



TESTIMONY

**Dallas Region Mobility Issues Relating to
SB 792, 80th Legislative Session**

**Testimony Before the
Legislative Study Committee on Private Participation in
Toll Projects**

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William L. Hale, P.E., Dallas District Engineer**REGIONAL IMPLEMENTATION: Dallas****Introduction**

The Dallas District of the Texas Department of Transportation (TxDOT) covers an extensive and diverse part of the state of Texas. The district boundaries encompass the seven counties of Collin, Dallas, Denton, Ellis, Kaufman, Navarro and Rockwall. We are responsible for nearly 10.5 million lane miles ranging from rural farm to market roads, to some of the heaviest traveled interstates in the nation—from meeting the needs of unincorporated citizens to an estimated 6.6 million Dallas-Fort Worth (DFW) metro residents.

The Dallas District has approximately 1000 permanent employees and staff distributed across the district which is divided into 10 area offices, each strategically located to efficiently and effectively manage the transportation system, while making the best use of available resources.

The DFW metro is expected to grow to more than 9 million people by 2030. This would push us past Chicago into third place among the country's largest metro areas. This growth is being fueled, in part, by the continued migration of businesses and educated professionals to our area. In 2006 alone, 16 major companies left California to relocate in the DFW area. Corporate relocations are one of the greatest sources of growth in Dallas and Texas today.

When individuals, families and businesses consider relocating, they evaluate many factors: the area economy, housing market, quality of schools, access to shopping and restaurants, diversity of cultural and recreational opportunities offered by the destination community and the condition of the connecting transportation infrastructure. All of their considerations—where they live, where they work, where they shop, and where they recreate—are connected by our transportation system. The quality of life for all Texas citizens depends on the health and viability of our roads, our railways and our ports.

Regional Transportation Efforts

TxDOT works closely with the Regional Transportation Council (RTC) on initiatives within the region. The RTC is the policy board of the North Central Texas Council of Governments (NCTCOG) and is comprised of leadership from various stakeholder groups throughout the 16-county region. The leadership oversees the development of the region's Metropolitan Transportation Plan (MTP) which has guided and focused our efforts on key corridors and improvements, funding solutions, and implementation priorities across the region.

The 2030 MTP identified nearly \$71 billion in transportation expenditure needs over the next 25 years. This figure includes nearly \$30 billion of freeway and toll road recommendations including \$12.7 billion of innovative funding strategies.

The plan also identified nearly \$70 Billion in unfunded needs including \$6.7 billion for goods movement and rail freight improvements which could include a portion of the proposed Trans-Texas Corridor.

Transportation corridors identified for priced facilities include:

- Outer Loop / Loop 9 around Dallas County,
- SH 161,
- President George Bush Turnpike (SH 190) extensions and improvements,
- SH 121,
- Stemmons (I-35E) managed lanes,
- LBJ (I-635) managed lanes,
- SH 183 managed lanes,
- SH 114 managed lanes,
- US 75 managed lanes, and
- US 67 managed lanes

The MTP further identifies passenger rail improvements totaling nearly \$10 billion. Dallas Area Rapid Transit (DART) currently has the Green Line under construction. The Green Line will extend from Carrollton southeast through downtown to Pleasant Grove with stops serving Love Field, Baylor Hospital and Fair Park. DART has also proposed the Orange Line from downtown northwest to DFW International Airport which would also serve the community of Las Colinas.

The Denton County Transit Authority has plans to construct a rail line parallel to I-35E, from Denton to Carrollton, where it would effectively connect with DART's Green Line. Other passenger rail lines are proposed to share existing freight rail lines through their jurisdiction.

Air quality is improving in the DFW metro according to a recent NCTCOG and Environmental Protection Agency media briefing. Our efforts to construct improvements such as rail, HOV / managed lanes, and Intelligent Transportation Systems must continue to be implemented in order to maintain conformity commitments. Selection of these and other strategies is a cooperative process between transit agencies, cities, counties, TxDOT and the NCTCOG.

Overview of available funding in the Dallas District

The DFW MTP "outlines the expenditure of nearly \$71 billion of federal, state, and local funds expected to be available for transportation improvements through the year 2030." It also recognizes the heightened awareness of the growing concerns for improved air quality, public acceptance of major transportation facilities, and the need for adequate financial resources" (<http://www.nctcog.org/trans/mtp/2030/index.asp>, 2008).

There is no question that transportation funding in Texas is not keeping pace with the growing transportation needs. The need for additional freeways and tollways, regional

arterials, additional right-of-way, maintenance, public transit, environmental stewardship, public involvement, goods movement and rail freight funding has never been more apparent since the inception of the interstate system.

This funding shortfall is further intensified by the decreasing effectiveness of the gas tax—Texas' primary transportation funding mechanism which continues to lose strength as vehicles become more fuel efficient, fuel prices rise and vehicle miles decline. In addition, federal rescissions and construction inflation have further hampered TxDOT's programming efforts and ability to meet our vision, mission and goals.

Fortunately, the DFW Region has much to be thankful for—specifically, a \$3.2 billion concession payment from the North Texas Tollway Authority (NTTA) for the rights to maintain, operate and toll SH 121. This successful concession is providing much needed funding for a variety of region-wide projects including many major arterials in Denton and Collin Counties, I-35E managed lanes in Lewisville, backstop funding for LBJ Managed Lanes, interchanges in Dallas County, and current construction on SH 161. The funding provided to the region by this concession has allowed these projects that might not otherwise have been built, to be built sooner, at a lower cost, effectively improving the public's quality of life while saving taxpayers billions of dollars in the long run.

Role of Innovative Funding Techniques

ISTEA Loan to NTTA

In 1995, the Texas Department of Transportation and the Texas Turnpike Authority (TTA, now the NTTA) entered into an agreement for financing of the President George Bush Turnpike (PGBT/SH 190). The PGBT is a 30-mile "outer loop" that runs through Dallas, Denton and Collin Counties.

Although this project was planned many decades ago and was being developed by TxDOT, available funding would not afford completion of the project for decades. Fortunately, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) permits a state to loan all or part of the "federal share" of a state's allotment to assist with the costs of a toll project to a public agency.

The ISTEA loan totaling \$135 million and the provision of right of way by TxDOT, as well as TxDOT's construction of frontage road segments and interchanges at SH 183, I-635, I-35E, the Dallas North Tollway, US 75 and SH 78, and the BNSF drainage tunnel, all valued at \$800 million, allowed for a feasible financing plan. With all the pieces in place, TTA/NTTA through toll revenue bonds completed the entire 30 mile project in 2005.

This 1995 agreement was a tremendous transportation asset and allowed for the development of the project decades before available funding would have allowed. The North Texas region now benefits from improved mobility which in turn has improved the area's quality of life and enhanced economic opportunity.

The NTTA did an excellent job delivering the project, implementing state of the art toll collection, and has maintained the mainlanes to the highest standards to date. It should be noted, however, that TxDOT maintains the service roads with state funds and receives no financial return on investment.

The PGBT corridor's traffic and revenue have far exceeded all projections. In addition, the ISTEA Loan is being paid back at a very favorable below market rate of \$4.20% through the year 2029. The strong revenue stream, accompanied by favorable financing, free service road maintenance, and no obligation to share the profits, has resulted in a tremendous boost to NTTA's financial strength. This has allowed them to leverage these components to further expand the NTTA system.

Toll Partnership with NTTA - Eastern Extension of PGBT

On December 3, 2007, the department and NTTA entered into a project agreement that outlines responsibilities and funding commitments for the Eastern Extension of the PGBT. This is a 12-mile project and extends the PGBT from SH 78 to I-30 through the cities of Garland, Rowlett and Sachse in Dallas County.

The Eastern Extension cities requested assistance with right of way acquisition (as agreed to on the previous PGBT project). TxDOT provided a Toll Equity Grant to NTTA in the amount of \$160 million. The grant funds 90% of the right of way costs and utility adjustments. In addition, TxDOT will use gas tax revenue to fund and construct the \$175 million PGBT Eastern Extension/I-30 interchange and Lake Ray Hubbard crossing.

NTTA is funding the balance of costs and will construct the remainder of the project. With a total project cost of approximately \$1 billion, TxDOT is providing approximately 30-35% of the funding of the project. In return for TxDOT's participation NTTA will share 20% of gross toll revenues thru this section of the PGBT with TxDOT. The shared revenue will allow TxDOT to develop other projects as selected by the RTC.

Five separate segments of this project are either in the early construction phase or the bidding phase. This project is anticipated to be complete and open to traffic by late 2011.

Comprehensive Development Agreements in the Dallas District

In 2003, House Bill 3588 was passed allowing gas-tax funds to be used as toll equity on state highways. As directed by the Texas Transportation Commission, TxDOT reviewed all projects for toll feasibility. TxDOT and the RTC identified multiple viable toll corridors such as SH 121, SH 161 and I-635. It should be noted these three corridors were not part of the NTTA system nor were they identified within NTTA's business plan or long range plan.

Prior to pursuing a Comprehensive Development Agreement (CDA) through a procurement process, TxDOT looked to the RTC for direction. The procurement processes for SH 121, SH 161 and I-635 were initiated following RTC resolutions in

support of the procurement. TxDOT and the RTC then determined key business terms and developed the procurement and RFP preparation process.

SH 121 in Dallas, Denton and Collin Counties

In 2000, Collin County and corridor cities asked NTTA to conduct a toll feasibility study of SH 121 in Collin County. NTTA reported limited toll viability for the Collin County portion of the roadway (development costs were approximately twice the debt capacity of the roadway supported by toll revenues) which resulted in a funding gap of approximately \$200 million.

In 2003, following passage of House Bill 3588 and directives from the Transportation Commission, TxDOT conducted a feasibility study on the SH 121 corridor using updated demographics/census data. The study indicated higher toll rates and higher toll growth rates for the SH 121 mainlanes.

By October 2004, the RTC, Denton County and the cities along the SH 121 corridor in Denton County approved a plan to toll SH 121 from Lewisville to the Dallas North Tollway. Their approval required proceeds from any bonds issued to be used to finance a number of nearby state highway and local roadway projects.

In November 2004, Collin County requested another preliminary toll feasibility study from NTTA, NCTCOG and TxDOT. The resulting study, completed in May 2005, estimated gas-tax supported funding for the remaining construction of SH 121 to US 75 was insufficient and unavailable. The study results also indicated the SH 121 corridor in Collin County, if tolled, would be "revenue positive," meaning the toll revenue derived from this corridor is greater than the remaining costs of construction, operation and maintenance. Before this study was completed, Skanska BOT submitted an unsolicited CDA proposal for the Denton and Collin County sections of SH 121.

In November 2005, NTTA joined Collin County and in February 2006 presented a proposal for funding development of SH 121 to the RTC. The proposal provided for guaranteed annual payments totaling \$515 million net present value and potential variable payments totaling \$517 million net present value.

The RTC did not accept the Collin County/NTTA proposal, and requested additional information as the private sector model and the public sector proposal from NTTA were based on different assumptions. Of key importance to the RTC was the effect of timing of payments. The RTC was presented the following graph that illustrates the difference between up-front payments and payments over time (illustrated for the SH 121 segment within Collin County).