TTP220 Transportation Policy and Planning

5/7: Financing

Requirements

ISTEA established requirement for “fiscally constrained” LRP. TEA-21 called for “fiscally constrained” LRP but allowed additional projects “for illustrative purposes”, plus financial plan in LRP

Financial Plan

- Cost estimates of projects listed: projects not yet well defined…
- Revenue projections: “cooperatively” developed with state DOTs…
- Reconciliation…
  o Restrict projects to projected revenues?
  o Find ways to expand revenues to fund needed projects?

Federal Revenues

How large will federal program be?
  o Assume SAFETEA-LU levels
  o Firewalls project authorizations from reductions in appropriation bills

How much will the MPO get?
  o Formula funds
    ▪ Programs directly to MPOs, e.g. some STP, CMAQ
    ▪ Bonus equity funds – share to MPOs?
  o Discretionary funds: e.g. “New Starts” rail program
  o Matching funds: 20% or more of project, traditionally state gas tax but now…

Innovative Financing  Pushed by ISTEA, TEA-21, SAFETEA-LU…

General Categories

- Public vs. private: not clear distinction
  o How directly we pay
  o How funds are collected
- Timing of spending vs. revenues
  o Pay as you go
  o Borrow, i.e. bonds: federal programs have created new means
- System-wide vs. project specific

Issues to Consider

- Funding adequacy
- Funding stability
- Administrative efficiency: costs to collect?
- Political acceptability
- Economic efficiency: users pay full costs, so right incentives
- Equity: who pays vs. who benefits?
- Contribution to societal goals: e.g. equity, environment
Options

System-Wide
- Gas tax: federal, state, possibility of regional
  o Shift to mileage-based user charges – a “utility”-type system?
- Registration fees: state, some county
- Sales tax: Local Option Sales Tax
  o California’s “self-help” counties, 2/3 vote required
    ▪ Usually: ½ cent, 15-20 years, list of specific projects, controlled by county
    ▪ TMA, some funds given back to cities
    ▪ As of 2 years ago… 18 counties, 80% of population, $2B per year
    ▪ Connection to regional transportation planning…?
- Others: for example…
  o parking fines
  o advertising, e.g. bus stops, bus wraps
  o Austin’s “residential transportation fee”

Project Specific
- Tolls: bonds issued to pay for facility, tolls used to pay back bonds
  o Public vs. private construction, ownership, operation, maintenance
  o Fixed vs. variable tolls
  o e.g. Orange County – 91 Express Lanes: HOT lanes built by California Private
    Transportation Company, then bought by Orange County Transportation Authority
  o e.g. Texas’ Regional Mobility Authorities – to build, operate, maintain turnpike
    projects
- Special districts: mostly for local projects
  o Benefit Assessment Districts
  o Tax Increment Financing
  o e.g. County Road Districts in Texas, Road Utility Districts
- Impact fees and exactions: for new development, imposed by local government
- Joint public-private partnerships: e.g. transit stations

Federal Borrowing Mechanisms
- State Infrastructure Banks: 1995 NHS bill
  o State can transfer up to 10% of federal funds, matched with state funds, to create
    “revolving loan fund” for any projects eligible for federal funds
    ▪ As of 2001, 32 states, 245 loan agreements, $2.9B
- Grant Anticipation Revenue Vehicle (GARVEE) bonds: 1995 NHS bill
  o To advance projects based on future federal transportation funds; bonds sold, principal and interest paid out of federal funds
    ▪ e.g. State Route 44 in NM - $102M Garvee Bond for 18 years for $364M project, vs. $256M in federal funds to state per year.
- Transportation Infrastructure Finance & Innovation Act (TIFIA): 1998 TEA-21
  o Federal funding for credit assistance (e.g. direct loans, loan guarantees) to work as
    “leveraging factor”:
    ▪ e.g. $450M loan to $3.3B Bay Bridge project in 2002, paid back from tolls


In the Future…?