

Issue Brief 2012-208 Cost Effectiveness of Regional Expressway and Bridge Authorities

Review by Joe Waggoner

Executive Director

Tampa-Hillsborough Expressway Authority

Issue Brief 2012-208 Cost Effectiveness of Regional Expressway and Bridge Authorities

“Cost Effectiveness”

The brief on regional authorities does not provide:

- Why Regional Authorities were created
- How tolling is used to fund projects
- Full accounting of tax-based funds .vs. toll based funds of the toll options used in Florida
- Benefits achieved for the Region and Florida

Issue Brief 2012-208 Cost Effectiveness of Regional Expressway and Bridge Authorities

- *Regional authorities have financed highway projects for more than three-decades*
- *FDOT pays O&M only when toll revenues are insufficient*
- *THEA is obligated to pay O&M and has paid 100% of since 2001*
- *Regional Authorities have provided billions of dollars in highway infrastructure to support growth and serve Florida with minimal FDOT tax-based funding*
- *The primary purpose for toll facilities is to create a revenue source that can support bond financing to build new highway capacity sooner than would otherwise be possible (vs. reliance on tax-based pay-go financing)*
- *Generally, new toll facilities are not self-supporting, particularly in the initial years of operation*

Cost Effectiveness of Regional Authorities

- Regional Authorities create new funds to accelerate development of state/regional highways with minimal dependence on tax funds, and with no state debt.
- FDOT tax dollar subsidies provided because benefits of the regional projects align with state needs
- Regional Authorities maintain and operate State highways with a minimal FDOT subsidy, and the subsidy is re-paid

Why Regional Toll Authorities Exist

- Every regional authority was created by the region - a burden assumed to accelerate projects for Regional benefits
- Regional needs determine projects; one size does not fit all
- Regional Authority sets their toll rate and controls the use of their toll funds
- Regional authority debt is not state debt.
- Aligns source of funds with policy, role & function

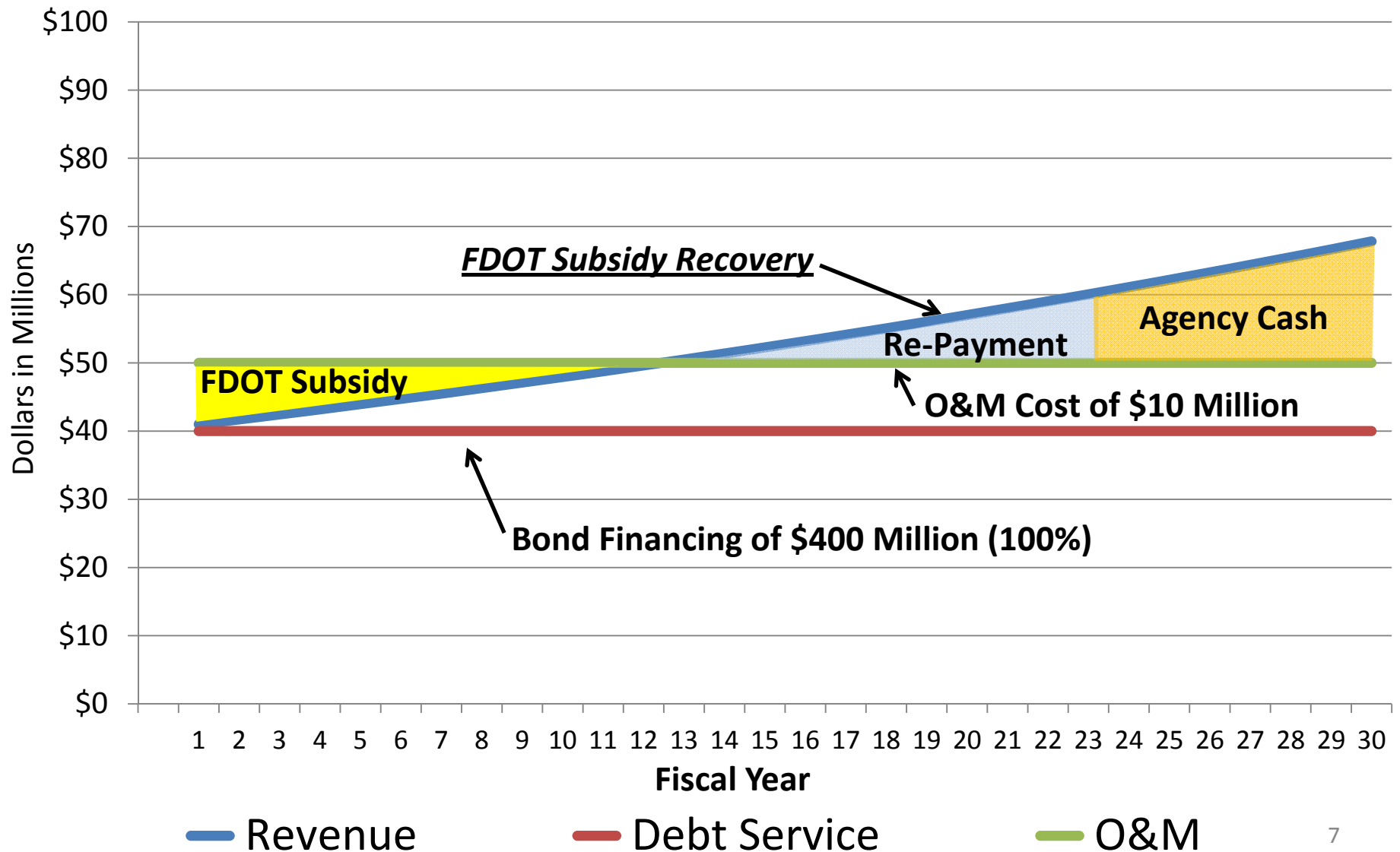
How Tolling is Used

- **Added fund source to finance development of large (high cost) projects**
- **Tolling is a finance model based on user/benefit/payment**
 - You only pay when you use it
 - Development cost (financing) is spread over time, so time-of-use matches time-of-benefit, and time-of-payment.
- **What about the added cost of financing vs. Pay-Go?**
 - Building earlier saves on construction and material cost (inflation)
 - Starts generating “new revenue” earlier
 - Frees demand on traditional funding sources (tax \$’s) for other needs
 - Earlier availability facilitates Growth & Development
- **The Benefits More Than Offset the Financing Cost**
- **Need to replace traditional funding sources is growing**

What are the Florida toll models?.....

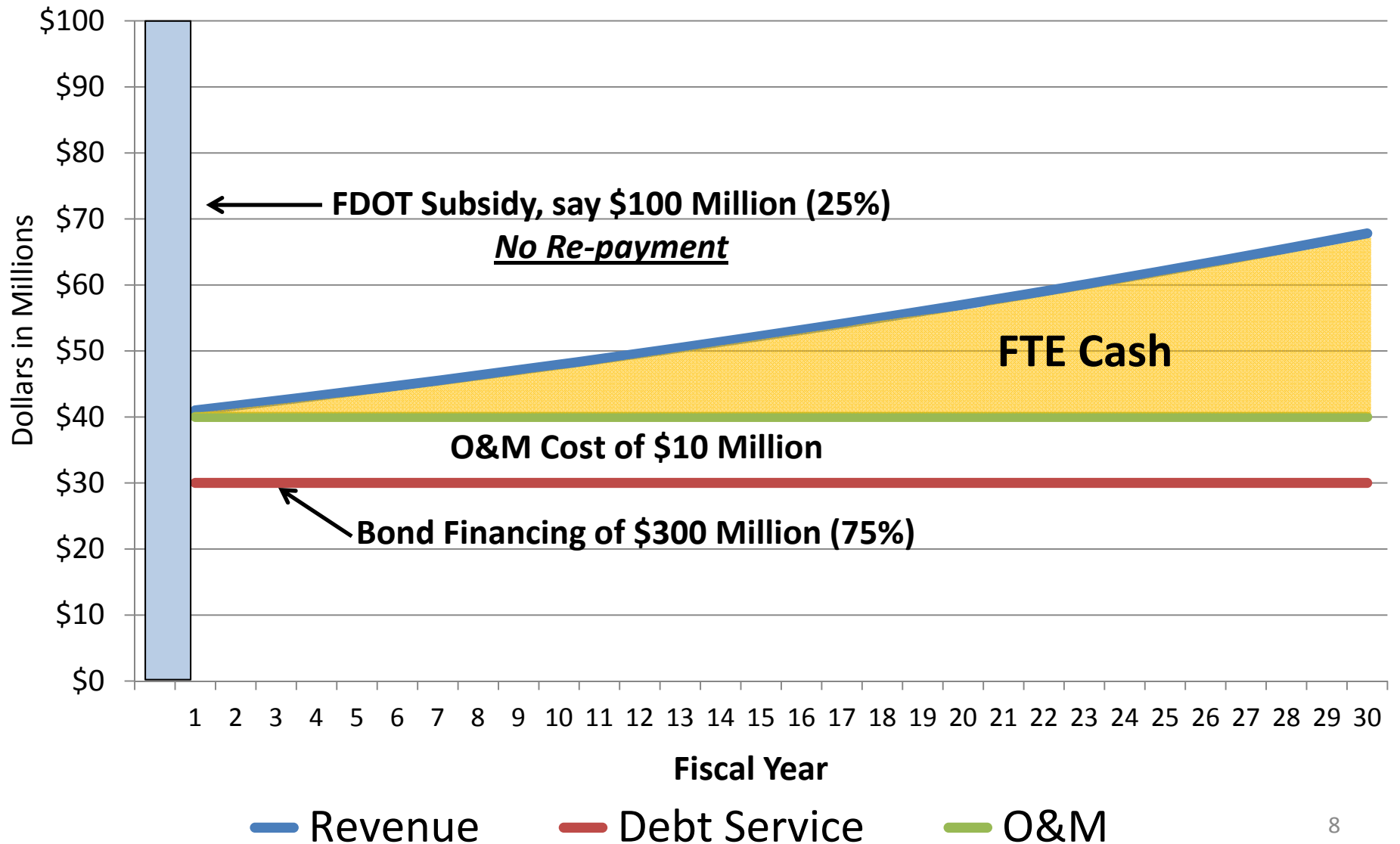
FDOT - Lease Purchase Agreement Model

New \$400 Million State Road Toll Project



FDOT - FTE Model

New \$400 Million State Road Toll Project



FDOT Capital Contributions

Turnpike projects have benefited from over \$1.2 billion of FDOT tax-based funds

- Subsidy is about 37% of the project costs
- Subsidy is not repaid

Regional Authorities Projects

- Develop state/regional highways 10% subsidy of state and federal tax funds
- Subsidy is repaid
- No state debt

	Santa Rosa Bay Bridge Authority	Mid-Bay Bridge Authority	Tampa-Hillsborough County Expressway Authority	Orlando-Orange County Expressway Authority	Florida Turnpike Enterprise
Lane Miles	7	20.6	112	671	2,112
Gross Toll Revenue FY 2010-11	\$4,275,765	\$15,476,000	\$40,476,072	\$263,787,000	\$600,897,000 ²
Toll Transactions FY 2010-11	1,250,863	6,519,391	31,634,997	292,477,739	652,900,000
Bond Debt Outstanding	\$116,800,000	\$287,115,000	\$324,520,000	\$2,696,415,000	\$2,811,831,000
FDOT Capital Contributions³	?	?	9,000,000	?	\$1,260,028,731
Long-Term Debt Payable to Department of Transportation	\$24,660,290	\$17,361,327	\$200,536,032	\$270,088,808	\$153,403,079
State Transportation Trust Fund for Payment of Operations and Maintenance/Renewal and Replacement As Required by LPA	\$16,760,290	\$16,123,074	\$122,606,604	\$235,565,776	\$0
State Transportation Trust Fund – Principal and Interest on Loans	\$0	\$0	\$12,034,945	\$0	\$101,480,000
Debt Due Toll Facilities Revolving Trust Fund - Principal and Interest on Loans	\$7,900,000	\$997,373	\$10,477,546	\$0	\$0
State Infrastructure Bank Loans	\$0	\$0	\$55,536,000	\$34,523,032	\$51,923,079
Future Capital Project Expenditures	\$0	\$0	\$111,437,709	\$0	\$0
FY 2010-11 Unaudited Expenditures for Administration, Operations & Maintenance	N/A	\$3,222,801 ¹	\$9,794,610	\$52,524,284	\$179,900,000
Salary & Benefit (included in total expenditures) FTE		\$223,000 2	\$2,010,194 17	\$6,419,842 61	\$30,197,148 468

How Regional Expressway Authorities differ from FDOT and the Turnpike?

- All receive state support of the O&M expenses via transportation taxes, and that is repaid
- Upfront grants by FDOT of Turnpike projects – not repaid
- Financing
 - Regional authorities use financing which results in slightly higher interest rate, but substantially greater bonding capacity. More project funding = More jobs for Floridians
 - Turnpike uses the one size fits all, level 30 year debt financing that provides: Slightly lower interest rate, but substantially less bonding capacity = Less project funding
- Administrative and Managerial functions
 - Regional staff are directly accountable to community
 - Provide solutions tailored to community needs (Reversible Express Lanes, All–Electronic Tolling, Bus Toll Lanes)

Creating Efficiencies

- Each model is a useful tool for Florida
- Each model fits best for certain needs
- Removing any tool disadvantages Florida
- Solutions include
 - FDOT Constructs Roads (Assets) Which Are Not Viable For Tolling
 - Regional Authorities construct roads in their regions viable for tolling and supporting primarily commuter trips
 - FTE constructs roads viable for tolling of an Intra-Regional nature (the Turnpike Mainline) supporting primarily intra-Regional trips

Alternate Plan to Unlock Florida's Transportation Potential

- THEA's Plan of Finance
- Regional Mobility Plan, *moving toward the Texas model...*
 - Regionals purchase the regional commuter-based toll roads from Florida providing a significant cash infusion to Florida
 - Florida utilizes cash for FDOT, taxpayer funded projects and for Turnpike, toll viable Intra-Regional projects
 - Regionals use remaining toll capacity to fund needed projects

Regional Mobility Plan

moving toward the Texas model...

Benefits:

- Provides Needed Funding
- More Jobs for Floridians
- Reduces the State workforce
 - Net increase in jobs / private sector growth
- Reduce Current and Future State Debt
- Good Public Policy
 - Improve local transportation assets... not for profits of private owners
- Aligns policy, role, and function