Transportation and Infrastructure Committee

Session Summary

Friday, August 18, 2017

Idaho Representative Rick Youngblood, Chair
Washington Representative Jake Fey, Vice Chair

2017 has been a busy year for states considering transportation funding measures. That may be an important factor to keep in mind as the parameters of the Trump administration's plan for infrastructure investment become more evident. The President's plan is expected to encourage states that have sought to help themselves on transportation and emphasize the use of federal and state funding to leverage billions in investment from the private sector. Meanwhile, public transit agencies such as the Puget Sound region's Sound Transit are seeking major expansion thanks to voter-approved tax increases. Those were some of the underlying issues addressed by speakers during the CSG West Transportation and Infrastructure Committee meeting in Tacoma on August 18.

"We saw lots of activity here in the West (on transportation funding)," noted Sean Slone, CSG Director of Transportation and Infrastructure Policy, in his opening presentation to the committee. Among those activities were:

- California lawmakers approved a $52 billion plan that included fuel tax increases and new fees.
- Montana approved a 6-cent gas tax increase and a 2-cent-per-gallon diesel tax increase.
- Oregon will increase its gas tax by 10 cents per gallon over time, starting with a 4-cent increase in 2018.
- Utah adjusted its gas tax formula to allow for more robust revenue growth.
- Wyoming, where the gas tax was increased in 2013, this year increased vehicle registration fees, commercial weight fees and Department of Motor Vehicle license fees.
- Other Western states, such as Colorado and Idaho, approved one-time funding for transportation this year.

All of this state activity is important because the Trump administration appears to be using it as justification for proposed reductions and retargeted federal spending, despite the continued reliance of many states on federal dollars for transportation. While the President has yet to offer a comprehensive infrastructure plan, a list of priorities issued in June included directives like "encourage self-help" and "leverage the private sector."

Public-Private Partnerships in Infrastructure

Tapping greater private sector participation in transportation could entail states partnering with companies like the Virginia-based infrastructure firm IIPL USA.

Rick Sulzer, IIPL USA's chief operating officer, stated that public-private partnerships ("P3s") are not appropriate for every project. However, he said there are certain projects that set up right so that both sides can benefit and be a win-win. Mr. Sulzer noted that one of the nation's biggest infrastructure challenges, including in the Puget Sound region, is traffic congestion. The total cost to the economy of sitting in traffic rose to $160 billion in 2014, he said. Some states have partnered with the private sector to build successful high-occupancy toll lanes that seek to manage traffic with tolls that vary by time of day and traffic volume.

“I can tell you there’s a lot of money sitting on the sidelines waiting to invest in American infrastructure,” Mr. Sulzer said. “There is over $100 billion right now ready to invest … and 32 states have (P3)-enabling legislation to take advantage of that money.”

Sulzer said typically larger projects make better P3 candidates because the private sector needs to see a return on their investment. That typically means putting in tolls to provide a revenue source. But it can mean turning to something called availability payments when it is clear that tolls will not be a big moneymaker. Under that model, the state makes payments to the private contractor for hitting certain benchmarks and deadlines.

An initial wave of public-private partnerships in the U.S. that were set up as toll concessions, such as the Indiana Toll Road in Northern Indiana and SH130 in Austin, Texas, experienced financial difficulties when revenues failed to match traffic projections. Availability payment deals, such as I-595 in Florida, have seen more success recently because they better allocate the risk between the public and private sectors, Mr. Sulzer said.

“I don’t think you’re going to see many more of those (older toll concession models) in the U.S. simply because it’s too hard to predict traffic forecasts for 30 or 40 years in the future,” he said.

Mr. Sulzer also noted that a number of policy tools that states have deployed are helping them meet their infrastructure needs and attract the interest of the private sector. For example, 29 states now authorize local option sales taxes.

Transit Expansion in the Seattle Area

One of those states that authorized local option sales tax is Washington. Last year, Sound Transit, the three-county regional transit authority in the Puget Sound region, went to the voters with an ambitious 25-year, $53 billion expansion plan requiring increases in the region’s sales, property and motor vehicle excise taxes. Fifty-four percent of voters said “yes.” The plan, which will allow the transit agency to upgrade its light rail, commuter rail and bus rapid transit offerings, was made possible by the state legislature. It’s the third such state-authorized, voter-approved transit expansion in 20 years for the Puget Sound region.

“Our (state government’s) role here has been providing legislative authority to allow us to go to the voters and ask for the dollars to build these projects,” said Sound Transit’s Deputy Chief Executive Officer Mike Harbour. “One of the interesting things about Sound Transit that I had never seen in my career is we only build what is approved by the voters. … If we have something else that comes up, and we want to do something other than that, we have to go back to the voters and get approval to change that. … It kind of puts some discipline on us. We’re committed to the voters to deliver the package that they voted for and funded. That’s our priority.”

According to Mr. Harbour, the Puget Sound region is expected to add between 800,000 and 1 million people over the course of the 25-year transit expansion, and Sound Transit projects annual ridership to jump from 42 million last year to 200 million in 2040.

“One of the defining factors of the region these days is congestion,” he said. “Growth in this area is really taxing our road system. [It’s a] very challenging area to build transit or roads in. We have a lot of water. We have a lot of topographical changes coming out of downtown Seattle going in almost any direction. … It makes it very challenging and expensive to build and provide new services.”

Even before the passage of the November 2016 ballot measure, the Seattle area was already spending more per capita on new transit projects than any other major city in the country.

Tucson's Streetcar Investment Pays Off

Arizona state Senator Steve Farley knows firsthand how difficult it can be to convince voters that public transit projects are worthy of investment. After a transit plan failed to win the support of Tucson voters in 2003, he went to work with a coalition that helped win support for a more ambitious $2.1 billion transportation plan in 2006.

"Folks really appreciate when you reach out and work together, and it doesn't matter what party you are if you're going to work together on infrastructure and make that happen," Farley said. "This was a very comprehensive plan. The really exciting part about this was that it had more bus and bikeway and sidewalk improvements than the plan I originally got on the ballot myself. Only, this time the property owners and the homebuilders paid for it. This time, I was at the table with them in the war room all the time and … we were able to get this thing across and make that happen."

The 2006 ballot measure allowed for the construction of the $180 million Sun Link Streetcar Project. Local revenues of $89 million went into the project along with $63 million from a federal TIGER grant and $20 million from other sources including in-kind and private investment. The streetcar project has generated $1.5 billion in private development along its four-mile route, Farley said. Between 2008 and 2014, the area saw the addition of 25 cultural arts projects, 48 office facilities, 49 retail establishments, 17 nightlife businesses and 53 restaurants.

"The thing about a streetcar is it's very different from a light rail in that a light rail is designed to get places faster at longer distances," Farley said. "(The streetcar) is a collector system, which is designed to move people amongst various activity areas that are densely spaced. And so, while it's serving a transportation need, the more important thing is its serving an economic development need, which [it] has done tremendously well in that regard."

Farley said as an added bonus the streetcar has also helped build community in the City of Tucson.

"People want to be together in social environments where they can chat, and people really do that," he said. "Every time you get on the streetcar, people are chatting. They're talking about where they're going.