

Transportation Revenue: Where is it going to come from?

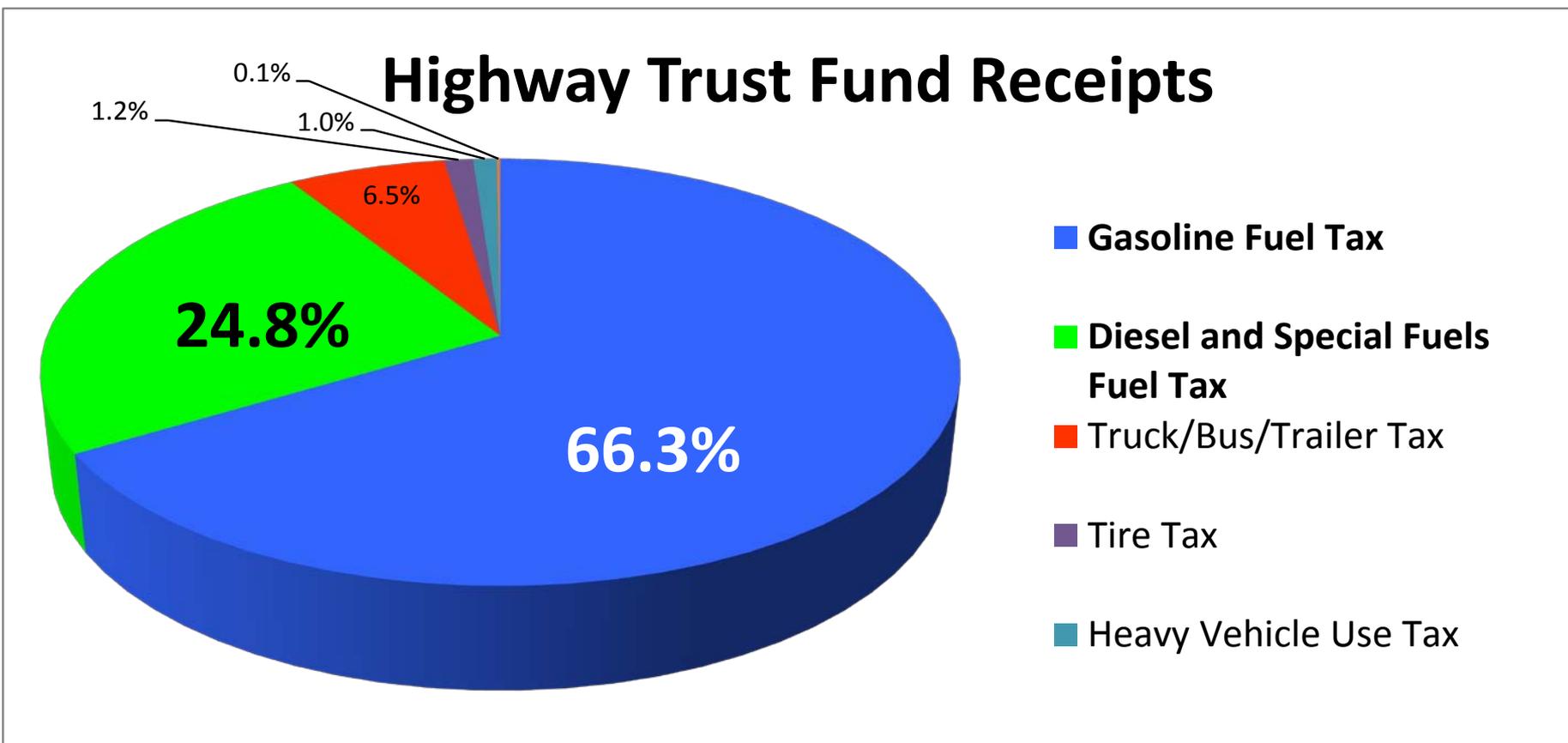
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Joint Study Committee on
Critical Transportation Infrastructure Funding
Savannah, Georgia October 1, 2014

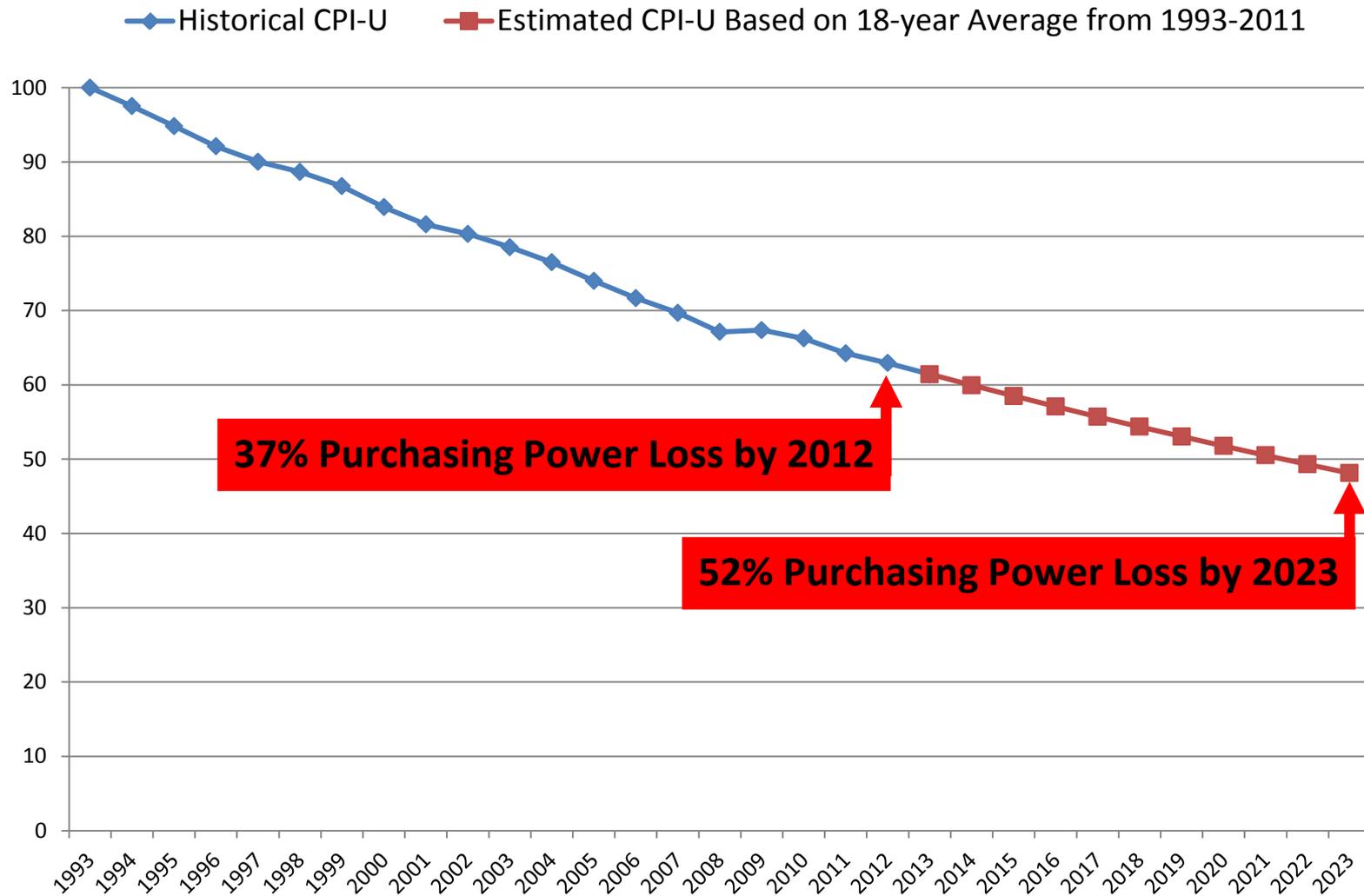
Traditional transportation revenue sources are drying up

- During the interstate completion era, federal funds paid 90% of project construction costs. Those days are gone.
- The economic recession, loss of gas tax purchasing power and vehicle fuel efficiency have negatively impacted transportation services and capital investments.
- MAP-21 expires May 2015 and the federal Highway Trust Fund will become insolvent unless Congress identifies new revenues or reduces investments.
- Local agencies and states across the country are struggling to find sustainable revenues to take care of increased demand and basic transportation needs.

Motor fuel taxes have comprised 91% of Highway Trust Fund over the past decade



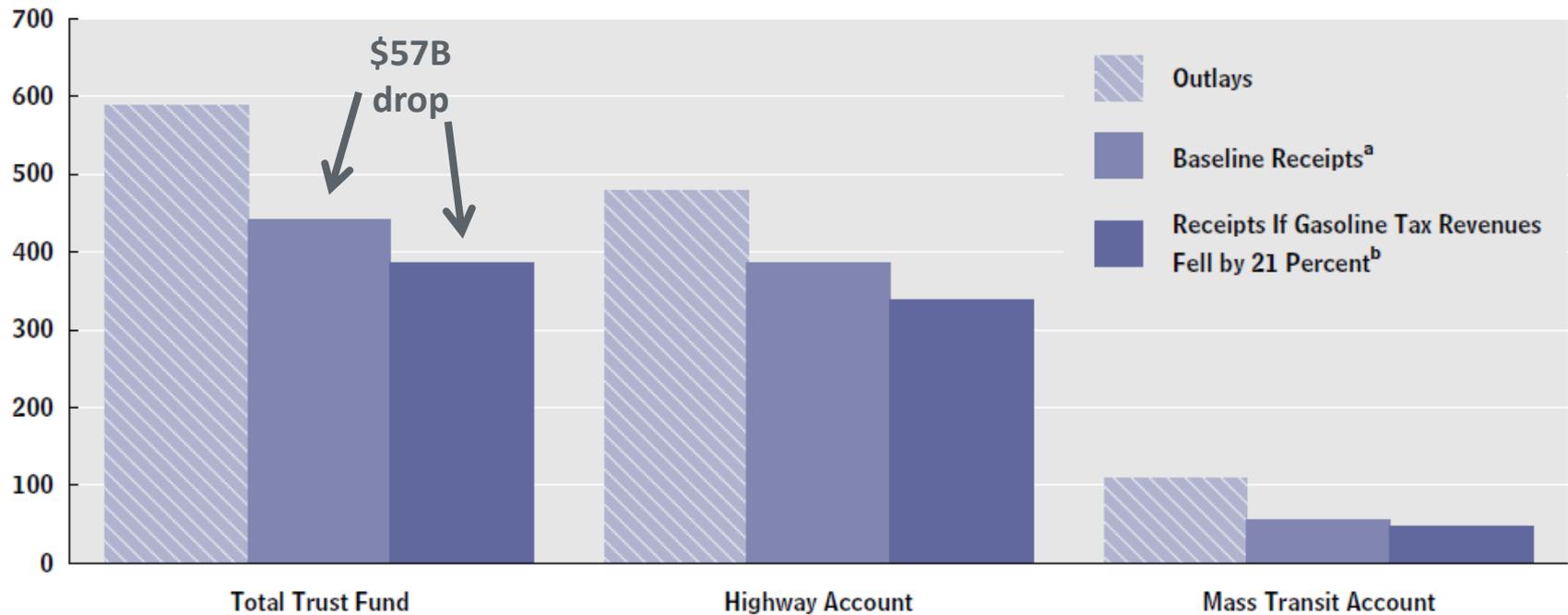
Federal, state and local gas tax is losing purchasing power



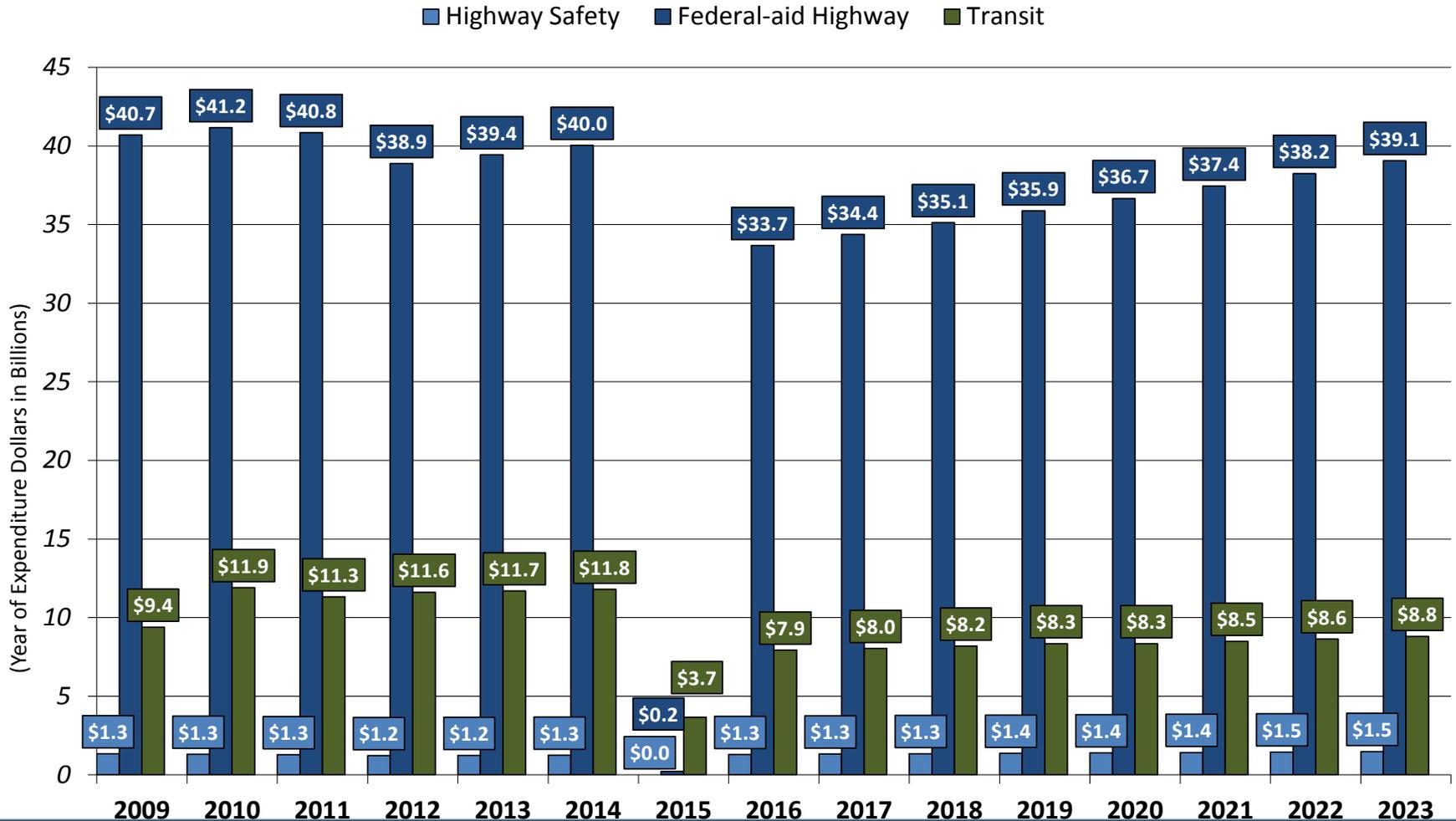
Increased use of alternative fuel vehicles will further erode future gas tax receipts

Projected Outlays and Receipts of the Highway Trust Fund, by Account, 2012 to 2022

(Billions of dollars)



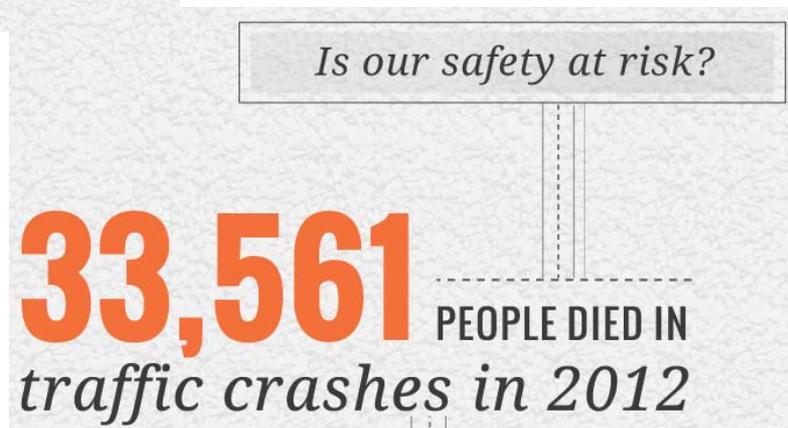
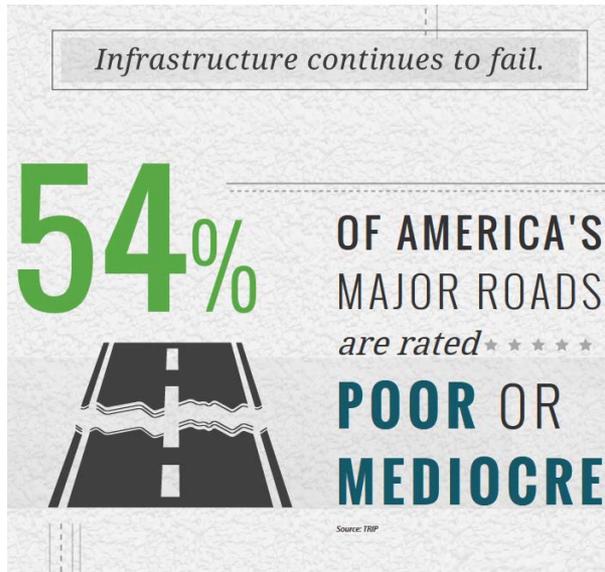
Without new revenue, federal highway obligations will fall by almost 100% in FY 2015



With population and economic growth expected, demands will increase

- By 2050, we will have 100 million more citizens in the US. US Census
- In the next 30 years, there will be 60 percent more freight that must be moved across the Nation. FHWA
- In the past year, 61 of the Nation's 100 most congested cities have experienced increased traffic congestion. Inrix

And yet, infrastructure conditions continue to deteriorate



States rely on a variety of revenue sources to invest in transportation

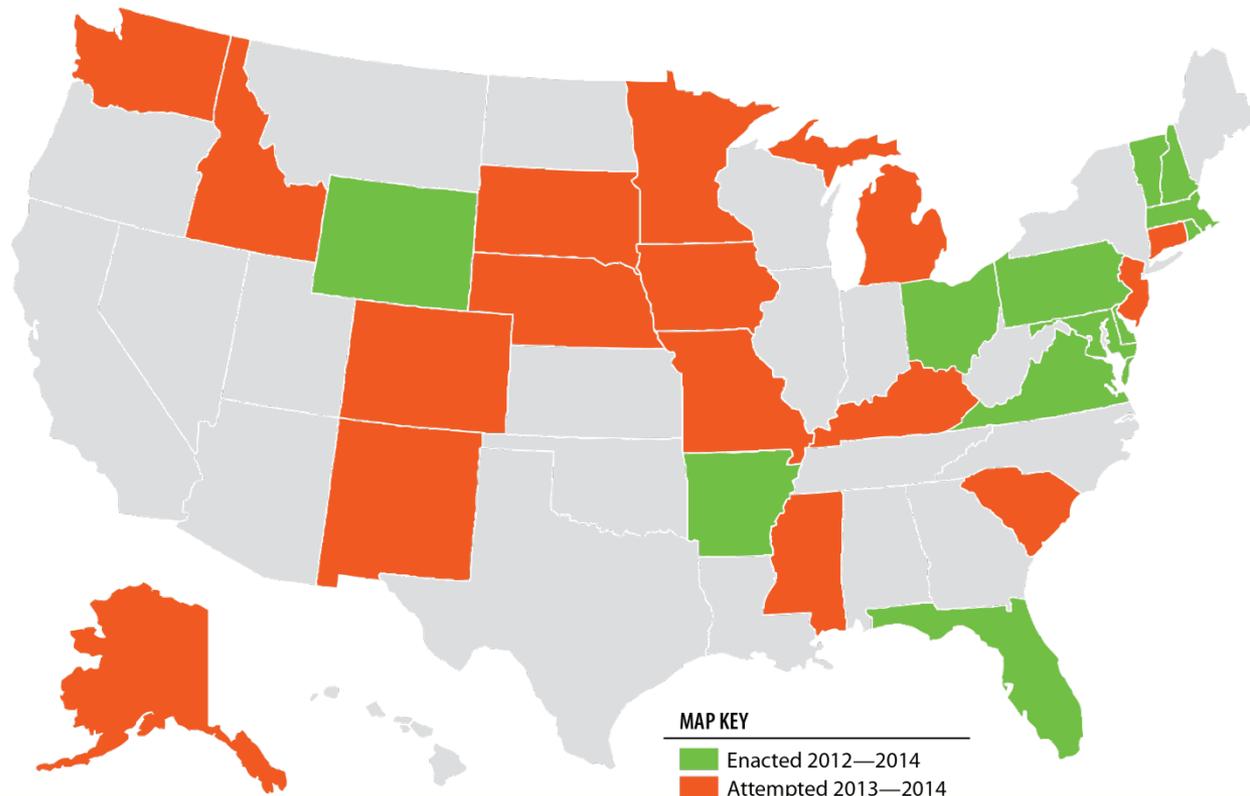
- **Fuel taxes (all states + DC); 6 index;** largest single source of highway funds used by half the states
- **Sales taxes on fuel, or other taxes on distributors or suppliers (14 states)**
- **Motor vehicle or rental car sales taxes (29 states)**
- **Vehicle registration, license or title fees (48 states)**
- **Vehicle or truck weight fees (37 states)**
- **Tolls (24 states, plus non-state toll entities)**
- **General funds (34 states + DC; Vt. on occasion)**
- **Interest income (37 states + DC)**
- **Other (40 states + DC)**

States also utilize various financing tools to advance project delivery

- **Tools that borrow against or leverage state revenues for surface transportation projects:**
 - **General obligation or revenue bonds** (44 states + DC)
 - **GARVEE bonds** (33 states + DC)
 - **Private Activity Bonds (PABs)** (6 states)
 - **TIFIA federal credit assistance** (12 states)
 - **State infrastructure banks (SIBs)** (34 states)
 - **Public-private partnerships (PPPs or P3s)** (authorized in 33 states)
 - **Design-build** (authorized in 38 states)

States and locals are increasingly taking steps to meet transportation revenue challenge

Enacted and attempted state legislation to raise transportation revenue

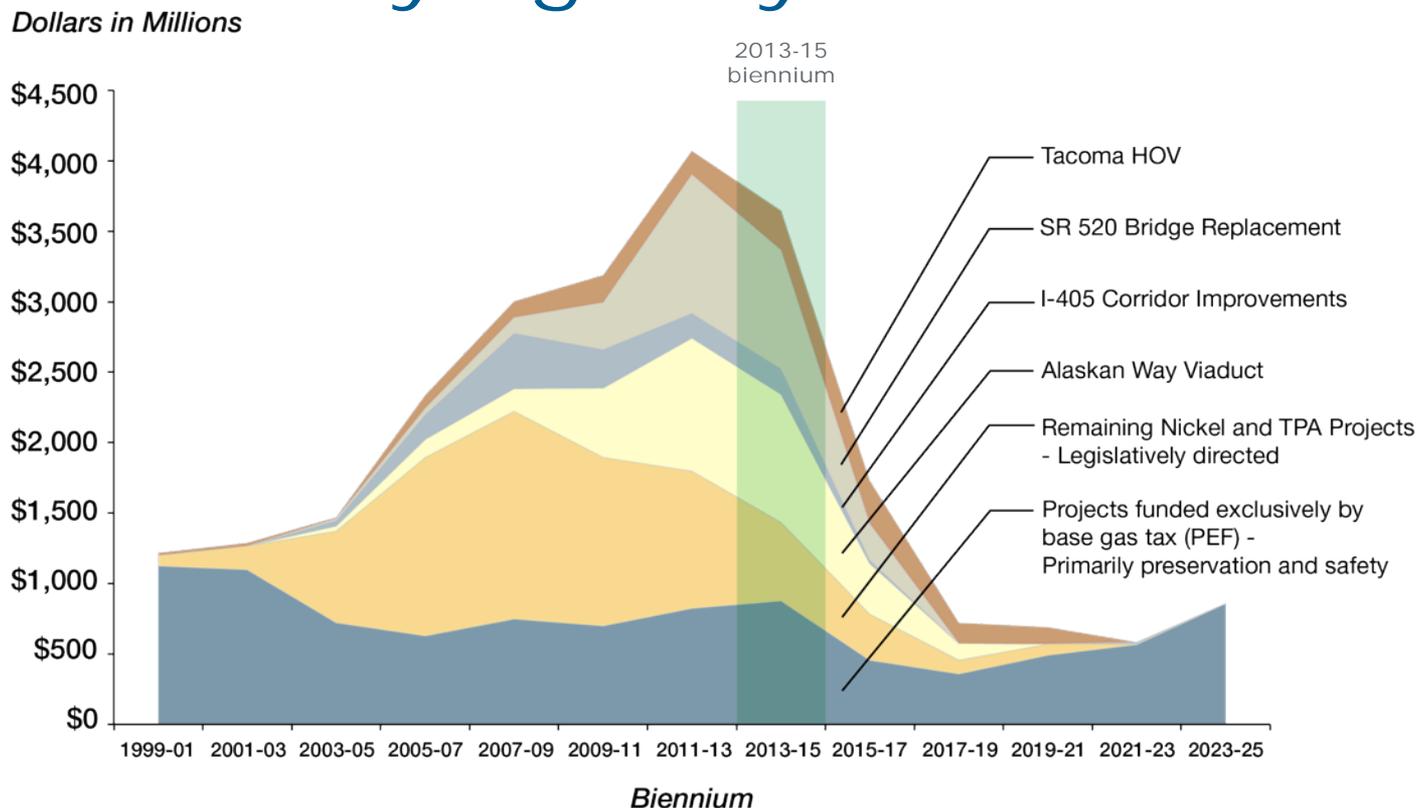




Washington State takes transportation matters into its' own hands

- 2001 Legislative Referendum failed at ballot
- 2003 Legislature enacted 5 cent/gallon gas tax “Nickel” tax
- 2005 Legislature enacted 9.5cent/gallon graduated gas tax “Transportation Performance Account” (TPA)
- Tolling re-enacted to capitalize Infrastructure and manage demand
- 421 projects with delivery dates and budgets for each project were named in legislation and committed to the public.
- Accountability, Project Delivery and Communications

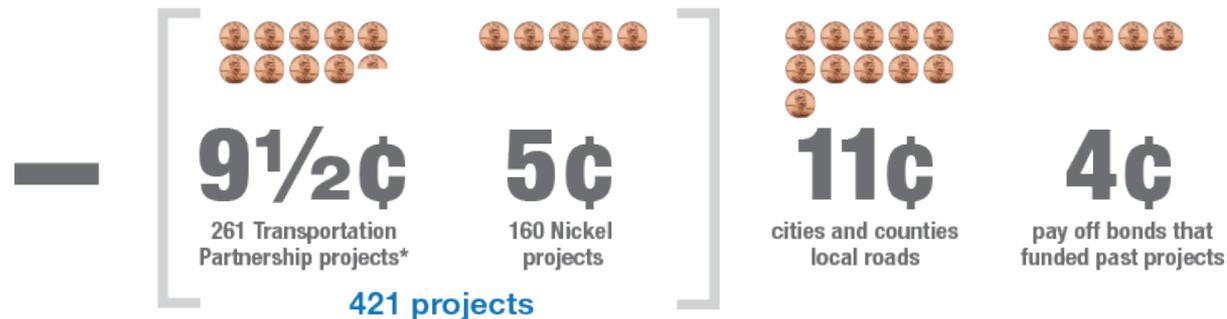
Washington's 2003 and 2005 revenue packages were nearly all bonded carrying 30 yr. of debt



2011-13 biennium was the peak of delivery of the \$16.3 billion program which funded 421 projects

Washington State's Gas Tax is dedicated yet falls short of meeting basic needs in 2014

37½¢ per-gallon state fuel tax



= 8¢ Available for use on state highways, bridges and ferries:

- maintenance and operations
- preservation
- safety improvements

* Of the 9½ cents, 8½ cents is used by the state for highway projects, 1 cent goes to cities and counties for street and road improvements.

Lessons learned from Washington States revenue packages

- Bonding the majority of the revenue buys more projects... but leaves little “cash” to pay for increasing cost of operations, maintenance, preservation
- Revenue sources and uses leave little ability for state to partner in increased desire for multi-modal travel choices
- Commitments to the public on how the money will be spent and what the benefits of the investment are essential
- WSDOT’s culture of performance management reported through the quarterly “Gray Notebook” builds credibility on effective use of the revenues

Nationally, there are common themes behind transportation revenue success stories

- Broad coalition of support beyond self-interest groups
- Partnerships between multiple parties
- Needs are clearly demonstrated and relatable to the public
- Potential benefits of investment are made clear
- Commitment to accountability and performance management mechanisms
- Leadership from the executive branch and legislative branch