

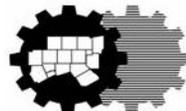
Transportation Funding Primer Workshop

A Guide to Understanding Current Transportation Funding

**A Presentation by the
North Central Texas Council of Governments
at the Request of Texas State Senator John Corona**

August 12, 2008

www.nctcog.org/trans/presentations/index.asp



**North Central Texas
Council of Governments
Transportation Department**

Background

Costs

How much does it cost to...

Add Capacity to an Existing

- Freeway/Tollway: \$4.2 - \$5.3 million per lane mile
- Arterial Road: \$1.0 - \$1.5 million per lane mile

Build Rail

- Light Rail: \$50 - \$60 million per mile
- Regional/Commuter Rail: \$12 - \$20 million per mile
- Rail Station: \$3 - \$10 million
- Park and Ride Lots: \$4 - \$6 thousand per space

Bike/Pedestrian System

- Veloweb (Off Street System): \$1.4 million per mile
- On-Street Routes: \$18 thousand per mile
- Sidewalks: \$15 thousand per mile

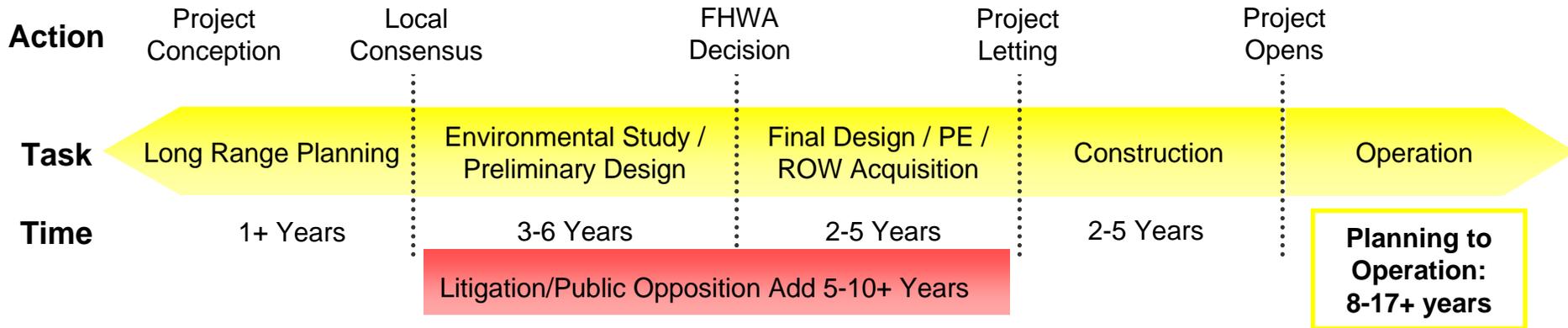
Improve an Intersection

- General Improvements: \$150 - \$200 thousand per turn lane; \$500 - \$600 thousand per intersection
- Install New Signals: \$100 - \$500 thousand
- Signal Timing Optimization: \$5 - \$7 thousand

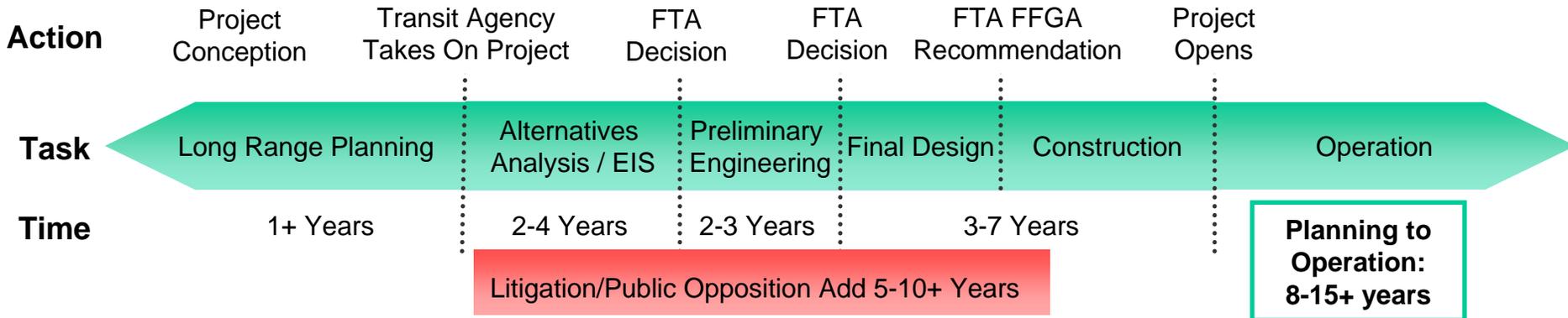
The listed costs are estimations only. The range of cost very greatly according to the nature of the design, location and scope of a given project. These estimates do not include the cost for right-of-way or maintenance & operation.

Project Delivery Schedules

Typical Roadway Project Development Process



Typical Transit Project Development Process



EIS: Environmental Impact Statement

FFGA: Full Funding Grant Agreement

FHWA: Federal Highway Administration

FTA: Federal Transit Administration

PE: Engineering

ROW: Right-of-Way

Regional Perspective: Background

12th Largest Metropolitan Economy in the World

4th Largest Metropolitan Area in the United States

Ranked 3rd in Population Growth Between 1990-2000 Adding Over 1 Million Persons

Current Growth Trend: Added nearly 850,000 Persons between 2000 and 2007 (Growth rate increasing)

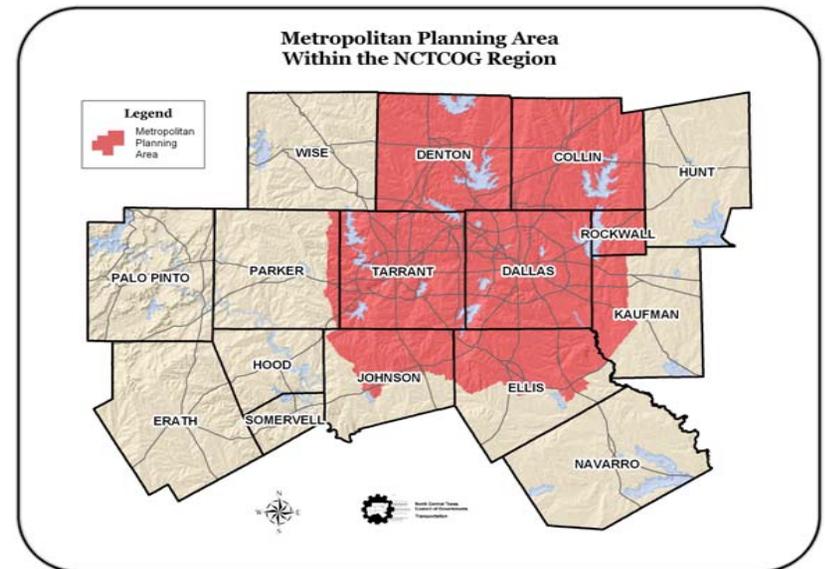
Larger than 34 States in Population

Larger than 9 States in Land Area

Represent Over 34 Percent of the State's Economy

6.5 Million Persons in Year 2008

Growing to Nearly 9 Million Persons by the Year 2030



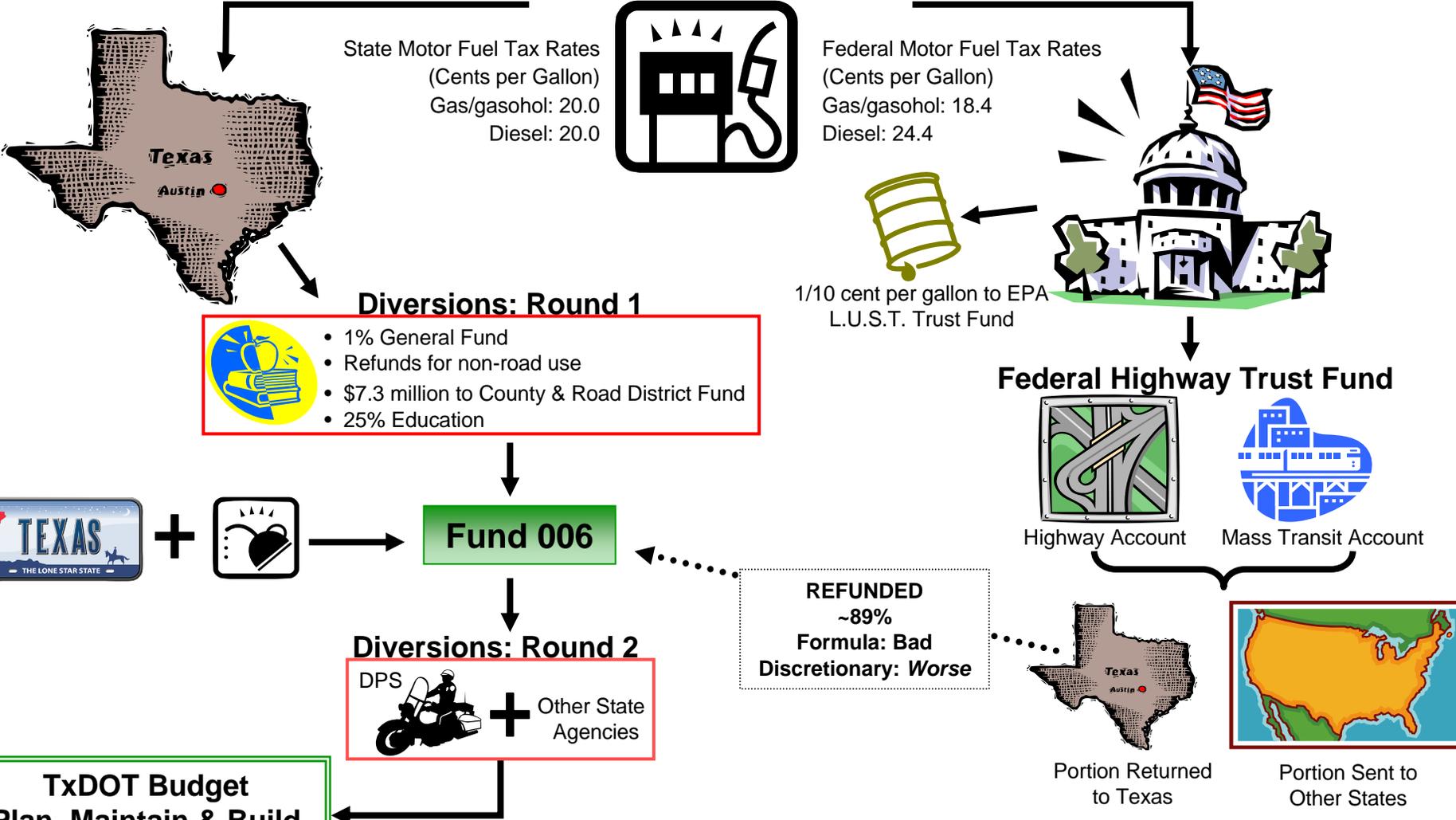
Workshop Goals

Answer Questions Related To:

- 1 How is Transportation Funded?
- 2 Why Do We Have a Funding Crisis?
- 3 What Options Are Available to Mitigate This Need?

Background Transportation System Funding Basics

Point of Collection*



State Motor Fuel Tax Rates
(Cents per Gallon)
Gas/gasohol: 20.0
Diesel: 20.0

Federal Motor Fuel Tax Rates
(Cents per Gallon)
Gas/gasohol: 18.4
Diesel: 24.4

Diversions: Round 1

- 1% General Fund
- Refunds for non-road use
- \$7.3 million to County & Road District Fund
- 25% Education

1/10 cent per gallon to EPA
L.U.S.T. Trust Fund

Federal Highway Trust Fund



Highway Account

Mass Transit Account

REFUNDED
~89%
Formula: Bad
Discretionary: Worse

Diversions: Round 2

DPS + Other State Agencies

**TxDOT Budget
Plan, Maintain & Build
Transportation Projects**



Portion Returned
to Texas

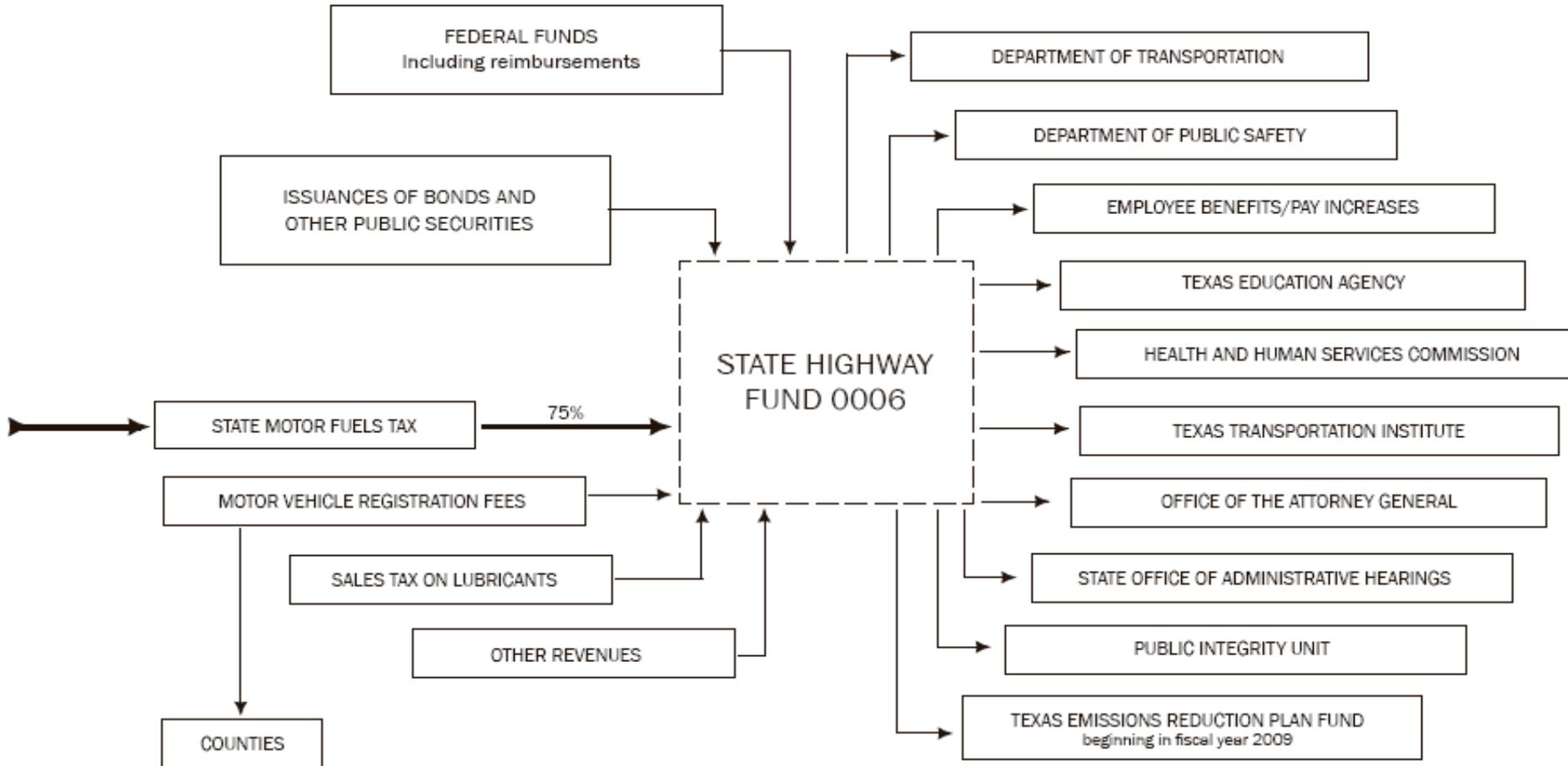


Portion Sent to
Other States

*The Federal Government also imposes taxes on large trucks/trailers, truck tires, and usage fees for large trucks.

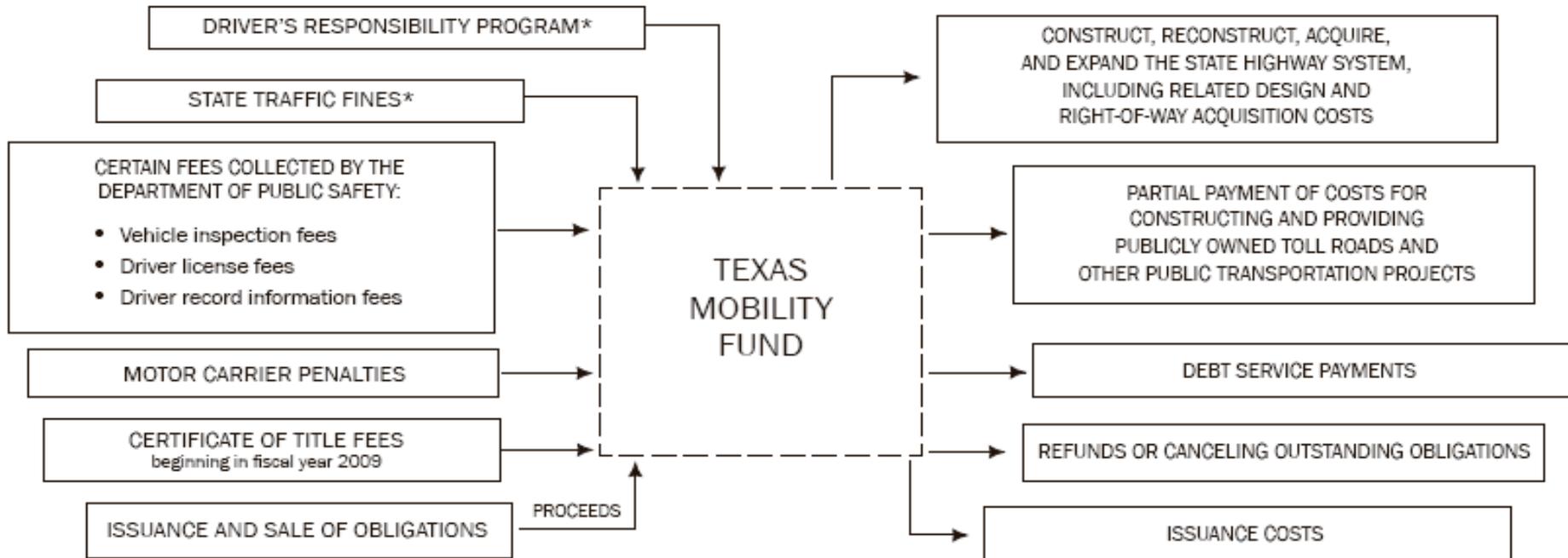
Background

Texas Transportation Funding



Background

Texas Transportation Funding



*After combined deposits to the General Revenue Fund exceed \$250 Million in a fiscal year.

The Highway Trust Fund: Summary

Established in 1956

Functions as an accounting mechanism

Cash in: excise tax on motor fuels, trucks, tires

Cash out: spending on highway and transit programs

Made of 2 Accounts

Highways

Mass Transit

Spending NOT triggered by the collection of taxes, but instead by the authorization acts that provide budget authority

The Highway Trust Fund: Implications

Revenues increased ~2% annually since 1998

Spending has increased ~4% annually since 1998

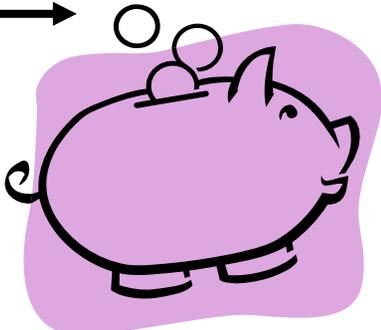
Most revenue into the account does not adjust for inflation and has not increased since the 1990's, therefore buying power has decreased significantly

The highway account is projected to be exhausted in 2009

The mass transit account is projected to be exhausted in 2011

The Highway Trust Fund: Accounts

Cash In:
Excise Taxes on Motor Fuels & Large Trucks

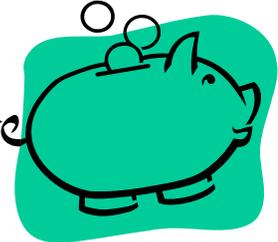


• 0.1 cents per gallon of gasoline & diesel to L.U.S.T

Highway Trust Fund

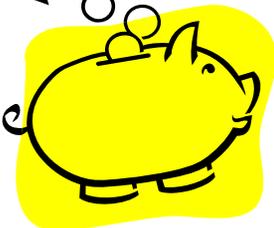
Cash Out:
Spending on highway & transit programs

• 15.44 cents per gallon of gasoline
• 21.44 cents per gallon of diesel



Highway Account

Account Projected to be Exhausted: 2009



• 2.86 cents per gallon of gasoline & diesel

Mass Transit Account

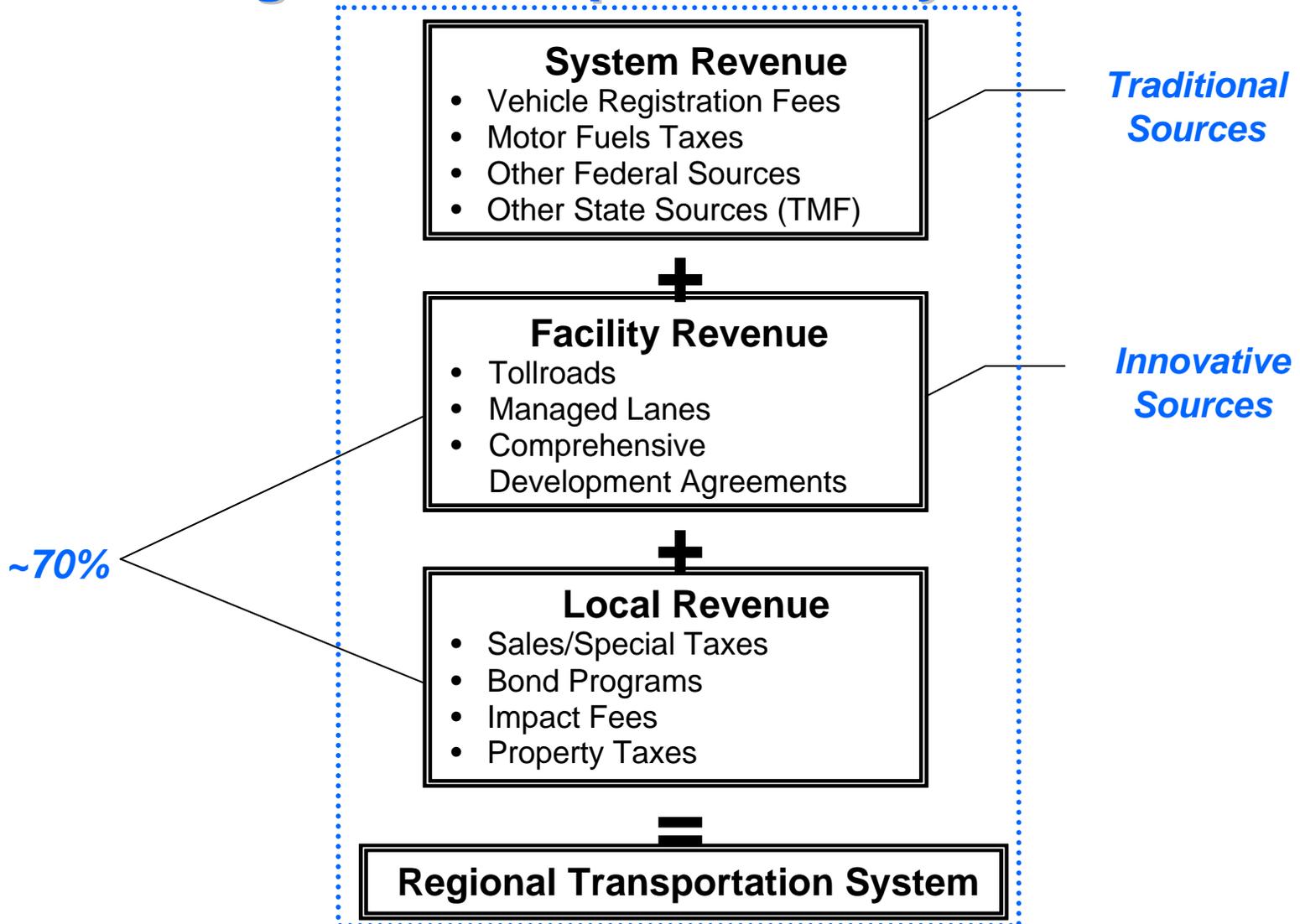
Account Projected to be Exhausted: 2011

Why?
• Increased Spending
• Sluggish Revenues
• SAFETEA-LU Obligations

Results: Pay-As-You-Go System with Limited Funds for New Projects

Funding Summary

Funding the Transportation System in DFW



What is the Problem?

The Transportation Funding Crisis

Threats

- Rescissions
- Diversions
- Donor/Donee Ratios
- Gas Tax Not Keeping Up with Inflation
- Highway Trust Fund Spent Down
- Aging Transportation System
- Skyrocketing Construction Costs

- Legislative CDA Moratoriums
- Public Backlash Toward Tolls

- Uncontrolled Growth
- Sales Tax Cap
- "No New Taxes"
- 70% Local Sources

- System Revenue**
- Vehicle Registration Fees
 - Motor Fuels Taxes
 - Other Federal Sources
 - Other State Sources (TMF)

- Facility Revenue**
- Tollroads
 - Managed Lanes
 - Comprehensive Development Agreements

- Local Revenue**
- Sales/Special Taxes
 - Bond Programs
 - Impact Fees
 - Property Taxes

- NONE!

- Concession Fees (Public/Private)
- Excess Toll Revenue
- Earned Interest

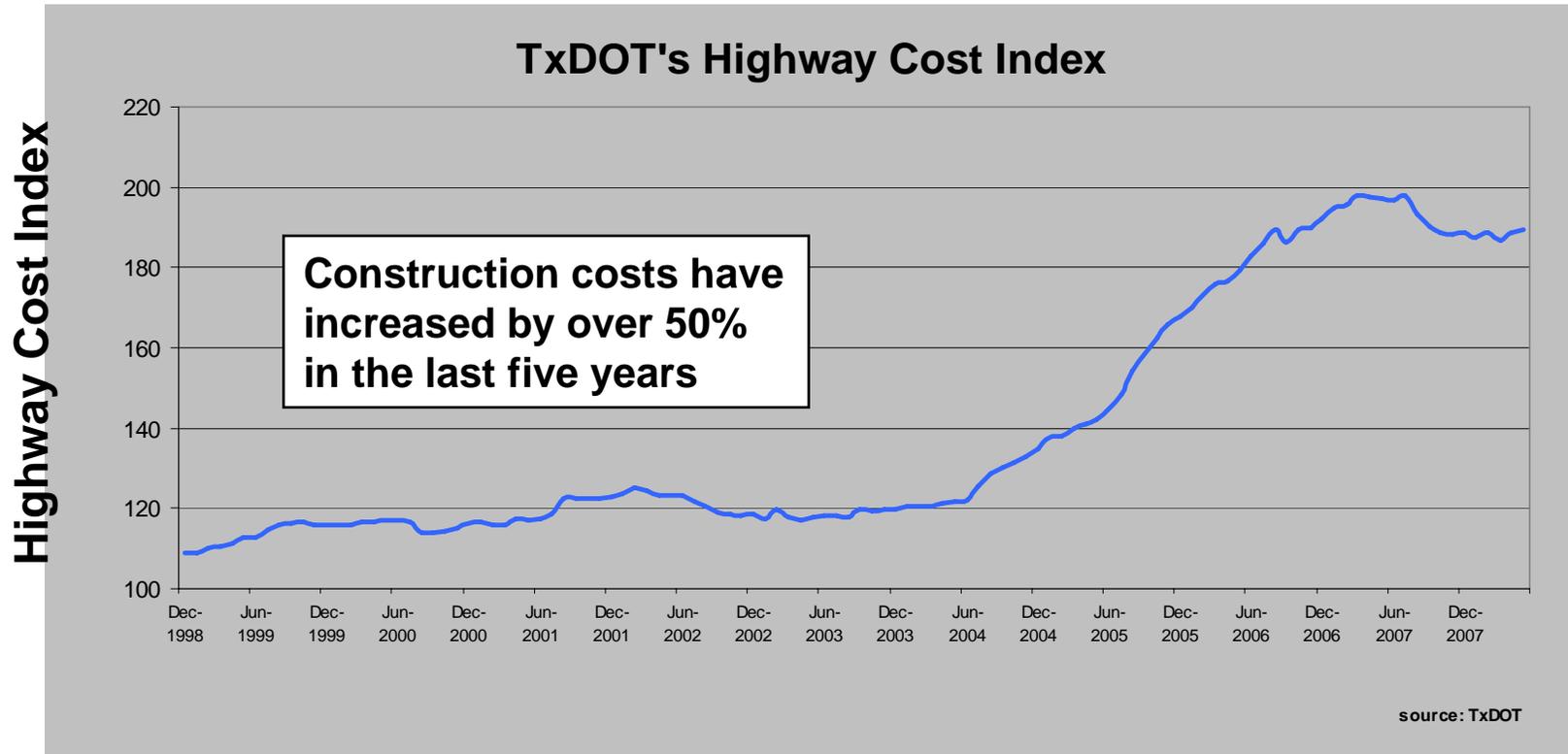
- De-federalization
- Local Fund Swap
- Sustainable Development Initiatives
- Public Sector Credit Union Bank
- Elimination of Stovepipes

Regional Transportation System

New Sources / Management Tools

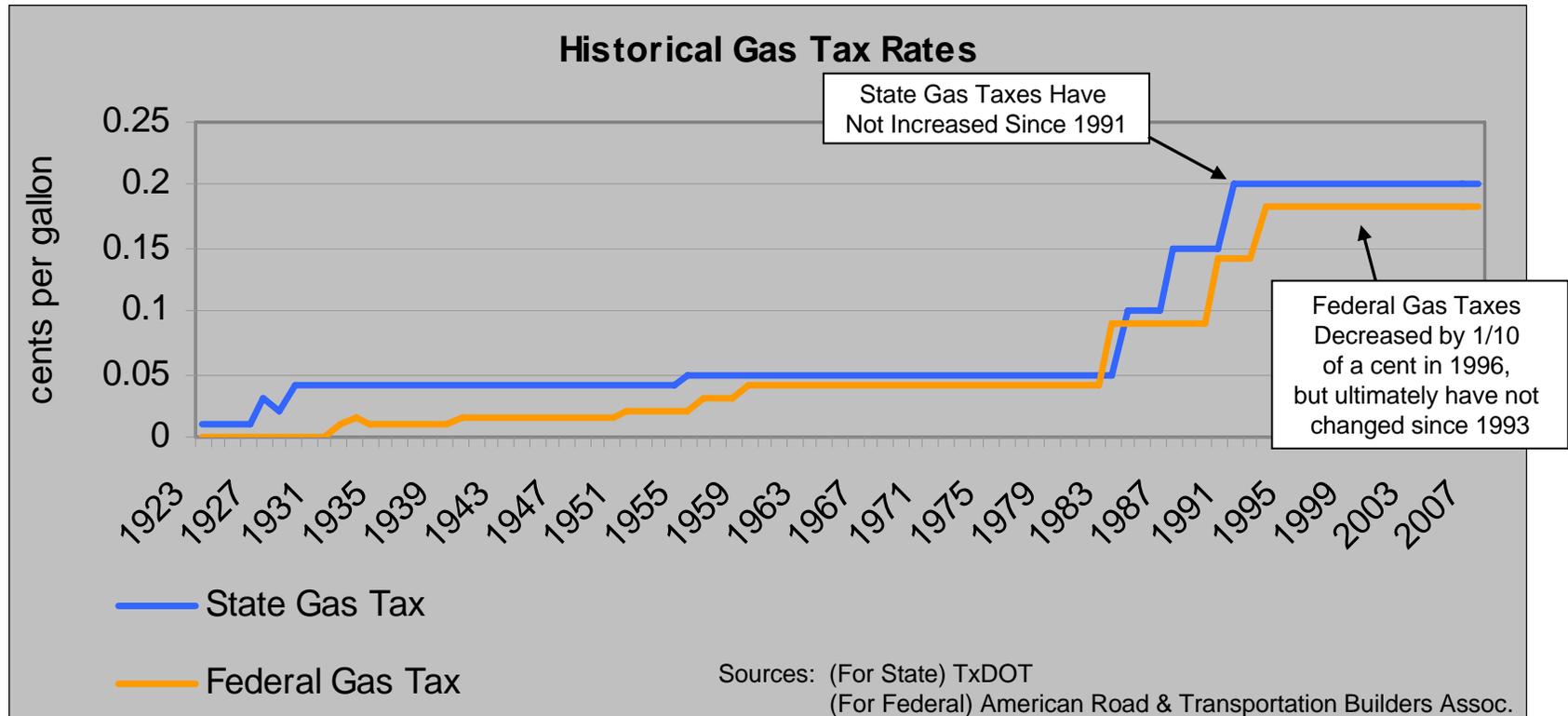
What is the Problem?

Increased Construction Costs



How Did We Get Here?

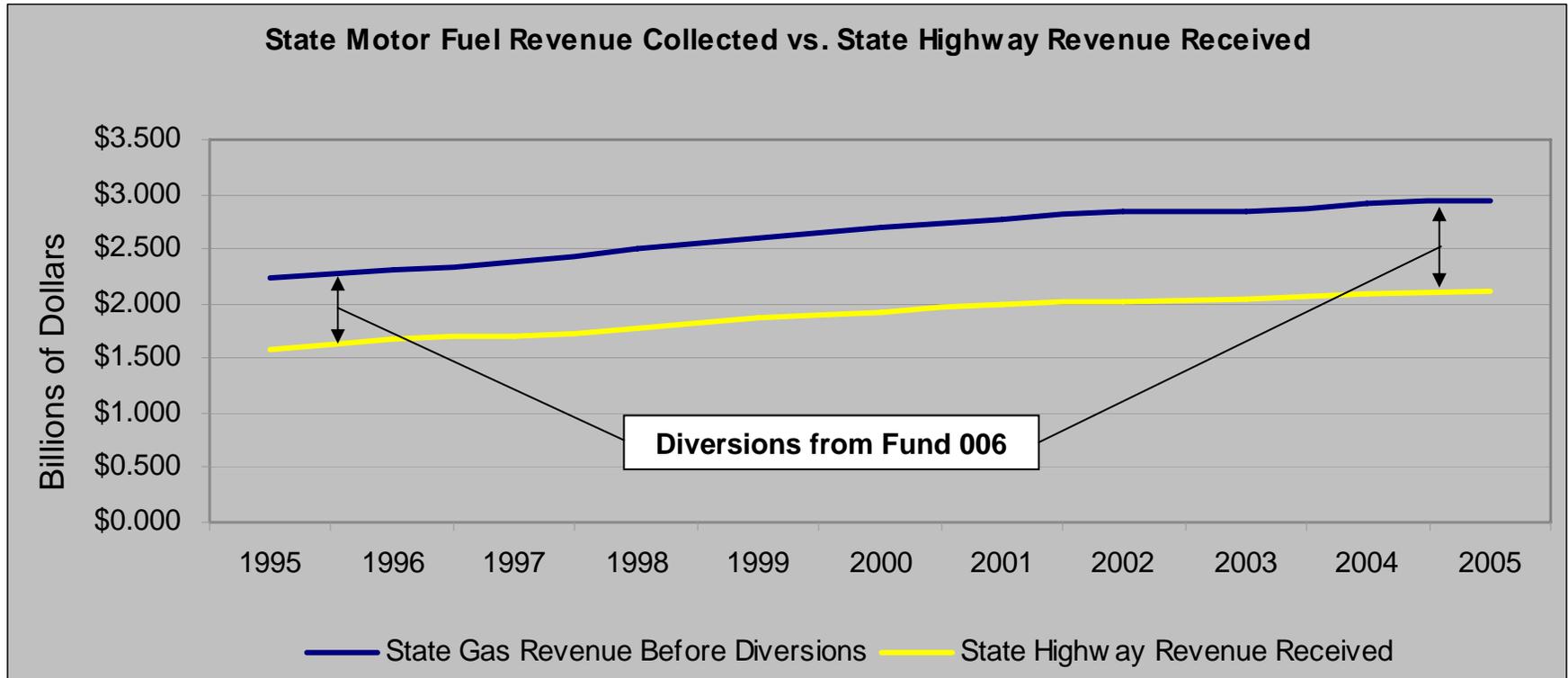
Gas Tax Rates



**Gas taxes are assessed by the number of gallons sold,
NOT by the price of gasoline**

What is the Problem?

Fund 006 Diversions

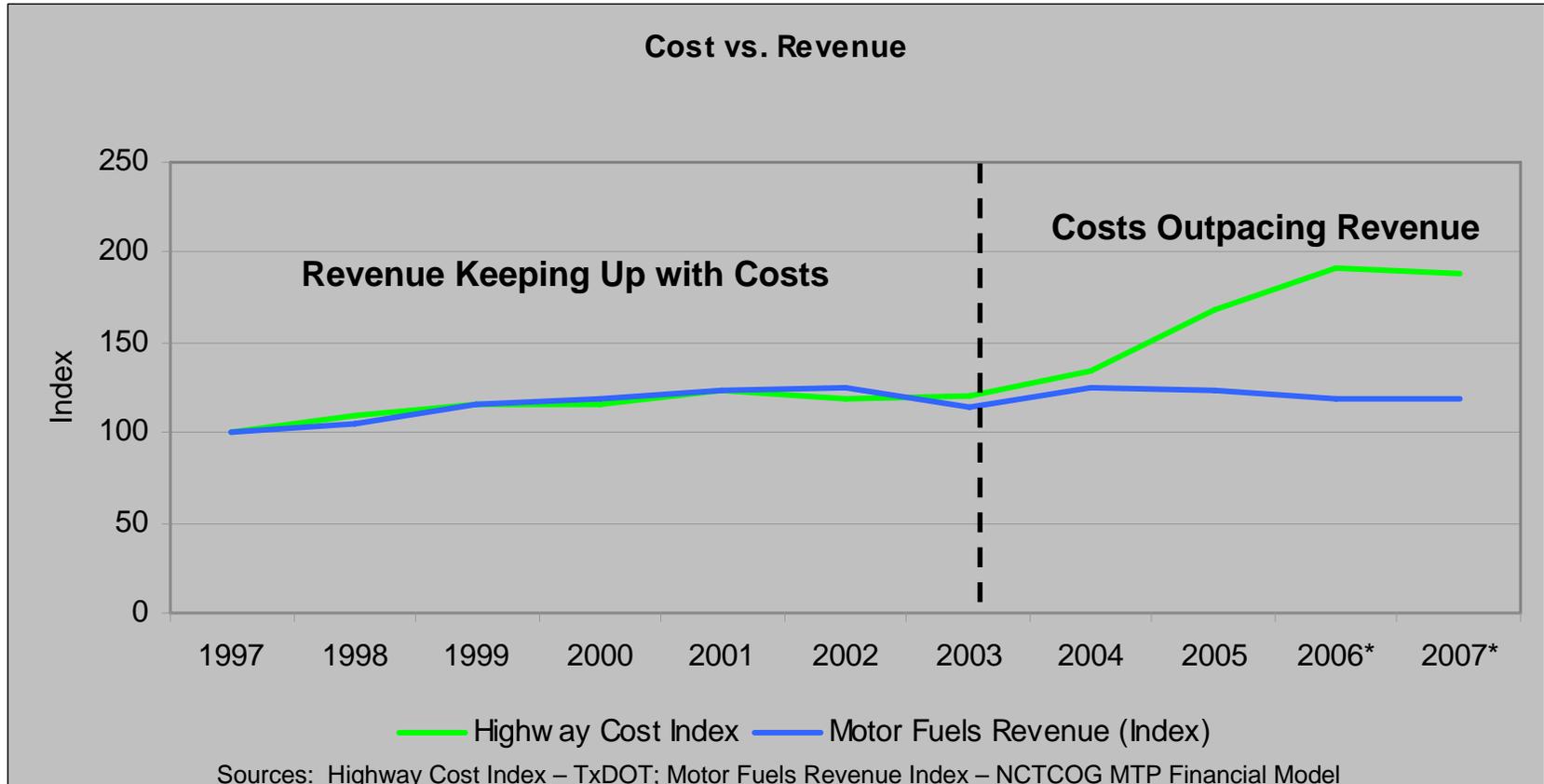


**Texas diverts 34.7% of highway revenue to other uses
 - the third highest rate in the nation.**

*Source for the Revenue Before Diversion is the Texas Comptrollers Office.
 The Highway Revenue Received is calculated from known rates for
 diversions (e.g. 25% school fund, etc.).

What is the Problem?

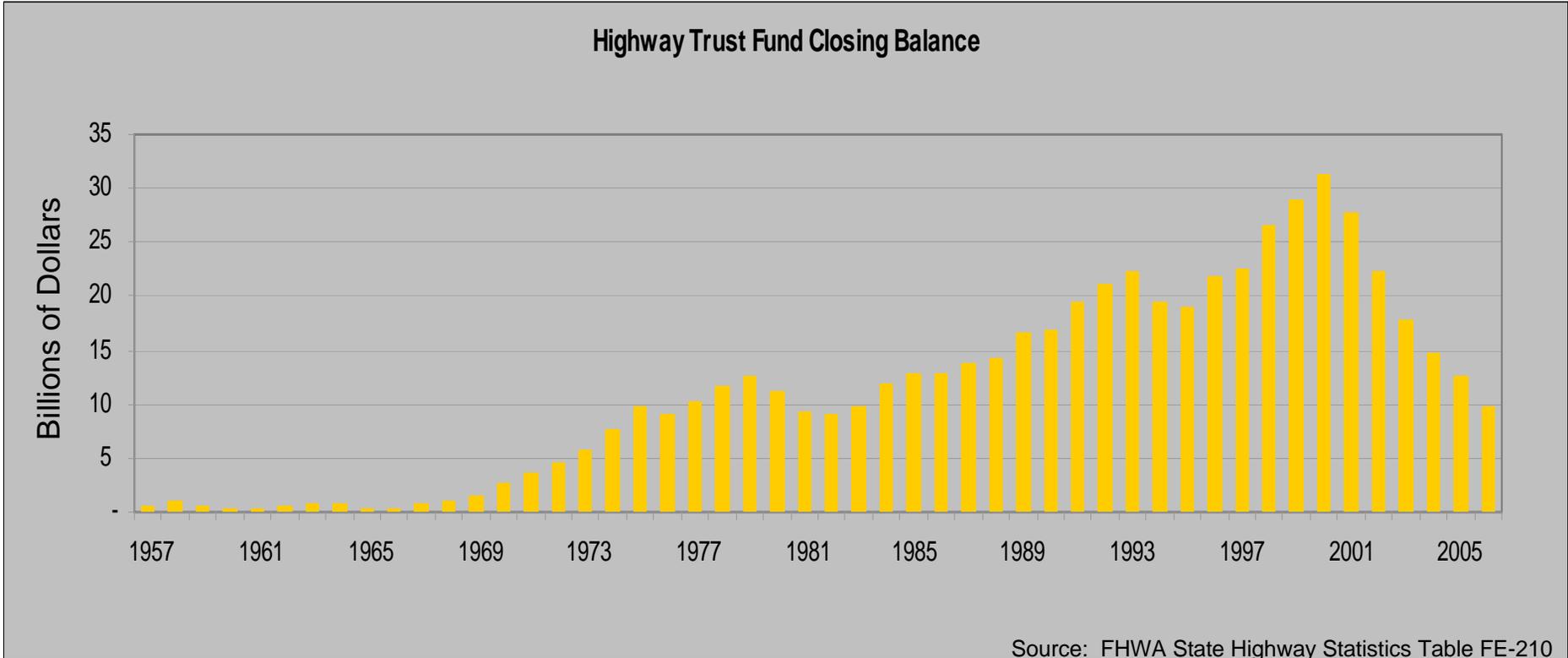
Stagnant Revenue Sources



*Extrapolated

What is the Problem?

The Highway Trust Fund



What is the Problem?

Competing Public Values

Aging System/ Maintenance

Since 2003 the cost to maintain the existing transportation system has surpassed state gas tax receipts- zero dollars of state gas tax money goes to new highway construction.

source: TxDOT

Alternative Fuel Use

There are many benefits to using alternative fuel sources, however, as they become more prevalent, revenues collected from traditional fuel sources could see a significant reduction.

Decreased Travel

There are a number of benefits to decreasing the number of trips made, however, as fewer trips are made, less fuel is consumed resulting in less revenue.

Improved Fuel Efficiency

Improved fuel efficiency has several important benefits, however, as less fuel is consumed less revenue is collected.

Why A *Crisis* And Not A Problem!

Issues Facing Texas

- Donor state
- Diversions
- State gas tax have not increased since 1991
- Gas tax not indexed
- Low Vehicle Registration Fees



Issues Facing Everyone

- Aging System (46 years old)
- Trust Fund Spent Down
- Federal gas tax has not increased since 1997
- Cars are more fuel efficient?
- Alternative fuels
- Construction costs

FUNDING SHORTFALLS!!!

Background

Texas Metropolitan Mobility Plan (TMMP)

Plan Developed for All Metropolitan Areas in Texas

Focuses on Need to Eliminate the Worst Levels of Congestion

Addresses Goods Movement

Addresses Rehabilitation Costs

Current Value

Metropolitan Transportation System Components	Funded Needs (Billions/2006 \$)	Unfunded Needs (Billions/2006 \$)
Operation & Maintenance	\$18.7	
Congestion Mitigation Strategies	\$2.1	
Bicycle & Pedestrian Facilities and Transportation Enhancements	\$1.1	
Rail and Bus Transit System	\$11.0 ¹	
HOV and Managed Facilities	\$3.3	
Freeway and Toll Road System	\$26.4	\$12.7
Regional Arterial and Local Thoroughfare System	\$5.7	\$6.0
Additional Cost to Purchase Right-of-Way		\$1.1
Rehabilitation Costs	\$ 2.6	\$32.1
Goods Movement/Rail Freight Costs (Trans-Tx Corridor)		\$6.7
TOTAL	\$70.9 (55 %)	\$58.6 (45 %)
	\$129.5 Billion	

¹ \$3.4 billion obtained through Regional Transit Initiative

Adjusted for Inflation

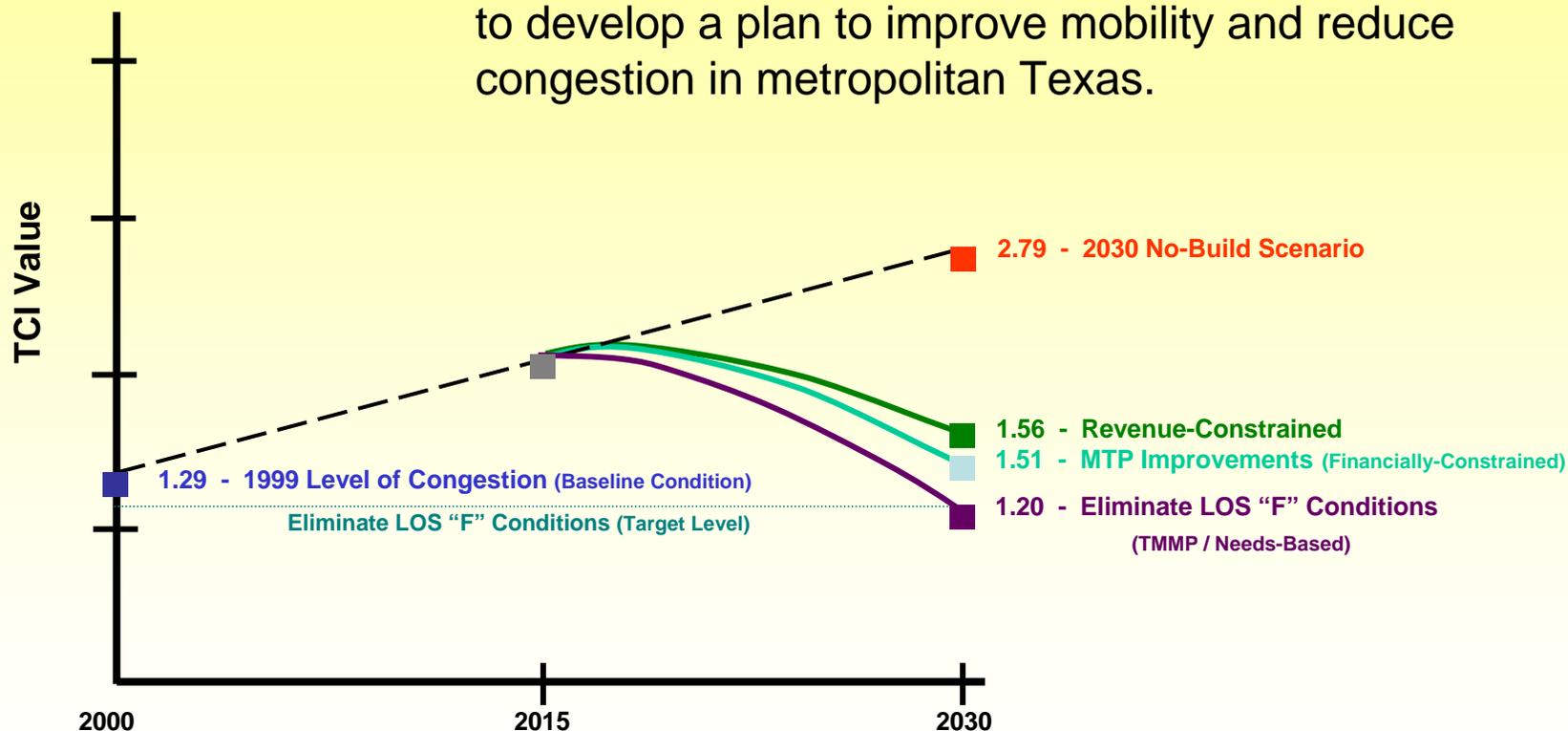
Metropolitan Transportation System Components	Funded Needs (Billions/Actual Dollars)	Unfunded Needs (Billions/Actual Dollars)
Operation & Maintenance*	\$31.5	
Congestion Mitigation Strategies	\$3.1	
Bicycle & Pedestrian Facilities and Transportation Enhancements	\$2.1	
Rail and Bus Transit System*	\$18.6	
HOV and Managed Facilities	\$6.9	
Freeway and Toll Road System	\$55.3	\$23.6
Regional Arterial and Local Thoroughfare System	\$12.9	\$11.1
Additional Cost to Purchase Right-of-Way		\$2.0
Rehabilitation Costs	\$ 4.4	\$59.6
Goods Movement/Rail Freight Costs (Trans-Tx Corridor)		\$12.4
TOTAL	\$134.8 (55%)	\$108.7 (45%)
	\$243.5 Billion	

*Includes an anticipated \$8.6 billion for capital and \$1.5 billion for operating and maintenance from Rail North Texas

TEXAS CONGESTION INDEX

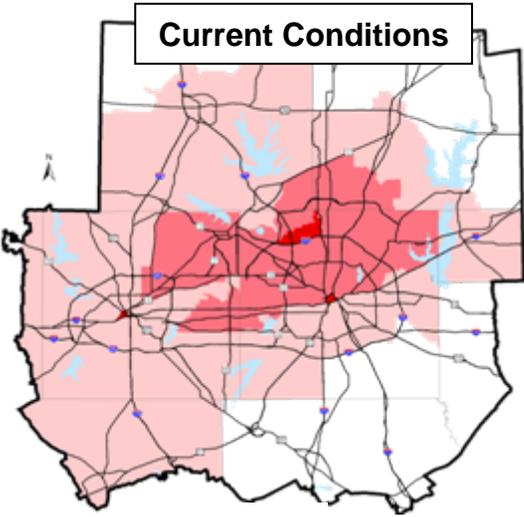
For The Dallas-Fort Worth Metropolitan Planning Area

In March 2003, Governor Rick Perry instructed TxDOT to develop a plan to improve mobility and reduce congestion in metropolitan Texas.



Background

Benefit-Cost Analysis

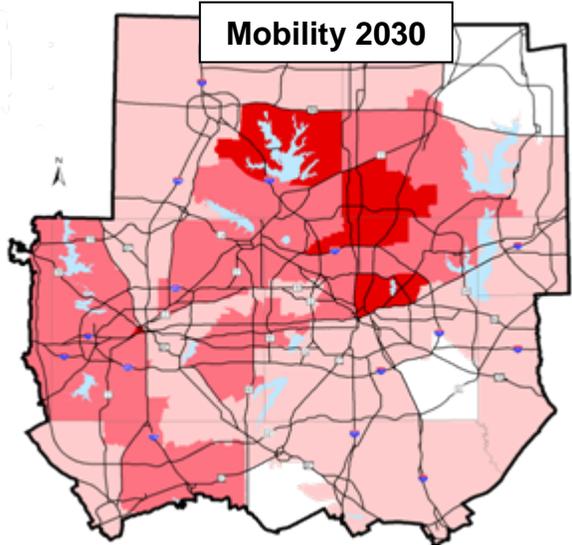


Current Conditions

Population: 5.9 million
Employment: 3.7 million

2007

Annual Cost of Congestion: \$4.2 billion

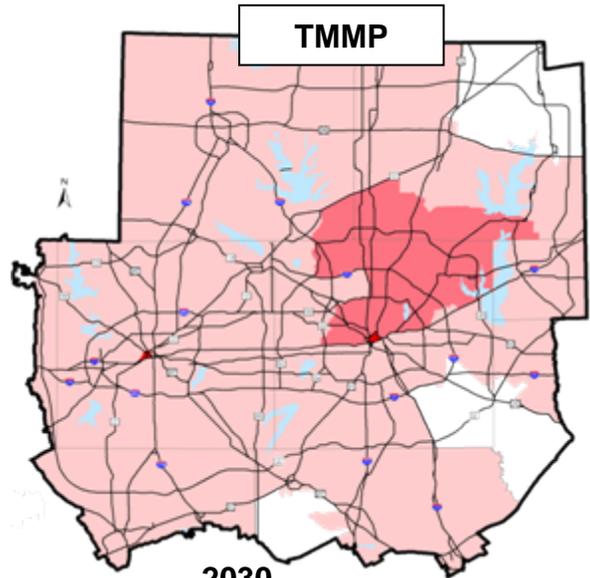


Mobility 2030

Population: 8.5 million
Employment: 5.3 million

2030

Annual Cost of Congestion: \$6.6 billion



TMMP

2030

Eliminate Worst Level of Congestion
Annual Cost of Congestion: \$5.6 billion



Problem Summary

Significant Inflation In Construction Materials
Revenue Sources That Have Not Kept Up With Inflation
Or Increased In Many Years
Rescissions From The Federal Government
Diversions Of Funds To Non-Transportation Functions
Texas Is A Donor State- Not Receiving Back 100% Of
What It Contributes
Lack Of A Reliable Highway Trust Fund
Aging System With Less Funds Available For
Construction
Legislature Mixed On Innovative Funding Tools

Solutions

A Change in the Status Quo

A Major Overhaul Of How Transportation Projects Are Funded

A Major Overhaul Of Transportation Project Development

Policy Shifts Toward Risk/Reward, Accountability And Regional Leadership

New Or Increased Fees

Management & Operations

Partnerships

Elimination Of Stovepipes

Minimum State Revenue Initiatives:

Stop The Bleeding

1. **Stop Diversions**
2. **Index Fuel Tax**
3. **Bond Transportation From General Fund**
4. **Recommit To Public-Private Partnerships (i.e. Innovative Finance) Within Metropolitan Regions**
5. **Local Option Revenue Menu**

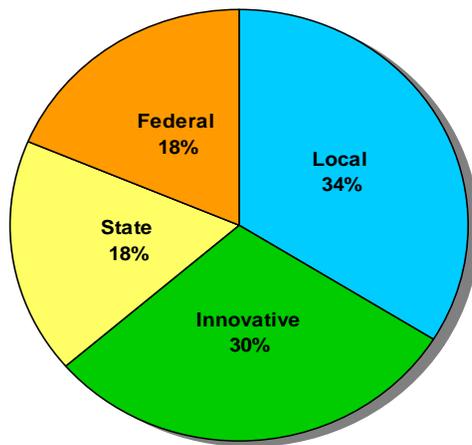
Solutions

Innovative Finance

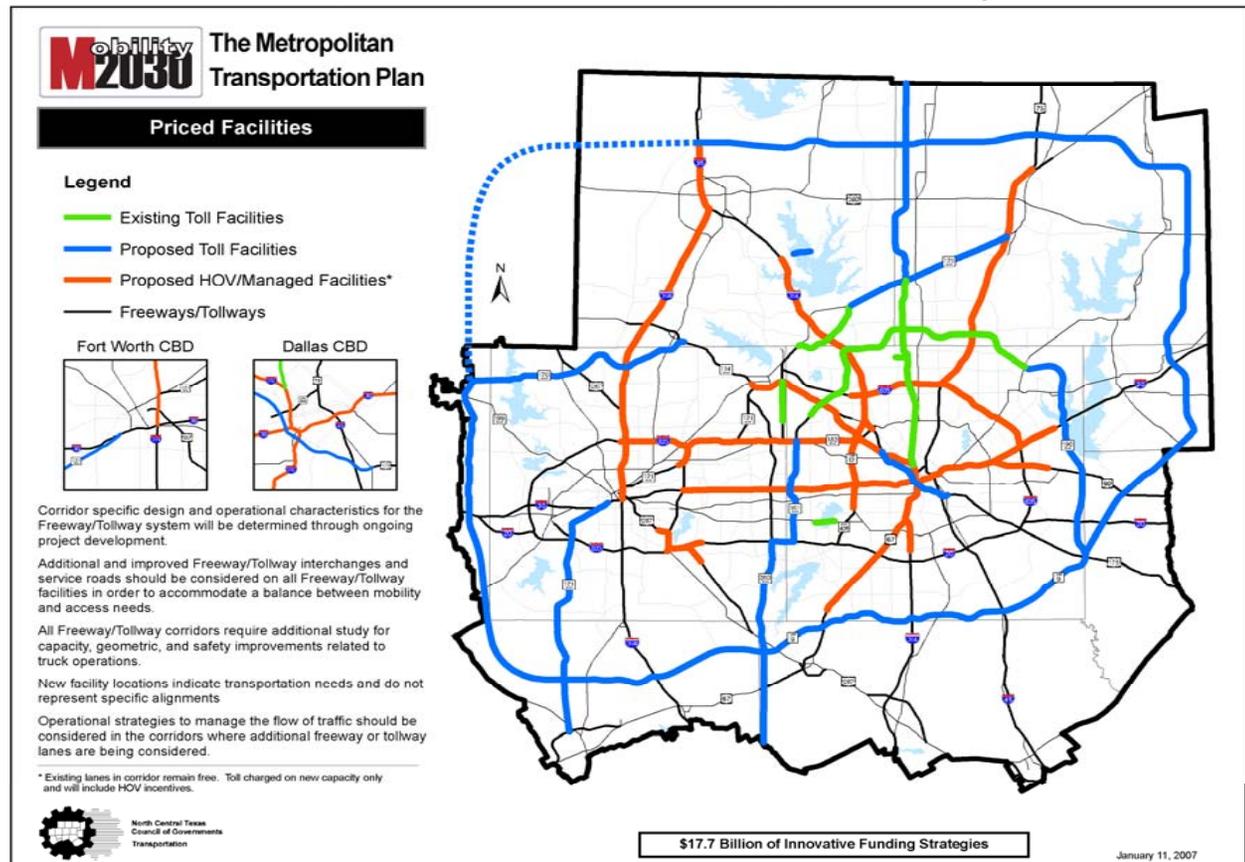
Innovative Finance is an alternative way to fund transportation projects

- Tollroads
- Public-Private Partnerships
- HOV/Managed Lanes
- Comprehensive Development Agreements

Mobility 2030 Funding



The DFW region relies heavily on revenue from innovative finance



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

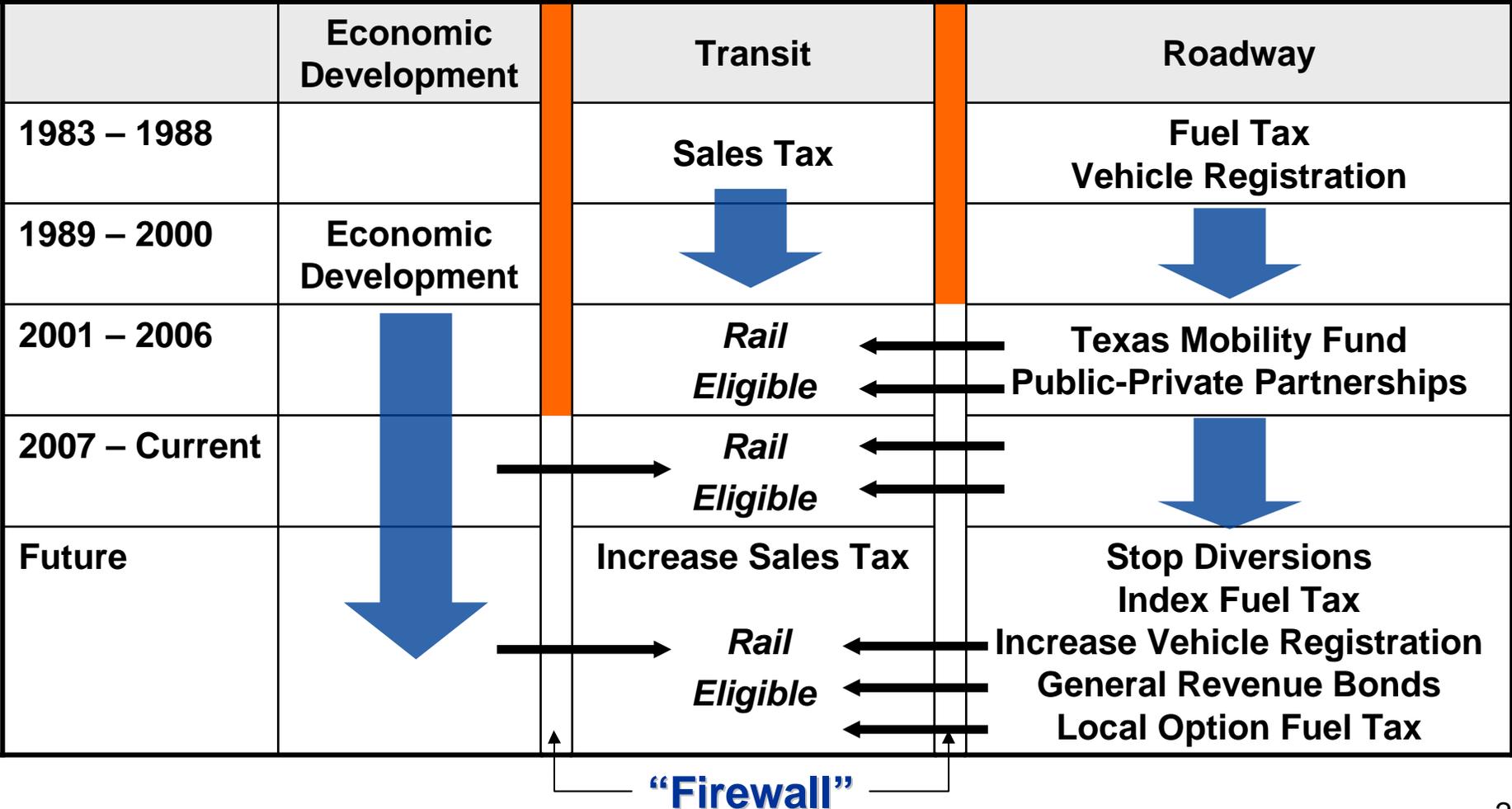
Rule #1 – Law of Competition (Leveraging Innovation, Partnership, Risk/Reward)

Rule #2 – Law of Immediacy

Rule #3 – Law of Fungibility

RAIL NORTH TEXAS

Legislative History on Transportation “Firewall”



Solutions Summary

Legislative Leadership Needed Now!

Innovative Finance Allows Needed Transportation Projects To Be Built That Otherwise Would Be Left Unfunded

**The Way In Which Transportation Projects Are Developed And Funded Has To Change To Ensure:
Needed Projects Can Be Built In A Timely Manner
That Resources Will Be Available Long Into The Future**

A solution does not exist that is “free”