Transportation Funding and Project Delivery:

Past Successes and Innovations Moving Forward

TexITE Summer Meeting
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Sugarland, Texas

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Regional Perspective

4th Largest Metropolitan Area in the US

Ranked 3rd in Population Growth Between 1990-2000
  • Current Growth Trend: Added ~850,000 in Population From 2000 to 2007 (highest growth rate in last 50 years)

6 Million Persons in Year 2006
  • Growing to Nearly 9 Million Persons by the Year 2030

Larger than 34 States in Population
Larger than 9 States in Land Area
Represents over 34% of the State’s Economy
The Transportation Funding Disconnect

Why isn’t my project being built?

Not enough $$; want options?

Stop! You can’t do *that*!

Let’s go with Option X

Five innovative ways to get projects built:
1. Tollroads
2. HOV/Managed Lanes
3. Public-Private Partnerships
4. Increase State/Federal Revenues
5. Local Option Revenue Streams
The Transportation Funding Cycle: New Partnerships

Cycle is broken; projects get built

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Five innovative ways to get projects built:
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Legislative Initiatives:
• Increased Revenue
• Public/Private Partnerships
• National Infrastructure Program (NextTEA)
Need For Innovative Funding in Transportation

Worsening Conditions

**FEDERAL**
- Bankrupt Trust Fund
- Rescissions
- Falling Gas Tax Revenues
- New Fuel Efficiency Standards

**STATE**
- Diversions (35%)
- Falling Gas Tax Revenues

**LOCAL**
- Market Conditions Negatively Impact Bonding Capacity
- Falling Sales Tax and Property Tax Revenue

**OTHER**
- Construction Cost Inflation
- Aging Infrastructure (46 years old)
- Unknown Future of Public/Private Partnerships
Life Preserver Options

**FEDERAL**
- New Infrastructure Program
- National Energy Policy

**STATE**
- Increased Revenue: Constitutional Amendment, Stop Diversions, Index Fuel Tax, Local Option Elections, Recommit to Public-Private Partnerships

**LOCAL**
- NTTA Builds Traditional Tollroads
- TxDOT Builds Managed Lanes
- Private Sector Builds Regional Loop

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Why Innovative Finance Is Important

Gas Tax

Rule #1 – Law of Allocation
Rule #2 – Law of Inflation (Costs Rising Faster than Revenues)
Rule #3 – Law of Silos

Toll Financing

Rule #1 – Law of Competition (Leveraging Innovation, Partnership, Risk/Reward)
Rule #2 – Law of Immediacy
Rule #3 – Law of Fungibility
Project Delivery Schedules

Typical Roadway Project Development Process

<table>
<thead>
<tr>
<th>Action</th>
<th>Time</th>
<th>Task</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Conception</td>
<td>1+ Years</td>
<td>Long Range Planning</td>
<td>3-6 Years</td>
</tr>
<tr>
<td>Local Consensus</td>
<td>1+ Years</td>
<td>Environmental Study/ Preliminary Design</td>
<td>2-5 Years</td>
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<tr>
<td>FHWA Decision</td>
<td></td>
<td>Final Design/ PE/ROW Acquisition</td>
<td>2-5 Years</td>
</tr>
<tr>
<td>Project Letting</td>
<td></td>
<td>Construction</td>
<td>Planning to Operation: 8-17+ years</td>
</tr>
<tr>
<td>Project Opens</td>
<td></td>
<td>Operation</td>
<td></td>
</tr>
</tbody>
</table>

Add 5-10+ Years

Litigation/Public Opposition

Typical Transit Project Development Process

<table>
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<tr>
<th>Action</th>
<th>Time</th>
<th>Task</th>
<th>Time</th>
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<tbody>
<tr>
<td>Project Conception</td>
<td>1+ Years</td>
<td>Long Range Planning</td>
<td>2-4 Years</td>
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<tr>
<td>Transit Agency Takes On Project</td>
<td>2-3 Years</td>
<td>Alternatives Analysis / EIS: PE</td>
<td>3-7 Years</td>
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<tr>
<td>FTA Decision</td>
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<td>Final Design</td>
<td>Planning to Operation: 8-15+ years</td>
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<tr>
<td>FTA Decision</td>
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<td>Construction</td>
<td></td>
</tr>
<tr>
<td>FTA FFGA Approval</td>
<td></td>
<td>Operation</td>
<td></td>
</tr>
<tr>
<td>Project Opens</td>
<td></td>
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Add 5-10+ Years

Litigation/Public Opposition

EIS: Environmental Impact Statement
FFGA: Full Funding Grant Agreement
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<tbody>
<tr>
<td>% Complete</td>
<td>69%</td>
<td>72%</td>
<td>56%</td>
<td>44%</td>
<td>71%</td>
<td>42%</td>
<td>22%</td>
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<tr>
<td>% Under Construction</td>
<td>3%</td>
<td>1%</td>
<td>13%</td>
<td>17%</td>
<td>6%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>% Not Let</td>
<td>28%</td>
<td>27%</td>
<td>31%</td>
<td>39%</td>
<td>23%</td>
<td>37%</td>
<td>79%</td>
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Innovative Funding

Local/Regional
- RTC/Local Funds
- Regional Toll Revenue
- Credit Union Bank Concept
- Removing Stovepipes Creates Innovation

State
- Transportation Investment Act
- Formula Allocation

National
- Innovative Uses of Traditional Federal Funding
  (Proposed) Metropolitan Mobility Authorities
- Federal Funding Flexibility
Innovation with Local/Regional Funds
RTC/Local Funds

Local Funds Made Available From Federal/Local Funding Exchange

Removes Federal Requirements:

- Federal and State processes designed to construct major highway and railway projects
- RTC/Local funds designed for sustainable development and air quality types

Project Selected Through Competitive Calls for Projects

Built According to Local Design Standards
Solution? A Funding Swap

Place Federal Funds on Projects that Must Follow Federal Process
  • On State Highway System
  • Major Environmental Impacts

Consolidates Federal Funds on Larger Projects, Thereby Decreasing the Administrative Cost

Lower Costs
Faster Implementation
## Outcomes:
**Sustainable Development Projects Using Traditional vs. Innovative Funding**

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<tr>
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<th>Traditional (2001 Call)</th>
<th>Innovative (2006 Call)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average # of Years from Approval to Letting</td>
<td>3-4</td>
<td>1</td>
</tr>
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Regional Toll Revenue

Funds Available from Tolled Roadway Corridors
- Examples: SH 121, SH 161, PGBT Eastern Extension
- Payments: $3.2 billion from SH 121, $258 million from SH 161

Funding Available from Up-Front Concession Payments, Excess Revenue Payments, Revenue Sharing Agreements, Earned Interest

Competitive Project Selection with Consensus Building Through RTR County Task Forces

Funding Initiatives Occur as Funds Become Available
Credit Union Bank Concept

Local Governments and Regional Transportation Agencies Eligible

Borrow Funds from Regional RTR or RTC/Local Accounts

Funds Must Be Repaid With Interest

Examples:

Lancaster Frontage Roads (loaned federal dollars, repaid with local dollars)

Parker County Bond Program (loaned start up costs, to be repaid once election is successful and bonds are issued)

RTR Loans (SH 161, PGBT Eastern Extension ROW, Trinity Parkway Engineering, etc.)
The Origin of Stovepipes

Historical Revenues

- Pieces of the pie are large enough to meet needs

Current Conditions

- As the total size of the pie and each piece get smaller, needed projects become more difficult to fund
Removing Stovepipes Creates Innovation

Fund Major Passenger Rail Expansion Effort ($257M) with RTR Funds (i.e., proceeds of SH 121 Tollroad)

Multimodal Transportation Improvements at Alliance Airport:
- Move State highway and rail line in order to extend runway
- Funded with RTR, State, and Local Dollars
- To be repaid with FAA Dollars (over 8-10 year period)

Let More Projects Now With RTR vs. Federal Funding While Prices are Low:
- Forego 20% match by State
- May construct projects for at least 20% less due to economic conditions
How to Eliminate Stovepipes
A Dallas-Fort Worth Example

State Highway 121
Concession Payment

$80 million loan for rail relocation project

Gas tax funding allocated to SH 114/FM 156 (no throwaway projects)

Alliance Airport runway extension able to proceed

FAA to repay investment
$10 million per year
Innovation with State Funds
Transportation Investment Act

DRAFT

- Stops the Diversions of Transportation Resources Over Time
- Indexes Gasoline and Diesel Taxes
- Increases Gasoline and Diesel Taxes by 10 Cents/Gallon – Directs Revenue Only to Transportation
- Authorizes Local Option Elections for Mobility Improvement Fee or Motor Fuels Taxes
- Constitutional Amendment to Allow Additional State and Local Option Taxes to be Used for Roads, Rail and Transit Projects
State Initiatives

Texas State Legislature Passed Governing Legislation
  • HB 3588
  • HB 2702
  • SB 792 (Updated Above Bills)

Allows For Innovative Financing
  • Public-Private Partnerships
  • Toll Bonds

Statewide Working Group
  • Metro Corridor Funding
  • Established Formula Allocation
Intended Outcomes

Establish Formula Allocation Up Front
Ensures No Loss of Funding
Encourages Implementation of New Funding Tools
Allows for Funding and Construction of Previously Unfunded Projects
  • Expensive Projects
  • *Might* Have Received Funding in the 2020+ Timeframe

Future Excess Toll Revenue
Innovation with Federal Funds
Innovative Uses of Traditional Federal Funding (STP-MM and CMAQ)

Defederalization of Projects

- Review “overmatched” federal projects
- Remove one or several project(s) from federal process and fund 100% locally
- Thereby reducing local match in remaining projects (60/40 => 80/20)

Use STP-MM and CMAQ in Same Corridor

- Highways – STP-MM for mainlanes, CMAQ for HOV/Managed lanes
- Arterials – STP-MM for widening, CMAQ for intersection improvements, signals, etc.
Regional Programs

Set Aside from Larger Funding Programs

Regional Level Initiative

Limited Funding and Duration

Allows for Implementation of Specific Initiatives or Project Types

Funding Available for New or Immediate Needs as They Arise

Examples: ITS, Bike/Pedestrian, Congestion Management for Special Events
Proposed Metropolitan Mobility Authorities

Proposal: MPO-Selected Federal Funding Transferred Directly to MPO’s

National Discussion Ongoing (NextTEA)

Precedent Set by:
- Decentralization within States
- Creation of Systems to Manage Regional Funding (RTR Information System)
- Dissatisfaction with Lack of Transparency/Accountability

Will Involve Increased Responsibility and Transparency for MPO’s
Revenue & Project Tracking System

Online Tracking of Projects, Funding, and Expenditures

Provides Transparency and Accountability

Website: http://www.nctcog.org/trans/rtr/
Conclusions

Successful Strategies Involve:

- Political Will
- Risk-Taking and Courage
- Partnerships
- State, Regional, and Local Coordination and Cooperation
- Providing Accountability and Encouraging it from Partners
- Introducing Pilot Programs to Test the Waters
- Intense, Open, and Honest Communication With the Public
Contact Information

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