

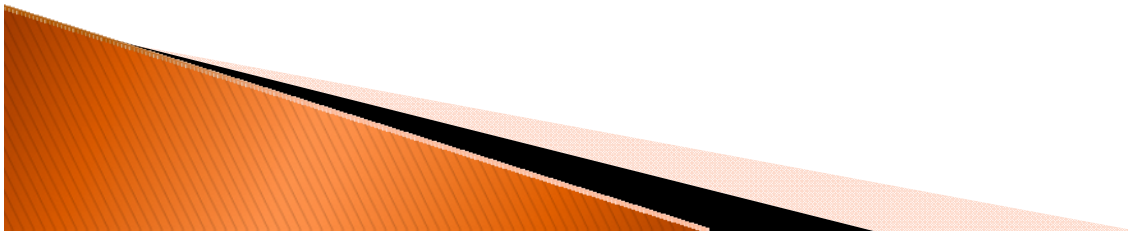
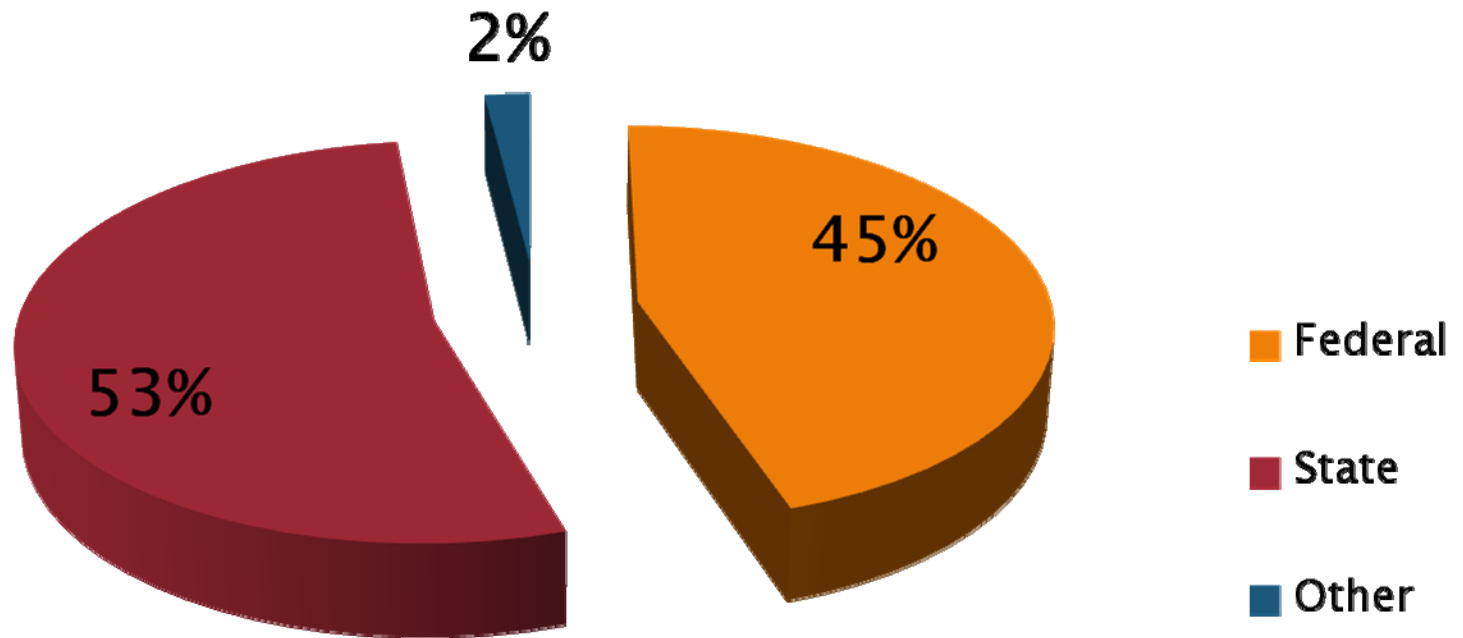
# Transportation Funding in Tennessee

Transportation Funding Study Committee  
October 21, 2008

Gerald F. Nicely, Commissioner  
Tennessee Department of Transportation

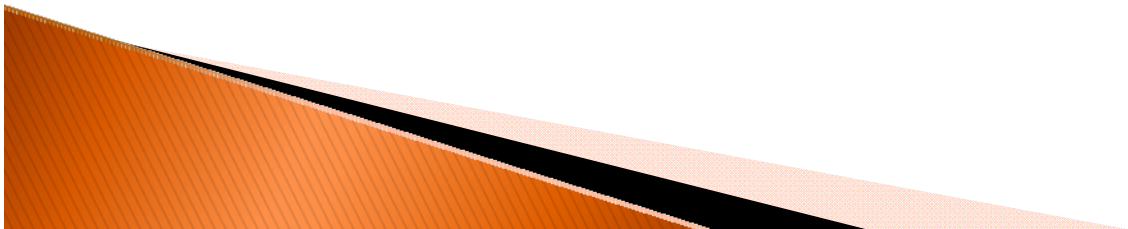
# TDOT 2008–2009 Budget

\$1,940,000,000

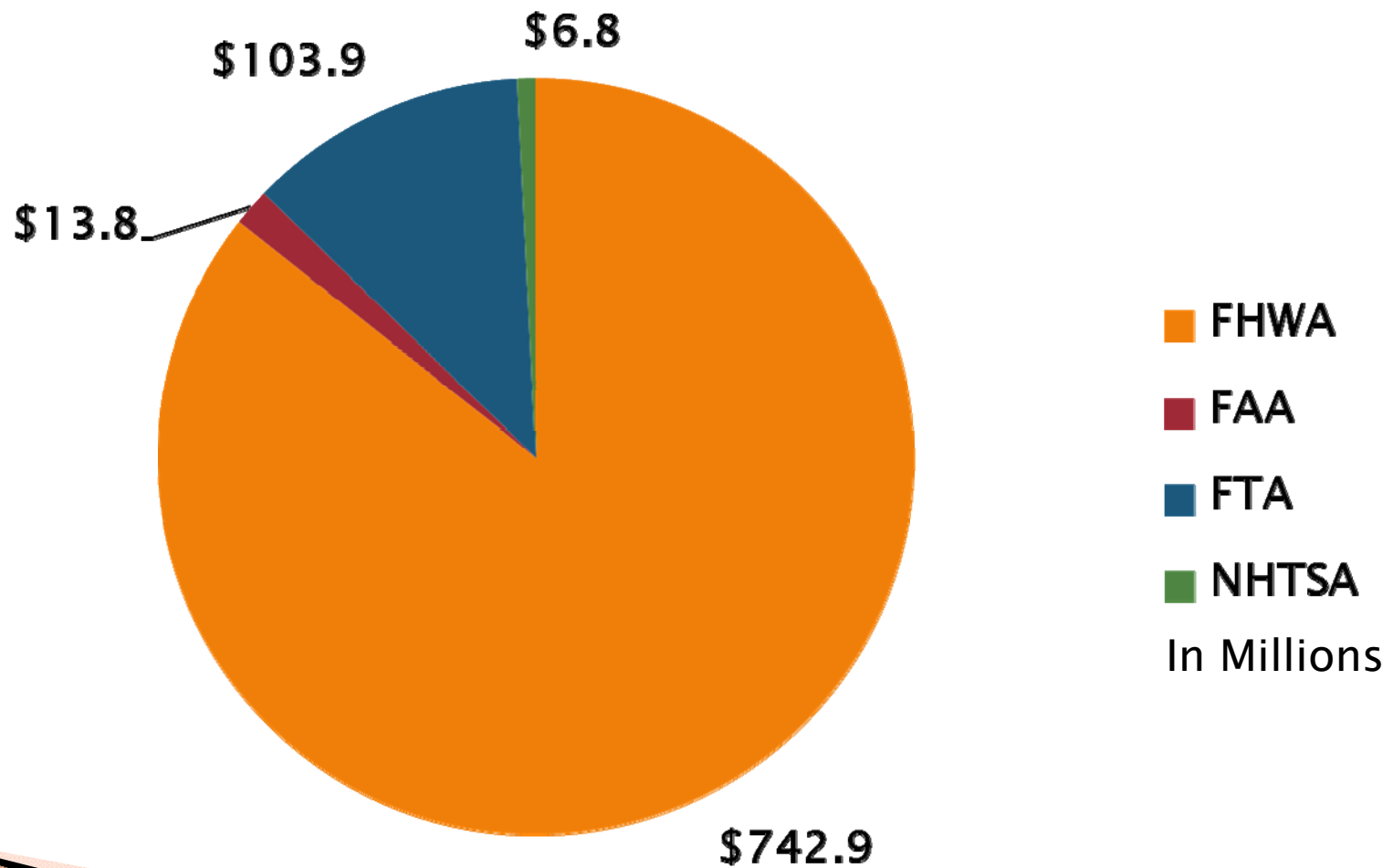


# 2008–2009 Federal Transportation Funding in TN

- ▶ Total: \$867,427,000
- ▶ Almost 50% of TDOT Revenues
- ▶ Sources:
  - Federal Highway Administration
  - Federal Transit Authority
  - Federal Aviation Administration
  - National Highway Traffic Safety Administration



# 2008– 2009 Federal Transportation Funding in TN



# 2008–2009 State Transportation Funding in TN

- ▶ **State Total – \$1,030,200,000**
  - **State Gas Tax – \$278.4M**
    - 21.4 cents/gal (Split with state general fund, cities and counties)
  - **State Diesel Tax – \$135.4M**
    - 18.4 cents/gal
  - **State Vehicle Registration Fees – \$214.4M**
    - (split with state general fund and other state entities)
  - **Other – \$402M**

# National Revenue Trends

- ▶ Highway Trust Fund Unstable
  - A September infusion of \$8B temporarily stabilized the HTF.
- ▶ Gas/diesel revenue trending downward as VMT declines
  - This has been occurring over the last six months.
- ▶ State's purchasing power eroding
  - Since 2003, construction materials have increased by 43%, more than triple the CPI of 12.9%

# Transportation Funding Trends Last 3 years

## Average annual increase

▶ User Revenue	0.5%
▶ Misc. Revenue	12.7%
▶ Federal Revenue	1.4%
▶ Trans. Equity Fund	26.4%

Transportation Construction Cost Index  
15.9%

# Transportation Funding Trends Last 5 years

Average annual increase

▶ User Revenue	1.4%
▶ Misc. Revenue	8.3%
▶ Federal Revenue	5.4%
▶ Transp. Equity Fund	26.7%

Transportation Construction Cost Index  
10.6%



# Transportation Funding Trends Last 10 years

## Average annual increase

▶ User Revenue	1.8%
▶ Misc. Revenue	5.0%
▶ Federal Revenue	3.7%
▶ Transp. Equity Fund	15.0%

Transportation Construction Cost index  
8.4%



# Transportation Needs Over 10 Years

- ▶ Long Range Transportation Plan conducted by TDOT in 2004–2005 identified gap between Needs and Revenues over a ten year period at \$2 Billion.
- ▶ Gap estimated to have widened to approximately \$8 Billion today, due to revenue shortfalls and cost increases.

# Options Under Current Funding Structure

- ▶ **Increase in gas tax**  
1 cent = \$30.5M (TDOT receives \$18M) per year
- ▶ **Increase in diesel tax**  
1 cent = \$11M (TDOT receives \$8M)
- ▶ **Increase in motor vehicle registration**  
\$1 increase on 5M registered vehicles = \$5M

# 5-cent Increase in Gas Tax

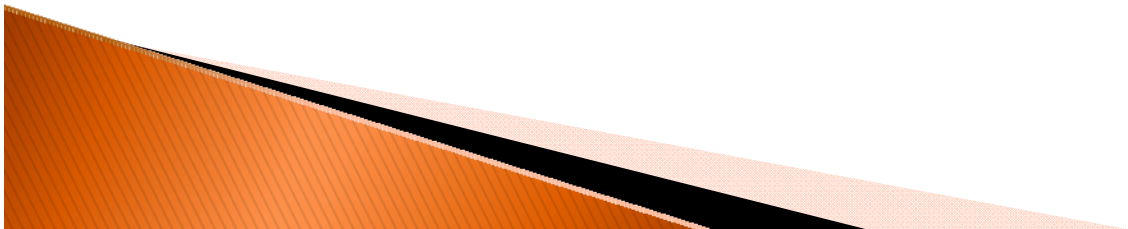
**\$146.5 million generated**

\$87.9 million (60%) to TDOT

\$55.7 million (38%) to cities/counties

\$2.9 million (2%) to the State General Fund

(1 cent=\$30.5M per yr. --TDOT receives \$18M)



# 5-cent Increase in Diesel Tax

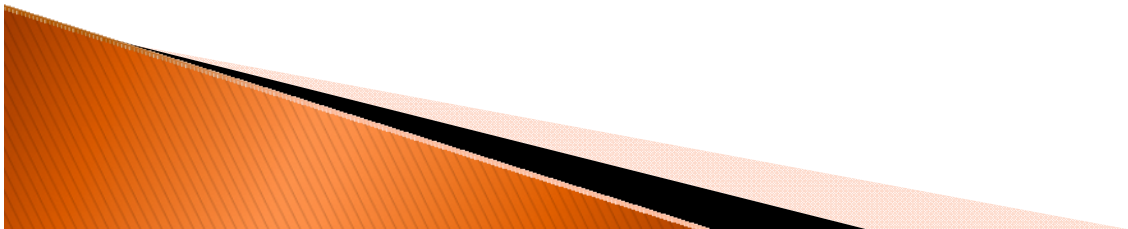
Approximately \$50.2 million generated

\$36.1 million (72%) to TDOT

\$13.1 million (26%) to cities/counties

\$1 million (2%) to the State General Fund

(1 cent=\$11M (TDOT receives \$8M))



# Increase existing Title/Registration fee

## Current Fees

- ▶ Largest portion of revenue from cars and trucks
- ▶ Passenger vehicle base fee: \$24
- ▶ Trucks: \$52 to \$1,300
- ▶ Annual revenue (all sources): \$230 Million
  - \$186.3 Million (81%) to TDOT
  - \$43.7 Million (19%) to State General Fund and others

**Doubling all fees produces additional \$230  
Million per year.**

# Alternative Funding Options

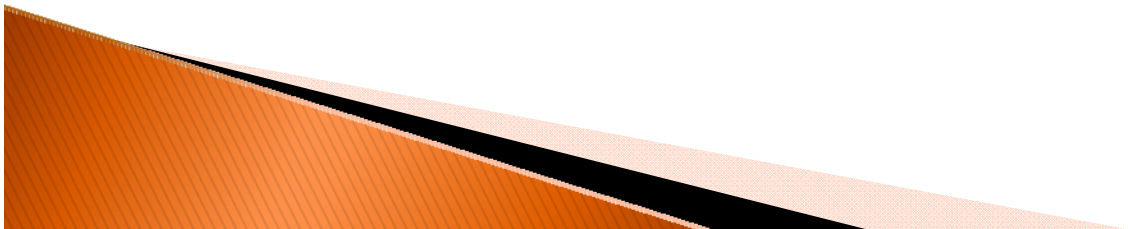
## Other State Solutions

- ▶ Vehicle Miles Traveled fees, Mileage User Fee
- ▶ Tolling, HOT Lanes, Congestion Pricing
- ▶ Bonding/Financing Tools—Public/Municipal, GARVEE
- ▶ Public Private Partnerships
- ▶ Increase current gas/diesel/registration fees
- ▶ Hotel/Motel Tax
- ▶ Rental Car Fees

# Vehicle Miles Traveled

## Road User Fees Pilot--Oregon

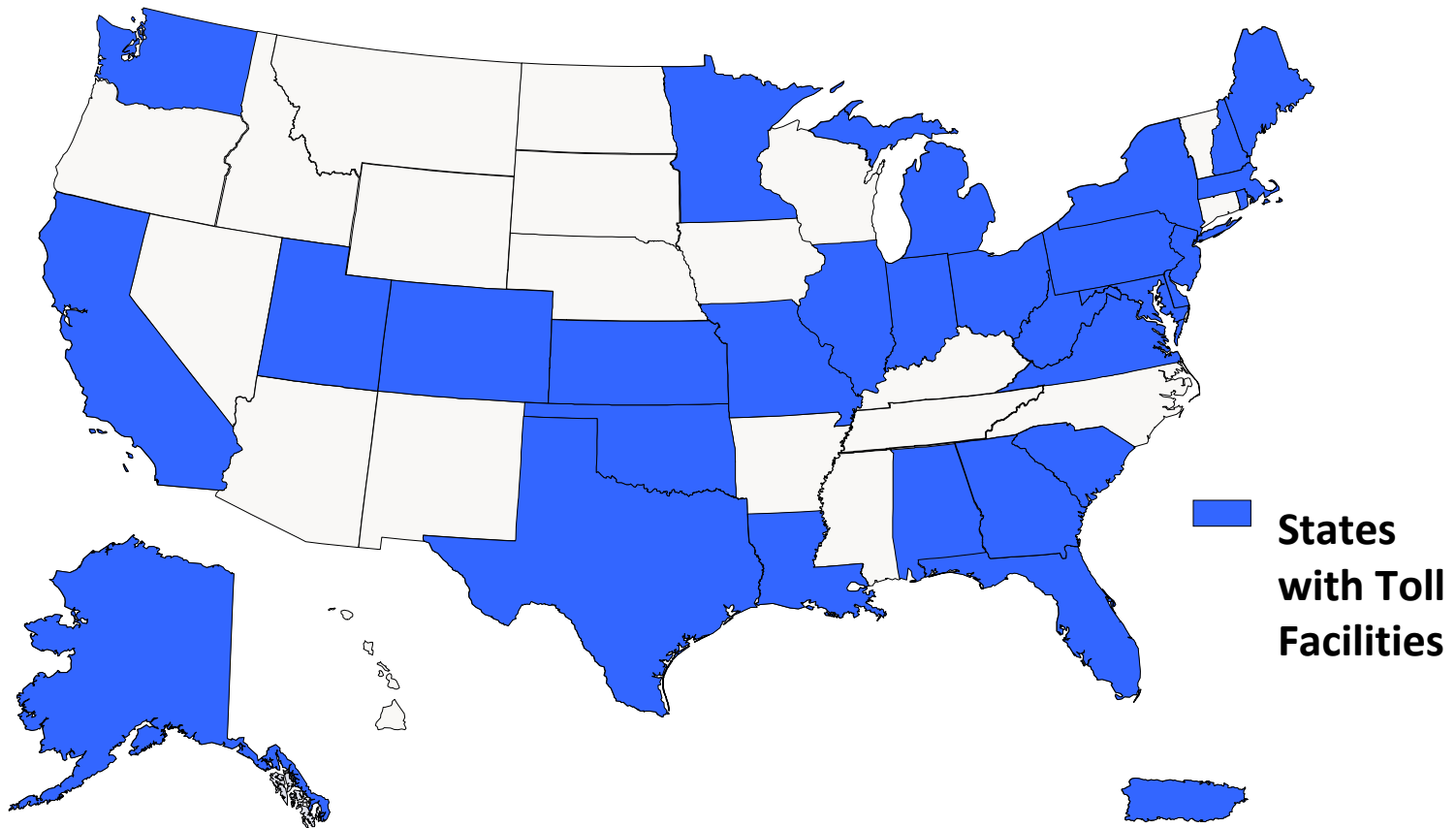
- ▶ Mileage fee could replace the gas tax as the principal revenue source
- ▶ Pay at the pump
- ▶ Low cost to implement and administer
- ▶ Integration with current system
- ▶ Congestion pricing can be used





# States with Toll Facilities

Roughly 26 states have toll facilities  
Over 5,100 miles of roadways are tolled



# Tolling

## Traditional Tolling



### Pennsylvania Turnpike Commission

- Established in 1937
- 447,441 daily traffic and \$545 million net fare revenue in FY 2004
- Total miles operated: 530.5 Miles

### Oklahoma Turnpike Authority



- Established 1947
- \$191.9 million in toll revenues for 2005
- Operates and maintains 606 miles of tolled facilities

### Georgia State Road & Tollway Authority



- Open to traffic 1993
- Operates the GA 400 Extension, the only 6.2-mile toll road north of Atlanta
- 112,000 daily traffic and \$20.5 million annual revenue in FY 2006

# Tolling

## High Occupancy Toll (HOT) Lanes

- ▶ Denver – I-25 HOT Lanes
- ▶ Florida – I-95 HOT Lanes from Miami to Ft. Lauderdale
- ▶ Minnesota – I-394 MnPASS between Downtown Minneapolis to western suburbs
- ▶ (HOT Lanes require single occupant vehicles to pay a toll while multiple occupant vehicles travel free)

# Bonding

- ▶ Common mechanism used by many states for transportation projects
- ▶ Allows acceleration of projects
- ▶ Requires debt service payments
- ▶ Legislative authority required
- ▶ Multiple forms – GO, Municipal, GARVEE

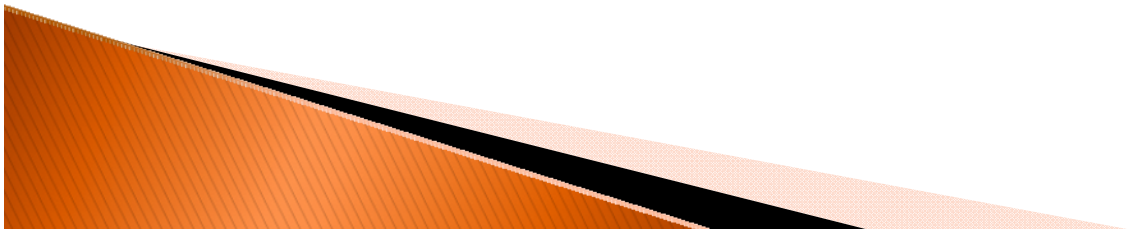
# GARVEE BONDS

## (Grant Anticipation Revenue Vehicle)

- ▶ Repaid primarily with federal-aid funds
- ▶ State receives up-front capital for major projects
- ▶ Used by states including Alabama, Arkansas, Arizona, Colorado, Mississippi, New Jersey, New Mexico and Ohio

# Public Private Partnerships

- ▶ Seen as long-term capital investments
- ▶ Unaffected by economic downturns
- ▶ Private Sector assumes significant risk
- ▶ Political acceptance depends on adequate safeguards to protect public interests



# Public Private Partnerships

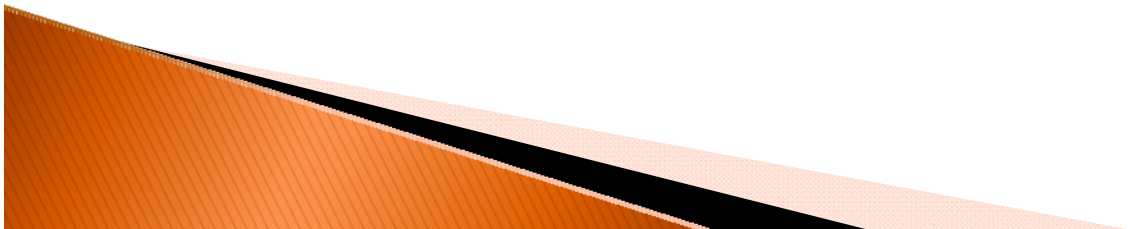
- **Chicago Skyway**
  - 99-year Long Term Lease
  - \$1.38 billion highest bid by Skyway Concession Company
- **Indiana Toll Road**
  - 75-year Long Term Lease
  - \$3.85 billion highest bid by Statewide Mobility Partners
- **E-470 Tollway – Colorado**
  - \$1.2 billion design-build contract
- **I-495 Capital Beltway – Washington D.C.**
  - \$1.4 billion fixed-price design-build contract

# Increase Gas Tax

Washington State

- ▶ 9.5 cent per gallon gas tax increase passed 2005
- ▶ Phased in over 4 years
- ▶ Expected to raise \$5.5 billion over the next 16 years

.





# Indexing

- ▶ Fuel tax adjusted for inflation
- ▶ Fuel tax rates are tied to some measure of growth or cost
- ▶ Most include minimums
  
- ▶ States using indexing include Kentucky, Florida, Iowa, Maine, New York, North Carolina

# Summary

- ▶ Almost all DOTs have funding shortfalls
- ▶ All states grasping for answers
- ▶ No “silver bullet” identified