

Joint Hearing of  
Senate Committee on Transportation and Homeland Security  
and  
Senate Committee on Finance

Dallas Regional Mobility Coalition

Chair, Hon. Rob Franke, Mayor of Cedar Hill  
Chair, Hon. Jayne Peters, Mayor of Coppell

May 26, 2010

My name is Rob Franke and I am here representing the Dallas Regional Mobility Coalition (DRMC).

DRMC is a lone-standing, not-for-profit organization composed of public officials and leaders in North Texas area. That area is generally within the Dallas District of the Texas Department of Transportation (TxDOT) and includes Collin, Dallas, Denton, Ellis and Rockwall counties. It is an area of over five thousand square miles, with three million registered vehicles and 10,000 lane miles.

We appreciate the opportunity to appear before this unprecedented joint hearing of both committees. Simply the fact that this joint hearing is occurring underscores the significant financial funding issues facing Texas.

This month a national study of 366 metropolitan statistical areas ranked the Dallas-Fort Worth area in the top 10 nationally for the strongest economy over the last two decades. The economic vitality of North Texas is a large reason the Dallas-Fort Worth added more new residents last year than any other metropolitan area in the country, according to the US Census Bureau. The metroplex can continue to grow as one of the top economic engines of the country, or slowly strangle on increasingly polluted air, gridlocked roads, and a declining relocation destination for major U.S. corporations.

We are not consigned to that future. Your committee's presence here today and the invited testimony is a step in the right direction of policy considerations to avoid that bleak outcome. You have already heard today several well reasoned suggestions on how to address funding issues. Let me address one more.

The 2030 Committee, appointed in May 2008, conducted a well researched and documented analysis of state transportation needs in four categories: pavement maintenance; bridge maintenance; urban mobility; and, rural mobility. Their conclusion was that to ensure the state's economic competitiveness an investment of \$14.3 billion per year was needed to preserve the condition of our infrastructure and halt worsening congestion.

The budget for TxDOT in the current Biennium is slightly over \$17 billion or \$8.5 billion per year. Whether you use the 2030 Committee need assessment, numbers from the Texas Transportation Institute or TxDOT, our system's needs exceeds it's revenues.

The prospect of existing revenue supporting even the current maintenance rehabilitation and congestion reduction is grim. While the Texas Comptrollers office projected an increase in motor fuel tax revenue of 1.5% a year for 2009 and 2010, actual collections have declined by over 2%. The result is a negative 5% variance in the current TxDOT appropriation.

Certainly increasing or indexing the motor fuel tax could be a short-term solution, but some data indicates that we may have reached in 2007-2008 the peak of petroleum consumption. Increased use of hybrid vehicles and more fuel efficient cars will also

lower the motor fuel tax revenue. A vehicle miles traveled pilot project could be funded to test user fee acceptability and technology integration associated with the tracking.

Where transportation infrastructure has a functional life 40 years or longer, debt financing is a viable option. However, state debt affordability and capacity is beginning to also be constrained. TxDOT was authorized by the Legislature to issue up to \$6 billion in State Highway Revenue Bonds paid for out of the State Highway Fund (Proposition 14). The amount authorized can not have debt service payments that exceeds 10% of the prior years deposits into Fund 6. Debt service for the amount authorized is expected to exceed \$400 million in 2010.

In 2007, TxDOT was authorized to issue up to \$5 billion in general obligation debt (Proposition 12). \$2 billion was authorized for issuance in this biennium with \$100 million of general revenue committed for debt service.

The Texas Constitution prohibits the authorization of state debt if the annual debt service exceeds 5% of the average annual unrestricted general revenue in the last three years. Authorized debt for all state agencies is now approaching 3% of unrestricted general revenue. While state debt per capita remains low, Texas is second in the nation in local per capita debt, making us 5<sup>th</sup> in the country for combined state and local debt.

The other significant source of transportation revenue is from the state share of the federal motor fuel tax. The Highway Trust Fund was established in 1956 as a pay as you go fund. The same problems that have beset Fund 6 have also effected the Highway Trust Fund, but by a larger magnitude. Except for the infusion by Congress of

\$19.5 billion to the Highway Trust Fund in March, it would have reached zero and reimbursements to states would have been curtailed.

Although Federal Reauthorization has been extended through December 2010, we are informed that the chances of a new Federal Reauthorization before the convening of the 82<sup>nd</sup> Session is unlikely. Finally, the just released US Department of Transportation, draft Strategic Plan set out the guiding principles of: safety, maintenance, equitable benefit, livable communities, and environmental sustainable projects. While those are all laudable goals, missing are: "improved mobility," "congestion reduction," or "commercial freight efficiencies."

If state or federal financing is not sufficient to maintain and repair the roads, reduce traffic congestion and improve air quality we must find other options. The options must address one of the increasingly larger cost drivers - operation and maintenance of the infrastructure. It should also address the risk under performing traffic loads, significant cost over runs and ensure user satisfaction through quality assurance. Alternate solutions are called for.

New and virtually untested project delivery methods, funding options and innovative finance mechanisms were authorized by the 79<sup>th</sup> and 80<sup>th</sup> Legislative Sessions. Some options worked well for certain regions in the state, while others were not received as favorably. The intervening five years has permitted concept evaluation, implementation coordination and improved project delivery. Perhaps the blanket repeal of comprehensive development authority for TxDOT by sunseting it in 2009, while leaving in place the very same authority for regional mobility authorities and regional toll authorities should be revisited.

Innovative finance brings to the table the ability to accelerate design and construction, environmental clearance, and right away acquisition, but perhaps most importantly it adds an additional source of revenue coupled with transference of risk. No better example of a financial calamity to be avoided through risk transference is Boston's Big Dig. Authorized solely as a public project and a forecasted cost of \$4 billion when complete, the final price tag exceeded \$14.6 billion. That cost overrun exposure could have been transferred to the private sector under a properly drawn innovative financing structure.

In Dallas, LBJ (I635) was built in 1969 to accommodate 180,000 vehicles a day. Today it has an average daily vehicle count of 270,000 and is expected to increase to 450,000 in just ten years. The LBJ Project which will add four reconstructed main lanes (with no tolls) and six lanes of managed toll-lanes, is an innovative project. The total project cost is projected to be \$3.2 billion, with the public contribution limited to \$445 million. The balance of the project will be financed by private equity and repaid over the term of the lease.

The risk of any construction cost overrun on LBJ, unlike the Big Dig, has been totally transferred to the private sector. The risk of lower than expected traffic loads has been transferred to the private sector. Any surplus revenue that exceeds the traffic and revenue study parameters is shared with the state. This appears to be a model that advances project delivery, protects the public interest and advances mobility and air quality goals.

As initially proposed and adopted by the Legislature, agreements that dealt with regionally significant corridors could develop terms that allow design-build authority,

master development plans, financial innovation and also allow financial structures that incorporate funding for regional or off system projects. That authority was repealed by sunset.

During the debate over the House Bill 300 (Related to the Continuation Functions of the Department of Transportation) during the 81<sup>st</sup> Session over two dozen major highway projects were exempted from the restrictive TxDOT rules, regulations and sunset provisions. Some of the projects included: State Highway 281 in Bexar County; Loop 49 in Smith County; the Grand Parkway in Harris County; State Highway 290 in Travis County; Southwest Parkway in Tarrant County; and, 635 in Dallas County. Clearly there is a need for flexibility and innovative design, construction, financing and implementation of regional projects or those exemptions wouldn't have been added.

We would suggest that the authority of TxDOT be restored to enter into the type of agreement that provides a comprehensive set of options to address circumstances found in different areas of the state. Let me suggest some components that could be used for a Regionally Significant Local Partnership:

- 1) The project should be of regional significance;
- 2) agreed to by majority of the stakeholder governments in the corridor;
- 3) not viable from the traffic and revenue projects as a stand alone project;
- 4) provide for revenue sharing for off-system projects from any surpluses;
- 5) contain congestion mitigation and air quality improvement goals; and
- 6) require financial participation of all signatory parties.

Also, here are some guiding principles that could be consider: allow the project to be developed under the authority of a city, county or other political subdivision in

conjunction with the state; and, allow participation in incremental tax revenue from adjacent property and let market competition establish the best value.

On behalf of DRMC we appreciate the opportunity to participate in the process. We will remain available to lend our resources and help to meet the mobility challenges of this state today and in the years ahead.