



NATIONAL CORRIDORS INITIATIVE 2013 TRANSPORTATION CONFERENCE
LOWELL, MA
FRIDAY 13 DECEMBER 2013

TRANSPORTATION FUNDING AND FINANCING

State Leadership on Transportation Investment Including Public-Private Partnerships

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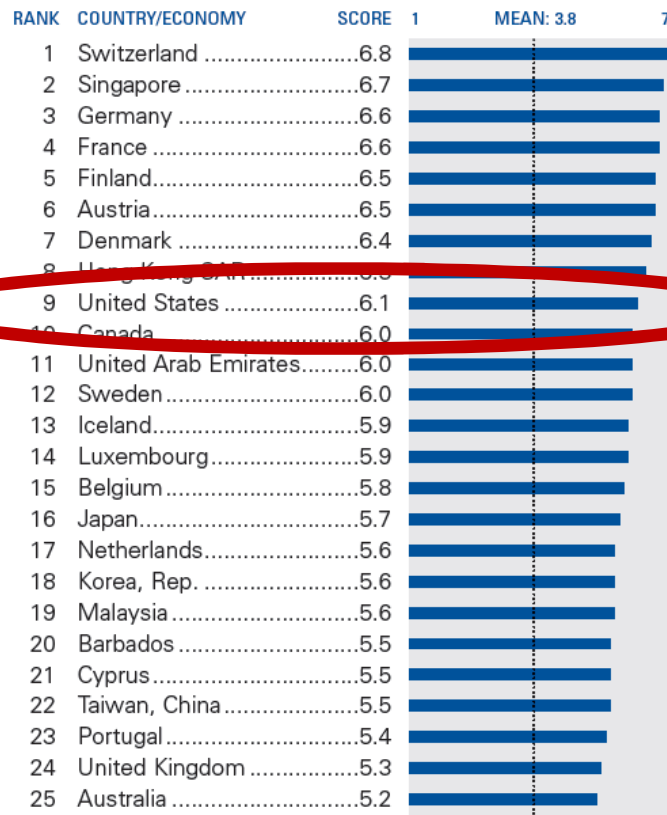
PRESENTATION OUTLINE

- **Federal program at a crossroads**
- State leadership on transportation investment
- Transportation financing options
- Review of public-private partnership (PPP or P3) activities in the US
- Transportation financing proposals and trends

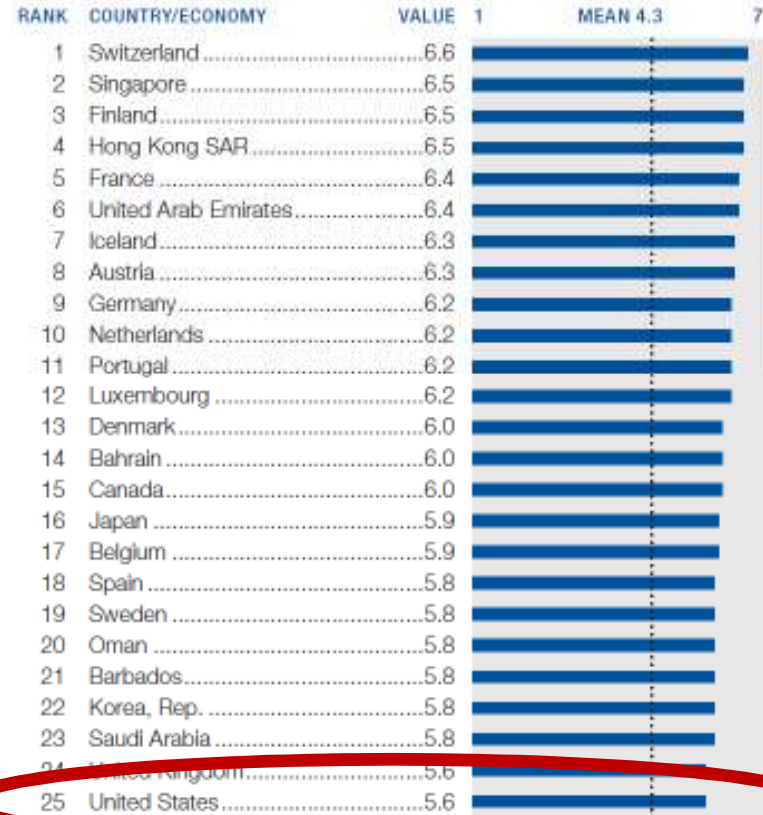


US IS FALLING FURTHER BEHIND ON THE QUALITY OF INFRASTRUCTURE COMPARED TO PEER NATIONS

2008-2009



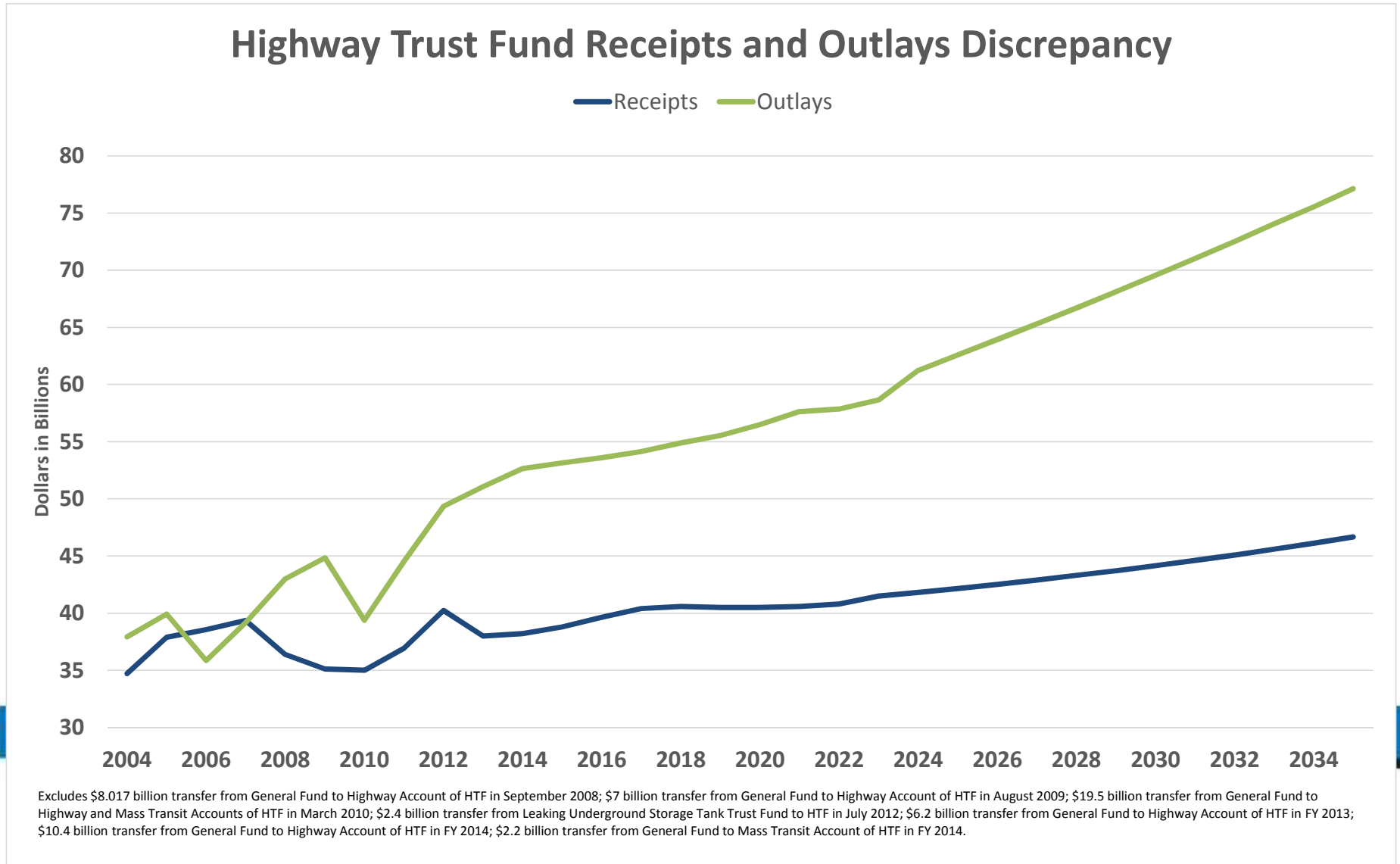
2012-2013



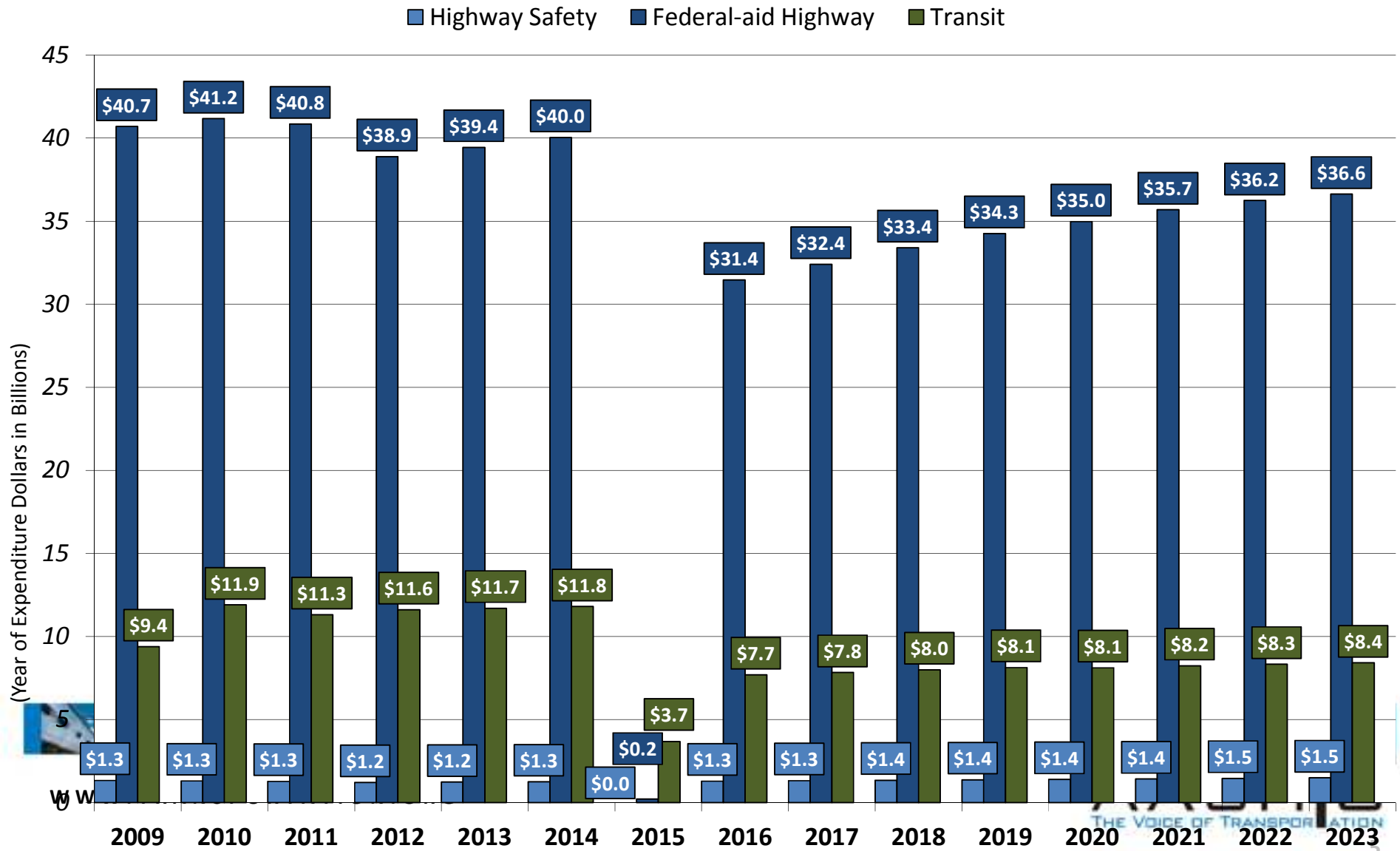
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BUT HIGHWAY TRUST FUND OUTLAYS ARE ESTIMATED TO OUTPACE RECEIPTS BY \$15 BILLION OR MORE PER YEAR



IF NO NEW REVENUES ARE FOUND, FEDERAL HIGHWAY OBLIGATIONS WILL FALL BY ALMOST 100% IN FY 2015



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STATES ARE LEADING THE WAY ON MEETING THE TRANSPORTATION REVENUE CHALLENGE



Governor signs Wyoming fuel tax increase into law



Gov. Corbett signs transportation funding bill

November 24, 2013 11:36 PM



THERE IS CURRENTLY NO SHORTAGE OF TECHNICALLY FEASIBLE REVENUE OPTIONS

Funding Mechanisms	Mechanism Yield 2014	Illustrative Rate	Revenues 2014	Average Revenues 2015-2020	Total Revenues 2015-2020
Container Tax	\$1.00 per TEU= \$ 421	\$15.00	\$ 6,317	\$ 6,893	\$ 41,361
Customs Revenues (Partial Dedication)	1.0% of Receipts = \$ 357	1.0%	\$ 357	\$ 408	\$ 2,451
Drivers License Surcharge (Annual)	\$1.00 Surcharge = \$ 222	\$5.00	\$ 1,109	\$ 1,154	\$ 6,926
Excise Tax on Diesel (Increase)	1¢ per Gallon = \$ 399	15.0¢	\$ 5,983	\$ 6,480	\$ 38,877
Excise Tax on Diesel (Indexing)	n/a		\$ 440	\$ 1,031	\$ 6,183
Excise Tax on Gasoline (Increase)	1¢ per Gallon = \$ 1,282	10.0¢	\$ 12,823	\$ 13,367	\$ 80,202
Excise Tax on Gasoline (Indexing)	n/a		\$ 1,046	\$ 2,384	\$ 14,303
Freight Bill - All Modes	1.0% of Sales = \$ 8,318	1.0%	\$ 8,318	\$ 9,236	\$ 55,415
Freight Bill - Truck Only	1.0% of Sales = \$ 7,221	1.0%	\$ 7,221	\$ 8,018	\$ 48,110
Freight Charge - All Modes (Ton)	1¢ per Ton = \$ 180	25.0¢	\$ 4,492	\$ 4,988	\$ 29,929
Freight Charge - All Modes (Ton-Mile)	1¢ per Ton-mile = \$ 47,530	0.5¢	\$ 23,765	\$ 26,389	\$ 158,334
Freight Charge - Truck Only (Ton)	1¢ per Ton = \$ 124	25.0¢	\$ 3,098	\$ 3,440	\$ 20,641
Freight Charge - Truck Only (Ton-Mile)	1¢ per Ton-mile = \$ 13,911	0.5¢	\$ 6,956	\$ 7,724	\$ 46,342
Harbor Maintenance Tax (Increase)	0.1% Tax = \$ 1,331	0.5%	\$ 6,657	\$ 7,264	\$ 43,584
Heavy Vehicle Use Tax (Increase)	100% Increase = \$ 852	15.0%	\$ 128	\$ 163	\$ 977
Imported Oil Tax	\$1.00 per Barrel = \$ 3,528	\$1.00	\$ 3,528	\$ 3,528	\$ 21,171
Income Tax - Business (Partial Dedication)	0.1% of Current Taxes = \$ 440	1.0%	\$ 4,396	\$ 4,847	\$ 29,082
Income Tax - Personal (Partial Dedication)	0.1% of Current Taxes = \$ 1,508	1.0%	\$ 15,084	\$ 18,393	\$ 110,356
Oil, Gas, Minerals Lease - Rent, Bonus, and Other Income (Partial Dedication)	1.0% of GF Revenues = \$ 15	50.0%	\$ 750	\$ 750	\$ 4,500
Oil, Gas, Minerals Lease - Royalties (Partial Dedication)	1.0% of GF revenues = \$ 55	50.0%	\$ 2,750	\$ 2,750	\$ 16,500
Registration Fee on Light Duty Vehicles (Annual)	\$1.00 Fee = \$ 259	\$10.00	\$ 2,594	\$ 2,731	\$ 16,387
Registration Fee on Trucks (Annual)	\$1.00 Fee = \$ 9	\$15.00	\$ 131	\$ 133	\$ 797
Sales Tax on Auto-related Parts and Services	1.0% of Sales = \$ 2,567	1.0%	\$ 2,567	\$ 2,883	\$ 17,299
Sales Tax on Fuel - Diesel	1.0% of Sales = \$ 1,253	11.0%	\$ 13,782	\$ 15,839	\$ 95,033
Sales Tax on Fuel - Gasoline	1.0% of Sales = \$ 3,711	8.0%	\$ 29,686	\$ 31,126	\$ 186,753
Sales Tax on New and Used Light Duty Vehicles	1.0% of Sales = \$ 2,619	1.0%	\$ 2,619	\$ 2,619	\$ 15,715
Sales Tax on New Light Duty Vehicles	1.0% of Sales = \$ 1,625	1.0%	\$ 1,625	\$ 1,625	\$ 9,752
Sales Tax on Trucks and Trailers (Increase)	1.0% of Sales = \$ 268	5.0%	\$ 1,340	\$ 1,677	\$ 10,062
Tire Tax on Light Duty Vehicles	\$1.00 Fee = \$ 195	\$3.00	\$ 584	\$ 615	\$ 3,687
Tire Tax on Trucks (Increase)	100% Increase = \$ 434	10.0%	\$ 43	\$ 54	\$ 326
Vehicle Miles Traveled Fee on Light Duty Vehicles (All Miles)	1¢ per VMT = \$ 26,891	2.0¢	\$ 53,781	\$ 55,852	\$ 335,111

CURRENT STATE TRANSPORTATION REVENUE DISCUSSIONS

(SUCCESSFUL STATES IN UNDERLINE)

- **Raising fuel taxes:** California, Idaho, Indiana, Maryland, Massachusetts, Minnesota, Nevada, New Hampshire, Utah, Vermont, Wisconsin, Wyoming
- **Directing gas tax proceeds to direct transportation uses:** Indiana
- **Reducing gas tax, but increasing other taxes for a net increase for transportation:** Pennsylvania, Virginia



CURRENT STATE TRANSPORTATION REVENUE DISCUSSIONS

(SUCCESSFUL STATES IN UNDERLINE)

- **State sales tax toward transportation:** Arkansas, Idaho, Missouri, Virginia
- **Sales taxes on fuel, or other variable taxes/fees:** District of Columbia, Idaho, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Pennsylvania, South Carolina, Utah, Virginia, West Virginia, Wisconsin
- **Vehicle registration fees:** California, Idaho, New Hampshire, Pennsylvania, Virginia, West Virginia, Wisconsin



STATE TRANSPORTATION REVENUE DISCUSSIONS

(SUCCESSFUL STATES IN UNDERLINE)

- **Vehicle Miles Traveled (VMT) Fee:** Oregon
- **Framework to study a VMT fee:** Arizona, Florida, Nevada, Washington, West Virginia, Wisconsin
- **Special fees or taxes for electric or alternative fuel vehicles:** Arizona, Virginia, Washington



SOME COMMON THEMES BEHIND STATE SUCCESS STORIES

- Needs are reasonable and relatable to the public
- Potential benefits of investment are clear
- Political leadership from the executive branch
- Broad coalition of supporters beyond self-interested groups



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FUNDING VERSUS FINANCING

- Funding: Revenue sources generated at the Federal, state and local levels used for transportation investment needs
 - Examples: Taxes, fees, user charges, capturing enhanced property values
- Financing: Tools to leverage transportation funding and revenue sources
 - Allows project sponsor to raise high up-front costs needed to build projects
 - Expedites implementation of needed transportation improvements



TRANSPORTATION FINANCING UTILIZATION BY STATES

- **General obligation or revenue bonds** (44 states + DC + PR)
- **GARVEE bonds** (33 states + DC + PR)
- **Private Activity Bonds (PABs)** (6 states)
- **TIFIA federal credit assistance** (12 states + PR)
- **State infrastructure banks (SIBs)** (34 states + PR)
- **Public-private partnerships (PPPs or P3s)** (authorized in 33 states + PR)
- **Design-build** (authorized in 38 states + PR)



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POTENTIAL OF THE PPP (P3) OPTION

- Can advance large complex transportation projects with revenue streams
- Can provide greater leveraging of revenue streams (access to private sources of investment capital)
- Can create cost savings and production / operating efficiencies
- Can transfer construction, financing and other risks from the public sector to private partner(s)
- **BUT PPPs themselves do not create new money for state/local project sponsors.** The private investment must be repaid with general revenue (taxes) or project-specific revenue (tolls).

In other words, PPPs are *project delivery and financing approaches*, they are not funding sources.



SECTORS WHERE PPPS HAVE BEEN USED

- Transportation
- Water/Wastewater
- Urban Development
- Energy
- Communications and Information Technologies
- Financial Management
- Social Services



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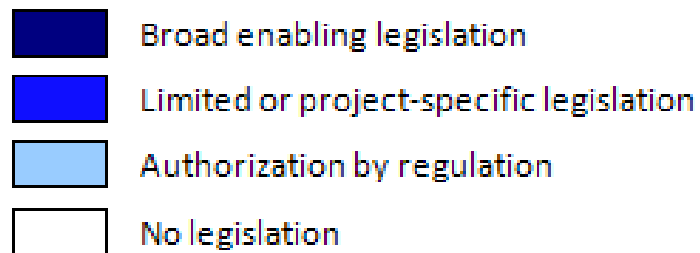
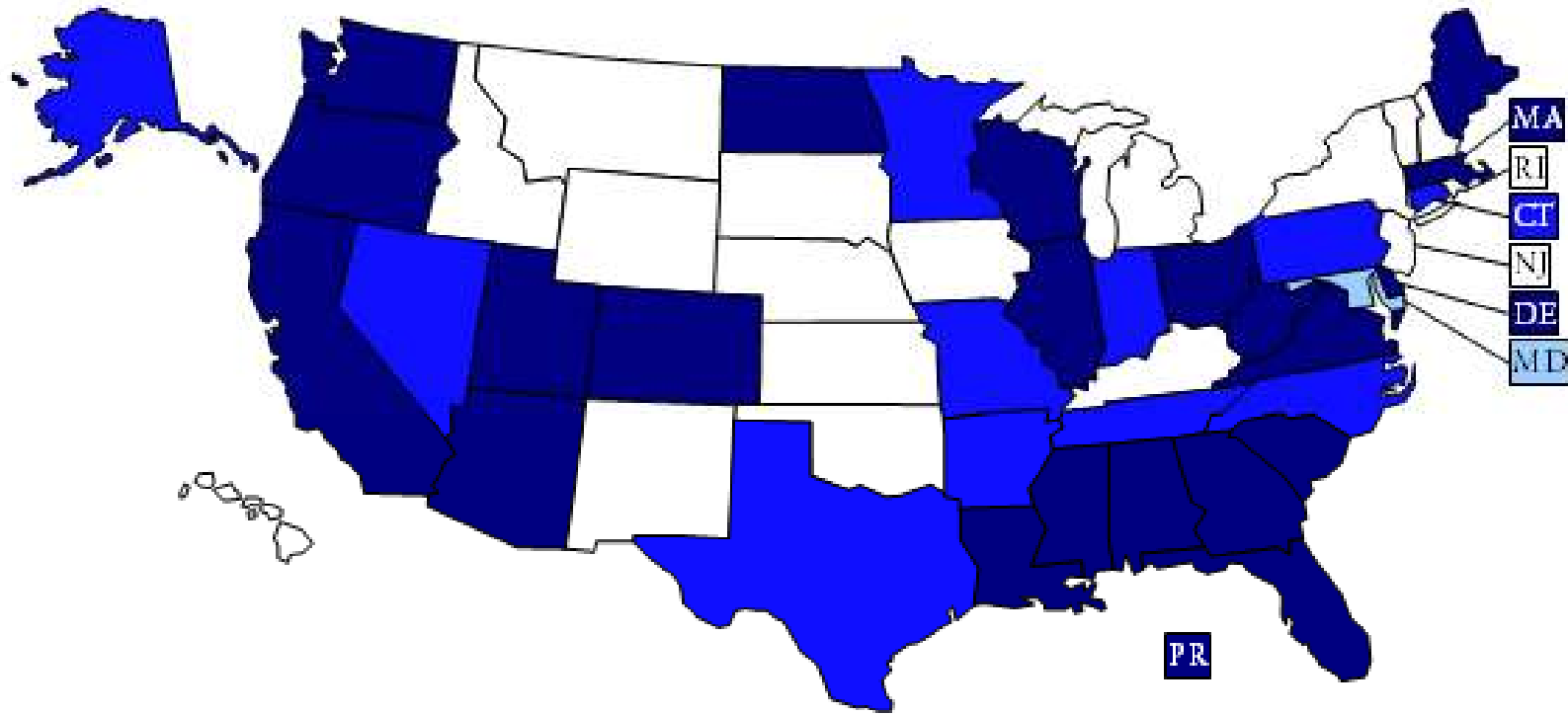
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SEVEN KEYS TO SUCCESSFUL PPPS

- Public sector champion
- Statutory environment
- Organized structure
- Detailed business plan
- Clearly defined revenue stream
- Stakeholder support
- Pick your partner carefully



STATES WITH PPP ENABLING LEGISLATION



Source: National Conference of State Legislatures

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TRANSPORTATION FINANCING PROPOSALS AND TRENDS

- Expanded TIFIA program administration and oversight
- Tax reform and potential impact on tax-exempt bonds
- Tax-credit bonds
 - TRIP bonds: Sen. Wyden (D-OR) and Sen. Hoeven (R-ND)
 - America Fast Forward bonds: Obama Admin., LA Metro
- National Infrastructure Bank
 - Obama Administration
 - Sen. Warner (D-VA) BRIDGE Act
 - National Infrastructure Development Bank Act: Rep. DeLauro (D-CT)
- Repatriation/bond guarantee
 - Partnership to Build America Act: Rep. Delaney (D-MD)



Thank You

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