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TO THE ISSUES

FINANCING TRANSPORTATION

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THE ISSUE

As the old saying goes "everything's bigger in Texas," and that's certainly true when it comes to the state's roadways. Texas has 192,150 paved lane-miles and more than 3,200 interstate miles—more than any other state in the nation. Bigger is not always better though as the state's taxpayers face the high costs of maintaining and building onto such a huge infrastructure—a cost that's becoming increasingly prohibitive.

According to a recent report by the Texas Department of Transportation, "meeting Texas' transportation needs between 2009 and 2030 will require some $313 billion." That stunning figure includes $125 billion for Pavements and Bridges; $171 billion for Urban Mobility; and $17 billion for Rural Mobility/Safety.

Financing the state's huge appetite for roadways and infrastructure will certainly be challenging. Texas will either have to raise taxes—a bad move in any economy, but an even worse policy decision in today's souring economic environment—or look to alternative funding methods. One such method: public-private partnerships (PPPs).

PPPs happen when government and the private sector collaborate to pool resources and talent in order to accomplish a common goal. Although PPPs can happen wherever government and the private sector intersect, transportation-related PPPs are commonly associated with the privatized toll roads.

Many parties—including some in Texas—have sought to demonize the privatization of roads in the past, but the concept is growing in popularity as many cash-strapped governments look for ways to finance transportation projects without raising taxes. Even though Texas government is not necessarily cash-strapped, transportation officials are considering PPPs for a number of reasons, including:

- Access to capital resources: Volatility in the oil markets and the growing cost of construction are putting many transportation projects out of reach for state and local governments. As a way to raise these funds without raising taxes, private businesses are being tapped for investment.
- Better taxpayer protection: Given the poor track record of many public projects, taxpayers generally risk less when the private sector is responsible for construction costs and maximizing resources.
- Less travel time: Toll roads don't just benefit users, they also benefit those on public roads. Motorists who opt to use toll roads, as a consequence, reduce traffic congestion on public roads bringing down travel time, fuel consumption, and emissions.
- Reduced costs: PPPs tap into the innovation and ingenuity of the private sector resulting in efficiency and a potentially better design. As a result, the costs of construction and operation can be dramatically reduced while simultaneously expanding roadway capacity.

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Critics of transportation PPPs will often argue that the owners of private Texas toll roads will inevitably raise their tolls in the future. This argument fails to recognize, however, that in lieu of higher tolls for those who voluntarily elect to travel via that toll way, taxes will have to be raised on *everyone* regardless of roadway usage. Critics also argue that PPPs are tantamount to government give-aways. In truth, government owns all the roads. Under PPPs, companies merely purchase the right to lease the roadways from the government for a set amount of time.

As Texas legislators move forward with a plan to address the state's transportation needs, privately operated toll roads should be given the utmost consideration as an alternative to raising taxes. A higher tax burden, especially in today's economy, is something Texas motorists can certainly do without.

THE FACTS

★ Texas' transportation needs between 2009 and 2030 will be $313 billion, according to the Texas Department of Transportation (TxDOT).

★ Based on the TxDOT's report, the state will need to invest over $14 billion annually to keep up with Texas' voracious appetite for transportation infrastructure.

★ In 2007, the Texas Legislature passed a two-year moratorium on private road deals. This session, that moratorium is unlikely to be extended considering the state's need for infrastructure.

★ Privatized roads are a powerful tool legislators can use to address the state's needs without raising taxes.

RECOMMENDATIONS

★ Make greater use of public-private ventures to pay for large-scale projects.

★ Continue to pursue toll road financing for expansion of the state's road network.

★ Reprioritize transportation funding to focus more on projects where the greatest amount of growth is anticipated.

★ Ignore the call to toll existing roads.

★ Resist calls to increase the state motor fuels tax.

★ Discontinue the practice of diverting Fund 6 dollars to purposes other than the design, construction, and maintenance of roadways.

RESOURCES

- *2030 Committee: Texas Transportation Needs Report,* The Texas Department of Transportation (Jan. 2009) http://texas-2030committee.tamu.edu/.
- *Agenda 2005: A Guide to the Issues,* Georgia Public Policy Foundation (2005) http://www.gppf.org/article.asp?RT=16&p=pub/Transportation/transportation_frontpage.htm.
- *Financing Infrastructure: Conservatives vs. Innovators* by Ken Orski, Heartland Institute (Nov. 2007) http://www.heartland.org/Article.cfm?artId=22120.
- *Texas Road Policy: Keeping Up with Demand* by Byron Schlomach, Texas Public Policy Foundation (Feb. 2006) http://www.texaspolicy.com/pdf/2005-02-transportation.pdf.

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