

# TESTIMONY BEFORE THE LEGISLATIVE STUDY COMMITTEE PRIVATE PARTICIPATION IN TOLL PROJECTS

August 1, 2008

My name is Kathy Ingle, and I have been privileged to work with TxDot and the region since 1997, as the LBJ Corridor Champion. My role, as I saw and see it, is to expedite and facilitate the reconstruction of LBJ. But not just any LBJ: an LBJ that the community – homeowners, taxpayers, the business community, public officials – supports and that will be an asset to the region and state.

The plans for THE NEW LBJ are just that, and I am very pleased to report that we are close to receiving final bids from the two developers and will soon have, hopefully, the ability to move forward on the reconstruction of LBJ.

This would not have been possible without a tolled component to The New LBJ. This would not have been possible without the ability to partner with private entities. Period. With the region facing a projected \$70 billion dollar shortfall in transportation funding by 2030, TxDot would be unable to deliver this badly needed project for years, and years, and years. This isn't TxDot's fault. TxDot is not the enemy. Nor are private and foreign developers. There is no guilty party. We are suffering from a very good thing: the success of our region and state in attracting jobs and investments. There is no enemy, but there is a problem to solve, together. We must find ways to finance transportation improvements, and unless we are willing to raise taxes needed multi-million and billion dollar projects like LBJ must be tolled.

I compliment the legislature in recognizing this and, through legislation, creating the tools to move forward. I realize that concerns remain – or we would not be here today.

As an interested and involved observer of the movement to both embrace and then distance ourselves from tolling and CDA's, I'd like to offer into testimony the following comments:

1. Since I-30 was de-tolled in 1977, the Dallas District has spent over \$500 million in our tax dollars maintaining and reconstructing this road. Over the next 5 years, IF we can find the money, we will need to spend an additional \$500. on this road as a part of reconstructing the Mixmaster.

**De-tolling a road creates huge future liabilities and may not be a good idea.**

2. The competition among private developers and the NTTA for the right to build and toll SH 121 was a very good thing for the region and state, and resulted in an additional \$3.2 billion to be used for projects in this District, to be selected by the RTC.

**Competition is very good for this region and benefits the taxpayers.**

3. In 1995, TxDot and the NTTA entered into an agreement for financing the George Bush Turnpike. TxDot provided a \$135 million ISTEA loan, ROW, frontage roads, and interchanges, etc. totaling over \$800. million of our tax dollars.

Again, partnerships and tolling made possible a tremendous transportation asset decades before it would have been built using traditional funding.

4. TxDot and the NTTA began the Market Valuation process for SH 161 in July 2007. In Feb 2008, the agencies reached an impasse over financing assumptions that resulted in a in a \$400 million gap between each agency's market value. On April 20, 2008 the two agencies finally came to and executed an agreement. However, this has drug on and drug on as the credit markets and the climate for bond financing has worsened. Due to the current conditions, the NTTA is proceeding cautiously on committing to the project. Both agencies were and are acting in the public interest – TxDot wanting a higher value (as the payment would be used to construct transportation projects selected by the RTC), and the NTTA committed to upholding their fiduciary responsibility to their bondholders.

Can we not learn from this experience? **We should avoid pitting these two public agencies against one another. It is divisive to the region and makes no sense in an environment in which we need every transportation provider working together to plan for our future transportation needs.**

5. In December of 2007, TxDot and the NTTA entered into an agreement for the Eastern Extension of the George Bush Turnpike. In this agreement, TxDot is funding 30-35% of the \$1 billion dollar cost. In return NTTA will share 20% of gross toll revenues to be used for transportation projects determined by the RTC.

#### **Revenue sharing projects work, partnerships work.**

In October, the Commission will identify the apparent best value proposer for the reconstruction of LBJ, THE NEW LBJ. The project cost, including operations and maintenance over the 52 year agreement, is in the neighborhood of 4 billion dollars, with a maximum out of pocket from taxpayers monies of no more than \$700 million. The risks of financing, design, construction, operations and maintenance will be transferred from the taxpayers of Texas to the developer chosen. LBJ is the most congested corridor in the state, and this will be one of the most expensive projects in the state – BUT, because of the forward thinking of the legislature and transportation leaders, and because of ability to partner with a private developer, this project will be completed within 5 years.

It has been implied that the “good” (revenue positive) potential tolled roads have been offered to developers, leaving local tolling authorities with the “bad” projects (negative revenue, higher risk, problematic). Obviously not true in the case of the LBJ, which no one has been competing to build other than private developers due to its cost and complexity.

**Clearly, partnering with private entities and tolling, properly done, can be a good thing for our region and for Texas.**