

Current Highway Finance Issues
Nevada Street & Highway Conference

Mary Phillips
Associate Administrator,
Policy and Governmental Affairs
Federal Highway Administration
April 15, 2008

Nevada Federal-aid Highway Funding

■ Fiscal year 2008

- Apportionment \$256.6 million
- Obligation limitation \$235.1 million
(includes \$2.5 million in additional OA for bridges)
- Rescissions \$ 23.8 million

■ Relative rate of return (donor-donee status)

- FY2006 0.93
- Cumulative since 1956 1.16

Rescissions

- Process in recent years
 - FHWA directed by the appropriators to give the States maximum flexibility

- Energy Independence and Security Act of 2007
 - Requires all rescissions in FY2008 and FY2009 to be distributed across apportioned programs, “in the ratio that the amount of funds apportioned for each program . . . bears to the amount of funds apportioned for all such programs”.
 - Excludes certain safety programs and STP for certain urbanized areas
 - Effect on Equity Bonus
 - Rescission hitting CA States could otherwise use

Effect of Equity Bonus Rescission on Nevada

■ Nevada's equity bonus

- Exempt \$ 5.0 million
- Special obligation limitation \$15.5 million
- Programmatically distributed \$50.7 million

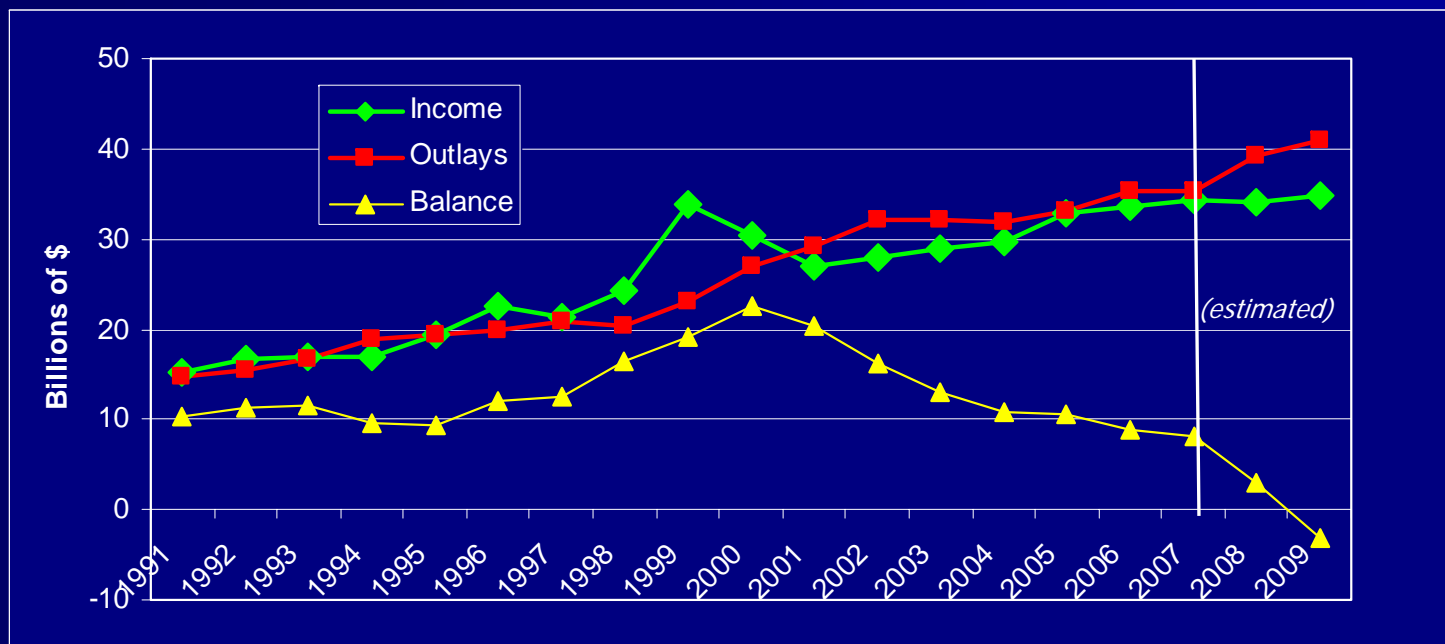
- Rescission of CA,
Exempt and special OA only \$ 2.4 million

- States have indicated they will rescind a total of \$126.8 million of equity bonus CA
- Future rescissions may hit CA in other program categories as States deplete balances of excess CA in particular program categories

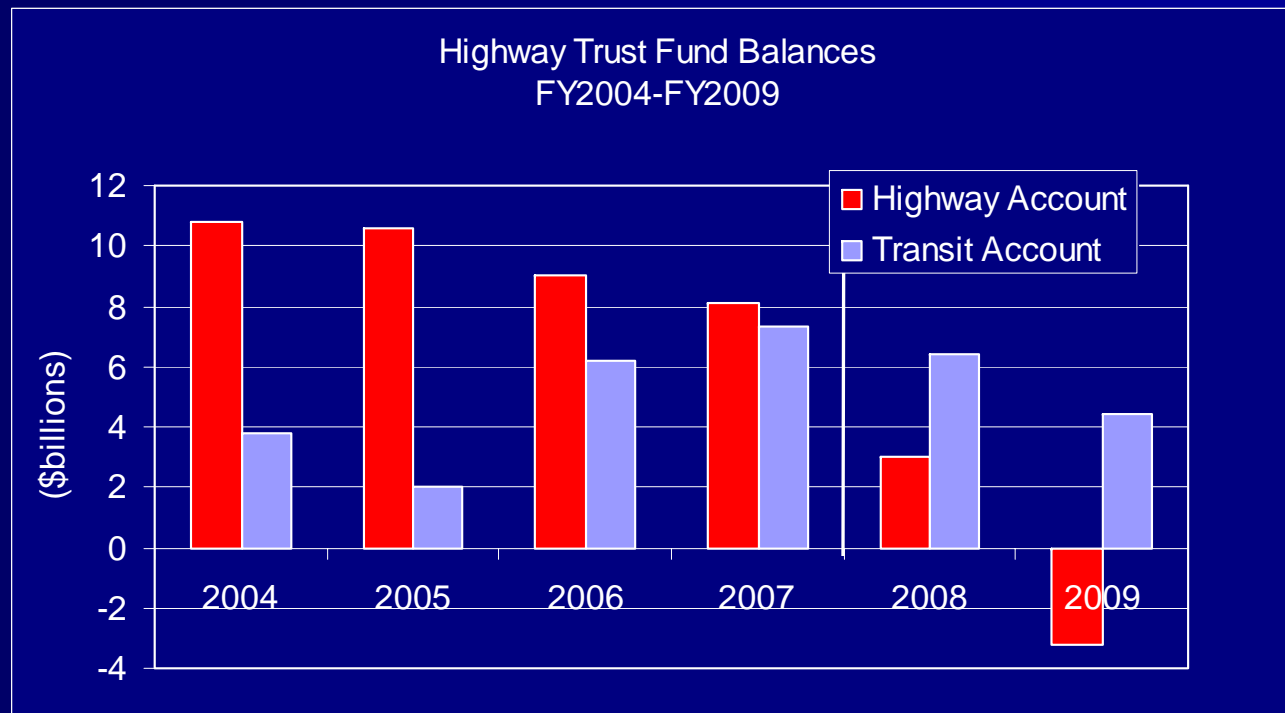
The President's Budget Request for FY2009

- \$68 billion for the Department of Transportation
- \$40.1 billion for highways
 - Obligation limitation of \$39.4 billion
 - \$1 billion negative Revenue Aligned Budget Authority (RABA)
 - \$800 million reduction to remain within SAFETEA-LU spending commitment of \$286.4 billion
 - \$175 million and 75% of discretionary program funding for the Congestion Initiative
 - \$12.5 billion in rescissions:
 - \$3.15 billion general rescission
 - \$735 million rescission of unused CA from old earmarks
 - \$8.6 billion rescission required by SAFETEA-LU
 - Funds shortfall in the Highway Account of the Highway Trust Fund through repayable advances from the Transit Account

Status of the Highway Account of the Highway Trust Fund



Status of the Highway Trust Fund



Would All Spending Stop If The Highway Trust Fund Ran Out Of Cash?

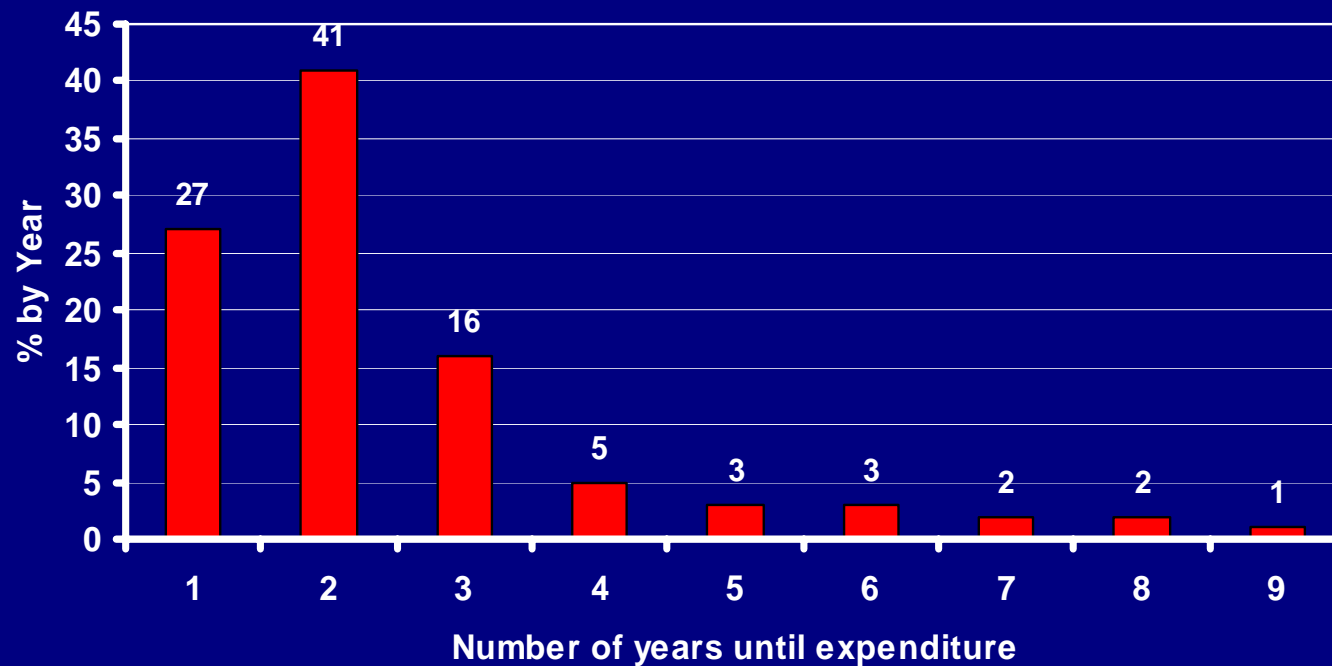
- No. Spending on programs would continue as new receipts are received (an average of \$3 billion per month).
- Payments may not be timely. Very problematic for States, who rely on prompt reimbursements.

Senate Finance Committee Proposal

- Retroactively fund \$3.3 billion in Emergency Relief appropriations since 1998 from the general fund
- Raise the point of taxation for gasoline to the refinery level (one-time benefit of \$848 million)
- Pay refunds and credits for fuel tax exemptions from the general fund for 6 months (\$745 million)

Economic Stimulus

- Some favor including highways in a second stimulus package, but highway projects spend out slowly



Highway Investment and Job Creation

- FHWA estimates of the employment impact of highway investment have been misunderstood --
 - Highway funding supports the same jobs, except to the extent that incremental spending creates new ones;
 - Only one-third of jobs are directly related to construction; two-thirds are jobs in supporting industries and induced employment
 - Increases in the cost of labor and materials have reduced the impact of investment on jobs

Impacts of \$1 Billion Federal Expenditure with a \$250 Million State Match (2007 \$)		
	1997	2007
Construction oriented employment person-years	19,584	11,921
Supporting industries employment person-years	6,939	5,405
Induced employment person-years	21,052	17,453
Total Person-Years	49,572	36,786

* Numbers will not add due to the calculation of person-years

SAFETEA-LU Technical Corrections

- On the Senate floor this week (thanks to Senator Reid)
 - 386 project “corrections”
 - Partial correction of over-earmarking of the research program
 - Maglev
 - Provides \$45 million in contract authority for each of FY2008 and FY2009
 - 80% Federal share
 - Half of the funds go to the Las Vegas – Primm, NV segment of the Las Vegas – Anaheim, CA project
 - Special funding allocation for Lake Tahoe MPO

Reauthorization – Guiding Principles

- Increased state flexibility
- Simplification of federal programs
- Decisions based on merit
 - Cost-benefit analysis
 - Performance standards
- Encouragement of innovation
- Public-Private Partnerships
- Direct pricing of road use
 - Congestion and demand management
 - True user pricing
- Improved mobility a central theme

Program Simplification

- Currently 108 transportation program categories
 - 58 just for the highway program
- Overly complex program structure
- Excessive earmarking
 - 5,634 earmarks in SAFETEA-LU
 - Many more in appropriations bills

Merit-based Program

- Outcome based, not process based
- Project selection based on cost-benefit analysis; projects not automatically put on the TIP and STIP
- Program administration efficiency
- More flexibility but improved program oversight and accountability

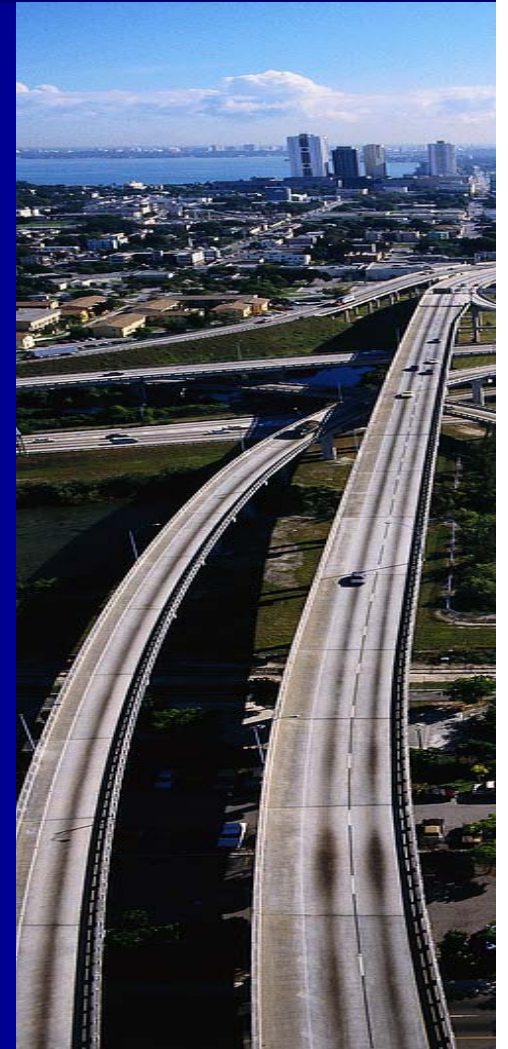
Pricing and PPPs Can Help Align National Policies



- National, bi-partisan consensus to reduce gasoline consumption for energy security & environmental reasons
- Yet, our primary transportation funding mechanism – a charge per gallon of fuel purchased – relies on the use of more gas
- The gas tax is also poorly suited to regulate road use and reduce congestion
- Pricing and PPPs help align energy, environmental and transportation policies by substituting private capital and direct user fees for gas taxes

Pricing and PPPs Can Accelerate Project Delivery

- Advancing a project from concept to completion can take well in excess of ten years, making it difficult to respond to transportation priorities
- Delays increase overall project costs, including construction costs which have significantly outpaced CPI over the last few years
- Pricing and PPPs can significantly accelerate project delivery by providing upfront private capital for a project's full cost, to be repaid over time from facility generated revenues



PPPs Are Happening – Long-Term Concessions for Existing Facilities in the U.S.

PPP	Location	Status	Facility
1. Chicago Skyway	Illinois	Closed	7.8-mile toll road in Chicago
2. Indiana Toll Road	Indiana	Closed	157-mile toll road in northern Indiana
3. Pocahontas Parkway	Virginia	Closed	14-mile toll road outside of Richmond
4. Northwest Parkway	Colorado	Closed	9-mile toll road outside of Denver
5. Dulles Greenway	Virginia	Closed	14-mile toll road between Leesburg and Dulles International Airport
6. Pennsylvania Turnpike	Pennsylvania	RFQ Issued	531-mile turnpike system (requires legislative approval)
7. Greenville Southern Connector	South Carolina	RFQ Issued	16-mile toll road in Greenville



PPPs Are Happening – Long-Term Concessions for Existing Facilities in the U.S.

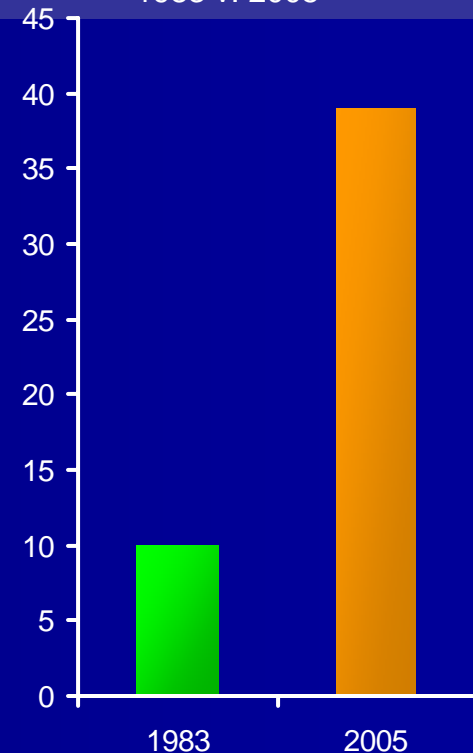
Project	Location	Status	Project	Location	Status
1. TTC-35	Texas	Concession Awarded	13. Port of Miami Tunnel	Florida	Preferred Bidder Selected
2. SH-130 Segments 5&6	Texas	Closed	14. I-595 Improvements	Florida	Bidders Shortlisted
3. I-69/TTC	Texas	Request For Proposals (RFP) Issued	15. First Coast Outer Beltway	Florida	RFQ Issued
4. I-635	Texas	RFP Issued	16. Northwest Corridor	Georgia	Development Agreement Executed
5. North Tarrant Express	Texas	Bidders Shortlisted	17. I-285 Northwest TOT Lanes	Georgia	Evaluation of Proposers
6. DFW Connector	Texas	Bidders Shortlisted	18. GA-400 Crossroads Region	Georgia	Evaluation of Proposal
7. SH-161	Texas	Bidders Shortlisted	19. I-20 Managed Lanes	Georgia	Pre-Solicitation
8. US-281/Loop 1604	Texas	Bidders Shortlisted	20. Missouri Safe & Sound Bridge Program	Missouri	Preferred Bidder Selected
9. Capital Beltway HOT Lanes	Virginia	Closed	21. Oakland Airport Connector	California	RFP Issued
10. I-95/I-395 HOT Lanes	Virginia	Interim Agreement Executed	22. Knik Arm Crossing Project	Alaska	Bidders Shortlisted
11. US Route 460	Virginia	Bidders Shortlisted	23. Denver RTD	Colorado	RFQ Expected
12. Midtown Corridor Tunnel	Virginia	Expressions of Interest Submitted	24. I-73	South Carolina	Request for Conceptual Proposals

List of projects in various stages of procurement, may not be exhaustive

Congestion in Las Vegas

- The average Las Vegas-area rush hour driver spends the equivalent of a full week of work each year sitting in traffic
 - As of 2003, 39 hours lost to congestion per year
 - This amount represents almost 4 times the 1983 total
- Congestion annually costs the Las Vegas area \$543M in wasted fuel and lost time; this works out to a “hidden tax” of \$720 / rush hour driver

Las Vegas Area
Annual Hours Lost per Peak Traveler,
1983 v. 2005



Congestion in Las Vegas

Measure	Value
Number of Peak Period Commuters	753,000
% of Area Population Traveling During Peak	55%
% of Peak Travel in Congested Conditions	69%
% of Lane-Miles Congested During Peak	53%
Number of Congested Hours per Day	7.8

Source: Texas Transportation Institute 2007 Urban Mobility Report
(population data courtesy of U.S. Census Bureau)

Potential Benefits of Pricing for Las Vegas

- Travel time savings for drivers
 - A typical rush hour user of heavily-congested freeways (e.g., I-15, I-515, US 95) could spend up to 80 fewer hours in traffic each year*
 - Increased reliability of travel times
- Travel time savings for transit riders
 - Travel time savings for express bus riders on priced facilities equivalent to those for drivers
 - Increased reliability of transit travel times
 - Reduced waiting time for express bus riders due to more frequent service
- Revenues for State and local governments
 - Depending upon pricing configuration, up to \$160 million per year in net toll revenue
 - Pricing creates potential for PPPs, which can reduce costs, accelerate project delivery, allocate risks to the private sector, and encourage innovation

*Based on a projected savings of 10 min. in each direction daily

