and all levels of government—local, state, and federal. Although funds are constrained, *many sources are available for funding freight related transportation projects*. It is possible for several funding streams to contribute to one project. Funding is typically competitive, requiring both advocacy to agencies which control funding and documentation of the benefits and needs delivered by the project.

Benefits for projects can be developed along several themes. Often, the same enhancement generates multiple benefits. Themes for freight include:

- Access & Mobility
  - Unencumbered access to business locations
  - Uninhibited flow of goods between origins and destinations
  - Access to an additional mode(s)
- Safety
  - Reducing conflicts at intersections and crossings
  - Smooth flow of traffic
  - Enhanced line of sight
- Environmental
  - Change in modes
  - Reduced delay and consumption of fuel
- Economic Vitality
  - Transportation cost reduction reinvested in business and employment expansion
  - Improved access between business partners and to customers

When projects compete and improvements are made for the movement of freight, making economic growth disproportionately greater with one project, FTAC should provide awareness, education and advocacy.

Projects come in all shapes and sizes. The largest projects, such as the Mid-Town Tunnel, I-64 lane additions and US 460 relocation, are examples of the types of projects that FTAC can evaluate and provide comments to agencies and policymakers.

There are numerous potential small and mid-size projects, yet to be identified, that FTAC can assist in getting moved into funding streams.

From railroad crossing grade separations to turning lanes, rail access and intersection improvements such as signalization, FTAC can assist in mobilizing and educating the freight community.

Following is an overview and examples of the many funding sources that exist. A goal for FTAC is to develop the means for assisting the freight community in identifying and moving projects through the funding process.

### Transportation Funding<sup>1</sup>

Projects for freight transportation can be identified and funding pursued through a number of different sources. However, in the current economic environment, identifying additional funding for transportation proves quite challenging. In the past, a number of state and federal funding sources were the main mechanism for completing transportation enhancements and improvements. These funding sources still exist, however they are less reliable than in the recent past. Nevertheless, as we look toward the future, these funding sources should recover and continue to be an invaluable resource for funding transportation. In addition to the funding sources identified below, stakeholders should continue to be on the lookout for new funding mechanisms that are proposed and implemented at the regional, state and federal level. A summary of funding sources is provided below.

### Federal Funding Sources

**Regional Surface Transportation Program Funds:** The Safe, Efficient, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (SAFETEALU) established several categories of STP funding. Regional STP funds, thirty percent of the overall program, flow through the state formulas for primary, secondary, and urban road programs and are distributed through a regional allocation process.

The application of Regional STP funds is extremely flexible. Funds may go to primary or secondary road projects and transit projects. Furthermore, funds may be used to accelerate projects that have difficulty in advancing through other funding programs. However, the state is required to pay a 20 percent local match of federal funds, and STP funds may only be applied to projects that are ready to be engineered or constructed. The process to obtain funding is both competitive and complex.

**STP Safety Program:** Ten percent of the state's yearly STP funding allocation is set aside for highway safety projects. Project funding is on a competitive basis with VDOT making the final selections.

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<sup>1</sup> Provided by HRTPO staff, VDOT (<http://www.virginia.gov/>), and DRPT (<http://www.drpt.virginia.gov/>)

***Congestion Mitigation and Air Quality Improvement Program:*** The CMAQ Program is another SAFETEA-LU funding category. In order to receive CMAQ funding, a project must demonstrate a positive impact on reducing vehicle emissions and improving air quality. Most past and proposed CMAQ projects are transit or ride-sharing oriented.

CMAQ funds may be used for local transit projects such as transit service start-up costs, the purchase of vehicles or bus shelters, as well as certain bicycle and pedestrian facility projects. Also, CMAQ funds for traffic-signal coordination or ridesharing programs require no local match. CMAQ transit project funds require a 20-percent local match that the state currently does not pay.

## State Funding Sources

***Six-Year Improvement Program (SYIP):*** Each year the Commonwealth Transportation Board updates the Six-Year Improvement Program that distributes funds available for construction on the interstate, primary, and urban highway systems, as well as funds available for the Secondary System and the other transportation modes: ports, airports, and rail and public transportation.

After meetings at the District level, VDOT staff prepares a working draft of the Six-Year Improvement Program complying with the policy goals of the Commonwealth Transportation Board that include paying off deficits on completed projects and not creating new deficits, fully funding construction projects by the time they are complete, bringing phased projects or programs to a reasonable stage of completion, and requiring that new projects added to the program be eligible for federal funds.

The plan divides projects into two distinct phases, the Feasibility Phase and the Six-Year Capital Improvement Program Phase. Projects in the Feasibility Phase are those under study, such as a federally mandated environmental assessment, feasibility study, or a location study. The Six-Year Capital Improvement Program Phase includes projects that have met the regulatory and public participation requirements, and includes final design, right-of-way acquisition, and construction.

The program is highly competitive and it is difficult to place new major primary road projects on the program. Once projects are on the list, there is a long wait before advancing to construction.

***The Secondary Road Improvement Program (SRIP):*** The Secondary Road Improvement Program (SRIP) is updated every year in cooperation with VDOT. It provides state and federal STP funds for the construction of secondary road improvements. The funds are distributed to counties through a series of formulas. Secondary road funds are 30 percent of the state's construction funds available each year. Due to declining revenues for transportation overall, secondary road funds have significantly decreased in the past several years. Each county receives its share of secondary road funds determined by a formula based on 80 percent for population and 20 percent for land areas. Unpaved road funds are allocated to counties based on its share of the total unpaved miles eligible for funding in the state.

***State Revenue-Sharing Program:*** The Virginia Department of Transportation administers this program, in cooperation with participating localities, under the authority of Section 33.1-23.05 of the *Code of Virginia*. The "Revenue Sharing Program" provides additional funding for use by a county, city, or town to construct or improve the highway systems within such county, city, or

town, with statutory limitations on the amount of state funds authorized per locality. Funds can also be requested for eligible additions in certain counties of the Commonwealth. Locality funds are matched with state funds for qualifying projects. An annual allocation of funds for this program is designated by the Commonwealth Transportation Board (CTB).

Application for program funding must be made by resolution of the governing body with appropriate forms as outlined in the Revenue Sharing Guide. Towns not maintaining their own streets must have their requests included in the application of the county in which they are located. Project administration may be accomplished by the Department of Transportation or by the locality under an agreement with the Department.

***State Recreational Access Funds:*** The Recreational Access Program assists localities in providing access to public recreational or historic areas owned by the Commonwealth of Virginia or a local government. The program is administered by VDOT under the authority of §33.1-223 of the *Code of Virginia* with the concurrence of the Director of the Department of Conservation and Recreation. Funding for these projects is provided through VDOT's Recreational Access Fund and approved by the Commonwealth Transportation Board.

The purpose of the Recreational Access Program is to provide adequate access to recreational areas or historic sites operated by the Commonwealth of Virginia, a local government, or authority. Both roads and bikeways are eligible for program funding.

***Economic Development Access Program:*** The Economic Development Access Program is administered by the Commonwealth Transportation Board, which allocates funds, as provided under the authority of Section 33.1-221 of the *Code of Virginia*, for eligible projects from the Industrial, Airport and Rail Access Fund. The purpose of the program is to finance the construction or improvement of roads, with the exception of primary roads, to new or expanding qualifying economic development sites. These roads will provide access from the nearest adequate publicly maintained road to the property line of the qualifying site. Adequate access may require construction of a new roadway or improvement of an existing road. Qualifying sites are determined by the Commonwealth Transportation Board in consultation with the Virginia Economic Development Partnership and the Virginia Department of Business Assistance.

## **Rail Funding Sources**

### **The Rail Enhancement Fund (REF)**

The Rail Enhancement Fund (REF) is the first dedicated source of funding for passenger and freight rail improvements in Virginia history. The REF provides for the planning and implementation of passenger and freight rail projects in the Commonwealth. This fund is the primary source for the implementation of large capital projects for rail improvements.

The Rail Enhancement Fund was established in 2005. The Code of Virginia (§33.1-221.1:1.1) states that the Director of DRPT “shall administer and expend or commit, subject to the approval of the Commonwealth Transportation Board, the Fund for acquiring, leasing, and/or improving railways or railroad equipment, rolling stock, rights-of-way or facilities, or assisting other appropriate entities to acquire, lease, or improve railways or railroad equipment, rolling stock, rights-of-way or facilities, for freight and/or passenger rail transportation purposes whenever the

Board shall have determined that such acquisition, lease, and/or improvement is for the common good of a region of the Commonwealth or the Commonwealth as a whole.”

According to DRPT’s *Rail Enhancement Fund Application Procedures*, “A Rail Advisory Board (RAB) consisting of nine members, appointed by the Governor, has been established. The RAB, in consultation with the Director of DRPT, will develop recommendations to be presented to the Commonwealth Transportation Board (CTB) regarding allocations of funds from the Rail Enhancement Fund.”

### **Rail Industrial Access Grants**

Virginia’s Industrial Access Railroad Tracks Program helps connect businesses to freight rail service by financially assisting in the construction or improvement of railroad tracks and facilities to serve industrial or commercial sites where freight rail service is currently needed or anticipated in the future. This grant program allows for financial assistance to localities, businesses or industries seeking to provide freight rail service between the actual site of an existing or proposed commercial facility and common carrier railroad tracks. The funds serve to act as a major economic development tool for businesses in the Commonwealth.

### **Rail Preservation Fund**

The Rail Preservation Fund (RPF) provides funding for the preservation and continuation of existing rail service to increase the productivity, safety and efficiency of short line railway transportation logistics in Virginia.

Business and industry in the Commonwealth are continually expanding or locating their services to meet the increasing demand for industrial and commercial development. The Rail Preservation Program assists with continuing rail services to remote areas that otherwise would not have rail service.

Funding to the Commonwealth Railway short line has meant continued rail service to the West Norfolk area of Portsmouth and provides rail service to the APM Terminal. APM, in part, chose Virginia for its dual (CSX & NS) rail access opportunities offered by connection to a short line railroad. As all Class I railroads work to maximize the assets of the company, more short line railroads will be created and rail lines will be taken out of service. The increased demand of the stockholders of the larger railroad companies will lead to an increase in short line spin-offs and loss of service along existing rail lines.

### **Railroad Rehabilitation and Improvement Financing (RRIF)**

The FRA administers the Railroad Rehabilitation and Improvement Financing program. This program provides either direct federal loans or loan guarantees and is applicable to railroad equipment, facilities, track, bridges, yards, buildings and shops. Funds acquired through the program are available to states, railroads, local governments, government-sponsored authorities and corporations, and may be used to refinance debt and/or develop new railroad facilities.

Organizations receive funds through the program based upon the following criteria:

- Statutory eligibility of the applicant

- The credit-worthiness of the project
- The extent to which the project will enhance safety
- The significant of the economic benefits of the project
- Direct and indirect environmental benefits
- Improvements in service or capacity

When applying for RRIF funds, there are some limitations. The applicant must pay an investigation fee for the cost of agency review, as well as the Credit Risk Premium if the loan is approved. There are currently no appropriations for those aspects of the program.

#### **Transportation Innovation and Finance (TIFIA)**

The Federal Highway Administration (FHWA) administers the Transportation Innovation and Finance Act, which funds freight and railway projects. This act provides direct loans, loan guarantees, or standby lines of credit. It is available for public or private projects that provide public benefit for highway users.

The project requires a preliminary rating opinion from at least one Nationally Recognized Statistical Rating Organization (NRSRO) indicating that the project's obligations have the potential to achieve an investment grade rating. Applications are measured for their significance, private participation, and environmental effects. Potential projects will only receive funding through the TIFIA if the total project cost exceeds either \$50 million or 33 1/3 percent of the state's Federal-aid highway apportionments for the most recent fiscal year, whichever is less.

#### **Rail Line Relocation (RLF)**

The Rail Line Relocation is a federal funding program that provides grants to states for local rail line relocation and improvement projects. It is the only grant program offered by the Federal Railroad Association (FRA). In 2009, the FRA selected seven projects to fund, ranging in size from \$150,000 to \$4 million.

Eligible projects must mitigate the adverse effects of rail traffic on safety, motor vehicle traffic flow, community quality of life or economic impact. Projects that involve the lateral or vertical relocation of any portion of the rail line are also eligible. Funding criteria includes the capability of the applicant to fund the project without federal assistance and the project's effects on the operation of freight and passenger rail operations.

#### **Highway Safety Improvement Program (HISP)**

The Highway Safety Improvement Program grant, administered by the FHWA, sets aside \$4.4 million per year to the Commonwealth for highway-rail grade crossing safety project. These funds are not restricted to passenger rail lines but can be used for freight rail crossings as well.

#### **Other SYIP Funding Sources<sup>2</sup>**

The HRTPO can affect the allocation of these approximately 200 funds in three (3) ways:

- 1) The HRTPO directly allocates two funds: Congestion Mitigation and Air Quality (CMAQ) and Regional Surface Transportation Program (RSTP) funds.

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<sup>2</sup> Provided by HRTPO staff

- CMAQ funds can be used for transportation projects and programs that help improve air quality and reduce traffic congestion. The TPO typically allocates these funds to those candidate projects which have the lowest cost per reduction of pollutant.
- RSTP funds can be used for a wide variety of highway and transit projects. The TPO typically divides these funds by project category (highway, intermodal, transit, etc.), then allocates these funds to those candidate projects which score best (0-100) using set criteria. For example, intermodal projects are judged according to project readiness and the linkages, operational improvements, and access they would provide.

2) The HRTPO must approve any federally-funded and/or regionally significant project that requires an action by the Federal Highway Administration (FHWA) or the Federal Transit Administration (FTA). Before federal funds will be released for any such project, that project must be included by the TPO in its Transportation Improvement Program (TIP).

3) The HRTPO allocates several funds to projects in its Long-Range Transportation Plan (LRTP). It is understood that three types of projects must be listed in the metro's LRTP in order to receive federal funds: a) regionally-significant capacity-adding projects (i.e. adding lanes to principal arterial highways and building fixed guideway transit [e.g. light rail]), b) large intersection and interchange projects, and c) large bridge replacement projects.

In its 2030 LRTP, the TPO allocated the following major funds:

- National Highway System (NHS)
  - NHS funds can be used on interstates and major highways listed in the NH system.
- RSTP
  - RSTP funds can be used as described above.
- Primary
  - Primary funds can be used on the state's Primary highway system (e.g. US highways and sub-600-level state roads).
- Secondary
  - Secondary funds can be used on the state's Secondary highway system (i.e. 600-level roads in counties).
- Urban
  - Urban funds can be used on urban system roadways in cities (i.e. non-interstate, non-Primary roads).

The TPO is currently developing an extensive Prioritization Tool to inform the allocation of funds and the selection of projects for the 2034 LRTP. The tool includes set criteria concerning project utility, viability, and economic impact.

Finally, note that the TPO recently allocated funds provided by the American Recovery and Reinvestment Act of 2009 (ARRA), commonly referred to as "economic stimulus" funds. The criteria for usage of future stimulus funds, if available, will be published at that time.

VDOT's current SYIP lists the following funding sources:<sup>3</sup>

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Federal \* ACTUAL  
Federal \* PLAN  
Federal - AC  
Federal - AC CONVERSION  
Federal - APD  
Federal - ARRA  
Federal - BR  
Federal - CM  
Federal - DEMO  
Federal - EB  
Federal - ER  
Federal - FLH  
Federal - HES/RR  
Federal - HPD  
Federal - HSIP  
Federal - HSR  
Federal - IM  
Federal - ITS  
Federal - MG  
Federal - NH  
Federal - PB  
Federal - RSTP  
Federal - SAFETEA-LU  
Federal - SIG  
Federal - SOS  
Federal - SRS  
Federal - STP  
Federal - STP/EN  
Federal - STP/HES  
Federal - STP/RR

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<sup>3</sup> Provided by HRTPO staff

*SYIP funds (continued):*

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Federal - STP/SRS	.Minimum Guarantee
Federal - TQ	.Mobility Management
Federal - Unassigned	.National Highway System Allocations
Federal : ACTUAL	.Proffers
Other	.Project Contributions
.Accounts Receivable	.Public Lands Highway Discretionary Funds
.Appalachian Funds	.Rail Highway Crossings
.ARRA	.RSTP (STP Regional)
.Betterment - VDOT Admin	.Safe Routes to School
.Bond Match	.SAFETEA-LU Earmarks
.Bond Proceeds	.Special Grant Projects
.Bridge Funds - Federal BR	.Transportation Enhancement Funds
.Bridge Funds - Federal BROS	.Unpaved Road Funds - Secondary
.CMAQ TERMS	Anticipated Local Constr Funds
.DRPT	Bonus OA
.Federal Demonstration Funds	Bonus OA - Bond Match
.Federal Discretionary	Bridge Maintenance Funds
.Federal Formula STP	Capital Outlay Funding
.Federal STP	CMAQ
.Forest Highway Funds	CMAQ (Congestion Mitigation and Air Quality)
.Formula - Primary	Coal Severance Tax
.Formula - Secondary	Concession Funds
.Formula - Urban	Districtwide Signal Fund
.High Risk Rural	DRPT Assistance
.Highway Safety Improvements	Federal Aid
.IFRO	Federal Emergency Relief
.Intelligent Transportation System Funds	Federal Formula STP under 200K
.Interstate	Federal STP Pri Under 200,000
.Local Project Contributions	Federal STP Sec under 200,000
.Maintenance Funds	Federal STP under 200K: Access

*SYIP funds (continued):*

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Federal STP Urban under 200,000	Richmond-Petersburg Turnpike Toll Funds
Ferry Boat Discretionary Funds	RSTP (STP Regional)
Formula - All Systems	Safety Funds
FRAN Bond Proceeds	Safety Incentive Funds
General Fund	Scenic Byway Grants
Hazard Elimination Safety Funds (Section 152)	Secondary Funds
High Speed Rail (Section 1010)	Secondary Roads Escrow Account
High Speed Rail (Section 1103)	Special Appropriation By TEA-21
Industrial/Airport/Rail Access	Special Federal Appropriations
Local Match	Special Grant
Local Partnership	Special State Appropriations
Local Revenue	SSYP - Incidental
Locally Administered and Funded	State Match Non-Formula
Minimum Guarantee Funds	State Transit Funds
Norfolk-Virginia Beach Toll Funds	STOSIP Funds
Open Container Funds	Strengthen & Widen
Payout Deficit - Interstate	Tax District Debt Service
Payout Deficit - Primary	TEA-21 High Priority Funds
Payout Deficit - Urban	TIFIA
Preventive Maintenance & Systems Operations	Toll Facilities
Priority Transportation Fund/FRANS	Transit Statewide STP
Priority Transportation Funds	Transportation Partnership Opportunity Fund
PTF Prior to District Distribution	z511 Virginia
Recreational Access	z58 Corridor Funds Reallocation
Regular	zAccess Project
Repeat Offender	zAppalachian Development Funds
Reserve	zArmy Access Defense Funds
Residue Parcel Revenue	zBeautification Improvements
Rest Area Improvement Funds	zBonds/Interest
Revenue Sharing Funds	zCMAQ - Transit

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*SYIP funds (continued):*

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zCMAQ TERMS Match	zRumble Strips
zCovered Bridges	zSecondary
zCTB Regional	zSignals
zCTB Statewide	zSigns
zCTB/STP Statewide Allocations	zSpecial Federal Grant
zDebt Service	zState Demonstration Funds
zDistrictwide	zState Police (95,395,495)
zDulles Toll Facilities	zSTP Regional Allocations - Transit
zElizabeth River Toll	zTechnology
zFederal Construction	zToll Facilities Revolving
zFederal Reimbursement Anticipation Notes (FRAN)	zTraffic Calming Measures
zFRAN (Federal Reimbursement Anticipation Notes)	zTransit
zFRAN Reimbursement	zTransportation Improvement
zFund - Unassigned Allocations	zUrban STP
zFunds Provided by Others	zWoodrow Wilson Bridge
zFunds to be Provided by Municipality	
zFunds to be Provided by Municipality to be Reimbursed	
zGuardrail	
zHigh Priority Projects	
zIndustrial Access	
zITS	
zLocal Bonds	
zMetro Planning Grants	
zNational Programs	
zPavement Markers	
zPTF & GF Debt Service	
zPublic R/W Use Fee	
zRail Safety (100% Federal)	
zRailroad Access	
zRoute 58 CDP Funds	

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