

SUBJECT: Local government participation in agreements to finance toll roads

COMMITTEE: Transportation — committee substitute recommended

VOTE: 6 ayes — Krusee, Phillips, Hamric, Callegari, Casteel, Hill

0 nays

3 absent — Deshotel, Flores, West

WITNESSES: None

BACKGROUND: Transportation Code, sec. 361.301 allows the Texas Department of Transportation (TxDOT) to enter into agreements with public or private entities, including toll road corporations, for the construction, maintenance, and operation of toll projects. Similarly, sec. 370.302, allows Regional Mobility Authorities (RMAs) to reach agreements with public or private entities for the construction, maintenance, and operation of toll projects. Sec. 362.007 allows local government entities to issue bonds in order to enter into joint agreements for toll roads. These bonds can be repaid using revenue from any available source.

DIGEST: CSHB 2660 would allow local governments to enter into agreements with TxDOT, RMAs, or private entities in which the local government entity contributed to the construction, maintenance, and operation of a toll project in exchange for a percentage of toll revenue from the project. Local governments would be able to use any funds available, including bond and tax proceeds, to finance their contribution.

Local governments would have to use revenue obtained from toll projects for transportation purposes. TxDOT would have to grant prior approval for any agreement between a local government and a private entity, and the agreed-upon toll project would have to be located within the local government's jurisdiction.

The bill would take effect September 1, 2005.

SUPPORTERS
SAY:

CSHB 2650 would allow local governments that contributed to the financing of a revenue project to receive a portion of the proceeds. Other parties, namely private toll companies, that invest in toll projects can expect to receive compensation for their capital investment. Local governments deserve to see a similar return on their investment in toll roads.

The bill would allow creation of a type of revolving fund that cities and counties could depend on in future years to help meet their transportation needs. Local governments often do not have sufficient resources single-handedly to finance the colossal construction, maintenance, and operation costs associated with toll projects. It is essential that local governments have the option of reaching agreements with public or private entities in order to gain financial assistance in the financing of transportation projects.

Citizens often complain about the time it takes to complete highway construction and maintenance projects, which this bill would help reduce. Providing incentives for local governments to enter into toll project agreements would allow for faster completion of much-needed transportation projects around the state. TxDOT estimates that toll leveraging could cut project start times in half — from 12 years to six years — for a majority of planned urban congestion relief projects.

Toll roads are necessary as a strategy to relieve congestion, especially given the limited funds currently available for transportation projects in Texas. Currently, TxDOT estimates that the state is able to finance only one-third of its transportation needs. Toll roads provide a viable alternative to the outdated pay-as-you go method of financing transportation projects.

By encouraging local government participation in toll projects, CSHB 2650 would support toll roads as a better solution to the state's congestion problems than would an increase in the motor fuel tax or other proposed alternatives. TxDOT estimates that the motor fuel tax, currently 20 cents per gallon, would need to be increased by \$1 per gallon in order to meet the state's transportation needs. While increased use of mass transit, high-occupancy vehicle lanes, and other such measures could be a part of the solution, no method other than toll-related financing could fund the number of transportation projects the state must complete quickly.

The bill would not encourage local governments to support toll projects in search of great profit. While a local governments could expect to gain from the receipt of toll revenue obtained from its investment, all revenues would be dedicated toward funding desperately needed local transportation projects.

OPPONENTS
SAY:

CSHB 2650 would promote the state's use of tolls principally as a strategy to generate revenue while disregarding the potential consequences of setting up toll roads throughout the state. The bill would give incentives to local governments to build toll roads solely in anticipation of receiving a portion of future toll revenue. Transportation policy should be based on the viability and effectiveness of a particular strategy not just its revenue-generating capacity.

By supporting new toll projects, CSHB 2650 would promote an unstable method of highway finance. The ultimate success of any tolling project is directly linked to gasoline prices. Developers have projected that the long-term viability of the toll project currently under construction on US Highway 183 in Central Texas is contingent upon the price of gas remaining under \$3 per gallon for the next four years. If gas prices continue to soar at current rates, it is unlikely that toll roads will generate enough revenue to cover their costs.

CSHB 2650 would promote the further 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 experienced scant relief from traffic congestion. Toll roads are likely to worsen congestion problems in the state, in part because they can lead to increased congestion on free roads. Despite assurances that free roads always will exist 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. Indeed, the line between tolls as a source of financing and tolls as a source of revenue becomes more blurred with each toll-related proposal.

NOTES:

The substitute differs from the original bill in that it would require that an agreement between a local government and a private entity be approved by TxDOT. Additionally, the substitute specifies that local governments could use revenue obtained from toll projects only for transportation purposes.