

SUBJECT: Allowing state-funded accounts within the State Infrastructure Bank.

COMMITTEE: Transportation — favorable, without amendment

VOTE: 5 ayes — Krusee, Phillips, Casteel, Hill, Hamric

0 nays

4 absent — Callegari, Deshotel, Flores, West

WITNESSES: For — None

Against — None

On — Robert Nichols, Texas Department of Transportation

BACKGROUND: State Infrastructure Banks (SIBs) were created in 1995 by the federal government as part of the National Highway System Designation Act (NHS). SIBs were established to provide financial assistance to local entities through state transportation departments to help finance mobility improvements. The Texas SIB was authorized in SB 370 by Armbrister, the 1997 TxDOT sunset bill. SB 370 created a SIB within the state highway fund in order to use federal highway financing alternatives available under the NHS.

The SIB was set up to encourage public and private investment in transportation and to develop new financing techniques for construction, maintenance, and operation of transportation projects. The SIB is funded by federal highway apportionment funds, state matching funds and revenue bonds issued by the commission. TxDOT may use SIB funds to provide financial assistance to any public or private entity for a qualified project. SIB funds may be used only to finance projects eligible for funding under existing federal highway rules.

The 1998 federal Transportation Equity Act for the 21st Century (TEA-21) established a new SIB pilot program in four states — California, Florida, Missouri and Rhode Island. While Texas and other states with SIBs that are not included in the new pilot program may continue to operate their SIBs, these states are not able to use TEA-21 funds to

capitalize their SIBs without approval from the Federal Highway Administration.

DIGEST: HB 2134 would authorize the creation of subaccounts within the SIB that would be capitalized with state funds only. These accounts would not be subject to federal SIB regulations. Also, HB 2134 would permit the use of funds from state-funded SIB accounts to encourage investment both within and outside of the state highway system.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect on September 1, 2005.

SUPPORTERS SAY: Creating state-funded SIBs would allow TxDOT to lend state funds to local governments to help in the financing of eligible transportation projects without being subject to federal rules. State-funded SIB programs could take advantage of innovative new tools for financing transportation projects, such as pass-through tolls.

Revolving funds have proven to be an optimal method of leveraging transportation funding. The account balance for a revolving fund constantly increases as it accrues monthly interest and receives principal and interest payments from borrowers. The Texas Transportation Commission has approved more than \$250 million in loans from the SIB, which have leveraged more than \$1.8 billion in transportation projects throughout the state. Additional revolving funds would save the state money and support infrastructure improvements across Texas.

HB 2134 would help relieve congestion around the state by creating more funding sources for state and local transportation projects. The congestion crisis in Texas has worsened in recent years, a result of both a rapidly growing population and the dissolution of international trade barriers. HB 2134 would allow faster completion of necessary transportation projects and help reduce overall congestion in the state.

OPPONENTS SAY: HB 2134 could be used as another financing mechanism to promote the proliferation of toll roads around the state at the expense of motorists who essentially pay a double tax — once at the pump and again at the tollbooth — yet have found little relief from traffic congestion. Despite assurances that free roads will remain as alternatives to toll roads, it is becoming clear that the state has little interest in exploring alternatives, such as raising the

motor fuel tax, promoting mass transit, or dedicating other transportation-related taxes and fees. The line between tolls as a source of financing and tolls as a source of revenue continues to blur with each toll-related proposal.

NOTES:

The companion bill, SB 755 by Shapleigh, was reported favorably without amendment by the Senate Transportation and Homeland Security Committee and was recommended for the Senate Local and Consent Calendar.