March 30, 2016 House Committee on Transportation hearing
Vic Suhm testimony

My name is Vic Suhm. I serve as Executive Director of the Tarrant Regional Transportation Coalition and as Vice Chair for Financial Management of Transportation Advocates of Texas, Inc.

First, I want to commend you and thank you for your great work in addressing our transportation funding challenges during the 83rd and 84th sessions. The joint resolutions you passed and voters overwhelming approval of Proposition 1 and Proposition 7 represent real progress in the effort to sustain mobility.

Prior to Prop 1 & Prop 7, you were told that TxDOT's annual funding gap was $5 billion. That number was in part based upon an assumption that all the funding tools in the proverbial tool box would continue to be available to the department to fund needed improvements. Included among those tools are tolling, managed lanes and public - private partnerships or comprehensive development agreements. Without these tools, the funding gap remains very large . . . to fill it you would need a new infusion of revenue probably as large as Prop 1 & Prop 7 combined. Unless you plan to identify and enact transportation revenue measures of this magnitude, I respectfully urge you to preserve the ability to continue to use tolling, managed lanes and CDAs as viable revenue measures to fund needed transportation improvements.

Tolling, managed lanes and CDAs – and the leverage they enable – are the reason the North Central Texas region has been able to advance $25 billion in transportation improvement projects over the past several years. I've provided you with a two-page report from the North Central Texas Council of Governments, our MPO, that illustrates this. The power of leverage in sustaining mobility is very large; in our case, less than $3 billion in public funding generated more than $22 billion in private sector funding to implement major transportation improvements. I cannot over-stress the importance of preserving the ability to continue to use tolling, managed lanes and CDAs to fund mobility.

In an ideal world, we'd have enough traditional transportation revenue to fund needed transportation improvements, but unless or until we do, we should preserve and use the funding tools that we do have to sustain mobility. If we don't invest in infrastructure to serve our population and commercial growth, our economy and quality of life will decline, the cost of which would be far greater than the cost of investing in our infrastructure. [end of testimony]

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7.4 Million Drivers Choosing with Their Steering Wheels

NTTA as a local tool to fill the transportation funding gap

Every year more than 7.4 million drivers are making the choice with their steering wheel to drive NTTA toll roads. NTTA toll roads free up lane miles on tax-funded roads and provide important mobility options for North Texas motorists.

Many of the roads that NTTA has built were at some point on the region's mobility plan as a tax road. Toll revenues have allowed the region and NTTA to bring those projects forward years in advance of when they would have been built had they waited on tax funding. Said another way, to have built the 1,000 lane miles that NTTA has constructed and operated would have cost the State an additional 6 cents per gallon in gas tax dollars over the past 10 years.

Without NTTA toll lanes, "diverting traffic volume of the toll roads resulted in moving 3.4 million vehicle miles onto existing [tax] facilities, or 2.5 percent of the daily VMT. This resulted in 10.5 million additional person hours of delay per year, a 5.3 percent increase. The additional annual delay cost was approximately $2.31 million." (TTI Study, 2014)

As a reminder, NTTA was created as a local tool in 1997 to keep toll dollars here in North Texas and to fill the funding gap. NTTA only builds what the region asks the agency to build.

NTTA is funded through tolls and does not receive any state appropriations. Every toll collected is re-invested in the region. NTTA has advanced more than $7 billion worth of tolled and non-tolled projects to the North Texas region since 2007.

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Fort Worth District Unfunded Major Projects

03-29-17

PRIORITY	HIGHWAY	FROM	TO	TYPE OF WORK	COST (MILLIONS)
1	I-35W (NTE Segment 3A Phase 2)	SH 121	I-30	Reconstruct interchange	$800
2	I-20/I-820/US 287	I-20: Anglin Dr. / I-820: I-30	I-20: US 287S / I-820: I-20	Reconstruct freeway and frontage roads	$1,100
3	I-30	Oakland Boulevard	Fielder Drive	Reconstruct, add 2/4 mainlanes, add managed lanes	$700
4	I-35W	IH 20	US 67	Reconstruct, add 1/2 mainlanes each direction	$725
5	I-20	US 287	SH 161	Add one mainlane each direction, SH 360/161 connector	$255
6	I-30	I-820	Camp Bowie Blvd	Reconstruct freeway and frontage roads, add capacity	$550
7	DFW Connector, South Project	SH 114	Hall-Johnson Road	Add mainlane and frontage road capacity	$109
8	SH 170	I-35W	SH 114	Construct 4 lane freeway	$213
9	I-20 (Parker County)	SP 312	I-30	Bottleneck and safety improvements	$224
				TOTAL	$4,676

After allocation of Prop 1, Prop 7 and all other state and federal transportation funding to the TxDOT Fort Worth District over the next ten years, we still have nearly $5 billion in priority projects unfunded. Unless the Legislature chooses to increase annual statewide transportation funding by more than $5 billion, tolling, managed lanes and CDAs remain essential tools to sustain mobility in North Texas.

The Case for Tolling and Project Leveraging

SYSTEM

The Dallas-Fort Worth region is a large, diverse place ranging from dense urban areas to rural environments. As a result, the mobility needs of residents and businesses vary greatly. Not all of our residents want, need, or value transportation exactly the same. In addition, our individual transportation needs may change over time, necessitating a range of options. For these reasons, it is important that the region's transportation system is safe and reliable, satisfies mobility needs, and provides transportation choices. As the region continues to grow it will be necessary to accommodate rising travel demand, provide choices, and balance transportation investments across a variety of modes.

Investment from the public and private sectors will be essential to providing for the basic travel needs of both people and goods. While the private sector tends to focus on modes of transportation that help accommodate the efficient movement of goods, such as rail lines or aviation facilities, they are beginning to invest in facilities that serve the general public. These investments include facilities like managed lanes that provide extra capacity, reliable travel times, and have a means to pay for their continued maintenance over time. Facilities like these provide transportation choices, reduce construction and maintenance obligations for the state, manage travel demand, and free up capacity in the other travel lanes. Likewise, continued public investment in public transportation, bicycle and pedestrian facilities, and roadways will be important in providing travel options for all users. From freeways and tollways to local streets, passenger rail lines to local buses, and large intermodal facilities to truck lanes, it is critical to the economic health of the region to continue to plan and implement a balanced transportation system.

LEVERAGE

Leveraging public dollars with private funding opportunities has greatly impacted the region. When looking at the toll projects completed since the tools were made available by the Texas Legislature, the public sector has leveraged $2.9 billion and benefited by over $22 billion committed by the private sector. For toll roads in particular, the ratio of private to public sector dollars needed to completed projects is 10 to 1. For managed lanes, that same ratio is 4 to 1.

Facility Type	Public Sector Funding	Private Sector Contribution[1]	Private to Public Sector Ratio
Toll roads	$1,643,265,063	$16,552,500,241	10 : 1
Tolled Managed Lanes	$1,348,000,000	$5,987,000,000	4 : 1
	$2,991,265,063	**$22,539,500,241**	

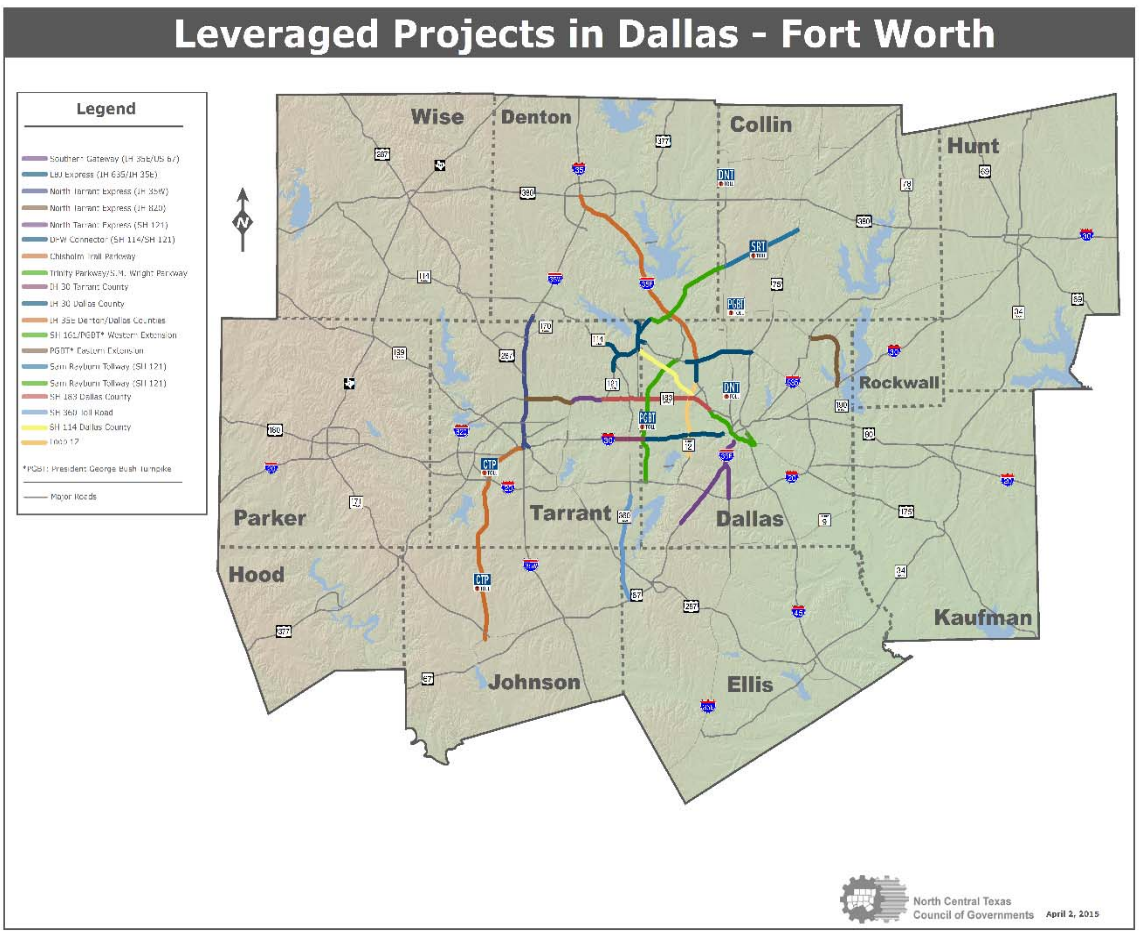
[1] Includes funding for initial construction costs, future capacity improvements, maintenance/rehabilitation costs, concession payments, and revenue sharing.

BENEFITS

Billions of dollars in transportation projects throughout the region have been made possible through innovative funding and partnerships. From the recently completed DFW Connector to the North Tarrant Express, LBJ Express and other improvements, partnerships are increasingly important.

The Regional Toll Revenue (RTR) funding initiative was created in 2007, after the North Texas Tollway Authority (NTTA) agreed to build and maintain State Highway 121. In exchange for this, NTTA paid the region $3.2 billion. These funds have been used to expedite about 200 transportation projects. RTR funding expedites transportation projects by providing funding for all modes of transportation. Some specific projects include the Denton County Transportation Authority A-train, US Highway 75 in Collin County and the Interstate Highway 35E corridor in Dallas and Denton counties.

RTR Distribution 2009-15		
Roadways	$3,072,194,253	83%
Air Quality	$325,465,160	9%
Maintenance	$34,003,000	1%



Partnerships have resulted in the funding of several major roadway projects. This map shows leveraged projects in the Dallas-Fort Worth area, many of which have used innovative finance, and the creation of a transportation system.

Comprehensive Development Agreements: Myth v. Reality

The public debate over CDAs has been inundated with campaigns of fabrication and falsehoods. The information below rebuts the primary points of misinformation that have been presented in the CDA debate.

Myth: They allow private entities to use eminent domain and grants private entities ownership of public roadways

> **Reality**: Development agreements **do not** give private entities eminent domain powers nor do they convey private ownership of public roadways. In the event eminent domain were needed to acquire right-of-way that authority could only be exercised by TxDOT or an RMA. State law specifically requires that these projects always be owned by public entities (see Transportation Code Sec. 223.206 for TxDOT and 370.309 for RMAs). The agreement can provide for the private sector to operate **and maintain** a project pursuant to a lease, but a lease does not convey ownership and the lease agreements can be terminated at any time.

Myth: They give private sector entities total control over toll rates and toll rate escalations.

> **Reality**: **Texas law specifies a methodology (negotiated and approved by TxDOT or an RMA) for setting and increasing rates.** Managed lane projects always give drivers a choice of using non-tolled general purpose lanes or express lanes at a rate that is limited to what is required to assure that traffic moves at certain minimum speeds.
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> For the LBJ and NTE TEXpress lanes in the DFW region, toll prices are based on real-time traffic demand. Average toll prices may range from 15 cents to 35 cents per mile during lighter traffic, and 45 cents to 75 cents during rush

Myth: They cede control over public assets to private entities and can never be terminated.

> **Reality: Development agreements are subject to operational oversight and can be terminated at any time. There is always a public procurement. The contracts are then vetted by the LBB and Attorney General.** State law requires that these agreements contain provisions allowing the public sector to terminate the agreement at any time and assume control over the operations of a project.

Myth: They require massive public subsidies.

> **Reality**: **CDAs do not require massive public subsidies**, and any state or local investment is far outweighed by the economic benefits of the project. Additionally, some agreements provide for up-front payments from the private sector, and most involve a sharing of toll revenues between the CDA developer and the public entity.
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> More than $8 billion in new projects have been procured under public private partnerships in Texas with **only $1.4 billion contributions from the state**. That's a more than $6.6 billion dollar savings in capital costs alone. Economic benefits include construction and engineering jobs, increased tax base in the area around a project, and better mobility for attracting businesses and jobs.

On **LBJ, NTE 183/820, and NTE 35W, the state invested $1.1 billion for $4.6 billion** in construction of **470 lane-miles**, including main highway lanes, frontage roads and managed lanes. **Managed lanes represent less than 25%of the total number of lane-miles on these projects.**

Myth: If a CDA project goes bankrupt the public will be left be responsible for debt obligations.

Reality: **On the contrary, Public entities are not required to assume any CDA-related debt in the event of a bankruptcy**. The SH 130 Segments 5 & 6 CDA provides an example of the "worst case" financial scenario for a CDA project. The CDA developer went bankrupt, but the road never closed, the public sector has not been forced to assume any debt obligations (including Private Activity Bonds), and the only ones to lose money are the original developers.

Myth: CDAs provide no benefit to rural areas

Reality: Rural entities benefit from CDAs because even with the infusion of money from Prop 1 and Prop 7, Texas remains short on funding for critical infrastructure projects, particularly in urban areas. Allowing private investment to help fill funding gaps in urban areas helps stretch our statewide transportation funding dollars.

Myth: TxDOT has more funding than ever and can Texas can build and maintain all the roads we need on a pay as you go basis without new taxes, tolls or debt.

Reality: Even with the infusion of dollars from Prop 1 and Prop 7, Texas remains short on funding for critical infrastructure projects. Some major infrastructure projects in the state, such as I-35 in Austin, are anticipated to have toll and debt components whether or not they are developed as a CDA. CDAs simply offer the option to allow private sector equity to finance the projects to reduce state debt.

Myth: CDAs have given our roads over to a Spanish company.

Reality: Cintra's north American headquarters are in Austin, Texas. According to the Governor's office, there are more than 1,500 foreign corporations with ongoing operations in Texas. These companies benefit from our workforce and contribute to our economy. In fact, Texas is second for jobs at U.S. subsidiaries of global companies, insourcing 476,400 jobs. From 2011-2016, there have been more than 1,441 Foreign Direct Investment projects in Texas, translating into the creation of more than $212 billion in capital investment. Other international companies in Texas include Toyota, Philips, Bayer, LG, Ericsson, Samsung, Siemens, EDF, Skanska Mitsubishi, Shell, SATA and many others.