

A New World of Finance in Transportation

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Transportation Providers in U.S.

- **Federal Highway Administration**
 - 162,000 miles of national highway system
- **State Departments of Transportation**
 - Over 3.5 million miles of other roadways
- **Tolling Entities**
 - 5,100 miles
 - 35 states
 - 290 toll facilities

Highway “Funding” Sources

from AASHTO - 2004

- Fuel and Vehicle Taxes \$76.4B 53%
- General Funds 23.6B 16%
- Property Taxes/Other 15.4B 11%
- Bond Proceeds 15.8B 11%
- Investment Income 7.5B 5%
- Tolls 6.6B 4%
- ***Concession Upfront Payments***

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Evolution of Tolling in U.S.

- **Tolls as roadway project financing mechanism of last resort**
- **Tolls as roadway system financing mechanism**
- **Tolls as general transportation funding source**
- **Tolls for behavior modification**
- **Tolls as social policy**

Cost vs. Price

- **Aging infrastructure**
- **Growing and mobile population**
- **Diversion to non-roadway use**
- **Decreased purchasing power**
 - Inflation
 - Global competition for raw materials
- **Political reluctance to raise rates**
- **Disconnected public perception**

Developing Trends

- **Multi-mode Financing Strategies**
- **Managed Lanes**
- **Congestion Pricing**
- **Open Road Tolling**
- **Dedicated Truck Lanes**
- **Privatization**
- **Cross-subsidization of rail and transit**

Developing Trends

- **Multi-mode Financing Strategies**
 - **Variable rate instruments**
 - Short-term notes
 - Long-term bonds
 - **Interest rate swaps**
 - **General Obligation Pledge**
 - Cash
 - Credit enhancement
 - Subsidization
 - **ISTEA, TIFIA, SIB loans and grants**
 - **Pilot project earmarks**

Developing Trends

- **Managed Lanes**
 - **Non-managed lanes must fail for managed lanes to be successful**
 - **If managed lanes are successful, full capacity is used by HOVs - no toll revenues**
 - **Debt financing needs a dependable revenue stream**

Undervaluation of Transportation

- **Underestimated the costs**
 - Environmental
 - Air quality
 - Maintenance and reconstruction
- **Undervalued the benefits**
 - Productivity
 - Value of time

Unintended Consequences

- **Flight from inner city**
- **Suburban sprawl**
- **Distance between home and work**
- **Multiple jobs**
- **Distance between family members**
- **Limited freight rail development**
- **Limited transit development**
- **Lack of public understanding**

Solving the Transportation Crisis

Traffic Management

Innovative Financing

Intermodal Options

Public Education



Land Use Decisions

Life Style Changes

Telecommuting

Flexible Work Hours

Thank You

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