



# BLENDING FUNDING IN SUPPORT OF TOLL PROJECTS

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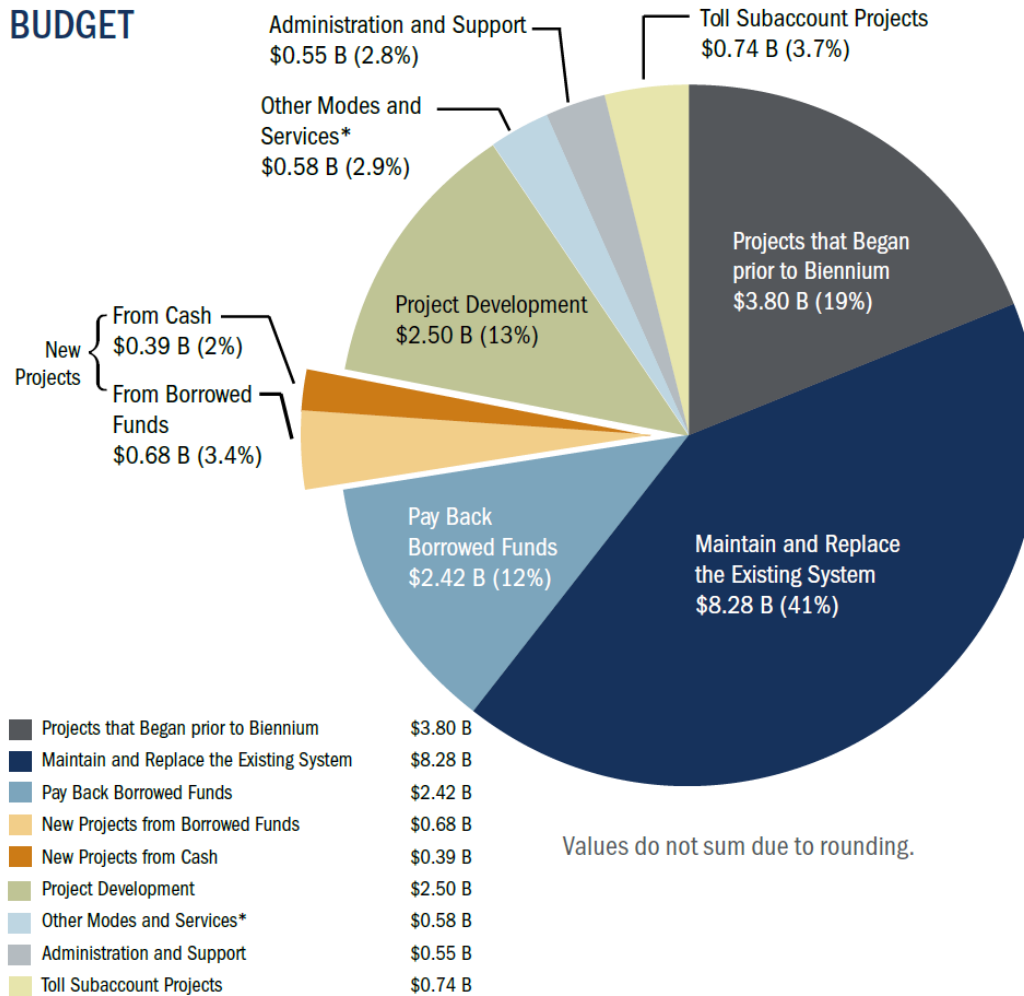
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2016-2017 TxDOT Legislative Appropriation Request: Budget &  
Method of finance

# 2016-2017 TxDOT Legislative Appropriation Request: Budget

## BUDGET



Values do not sum due to rounding.

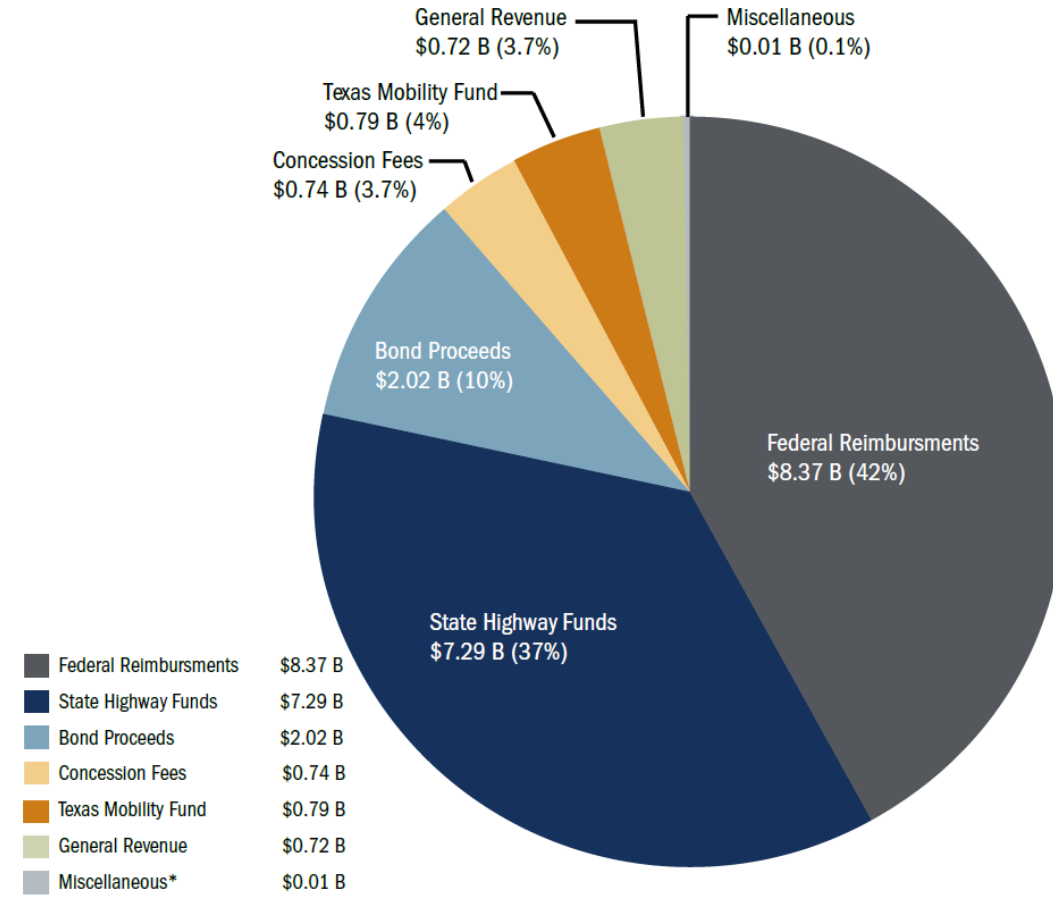
Projects that Began prior to Biennium	\$3.80 B
Maintain and Replace the Existing System	\$8.28 B
Pay Back Borrowed Funds	\$2.42 B
New Projects from Borrowed Funds	\$0.68 B
New Projects from Cash	\$0.39 B
Project Development	\$2.50 B
Other Modes and Services*	\$0.58 B
Administration and Support	\$0.55 B
Toll Subaccount Projects	\$0.74 B

TxDOT Grand Total \$19.94 B

\*Other Modes and Services includes Aviation, Public Transportation, Traffic Safety, Travel Information, and Rail.

# 2016-2017 TxDOT Legislative Appropriation Request: Method of finance

## METHOD OF FINANCE



TxDOT Grand Total \$19.94 B

\*Miscellaneous includes interagency contracts and GR dedicated funds.

Values do not sum due to rounding.

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**Project Funding**: Cash forecast, Unified Transportation program and funding categories

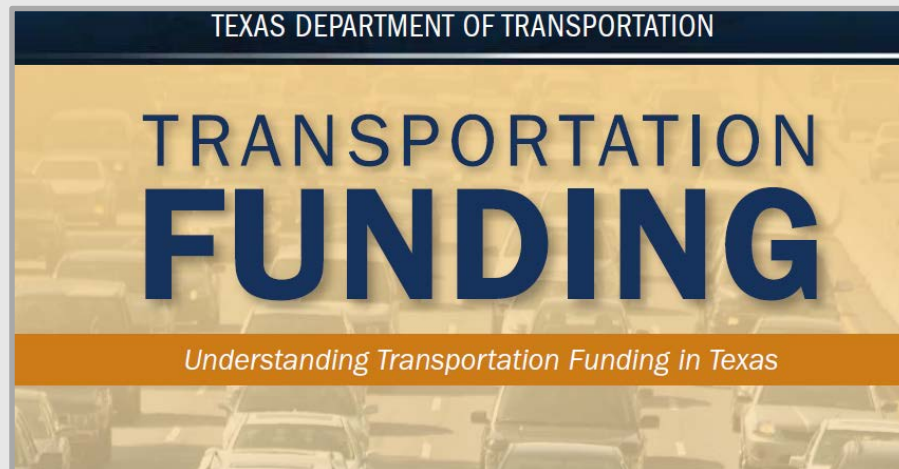
# Project Funding: Cash Forecast and Unified Transportation Program (UTP)

## Cash Forecast

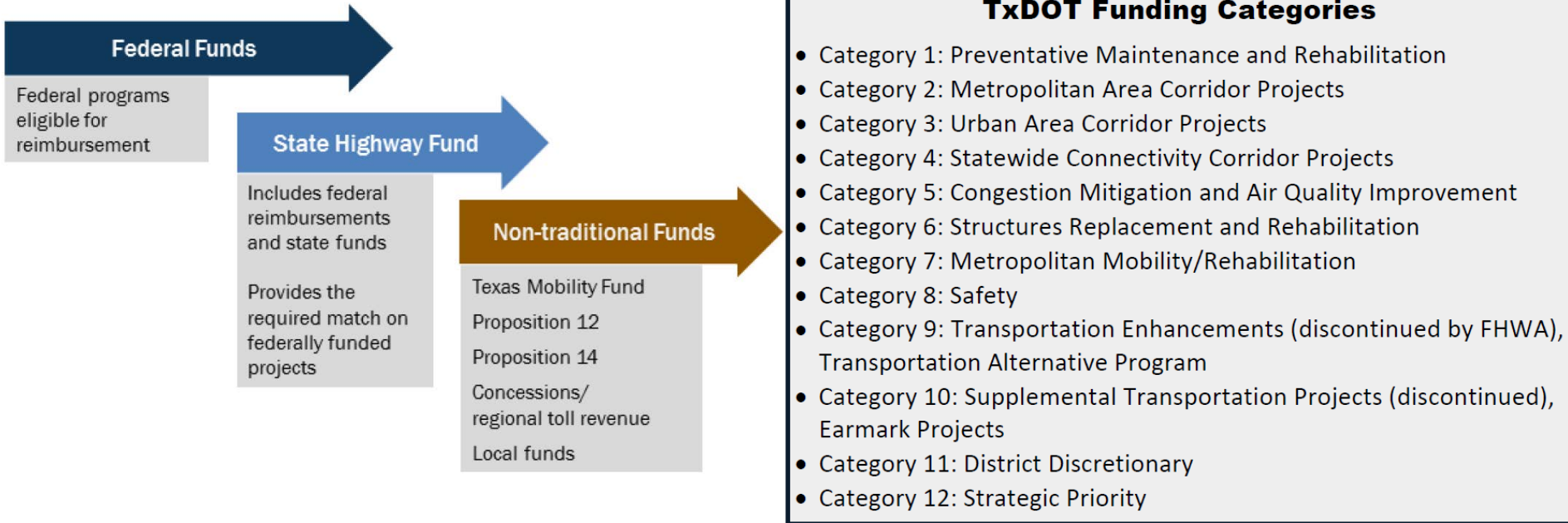
- TxDOT Finance Division forecasts available funding
- TxDOT may not exceed its cash flow forecast
- Cash Flow Forecast is used by TxDOT leadership to manage all available funds for the construction and maintenance of the transportation system

## Unified Transportation Program

- UTP is a 10-yr plan used along with the Statewide Transportation Improvement Plan (STIP) to guide mid-range project development
- The distribution of funding is allocated through 12 funding categories
- Funding amounts by category on a given project may change



# Project Funding Categories





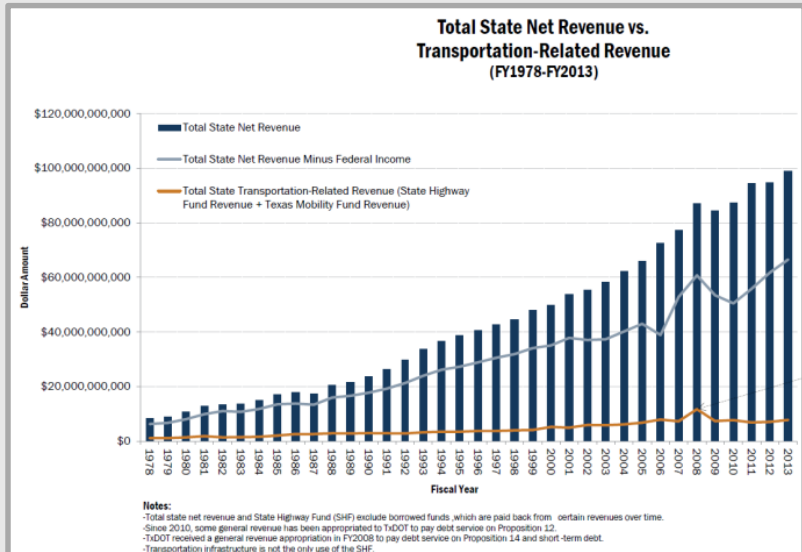
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## Why Toll Roads and Innovative Financing?

# Why Toll Roads and Innovative Financing?

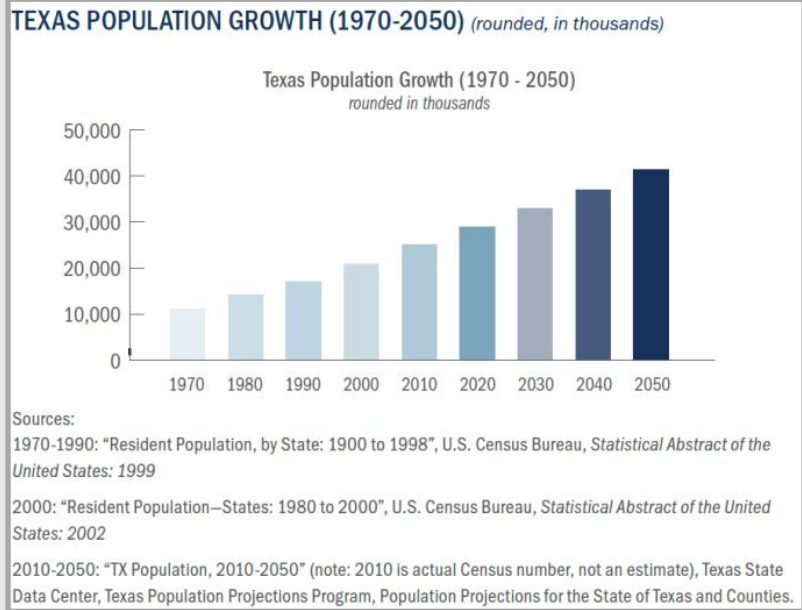
## Transportation Related Revenue

Traditional transportation funding sources – primarily motor fuel taxes and registration fees – have not kept pace with mounting transportation demands



## Population Growth

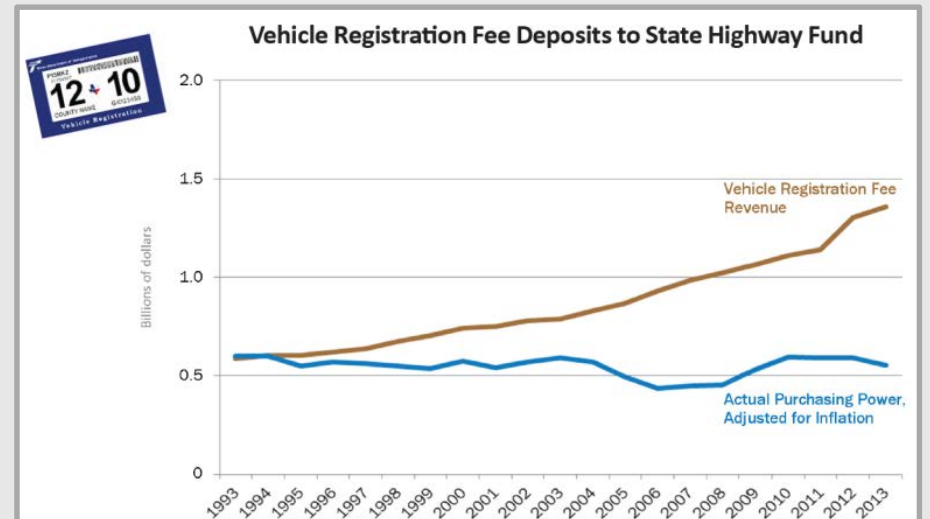
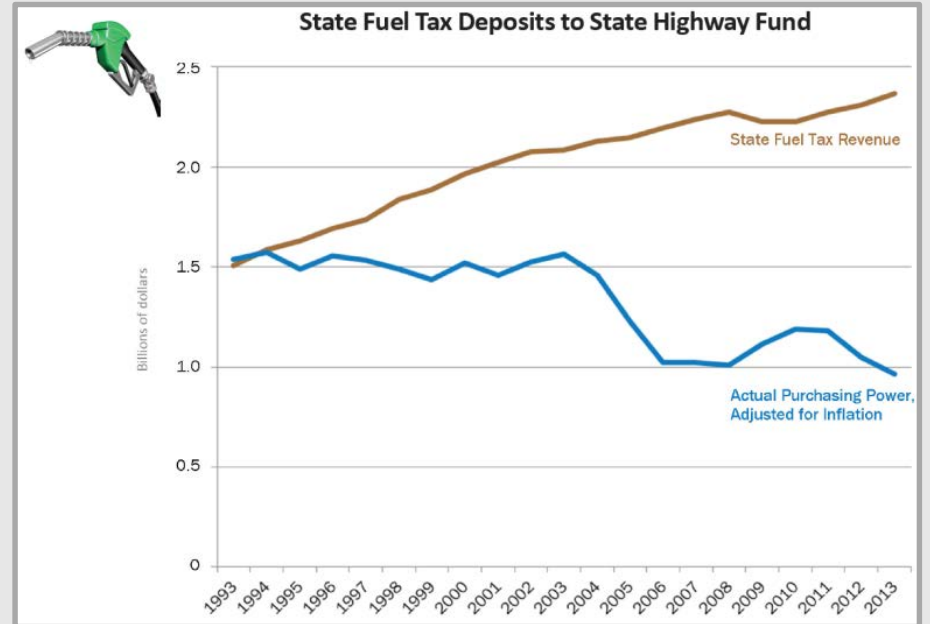
At the same time, Texas' strong economy and relatively low cost of living contribute to the State's booming population growth of more than 1,000 additional people per day



# Why Toll Roads and Innovative Financing?

## What are the challenges?

- Unchanged state and federal gas tax since 1991
- Fuel efficiency
- Inflation
- Federal funding issues
- Aging infrastructure
- Impacts on highways from the growing energy sector



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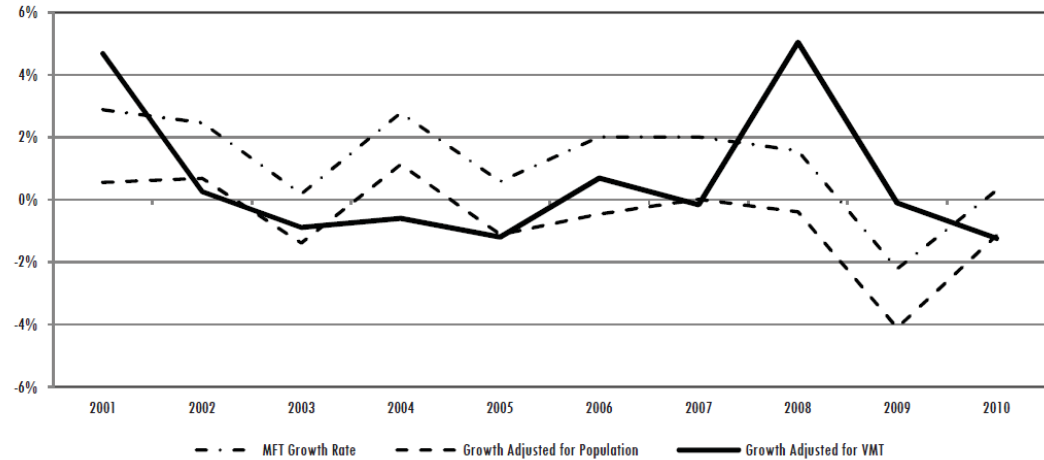
**Texas Highway Funding:** State Highway Fund, Texas Mobility Fund, General Revenue Fund, and Local Funding

# State Highway Fund: State Motor Fuels Tax

## State Motor Fuels Tax

- One of the two largest sources of revenue for the state highway fund
- Applied to gasoline (20 cents/gallon), diesel fuel (20 cents/gallon), and liquefied gas (15 cents/gallon)
- Unchanged since 1991
- Lower than national average (30.4 cents/gallon)
- While its revenue increases it occurs at a decreasing rate
- When adjusted for population and vehicle miles traveled the growth rates appear smaller or negative during some years

GROWTH RATE OF MOTOR FUELS TAX COLLECTIONS, FISCAL YEARS 2001 TO 2010



NOTE: Motor fuels tax (MFT); Vehicle miles traveled (VMT).  
SOURCE: Legislative Budget Board.

STATE MOTOR FUELS TAX REVENUES BY TYPE OF MOTOR FUEL, FISCAL YEARS 2003 TO 2013

FISCAL YEAR	TOTAL STATE MOTOR FUELS TAX REVENUE DEPOSITED TO STATE HIGHWAY FUND (IN MILLIONS)	TOTAL STATE MOTOR FUELS TAX REVENUE COLLECTED (IN MILLIONS)	TOTAL GASOLINE TAX REVENUES (IN MILLIONS)	TOTAL DIESEL TAX REVENUES (IN MILLIONS)	TOTAL LIQUEFIED TAX REVENUES (IN MILLIONS)
2003	\$2,087.0	\$2,838.8	\$2,226.6	\$610.6	\$1.6
2004	\$2,130.0	\$2,917.8	\$2,272.3	\$643.9	\$1.6
2005	\$2,148.3	\$2,934.5	\$2,259.6	\$673.4	\$1.5
2006	\$2,194.2	\$2,993.6	\$2,257.1	\$735.0	\$1.5
2007	\$2,238.2	\$3,053.7	\$2,300.9	\$751.6	\$1.2
2008	\$2,276.0	\$3,101.5	\$2,315.5	\$784.9	\$1.1
2009	\$2,226.6	\$3,032.7	\$2,326.1	\$705.5	\$1.1
2010	\$2,227.0	\$3,041.9	\$2,341.6	\$699.3	\$1.0
2011	\$2,275.3	\$3,104.1	\$2,361.1	\$742.0	\$1.0
2012	\$2,310.9	\$3,169.2	\$2,387.7	\$780.5	\$1.0

SOURCE: Comptroller of Public Accounts.

# State Highway Fund: Federal Funds

## Federal Funds

- Approximately 40% of TxDOT's budget is comprised of federal funds
- Capitalized from federal gas and other vehicle/fuel taxes
- Grant programs requiring the state to provide matching funds
- **Private Activity Bonds (PAB)** provide tax exemption on interest from bond proceeds
- Created the **State Infrastructure Bank (SIB)** operating as a revolving loan program
- **Transportation Infrastructure Finance and Innovation Act (TIFIA)** program providing Federal credit assistance
- **American Recovery and Reinvestment Act (ARRA)** provides construction funds for "ready to go" projects
  - **Build America Bond (BAB)** program authorizing state and local governmental entities to issue taxable bonds

MAJOR FEDERAL FUNDING SOURCES FOR ROADWAYS, FEDERAL FISCAL YEAR 2012

PROGRAM NAME	FEDERAL FUNDS ALLOCATED FOR FISCAL YEAR 2012 (IN MILLIONS)	AUTHORIZED USES
Transportation Equity Bonus	\$1,192.5	Ensures that Texas' rate of return on contributions to the Highway Trust Fund do not drop below a given amount (121 percent for 2012). The federal share allocated to specific projects ranges from 80 percent to 100 percent, depending on the project.
Surface Transportation Program	\$550.1	For use on any federal-aid highway and funds are available for four years. The federal share ranges from 80 percent to 100 percent.
National Highway System	\$518.2	Funds for improving urban and rural roads and funds are available for four years. The federal share ranges from 80 percent to 90 percent.
Interstate Maintenance	\$411.0	Funds for certain activities on the Interstate System and funds are available for four years. The federal share is 90 percent.
Bridge Rehabilitation and Replacement Program	\$134.8	Funds for certain activities relating to highway bridges and bridges on public roads. The federal share is 80 percent.
Congestion Mitigation and Air Quality Improvement	\$104.1	Projects must be in air-quality nonattainment and maintenance areas for ozone, carbon monoxide, and small particulate matter. The federal share is 80 percent.
Highway Safety Improvement Program	\$86.2	Applies to public roads, publicly owned bicycle and pedestrian paths, rail crossings, and certain rural roads. The federal share is 90 percent to 100 percent.
Coordinated Border Infrastructure Program	\$55.4	Applies to roads used to move motor vehicles at or across the border between the U.S. and Mexico. The federal share is 80 percent to 100 percent.
Metropolitan Planning	\$22.1	For distribution to Metropolitan Planning Organizations to develop transportation plans and improvement programs. The federal share is 80 percent.
State and Community Highway Safety Grants	\$17.2	Must be used only for highway safety purposes, and the federal share is 80 percent. In fiscal year 2012, TxDOT received 96.4 percent of these funds while other state agencies received the remaining 3.6 percent.
Railway-Highway Crossings Program	\$16.8	Funds must be used to install and upgrade protective devices at rail crossings. The federal share is 90 percent.
Safe Routes to Schools Program	\$15.1	Funds are to be used for planning, developing, and implementing projects improving safety and reducing congestion near schools. The funds are provided directly to communities.

NOTE: Funding allocations only reflect federal transportation funds directed to Texas state agencies and do not include federal funds distributed directly to local entities.  
SOURCE: Legislative Budget Board.

# State Highway Fund: Revenue Bonds and Short-Term Notes

## Revenue Bonds

- State Highway Fund revenue bonds (also known as proposition 14 bonds) were authorized in 2003
- TTC is allowed to issue bonds, public securities, and enter into credit agreements
- State law limits proposition 14 debt to \$6 billion. More debt cannot be issued even as the bonds are paid-off.
- Bonds are secured by revenues in the State Highway Fund so they do not count toward the state's constitutional debt limit

## Short – Term Borrowing

- TxDOT is authorized to issue short-term debt secured by the State Highway Fund to carry out the functions of the department.
- Debt is subordinate to proposition 14 debt obligations
- The purpose is to ensure that TxDOT can have as many projects underway as possible without carrying a “cushion” in the State Highway Fund balance in case payments come in more quickly or revenues come in more slowly than anticipated

## Toll Revenue Bonds

- The Commission is authorized to issue project revenue bonds (or toll revenue bonds) where the bonds are secured by the toll revenue collected
- The Commission has only issued such bonds for the Central Texas Turnpike System (CTTS) in Austin
- The only source of revenue that can be used to pay for the CTTS debt is toll revenue

## Comprehensive Development Agreements (CDAs)

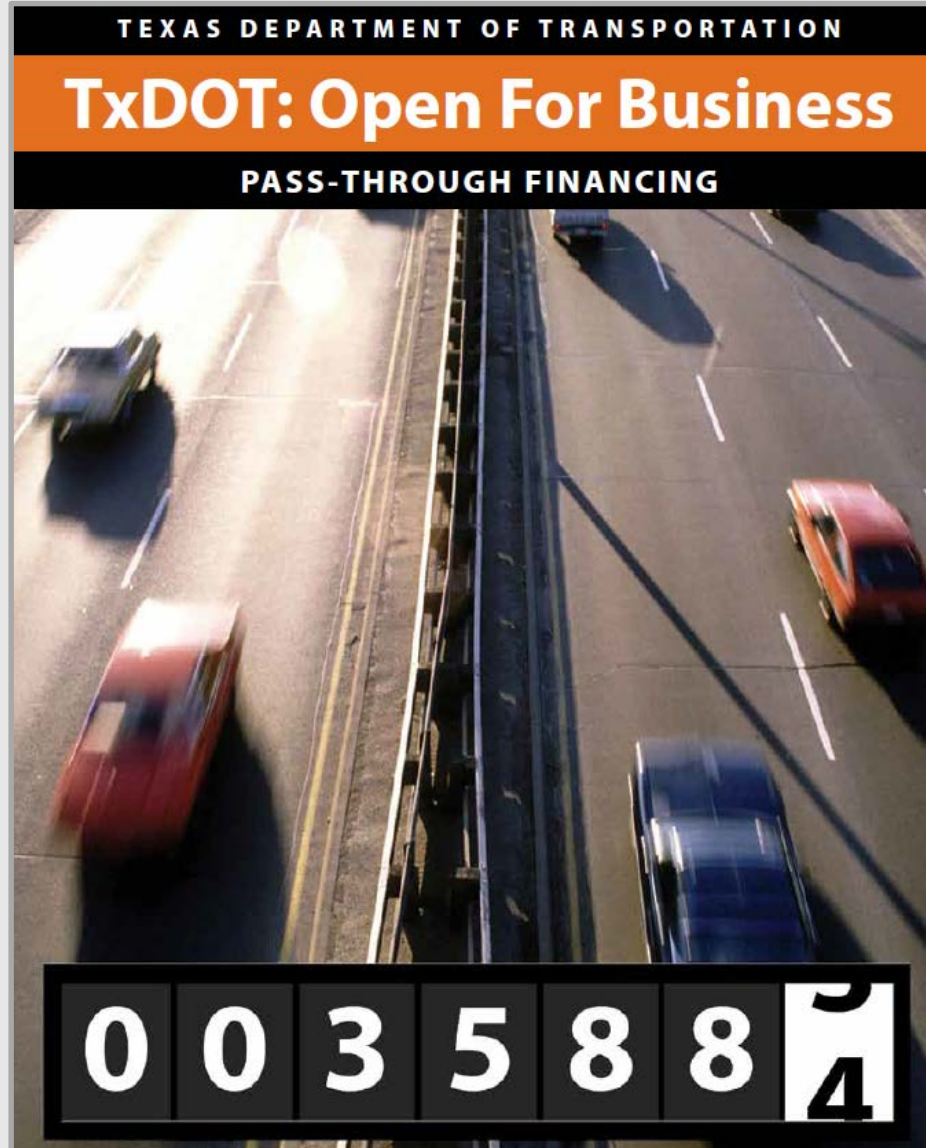
- CDAs (an umbrella term for public-private partnerships) are entered into using a procurement process that allows TxDOT to select the proposal that provides the best value to the state
- CDAs may provide for the financing, acquisition, maintenance or operation of such a project
- In the example of SH 130 the concession company provided all funding to build segments 5 and 6, including cost of right-of-way, and provided a \$25M concession payment to the state



# State Highway Fund: Additional funding mechanisms

## Other revenue sources

- Motor Vehicle Registration Fees
- Motor Registration Fees for Special Vehicles
- Sales Tax on Lubricants
- Pass-Through Tolling – Advanced Funding Agreements
  - Local government
  - Public entity
  - Reimbursement over time based on usage
- Highway beautification fees
- Other resources of revenue



# Texas Mobility Fund (TMF)

## Texas Mobility Fund

TMF may be used to finance the acquisition, construction, maintenance, reconstruction, and expansion of state highways (including toll projects)

- Issuance and Sale of Obligations (bonds)
- Driver Responsibility Program Fines and State Traffic Fines
- Certain Fees Collected by the Department of Public Safety
- Certificate of Title Fees
- Rail Relocation and Improvement Fund (no debt has been issued yet)

### Texas Mobility Fund Bond Series

Series	CUSIP Base #	Par Amount	Fitch	Moody's	S&P
2014	882723	\$973,775,000	AAA	Aaa	AAA
2009-A *	882722	\$1,208,495,000	AAA	Aaa	AAA
2008	882721	\$1,100,000,000	AAA	Aaa	AAA
2007	882721	\$1,006,330,000	AAA	Aaa	AAA
2006-A	882721	\$1,040,275,000	AAA	Aaa	AAA
2006-B	882721	\$150,000,000	AAA/F1+	Aaa/VMIG1	n/a
2006	882721	\$750,000,000	AAA	Aaa	AAA
2005-A	882721	\$900,000,000	AAA	Aaa	AAA
2005-B	882721	\$100,000,000	AAA/F1+	Aaa/VMIG1	AAA/A-1+

**Note:** \* = Taxable Build America Bonds

# General Revenue Fund–General Obligation (GO) Bonds

## General Revenue Fund – GO Proposition 12 Bonds

- During the past 12 years, TxDOT has received appropriations from the General Revenue Fund
- Proposition 12 allowed the Legislature to authorize TTC to issue GO bonds, which count toward the state’s constitutional debt limit
- Proposition 12 GO bonds issued are statutorily required to mature no later than 30 years after their issuance
- State law limits Proposition 12 debt to \$5 billion.
- More debt cannot be issued even as the bonds are paid off

### HIGO Bond Series

Series	CUSIP Base No.	Par Amount Issued	Fitch	Moody's	S&P
2014	882723	\$1,260,000,000	AAA	Aaa	AAA
2012-A	882722	\$818,635,000	AAA	Aaa	AAA
2012-B*	882722	\$99,570,000	AAA	Aaa	AAA
2010-A**	882722	\$815,420,000	AAA	Aaa	AAA
2010-B	882722	\$162,390,000	AAA	Aaa	AAA

**Note:** \* = Taxable Bonds      \*\* = Taxable Build America Bonds

Highway Improvement General Obligation, or "HIGO Bonds," also known as the Proposition 12, or "Prop 12 Bonds."

## Transportation Reinvestment Zones (TRZ)

- A local government innovative method of developing and financing projects after designating a zone in which it will promote a transportation project
- A base year is established and the incremental increase in property tax revenue collected inside the zone is used to finance a project in the zone
- Proposed zone must be deemed underdeveloped
- Need to: (1) promote public safety; (2) facilitate the improvement, development, or redevelopment of property; (3) facilitate the movement of traffic; and (4) enhance the local entity's ability to sponsor transportation projects

## Regional Mobility Authority Funding

- RMAs are authorized to issue **revenue bonds** to fund projects and can utilize **user fees and/or taxes** to fund operations and repay bonds
- They can use surplus revenue to finance tolled or non-tolled transportation projects by:
  - Constructing a transportation project in their county or counties
  - Assisting in financing a project of another governmental entity

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## Project Funding Breakdown – Project Examples

# Project Funding - CDA Concession

## SH 130, Segments 5 & 6 – O&M Developer - SH 130 Concession Company, LLC

1<sup>st</sup> state-owned toll road developed under P3 Concession.  
Constructed a minimum of two tolled lanes in each direction.  
Seg. 5 stretches from Mustang Ridge to FM 1185 (12 miles);  
Seg. 6 runs from FM 1185 to I-10 (29 miles.)

**Project Costs**

**\$1,367,000,000**

**Contract Execution**

**March 2007**

**Open to Traffic**

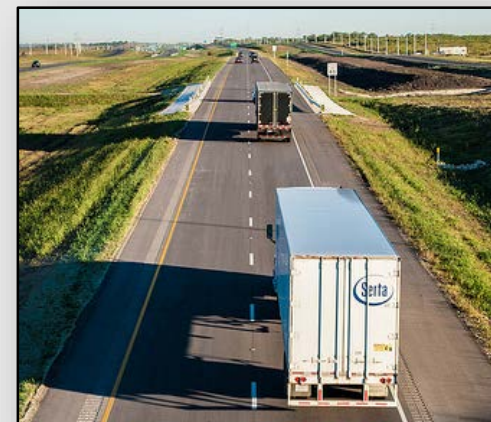
**November 2012**



## Funding: 100% Privately Funded

### Private Funding

Dev, Funds (TIFIA Loan)	\$476 M
Dev. Funds (Equity & Bank Loans)	\$891 M
Total	\$1.37 B





# Project Funding - CDA Concession

## IH 635 LBJ Managed Lanes– Des/Const. Developer – LBJ Infrastructure Group

The 16 mile LBJ managed lanes project includes the finance, construction, operation and maintenance of a corridor of frontage roads, general purpose lanes and tolled managed lanes from Greenville Avenue to Luna Rd on IH 635 and tolled managed lanes from Northwest Highway to Valwood Parkway on IH 35.

**Project Costs**

**\$2,983,049,730**

**Contract Execution**

**September 2009**

**Substantial Completion**

**December 2015**



## Funding: 25% Public and 75% Privately Funded

Public Funding		Private Funding	
Public Funds (ROW)	\$242.20 M	Dev. Funds (Private Activity Bonds)	\$606.04 M
Public Funds	\$489.83 M	Dev. Funds (TIFIA Loan)	\$850.00 M
Contingency Fund (Fed)	\$24.00 M	Dev. Funds (Equity)	\$681.41 M
Contingency Fund (State)	\$6.00 M	Dev. Funds (Toll Revenue during Construction)	\$17.04 M
		Dev. Funds(Interest Income)	\$0.82 M
		Capitalized Interest	\$95.73 M
		<b>Total</b>	<b>\$2.25 B</b>
<b>Total</b>	<b>\$762 M</b>		

# Project Funding - CDA Design-Build

## Loop 375 BWE – Des/Const. Developer - Abrams-Kiewit JV

The proposed project would provide a new four-lane, controlled access facility from Racetrack Drive near Doniphan Road and New Mexico 273, (west of downtown) El Paso, to approximately 1 mile east of Park Street.

Anticipated Project Costs

\$639,500,000

Contract Execution

August 2014

Substantial Completion

October 2017



## Funding: 100% Publicly Funded

### Public Funding

Texas Mobility Fund

\$639.5 M

Total

\$639.5 M





# Project Funding – CDA *Design-Build*

## DFW Connector – O&M Developer – NorthGate Constructors, J.V.

The DFW Connector rebuilt the north edge of the Dallas/Fort Worth International Airport, SH 114/SH 121 corridors through Southlake, and Grapevine. At its widest point on SH 114, the DFW Connector has 24 lanes, including 14 main lanes, 4 toll-managed lanes, and 6 frontage road lanes. The total project length is 14.4 miles, which includes 4.1 tolled miles.

**Anticipated Project Costs**

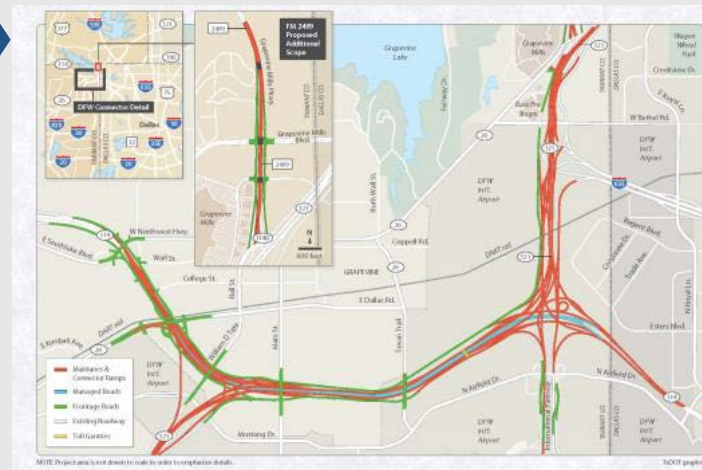
**\$1,288,233,761**

**Contract Execution**

**October 2009**

**Substantial Completion**

**April 2014**



### Funding: 100% Publicly Funded

#### Public Funding

Approved TxDOT Funds	\$687.00 M
American Recovery and Reinvestment Act (ARRA) Funds	\$260.80 M
Prop 14 Tax Exempts Bonds Proceeds (TxDOT)	\$127.80 M
Utilities/Prop 14	\$30.30 M
Highway Improvement General Obligation (HIGO) - Prop 12	\$31.70 M
State Highway Fund Revenue Bonds - Prop 14 (Fall 2012 CO)	\$17.20 M
Surface Transportation Metropolitan Mobility (STPMM) - NCTCOG	\$7.50 M
CAT 1-FTW	\$1.40 M
State Highway Fund Revenue Bonds -FM2499 CO Prop 14	\$97.61 M
Tolling ITS	\$33.43 M
<b>Total</b>	<b>\$1.295B</b>



# Project Funding - Design-Build

## Horseshoe - Des/Const. Developer - Pegasus Link Constructors

Replace bridges that cross Trinity River on I-30 and I-35E as well as the connecting roadways where they converge near downtown Dallas' Central Business District. Project length is 5 miles total.

Anticipated Project Costs

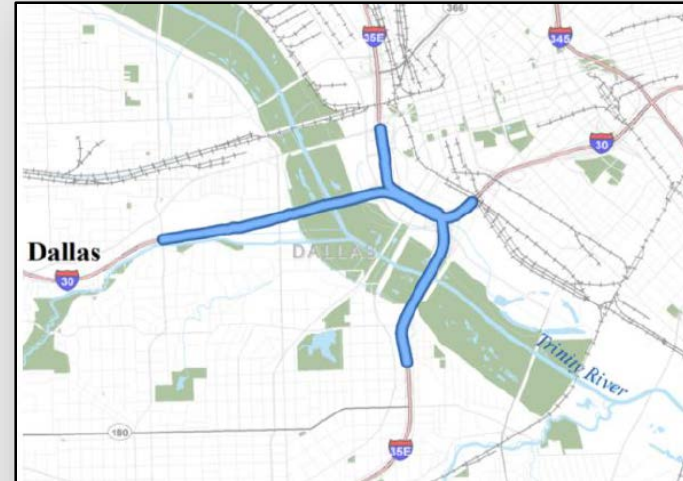
\$797,654,145

Contract Execution

February 2013

Substantial Completion

April 2017



## Funding: 100% Publicly Funded

### Public Funding

Highway Improvement General Obligation (HIGO) - Prop 12 P2 PE/ROW	\$100.75 M
Highway Improvement General Obligation (HIGO) - Prop 12 P2 TMA	\$87.10 M
Highway Improvement General Obligation (HIGO) Prop 12 P2 Bridge	\$400.50 M
Highway Improvement General Obligation (HIGO) Prop 12 P1	\$16.30 M
State Highway Fund Revenue Bonds - Prop 14	\$7.00 M
SH 121 Regional Toll Revenue (RTR)	\$21.45 M
CAT 6 Federal Bridge	\$75.00 M
CAT 7 Surface Transportation Metropolitan Mobility (STPMM )	\$4.45 M
CAT 10 HPS DEMO Earmarks	\$106.38 M
Total	\$818.93 M



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