S. HRG. 111–1230

FEDERAL, STATE AND LOCAL PARTNERSHIPS TO ACCELERATE TRANSPORTATION BENEFITS

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

MARCH 11, 2010

Printed for the use of the Committee on Environment and Public Works

Available via the World Wide Web: http://www.gpo.gov/fdsys

U.S. GOVERNMENT PUBLISHING OFFICE

21–633 PDF WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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ONE HUNDRED ELEVENTH CONGRESS
SECOND SESSION

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FEDERAL, STATE AND LOCAL PARTNERSHIPS TO ACCELERATE TRANSPORTATION BENEFITS

THURSDAY, MARCH 11, 2010

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The Committee met, pursuant to notice, at 10:03 a.m. in room 406, Dirksen Senate Office Building, Hon. Barbara Boxer (Chairman of the Committee) presiding.

Present: Senators Boxer, Inhofe, Carper, Lautenberg, Whitehouse, and Voinovich.

OPENING STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator BOXER. Welcome.

Is Mr. Kienitz here? Why don't you take your seat. Thank you.

Welcome, everybody. Last month, Secretary LaHood came to Los Angeles as part of his Surface Transportation Reauthorization Outreach Tour. Together we held a town hall meeting in L.A., where we heard from city, county and local officials and other interested parties from throughout California about issues we should consider as we work on the next surface transportation authorization bill, MAP–21. That stands for Moving Ahead for Progress in the 21st Century.

Today's hearing focuses on one of the ideas that was raised at that town hall: finding ways the Federal Government can build upon and encourage transportation investments made at the State and local level across the country and ways in which the benefits of those investments can be accelerated.

For example, in 2008 the citizens of Los Angeles County—was it county or city, Mayor? County. The citizens of Los Angeles County approved a half-cent sales tax dedicated to transportation investments. This measure will generate an estimated $40 billion over the next 30 years.

Mayor Villaraigosa, who I am so pleased has joined us today, suggested to me and to others that if the Federal Government could help Los Angeles complete a portion of the transportation improvements approved by the voters over 10 years rather than 30 years, then our constituents could enjoy the benefit of their transportation investments sooner, and many more jobs would be created in the short term.

I am a strong supporter of investments in transit as a crucial part of a transformational transportation policy. I want to thank Mayor Villaraigosa for bringing the Los Angeles 30/10 initiative to my attention.

I support the 30/10 initiative. I look forward to working with the mayor, my colleagues here in the Senate, and the U.S. Department of Transportation to find ways to help not only Los Angeles but also communities across this Nation.

I think, Senators, if we can get this done, it is going to send a very strong signal to the citizens that if they step up and are willing to pay even a small amount over time, that that investment will pay off in the early years. It is a simple idea, it is a crucial idea, and I am all for it.

I want to thank Roy Kienitz, Under Secretary for Policy at the U.S. Department of Transportation, for being here today, as well as all of the witnesses on our second panel.

Today's witnesses will discuss the Federal programs currently available to assist States and local governments with transportation investments as well as examples of how some States are partnering with private investors to provide additional investment.

I look forward to hearing suggestions as we develop this idea and as we develop MAP–21. I am hopeful we will hear today that there are some programs already in effect that could step in and begin this 30/10 project, because it would be very helpful for us to just get started.

With that, I want to call on my colleague and friend, who has been such a supporter of transportation programs in this country, Senator Voinovich.

OPENING STATEMENT OF HON. GEORGE V. VOINOVICH, U.S. SENATOR FROM THE STATE OF OHIO

Senator VOINOVICH. Thank you, Madam Chairman. I would like to thank the witnesses for being there today and for your hard work and leadership on highlighting the need for increased investment in our aging transportation infrastructure.

Having served as a mayor, county commissioner, a member of the metropolitan planning organization in Cleveland, NOWACA, Governor, now Senator, I understand the different needs, concerns, and responsibilities that each level of government brings to bear on the challenges we face as communities and a Nation, and I really appreciate each of you being here today to discuss your vision and needs for the next reauthorization bill.

With the next bill we have an opportunity to not only improve and repair our crumbling highways and bridges but to spur our economy at the same time, and that is why I encourage the big five—the National League of Cities, Conference of Mayors, NGA—to come together and reach consensus on what they want to see in this reauthorization bill. And Mayor, it would be very important that you work with them to make sure that they come back with the recommendations that would respond to the kinds of things you are going to be talking to us about today.

It is no secret that the Nation's transportation needs greatly exceed the investment at all levels. We authorize two commissions in SAFETEA-LU, and they came back—the National Surface Transportation Policy and Revenue Study Commission—and they called for investments of at least $225 billion annually, and right now, when you take the Federal money and the State money and the local money, we are doing about 40 percent of that.

I believe the next reauthorization bill will provide fundamental and needed reforms to our system, projects of regional and national significance, consolidate programs, streamline project delivery, important. And I am happy to see a witness from the Bipartisan Policy Center. I spoke before your group a couple weeks ago, and I am pleased to hear that you are advocating for our national transportation system.

Jobs. I think that we all know that the unemployment in the construction industry and transportation is about twice as bad as it is in the rest of the economy. In my State, we have had 35,000 people who are not working that are in the construction industry.

We also, I think, know that we are going to get a bigger bang for our buck if we move on this quickly because of the fact that people are hungry today, and our bids in Ohio are coming in at about 10 to 12 percent less than they did a couple years ago. So it means we are going to get more for the money that we invest. And the other thing is that we are going to pay for it.

Mr. Kienitz, I am very interested in your thoughts on that; and the mayor, I am very interested in your thoughts. I read your paper, and it is very impressive. There ought to be some way that we can encourage people to take on more responsibility. So I think that is something that we need to fold into this.

Environment, I think, again, you know, I don't know if we have weighed the measure of reducing greenhouse gases from some of the proposals that are there. It is fantastic. So it is another benefit.

And last but not least, bipartisan—something that maybe the Republicans and Democrats can do this year that would be well received by the American people. And I think certainty. I think really what we are concerned about today is there is a lot of uncertainty out there. People aren't sure where we are going, and they are holding back because they are not sure whether they are going to get a job or they are going to keep their job.

And if we were able to move forward with this reauthorization and fund it robustly I think we would take a large segment of the economy of the United States and give it certainty, and I think that would then start to flow into other areas where we have uncertainty.

So I am looking forward to the presentations today.

Is it Mr. Kienitz, is it?

Mr. KIENITZ. Kienitz, sir.

Senator VOINOVICH. I wish that the day you came here and testified that we were recording what you had to say, because it was—some of the people behind you I thought got a little uncomfortable. But you did a fantastic job of outlining why it was that we needed a multi-year reauthorization of this bill to provide the certainty that is needed throughout this country, particularly for State governments that are right now holding their breath and trying to figure out where we are going.

Thank you, Madam Chairman.

Senator BOXER. Thank you so much.

Under Secretary, please proceed.

STATEMENT OF HON. ROY KIENITZ, UNDER SECRETARY FOR POLICY, U.S. DEPARTMENT OF TRANSPORTATION

Mr. KIENITZ. Thank you. Sir, I will try not to scare the people behind me quite so much today and yet still be helpful.

Obviously, thank you, Chairman Boxer, for having us here, and Senator Voinovich, good to see you.

I guess what I would like to do is talk about, first of all, some of the tools that DOT currently has that might be able to help very large transportation projects with loans or other types of credit assistance, but also about some tools that we don't yet have that might be best suited to what we think is probably an emerging area of need here.

Before I go into that, though, I would like to talk a little bit about Los Angeles. As you know, Madam Chairman, I was out there a couple weeks ago with Secretary LaHood, at your invitation, to hear about the needs of that region, and we met with the mayor in some depth, discussing his ideas for the 30/10 plan, and I think both the Secretary and I viewed that as a very valuable trip, and once again, thank you for hosting us.

I know the mayor will describe the political forces that came together to create this long-term revenue stream in that region by a vote of the people, but the central issue here is really as the cash flow goes out over a great number of years, and I think the mayor has correctly identified a situation that will allow the projects to all be built, but not at the time in which they are needed. Everyone who has ever driven in L.A. knows that I think more and better transit in that region is a must, and the sooner it is in place the better.

But I also think Los Angeles is probably not the only place that is pursuing a whole program of projects of this kind, rather than just individual spot investments. Just off the top of my head, I know that Denver, Salt Lake City, and Seattle are also in a similar situation where they have a network proposal that they have made; it is broken into individual pieces for the purpose of implementation, but their goal is really to create an entire network. And even with dedicated taxes it is decades until the program can be fully built out, and that means it is decades that the people have to wait to get the benefits of the program.

So we have some tools to help in these cases, and they are useful, but they are designed to work on a project by project basis. The first of these is the TIFIA program, which this Committee had a major role in creating a dozen years ago, and it provides loans up to one-third of the cost of a major transportation infrastructure project.

Its first utilization really was in the world of toll roads, and it has done well at that, but it is increasingly being looked at also as a major capital source for transit projects. I can tell you that in this Administration one of our goals is to make sure that that program is truly multi-modal in practice as well as in theory. It has always been multi-modal in theory, but we are trying to also make it multi-modal in practice.

And I will say, as an example, TIFIA recently provided a $171 million loan to the Transbay Transit Center project in San Francisco, which is a major hub that is going to connect the city and the peninsula with the rest of the State.

Denver Union Station is a project of a similar kind where TIFIA might also be useful.

But unfortunately the TIFIA office is currently evaluating proposed loans and loans that are expected to close in the near term that will consume a large portion of its available funding sources. Even if that were not true, TIFIA is just not sized to deal with something of the magnitude of what is being proposed in Los Angeles. It could be adapted to help with that, or it could offer a first step in a multi-step process, but right now that is probably all it could do.

Another option is the TIGER program, which I know the Senators are familiar with. It can offer grants but also support for TIFIA loans to, once again, a wide variety of projects—highways, transit, and others. As such, added increments of TIGER funding are one way, for example, to add more money to the supply available to TIFIA without going over and above the current appropriated level. So that could potentially be a tool for making funds available to this purpose.

The competitive nature of the TIGER program has led a lot of project sponsors to get creative, and in particular bring a much higher level of local resources to the projects being proposed so that they can compete better than you tend to see under the formula program, and that could make it in some ways a good fit for the Los Angeles experience where there are so many local resources.

But once again, magnitude may be an issue. Although we were able to fund many valuable projects in the first round of TIGER funding, the average grant size was $30 million, and $30 million sounds like a lot of money, but in Los Angeles you know they are talking about $40 billion, and that amount of money, I am not sure it really moves the needle in what they are trying to do.

Third, of course, I would refer you to the President's 2011 budget, which proposes $4 billion for what we are calling a National Infrastructure Innovation and Finance Fund, and this can be viewed as a new iteration of the original infrastructure bank proposal. And once again, this would create funds to invest as grants or loans in projects of regional or national significance.

These three programs—TIFIA, TIGER, and the proposed new Infrastructure Fund—could be used to help Los Angeles get started, but once again, even these are all project based programs. As such, to get started, to take that first step, we will need to work with the mayor and the MTA in Los Angeles to identify which projects potentially could be accelerated first, their state of readiness, and the other routine information that DOT needs to have whether we are advancing something through a grant or a loan.

We have obviously begun initial discussions on this; we have received some materials from them, and then this is going to need to continue so that we can try to discern if there is a pathway to move forward here. We have become, I think, much more familiar—certainly Secretary LaHood has—about the various proposals, be they the Regional Connector or the Crenshaw Line or Subway to the Sea, so now we are going to need to get down into the details to figure out where the best pathway might be.

That said, it is not clear that any of these programs, either existing or as currently proposed, can fully support the vision that has been articulated. This is both due to the structure of what is proposed and its sheer size. Full Federal support for an effort of this size may need to be directly addressed in the reauthorization of surface transportation programs, and obviously we pledge to work with you, Chairman Boxer, and the entire Committee on that to see how we can as a group best support not just Los Angeles but regions all over the country that are trying to take big steps forward in transportation.

Once again, thank you for the opportunity. I am happy to stay for questions.

[The prepared statement of Mr. Kienitz follows:]

STATEMENT OF
ROY KIENITZ
UNDER SECRETARY FOR POLICY
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

HEARING ON

"Federal, State and Local Partnerships to Accelerate Transportation Benefits"

MARCH 11, 2010

Chairman Boxer, Ranking Member Inhofe, and Members of the Committee:

I am pleased to appear before the Committee today to discuss activities of the U.S. Department of Transportation that facilitate Federal, State and local partnerships to accelerate major transportation projects around the country.

My testimony will focus primarily on three innovative approaches to transportation investment that either currently support this objective or could support it. However, before discussing these approaches, I would like to discuss some of the challenges that we face in responding to the tremendous demand for transportation investment that we encounter around the country, even with the innovative tools that are currently available.

On Friday, February 19, I traveled with Secretary LaHood to Los Angeles. While there, Secretary LaHood and I had the opportunity to meet with Chairman Boxer, Mayor Villaraigosa and other State and local leaders to learn about the Los Angeles "30/10" program, an ambitious multi-billion dollar initiative to accelerate 12 major transit projects so they can be built in 10 years instead of 30.

The 30/10 program includes the Westside subway extension, the Regional Connector light rail in downtown, the Green Line connection to LAX and extension to the South Bay, the Foothill Extension of the Metro Gold Line, the Crenshaw corridor transit project, the Expo light rail line on the Westside Phase 2, the San Fernando Valley 405 Corridor Connection, the Orange Line Canoga Extension, the West Santa Ana Branch Corridor, the San Fernando Valley North-South Rapidways and the Eastside Extension to El Monte or Whittier. A total of $5.2 billion is available for the program from the locally approved Measure R and other sources, but additional funds will be required from the private sector, the Federal Government and other partners.

The 30/10 program may well be at the vanguard of transit planning and system development; similar programmatic approaches to solving regional transportation challenges are likely coming. In this model, plans are assembled for many projects and all of the projects are accelerated. Denver, Colorado, is another good example of a major city that has developed a full transit capital program comprised of multiple major projects and is approaching project development and delivery in an accelerated fashion, rather than project-by-project.

The Department's most significant discretionary transit capital program, the New Starts program, typically evaluates and funds projects on a project-by-project basis, but could be adapted to evaluate and fund a system of projects in an integrated way. The Department is ready to support ambitious local initiatives like the 30/10 program, which would compete on their merits with other projects in the funding queue based on project justification, local financial commitment and the readiness of the sponsors to initiate the project.

The Department has additional resources to help deliver some of the individual projects that make up integrated system projects. We are working on solutions in Denver and look forward to working with Los Angeles, too. My testimony is going to focus on three of the Department's most innovative programs, or proposals, that are available to help deliver the projects in Los Angeles, as well as other major transportation projects.

First, one of the Department's most successful programs over the last decade has been the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) program, which provides credit assistance for major transportation projects around the country. The program offers direct loans, loan guarantees or lines of credit for up to a third of a project's eligible costs, with favorable repayment terms that make financing cheaper and encourage co-investment.

Second, the Department's Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant program, authorized under the American Recovery and Reinvestment Act of 2009, provided a unique and unprecedented opportunity for the Department to encourage multi-jurisdictional and/or multi-stakeholder planning, and leverage substantial co-investment from public and private sector partners. The vast majority of the TIGER projects involved multiple levels of planning and/or multiple layers of funding.

Lastly, President Obama's budget for Fiscal Year 2011 provides $4 billion for a new National Infrastructure Innovation and Finance Fund (the I-Fund), which will invest in high-value projects of regional or national significance. The I-Fund would have flexibility to choose projects with demonstrable merit from around the country and provide a variety of financial products – grants, loans, or a combination – to best fit a project's needs.

TIFIA, TIGER and the I-Fund respond to the difficulty States and local governments face in funding major projects of regional or national significance through traditional formula fund programs on a pay-as-you-go basis. By encouraging multi-jurisdictional and multi-stakeholder planning at the regional and national level, and by encouraging substantial levels of co-investment from a variety of public and private sector partners, these programs are reshaping the landscape for investment in major transportation projects.

Transportation Infrastructure Finance and Innovation Act (TIFIA)

The TIFIA program provides credit assistance for up to one-third of the eligible costs of qualified surface transportation projects of regional and national significance. Eligibility is open to large-scale, surface transportation projects—highway, transit, railroad, intermodal freight, and port access—with eligible costs exceeding $50 million. TIFIA credit assistance is available for State and local governments, transit agencies, railroad companies, special authorities, special districts, and private entities.

The primary goal of the TIFIA program is to use Federal funds in a way that promotes new and innovative models for more efficiently financing and managing large transportation projects (e.g. Public-Private Partnership agreements), catalyzes regional or national planning efforts, and attracts substantial private and other non-Federal co-investment for critical improvements to the Nation's surface transportation system. The program achieves this goal by providing a number of flexible and favorable financing terms to help fill market gaps in financing plans. Because TIFIA is a Federal credit program and because it requires co-investors for at least two-thirds of project costs, TIFIA is also able to drive total investments that are a multiple of the actual Federal budget resources the program consumes.

While TIFIA has proven to be an extremely useful tool for financing toll roads and other user-backed transportation projects, it is also considering capital investment programs in other modes that are traditionally less reliant on user fees, such as transit. For transit projects, sales taxes and/or other revenue streams related to transit-oriented development can be leveraged to repay project financing sources.

For example, most recently, TIFIA provided a $171 million loan for the Transbay Transit Center, a major passenger transportation hub connecting San Francisco with other Bay Area communities and the rest of California. This is the first transit center of its kind, a "Grand Central" terminal connecting local, regional and national travel options, to be financed with a direct TIFIA loan, and represents a milestone in the program's development. The TIFIA loan for the Transbay Terminal Center reflects the variety of ways the Department can use innovative programs to demonstrate efficient transportation infrastructure finance and execution around the country.

The TIFIA office is evaluating loans expected to close in the near term that may consume a large portion of its current resources. A full year appropriation for FY 2010 (based on FY 2009 funding levels) would make more funds available to fund additional projects.

Project sponsors submitted thirty-nine letters of interest for FY 2010 credit assistance in response to the March 1, 2010 deadline established in a Notice of Funding Availability. The letters of interest represent a range of different project types, including six transit projects, thirty-one highway and bridge projects, and one freight intermodal project. Project sponsors requested almost $13 billion in TIFIA credit assistance to support over $41 billion in total project costs, significantly more capacity than TIFIA's budget resources can support.

TIGER Discretionary Grant Program

The TIGER program represents one of the Department's most ambitious efforts to date to leverage Federal investment. The program catalyzed local, regional and National planning and facilitated substantial co-investment by the public and private sectors to help deliver 51 major transportation projects across the country. Among the factors that make this program a success are its ability to fund the full host of surface transportation projects (not just particular modes) and its ability to provide this funding to any State or local project sponsor. The program's flexibility allowed it to fund an unprecedented number of innovative and creative projects that the Federal Government would otherwise find difficult if not impossible to fund.

For example, the TIGER program allowed the Federal Government to invest in major freight rail and maritime port initiatives spanning multiple states and involving multiple stakeholders. This is unique, as the Federal Government does not have any other single program authorized to make similar investments.

One initiative will invest in freight rail capacity projects on a major corridor running across Ohio, Pennsylvania, West Virginia, and Maryland, providing substantial new capacity and enhanced efficiency for goods movement from the East Coast to the Midwest. Similarly, the TIGER program is investing in the CREATE program of freight rail projects in Chicago, and in intermodal freight rail facilities in Alabama and Tennessee. The CREATE program is an extremely well-coordinated effort among Federal, State, local and private stakeholders to streamline freight movement through Chicago, arguably the most significant freight bottleneck in the country. The investments in Tennessee and Alabama are the first pieces of a much broader initiative to improve freight capacity and efficiency from the Gulf Coast to the Mid-Atlantic, a major goods movement corridor currently underserved by freight rail.

The TIGER program provides funds for the public benefits of these projects – increased freight rail capacity and efficiency, reduced emissions and fuel consumption, and the potential to reduce highway maintenance costs and congestion. The TIGER funding also provides a powerful incentive for the relevant States and the private railroads to engage in comprehensive regional and National planning and invest their own resources to leverage the Federal investment. Each of these investments is matched with significant State, local or private funds, which will provide a substantial portion of the overall investment.

The competitive nature of the TIGER program also helps spur cooperation among a variety of project sponsors and encourages them to leverage as many sources of funding as they can muster to demonstrate that they can make Federal dollars go further. The TIGER program is also funding a number of intermodal passenger transit facilities, which require extensive planning among local and regional transportation providers and users, and may integrate funding from multiple sources.

The Department also used the TIGER program to provide four "TIFIA Challenge Grants." For these four projects, major highway projects in Arkansas, Colorado, South Carolina and North Carolina, the Department offered the applicant a $10 million grant, or the opportunity to use the $10 million as budget authority to support a larger investment in the form of a TIFIA loan. For the project sponsors, a TIFIA loan may be a unique opportunity to catalyze an innovative financing strategy that had not previously been considered, or thought feasible.

For the Department, providing TIFIA Challenge Grants is a first step in a new direction. The Department aims to get the best possible return out of each Federal investment it makes, and is excited about the opportunity to proactively work with sponsors on major infrastructure projects that demonstrate significant transportation benefits. The Department has many resources available to support co-investment in these projects, including technical and professional staff with relevant experience in innovative financing, and can help develop creative solutions for getting projects done.

National Infrastructure Innovation and Finance Fund (I-Fund)

President Obama's Budget for Fiscal Year 2011 provides $4 billion for the new I-Fund, which would give the Department additional flexibility to support high-value projects of regional or national significance. The I-Fund would allow the Department to select projects with demonstrable merit from around the country and provide a variety of financial products – grants, loans or a combination – to best fit a project's needs.

The I-Fund signals a shift in the Federal Government's model for transportation investment and would allow the Department to expand on current practices in the TIFIA and TIGER programs that encourage collaboration among, and co-investment by, non-Federal stakeholders, including States, municipalities, and private partners.

Conclusion

The Federal Government has many programs that facilitate and encourage State, local and private co-investment in transportation projects. Of particular note are the TIFIA program, the TIGER Discretionary Grant program and the proposed National Infrastructure Innovation and Finance Fund. These programs reflect an acknowledgement that the Federal Government needs to take a more active role in supporting major transportation projects with targeted grants and credit assistance.

The Department's experience over the last year with TIGER and TIFIA is that competitive national programs facilitate creative and innovative approaches at the State and local level to leverage substantial revenue for major transportation investments.

Thank you again for the opportunity to discuss these important matters. I would be pleased to answer any questions you may have.

Environment and Public Works Committee
March 11, 2010 Hearing
Federal, State, and Local Partnerships to Accelerate Transportation Benefits

Follow-Up Questions for
Roy Kienitz, Under Secretary for Policy
U.S. Department of Transportation

Senator Barbara Boxer

QUESTION 1: I think we both recognize the need to strengthen the Department of Transportation's programs to better address proposals like Los Angeles' 30/10 initiative. What are the best ways to help Los Angeles under existing programs, even if that assistance is not comprehensive?

ANSWER:

Los Angeles should consider the following programs.

- The Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance program.
- The TIGER Infrastructure Investment (TIGER II) Discretionary Grant Program
- Build America Bonds
- Private Activity Bonds, if part of the plan will be advanced though a private developer
- The FTA New Starts Program

QUESTION 2: You mentioned in your testimony that project sponsors submitted 39 letters of interest for almost $13 billion in TIFIA credit assistance for fiscal year 2010, but the program only has approximately $110 million available annually. Based on such high demand, is this a program this committee should consider expanding as part of its reauthorization efforts?

ANSWER:

- Yes.

- The DOT estimates, based on an historical average, that $110 million in budget authority can support roughly $1.1 billion in credit assistance, meaning that the letters of interest submitted for FY 2010 represent demand that is 12 times larger than this year's supply of budget authority.

- The demand for TIFIA credit assistance, as shown by the FY 2010 letters of interest, demonstrates great State and local interest in project financings -- specifically Federal loans, loan guarantees, and lines of credit -- to deliver transportation infrastructure.

- The Administration's FY 2011 Budget proposal addresses this demand by requesting $4 billion for the National Infrastructure Innovation and Finance Fund (I-Fund), which would provide Federal credit assistance as well as grants for meritorious projects of regional and national significance.

Senator Bernard Sanders

QUESTION 1: There has been a great deal of talk and interest, from the Administration and from some Senators, about establishing a national infrastructure financing entity or program, now known as the I-Fund. There have been concerns raised that such an entity would require a good deal of federal general fund dollars but not directly benefit rural areas.

How would you design such a program to make sure it covered all of America, so that communities not near a toll road or interstate project would benefit from that investment?

ANSWER:

- We are considering the inclusion of a range of credit assistance and grant programs under the Infrastructure Investment Fund (I-Fund) such as the TIFIA program, the Railroad Rehabilitation and Improvement Financing (RRIF) Program, the Private Activity Bond Program and the New Starts Program.
- These programs would be able to finance programs in rural areas.
- Loans, including loans for projects in rural areas, would not be limited to toll road projects. Loan payment mechanisms other than toll revenues, such as availability payments, can be suitable for projects in rural areas.

QUESTION 2: Rep. Oberstar, in his transportation authorization bill, would create a new office in the Department of Transportation to protect state and localities from bad privatization deals. What would each of you recommend that the Congress do to make sure that communities are not taken advantage of by the financing partner if it becomes generally allowable to partly privatize infrastructure built with public money?

ANSWER:

- It might be useful to analyze the state of the practice for various privatization deals in a systematic way.
- In general, States and communities are responsible entities well attuned to their financing needs, constraints, and risk profiles. But it would be helpful to better disseminate lessons learned from both good and bad deals so that States and localities can make informed decisions.
- States and localities can, do, and should hire financial advisors to help them look after their interests.
- Should Congress authorize the Department to establish the I- Fund, we believe that the office that has responsibility for the I-Fund should have the capability to work with the States to develop best practices for privatization transactions.

Senator James. M. Inhofe

<u>QUESTION 1</u>: According to DOT, the maintenance backlog is over $600 billion and growing; and I'm sure the re-authorization of SAFETEA won't come close to meeting this needed level of funding. Given these overwhelming needs and limited resources, how do we get states to increase their investments and bring more private capital to the table?

<u>ANSWER</u>:

- Programs like the TIGER Discretionary Grant Program, the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance, and the Railroad Rehabilitation & Improvement Financing (RRIF) Program can encourage greater leveraging of State, local and private funding.
- States may wish to consider public-private partnerships to advance projects, working with existing DOT programs that can work with public-private partnerships such as the TIFIA credit assistance and private activity bonds.
- Finally States may wish to consider the implementation of livability and congestion pricing projects, both of which can reduce future capital needs.

<u>QUESTION 2</u>: In an effort to leverage greater transportation, do you think we should consider lowering the federal share for projects and also creating some type of mechanism to provide additional funding to states that commit more of their resources to transportation investments (such as creating a new formula factor or new incentive program)?

<u>ANSWER</u>:

- We had great success in leveraging investments from partners at all levels of government and the private sector through the TIGER Discretionary Grant Program. The TIGER II Discretionary Grant Program will do the same.
- This model may be more effective in terms of encouraging leveraging than adjustments to the federal share.

<u>QUESTION 3</u>: Clearly this Administration has made a habit of speaking very broadly about their legislative priorities, looking to Congress to fill in the specifics. We heard from Secretary LaHood last week that you plan to release principles in the next 90 days. Do you anticipate sending up details on desired policies, funding levels, and financing mechanisms or will this be more vague talk about livability and other broad undefined concepts?

<u>ANSWER</u>:

Secretary LaHood has committed to releasing principles for a reauthorization bill by early summer in order to lay out a framework for reauthorization and engage in more substantive conversations with our partners on Capitol Hill. We hope to use the time between now and the end of the year, when the current extension of the surface transportation program runs out, to make progress in developing long-term legislation.

QUESTION 4: It appears that one of the Administration's major transportation goals is the creation of a national infrastructure bank, separate from the traditional highway program, which would be funded by general treasury revenues. What does your proposal for such a transportation fund bring to the table that would not be accomplished by an enlarged TIFIA program and larger multi-modal discretionary programs?

ANSWER:

- The Administration has proposed a $4 billion National Infrastructure Innovation and Finance Fund (I-Fund) in the FY 2011 Budget.
- The fund could include a variety of credit assistance programs such as TIFIA, RRIF, and private activity bonds, as well as grant programs like the New Starts Program and the TIGER Discretionary Grant Program.
- The fund would provide one-stop shopping to support high-value projects of regional or national significance.
- Applicants would work with the I-fund to receive a coordinated financing package of grants and loans, rather than working separately with program managers in several parts of DOT.

QUESTION 5: It has been almost 16 years since the federal-aid program authorized the use of state infrastructure banks (SIBs), which enabled states to use federal funds to capitalize revolving loan funds for transportation projects within each state. Since then only a handful of states have taken advantage of this program. Why do you think this valuable tool has yet to catch on?

ANSWER:

- Although more than 30 states have established SIBs, extensive utilization of this tool has been uneven. The most notably active States, such as Arizona, Florida, Ohio and Texas, typically direct SIB assistance to relatively small projects that have assembled funds from multiple sources. South Carolina has by far the largest SIB; its focus is on large projects.

- The lack of institutional acceptance among States, rather than any legislative obstacles, appears to be the biggest challenge facing the increased utilization of SIBs. The DOT seeks to facilitate the exchange of best practices, so that experienced States can share successful examples of accelerated delivery of both highway and transit projects.

QUESTION 6: In your statement you indicate that one of your top priorities is to "help promote more livable communities through sustainable surface transportation programs." What exactly does that mean? You mention that the benefits are "improved traffic flow, shorter trip lengths, reduced vehicle-miles traveled, safer streets for pedestrians and cyclists, lower per-capita greenhouse gas emissions, reduced dependence on fossil fuels." But given our current revenue stream for transportation, which depends on increased vehicle miles traveled and increased purchase of fuel, vehicle miles traveled and discourage the increased purchase of fuel? Will you be submitting a proposal for a new funding mechanism that is not tied to fuel use?

ANSWER:

One of Department of Transportation's top priorities is to encourage the implementation of livable communities. A livable community is defined as an area with multiple modes of transportation, different types of housing, and destinations located close to homes. In many cases, that is simply a matter of getting the federal government out of the way of local priorities.

It is general knowledge that the funding system for transportation faces great challenges and needs reform. Our current program relies on funding through the gas tax and the Senator, rightfully, points out the paradoxical situation in which we find ourselves, where congestion relief and system efficiencies are good for the American people but bad for our budget. But certainly, the solution is not to keep people bottled up in traffic or traveling further to meet their daily needs. One thing that has become clear through the experiences of communities that have focused on livability is that it saves money. The comprehensive planning undertaken in Salt Lake City, Utah saved the region$4.5 billion over 10 years.

This is an issue that will be addressed in our principles for reauthorization.

QUESTION 7: The DOT published clarifying language in the Federal Register on December 3rd with new statutory selection criteria that will now be used to evaluate potential projects considered for TIFIA financing. A component of this new criterion is the clarification in the "environmental" criteria which now requires an evaluation of a project's sustainability and elements that achieve a state of good repair. In addition, DOT also clarified the National and Regional significance criterion to include a consideration of livability, economic competitiveness, and safety. Would you please answer the following questions in reference to these changes:

ANSWER:

- The TIFIA statute [23 USC 602(b)] directs the Secretary to establish criteria for selecting among projects applying for TIFIA credit assistance. The statute also describes eight criteria that must be considered.

- The December 3 Notice of Funding Availability (NOFA) explains how the DOT will interpret the eight statutory criteria, indicating our desire to give priority to projects that have a significant impact on desirable long-term outcomes for the Nation, a metropolitan area, or a region.

- While the NOFA provides guidance as to how DOT will interpret the TIFIA selection criteria, the criteria themselves have not been changed. Both the criteria and the regulatory weights assigned to each criterion remain the same.

The following seven questions and answers address specific issues regarding the TIFIA selection criteria clarifications announced in the December 3 NOFA.

QUESTION 8: Does DOT have a definition of sustainability, state of good repair, and livability as it pertains to the clarifications of the two general criteria areas of environment and National and regional significance? If so, can you please provide those definitions?

ANSWER:

- Characteristics of sustainability included: improving energy efficiency, reducing dependence on oil, reducing greenhouse gas emissions, and reducing other transportation-related impacts on ecosystems.

- Characteristics of state of good repair include: improving the condition of existing transportation facilities and systems, with particular emphasis on projects that minimize lifecycle costs and use environmentally sustainable practices and materials.

Livability will be a specific consideration (as will economic competitiveness and safety) with which to evaluate the extent to which the project is nationally or regionally significant, in terms of generating economic benefits, supporting international commerce, or otherwise enhancing the national transportation system. Characteristics of livability include: providing transportation options that are linked with housing and commercial development to improve the economic opportunities and quality of life for people in communities across the United States.

QUESTION 9: Can you please explain the difference between "livability" and FTA's definition of Transit Oriented Development?

ANSWER:

Transit-Oriented Development (TOD) refers to the development of real property near public transportation to improve accessibility. TOD refers to neighborhood-scale, compact, mixed-use development within walking distance of public transportation and is a key element of livable and sustainable communities.

Livability is how a community is designed – including the layout of the roads, transit systems, bikeways, and walkways – which has a huge impact on the quality of life of its residents. A livable community is one with multiple transportation choices, different types of housing, and destinations located within an easy distance of homes. In many communities – especially in rural regions – there may be no transit, but accessibility to a number of destinations and having multiple forms of transportation with which to get there will enrich the livability of the area.

QUESTION 10: Can you please provide a list of projects, as examples, that were chosen by DOT in the last (5) years for TIFIA financing, that would have received a lower score for not meeting the following new criterion: sustainability and livability?

ANSWER:

- The projects that submitted FY 2010 letters of interest will form a unique cohort. The projects within this cohort will be evaluated against each other, rather than an ideal standard.

- Given our previous experience with TIFIA project selection, the DOT expects that few if any projects will score highly on all the selection criteria.

- Other than creditworthiness, a low score on any individual criterion will not preclude a project selection, nor has it ever prevented previous projects from being selected for TIFIA credit assistance.

QUESTION 11: Within the general criterion of National and regional significance, what objective criteria will be used to calculate the benefits and weights of livability, economic competitiveness, and safety?

ANSWER:

- As noted above, the projects that submitted FY 2010 letters of interest will form a unique group. The projects within this group will be evaluated against each other, rather than against an ideal standard.

- To perform this evaluation, DOT staff will identify the project within the group that best satisfies the specific objective, and then rate the remaining projects relative to this leading example. It is therefore difficult to provide a specific list of criteria that a project must include in order to score well, but generally:

    - To score well on livability, projects will need to provide transportation options that are linked with housing and commercial development.

    - Projects that score well on economic competitiveness will improve the long-term efficiency and reliability in the movement of people and goods.

    - A good safety project will improve the safety of U.S. transportation facilities and systems and the communities and populations they impact.

QUESTION 12: Within the general criteria of the extent to which a project helps maintain or protect the environment, what objective criteria will be used to calculate the benefits and weights of sustainability and achieving a state of good repair?

ANSWER:

- As noted above, the projects that submitted FY 2010 letters of interest will form a unique group. The projects within this group will be evaluated against each other, rather than against an ideal standard.

- As noted above, DOT staff will identify the project within the group that best exemplifies the specific objective, and then rate the remaining projects relative to this leading example. It is therefore difficult to provide a specific list of criteria that a project must include in order to score well, but generally:

    - To score well on sustainability the project will need to improve energy efficiency, reduce dependence on oil, reduce greenhouse gas emissions, and reduce other transportation-related impacts on ecosystems.

    - Projects that score well on achieving a state of good repair will improve the condition of existing transportation facilities and systems, with particular emphasis on minimizing lifecycle costs and using environmentally sustainable practices and materials.

QUESTION 13: Can you please further explain how the term state of good repair qualifies as an element of explicit consideration for a project that helps maintain or protect the environment?

ANSWER:

- As stated in the NOFA and noted above, state of good repair will be a specific consideration with which to evaluate the extent the project helps maintain or protect the environment.

    - Characteristics of state of good repair include: improving the condition of existing transportation facilities and systems, with particular emphasis on projects that minimize lifecycle costs and use environmentally sustainable practices and materials.

- Deteriorating transportation assets often impose environmental costs, both directly and indirectly. For example, a bridge in poor condition may be subject to traffic restrictions that reduce its capacity and require diversion to less appropriate routes. An unreliable transit system may lose ridership to less environmentally-friendly modes.

QUESTION 14: Within the general criteria of the extent to which a project helps maintain or protect the environment, can you please explain how the addition of the term state of good repair is considered a clarification to criteria that has been used in environmental impacts analysis for past TIFIA applicants?

ANSWER:

Although the DOT did not expressly consider the state of good repair in previous TIFIA evaluations, the concept is embedded within every evaluation of environmental maintenance and protection.

A fundamental point of departure for any environmental analysis is the "no build" alternative, which posits that the least environmental impact would come from maintaining the current system without expansion. Explicit consideration of state of good repair acknowledges this position, and previous TIFIA projects have exemplified it.

- The Washington Metropolitan Area Transportation Agency (WMATA) Capital Improvement Program (CIP), which received a $600 million TIFIA loan guarantee, provided a mid-life refurbishment of the long-term assets that form the backbone of this transit system.

- The Replacement of the Cooper River Bridges, for which the South Carolina DOT received a $215 million TIFIA loan, provided Charleston with a new long-term asset that maintained a crossing over the city's harbor. It replaced two severely deteriorated and increasingly unsafe structures.

DOT strongly believes that maintenance of our existing infrastructure is every bit as vital as its expansion, and that TIFIA credit assistance should be a tool for achieving this objective.

Senator George R. Voinovich

__QUESTION 1__: Last week, Secretary LaHood said that the Administration plans to release principles in the next 90 days. When do you anticipate sending the EPW Committee details on desired policies, funding levels, and financing mechanisms for the next reauthorization bill?

__ANSWER__:

Secretary LaHood has committed to releasing principles for a reauthorization bill by early summer in order to lay out a framework for reauthorization and engage in more substantive conversations with our partners on Capitol Hill. We hope to use the time between now and the end of the year, when the current extension of the surface transportation program runs out, to make progress in developing long-term legislation.

__QUESTION 2__: In terms of allocating resources, I have heard from my municipalities and other members, that flexibility is needed for states and localities? What do you recommend? What type of performance measures should we use to hold them accountable?

__ANSWER__:

Under the TIGER program, we were able to offer unprecedented flexibility in terms of funding projects that are difficult to fund under our current program and in encouraging multi-jurisdictional cooperation and public-private partnerships. It may be a model for breaking down silos and offering greater flexibility. We will be examining these issues as we prepare reauthorization principles.

__QUESTION 3__: Currently, MPOs only make programming decisions for STP funds. Does it make sense to give MPOs more programming authority for other federal highway programs?

__ANSWER__:

It is important to clarify the programming process under current authority. Metropolitan Planning Organizations (MPOs), in cooperation with States and transit agencies, make the initial decisions to program projects involving all categories of 23 U.S.C and 49 U.S.C. Chapter 53 funds into the Transportation Improvement Programs (TIPs). The MPOs, in cooperation with the State(s) and any affected public transportation operator(s), develop a TIP for the metropolitan planning area. The TIP must be approved by the MPO and the Governor.

Once listed in the approved TIP, projects are selected for funding award by a process that varies with metropolitan area size. In metropolitan areas not designated as Transportation Management Areas (TMAs) with less than 200K population, projects programmed to use title 23 USC funds or funds under title 49 USC Chapter 53 are selected for implementation by the State and/or the public transportation operator(s) in cooperation with the MPO from the approved metropolitan TIP (except for Federal Lands Highway program projects). In metropolitan areas designated as TMA's (more than 200K population), all 23 U.S.C. and 49 U.S.C. Chapter 53 funded projects (excluding projects on the National Highway System (NHS) and projects funded under the

Bridge, Interstate Maintenance, and Federal Lands Highway programs) are selected for implementation by the MPO in consultation with the State and public transportation operator(s) from the approved TIP and in accordance with the priorities in the approved TIP. Projects on the NHS and projects funded under the Bridge and Interstate maintenance programs are selected by the State in cooperation with the MPO, from the approved TIP.

In the TIGER program, MPOs, cities, counties, States and other entities all competed for funding and often submitted applications jointly. This may be one of the ways to encourage innovation and inter-jurisdictional cooperation. We will be examining this issue as we prepare reauthorization principles.

QUESTION 4: Can you elaborate on Department of Transportation's view of the federal-regional- local partnership, specifically on the role of local elected officials?

ANSWER:

In the TIGER program, applicants that had demonstrated high levels of partnership with neighboring communities, regional bodies, States, and Federal partners received preference. Furthermore, TIGER gave local elected officials the chance to put forth their innovative ideas and compete directly for Federal funds. Through programs like this, the Department can encourage and support such innovation, leadership and cooperation.

QUESTION 5: Given this Administration's policy objectives place a heavy emphasis on local implementation, how are you prepared to support our communities through the MPO process?

ANSWER:

The MPO and emerging Regional Planning Organization (RPO) processes can be utilized to look at how people and good move without regard to artificial jurisdictional boundaries. At the same time, such comprehensive, regional analysis can be complex and difficult to fund. To assist in addressing these challenges, the President's FY 2011 budget includes a request for $200 million for capacity building in transportation planning agencies at all levels. This funding would be available to support better data collection, transportation demand model upgrades, and other tools that are important to understanding the interaction between transportation, economic development, housing and other infrastructure investments and needs. In coordination with the $150 million for regional planning requested for HUD's Office of Sustainable Communities, these can be powerful tools for supporting community investment at a time when funding for such activities is very hard to find.

QUESTION 6: I have heard Secretary LaHood discuss livability as a priority of the Administration. Can you provide me with a definition for livability? And, how do you suggest that we pay for this new priority?

ANSWER:

A livable community is one with multiple transportation choices, different types of housing, and destinations located within an easy distance of homes. This accessibility to a number of destinations improves quality of life while lowering cost of living.

We pay for failing to address livability and the interaction between various Federal infrastructure programs. By increasing capacity of regional governments to do comprehensive planning, we will be saving the highway trust fund billions of dollars – much like the way comprehensive planning by Envision Utah saved $4.5 billion in avoided infrastructure costs over 10 years for them. To forego an investment in communities that will yield this type of financial savings over time would be shortsighted and fiscally irresponsible.

Senator David Vitter

QUESTION 1: Please discuss some of the challenges the Department of Transportation is facing in enhancing current partnerships with states?

ANSWER:

The Department faces the challenge of limited State and local funding for transportation to leverage Federal funding as well as limited capacity for the sort of comprehensive planning and benefit-cost analysis that result in better investment choices and make them more competitive in grant programs like TIGER.

To assist in addressing these challenges, the President's FY 2011 budget includes a request for $200 million for capacity building in transportation planning agencies at all levels. This funding would be available to support better data collection, transportation demand model upgrades, and other tools that are important to understanding the interaction between transportation, economic development, housing and other infrastructure investments and needs. In coordination with the $150 million for regional planning requested for HUD's Office of Sustainable Communities, these can be powerful tools for supporting community investment at a time when funding for such activities is very hard to find.

QUESTION 2: How are the current challenges with state budgets and the economy affecting DOT programs?

ANSWER:

In general, State and local governments have been able to come up with necessary funding to match Federal transportation programs including funding under the Recovery Act. In the case of TIGER Discretionary Grants, the degree of non-Federal funding was one of the important factors that made projects more competitive.

Additionally, great savings can be found through strong comprehensive regional planning, good data and modern transportation demand models. However, these are often the most difficult things to fund during budget crises. The Department is trying to address this through its FY 2011 budget proposal for $200 million in grants for capacity building at transportation agencies.

Senator BOXER. Well, I just want to thank you for that, because you are such a positive person, and you are giving us some hope here that we can get started as we work on this longer-term project of the reauthorization.

I know Senator Lautenberg would like to make an opening statement. It would be appropriate now if you would like to do that.

OPENING STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator LAUTENBERG. Thank you. I appreciate it, Madam Chairman. And my Republican colleague, who will be missed when he leaves here, I am glad to share the hearing with him.

Forgive me for a moment, Madam Chairman. This is kind of momentous for me because I had kind of a health siege, and things worked out very, very well, and just as an indication of support from my team, David Gardner and two other members of my staff shaved their heads as I lose my hair. So it is solidarity all the way, and I thank you for the opportunity to get personal for a minute, personal and up front, by the way.

Madam Chairman, my home State of New Jersey is situated at the crossroads of some of the most traveled paths for moving people and goods in the country—the New Jersey Turnpike, the Garden State Parkway, the northeast rail corridor, plus a major seaport and airport—and there is no doubt that transportation is the life blood of my State and our country.

Our transit system is the largest statewide transit system in the country, our workers are the third highest users of public transportation in the country, and the George Washington Bridge, which connects our State to New York, is the busiest crossing in the world. I think there is a poll that exists that says how long will you have to wait to cross this incredible bridge. It is just an indication of what it is that we need to do with our transportation system.

This hearing is critical because of the focus on the essentiality of Federal, regional, and State partnerships joining together. And if we really want to do more than fill potholes and fix traffic lights and actually tackle the enormous transportation challenges we face, we have no choice. We have to work together.

Right now the construction of a brand new tunnel under the Hudson River is moving forward in New Jersey. It is the largest transit project in the country, and it came to life because the Port Authority of New York and New Jersey, and local, State, and national leaders joined forces and created a plan to cut traffic, reduce pollution, and put people to work. When the tunnel is finished, it will take 22,000 cars a day off the roads. What is more, when completed this tunnel will create 44,000 new jobs—permanent jobs. In the meantime work on the tunnel will generate 6,000 construction jobs a year. We are ready to go to work.

The Hudson River tunnel is a terrific example of what can be accomplished when we all work together, and it should be a model for future transportation investments.

But as important as these partnerships are, they are not a substitute for a national transportation policy, and that is why Senator Rockefeller and I have introduced the bill that moves us into a new direction. Our bill establishes clear, measurable goals for our national transportation system. This national policy will pave the way so that we can ease traffic, save lives, break our dependence on foreign oil, help clean the environment, repair our crumbling infrastructure, and build the cutting edge transportation systems of the future. That is a win-win-win-win.

The truth is we have to get beyond the status quo. Simply building more highways—while critical—will not solve our Nation's transportation problems. It will not make us more competitive, and it will not prepare us for the economy of the future. We have to make substantial investments in mass transit, passenger rail and high speed rail. At the same time, we also must modernize and expand our freight rail service.

I want to thank the witnesses, Madam Chairman, for coming today. I look forward to hearing their views, and we listen with interest to Mr. Kienitz on how we can work together to rebuild our country, expand our economy, and create jobs, and I thank you very much.

Senator BOXER. Thank you so much, Senator Lautenberg. We are so glad to see you.

Senator Inhofe.

OPENING STATEMENT OF HON. JAMES M. INHOFE, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator INHOFE. Thank you, Madam Chairman.

The members of the Committee know this, but some in the room may not, there is a conspiracy going on, actually. It is between the Armed Services Committee and this Committee. Because every time we have a hearing I find I have to be down there, and I am second ranking on that. So I apologize for that because this is so significant.

I believe our Federal infrastructure spending is one of our very primary concerns, second only to defending America. That is just my personal feeling. Given our enormous needs, however, it is just difficult to imagine that the next highway bill could ever meet all of them if we follow the traditional way.

I remember how successful we were, Madam Chairman, back in 2005, and yet what we passed didn't really even maintain what we had already.

SAFETEA was a 38 percent increase over TEA–21 and was one of the largest non-defense spending measures ever passed. But as I have often said, it wasn't enough money to even maintain the existing roads and bridges, let alone improve them. We can't expect to spend our way out of this crisis with Federal dollars alone; we need a true public-private partnership if we are going to accomplish something, and that is the reason that we are having this hearing today.

One of the most frequently discussed ways to leverage non-Federal investment is through public-private partnerships and with the State and local governments entering into an agreement to transfer risks to the private sector and raise private capital. This is a way to unleash an enormous amount of private money, especially from pension funds. Investors are attracted to private-public partnerships because they offer stability over long periods of time, often 75 or 95 years.

I must point out that although these long-term concession agreements can work, as evidenced by the Indiana toll road, there are many different applications of these partnerships that we are just beginning to understand. We can no longer overlook this financing source to help address our problem.

So, in addition to the private sector playing an active role in a project, there are always Federal Government ways that we can lower borrowing costs. These include capitalizing State infrastructure banks, increasing opportunities for bonding, and Federal loan programs.

So we have tried some things that have worked to varying degrees in States like Indiana and Virginia and Texas, and I think we need to. We recognized this problem back in 2005 when we did our reauthorization bill, so we had a commission that was formed to explore all these other opportunities. I wasn't satisfied with the product that came out of it, but perhaps from this point forward we can find something better. We are going to have to do something about our crumbling infrastructure in America, and particularly in Oklahoma.

[The prepared statement of Senator Inhofe follows:]

STATEMENT OF HON. JAMES M. INHOFE,
U.S. SENATOR FROM THE STATE OF OKLAHOMA

I believe in Federal infrastructure spending and see it as one of the primary purposes of Government. Given our enormous needs, however, it is difficult to imagine that the next highway bill could ever meet all of them if we follow the traditional way of paying for transportation. According to the Administration, our backlog of deferred road and bridge maintenance is $600 billion and growing. Clearly, we need to think about how we can do things differently. Not only do we need to get the most for our Federal highway dollar, but we also need to encourage State and local governments and the private sector to invest as much as possible in roads and bridges.

SAFETEA was a 38 percent increase over TEA–21 and was one of the largest nondefense spending measures ever passed. But as I've often said, it wasn't enough money to even maintain our existing roads and bridges—let alone improve them. We can't expect to spend our way out of this crisis with Federal dollars alone; we need a true public-private partnership if we are going to accomplish what needs to be done.

One of the most frequently discussed ways to leverage non-Federal investment is through public-private partnerships, or PPPs. With PPPs, State or local governments enter into an agreement to transfer risks to the private sector and raise private capital. This is a way to unleash an enormous amount of private money, especially from pension funds. Investors are attracted to PPPs because they offer stability over long periods—often 75 or 95 years. I must point out that although these long-term concession agreements can work, as evidenced by the Indiana Toll road, there are many different applications for PPPs that we are just beginning to understand. We can no longer overlook this financing source to help address our infrastructure funding shortfall.

In addition to the private sector playing an active role in a project, there are ways the Federal Government can lower borrowing costs. These include capitalizing State infrastructure banks, increasing opportunities for bonding, and Federal loan programs, such as those made possible by the Transportation Infrastructure Finance and Innovation Act ("TIFIA") program. To date, all of these have been initiated at the State or local level.

I am interested in hearing from our witnesses today on how changing the structure of the Federal program can encourage more transportation investment at the State and local level.

I look forward to the testimony.

Senator BOXER. Senator, you know, as we often say, this is one area where we really see eye to eye, and that bodes well for the country, and I think we can all unite around this notion that a great country needs a great infrastructure.

Now, Mr. Under Secretary, again, I appreciate your testimony very much, it is a can-do type of testimony; it is not we can't do this and we mustn't do that. So I really appreciate your laying out the programs that exist today that could leverage the funds. As Senator Inhofe said, that is crucial here.

Now, here we have a confluence of interesting issues. We have Los Angeles County, whose people voted to tax themselves, and it is a 30-year program, 30-year program of $40 billion. So that is done, and those funds will come in. And as the mayor will so eloquently testify, these projects are needed much sooner than 30 years from now. So how do we work together, given that that source of funding is real? As we say, we can take it to the bank, to the infrastructure bank because it is real.

Then the other issues are, as Senator Voinovich said, we are at a time now where the costs have gone way down due to the recession and for bad reasons. You know, the construction industry is hurting, so the costs are coming in—how much did you say, Senator Voinovich, how much lower are some of the costs coming in?

Senator VOINOVICH. Ten to 12 percent.

Senator BOXER. Ten to 12 percent. So it would be foolish that we have this opportunity now to save these funds, that we just didn't speed up this whole idea.

And by the way Los Angeles is now what we are talking about, but I think this is an issue for Oklahoma and everywhere else. Where the locals or the private sector are willing to come up to the plate we ought to have a way to accelerate it; Federal Government gets paid back.

I wanted to just probe on the current programs, because you said that TIFIA will lend a third of the cost of the project and that the problem with it is that it is not funded at a high enough level. What is the funding of TIFIA?

Mr. KIENITZ. I believe the annual appropriation has been in the $100 million to $200 million range. Now, what that covers is the subsidy cost, as we call it, so you figure you can offer assistance that is 8, 10, 12 times that amount.

Senator BOXER. Good. In other words, it scores at $100 million to $200 million, but in essence it is much more than that.

Mr. KIENITZ. A billion, billion and a half, depending on the quality of the repayments that are pledged.

Senator BOXER. OK. So that is a program that essentially allows for a billion to a billion and a half loans for specific projects, which, by the way, I think is fine. I mean, they know what they want to do, and they have specific projects. We are not going to give money for some non-specific project.

Mr. KIENITZ. Right.

Senator BOXER. I don't think I could go home and support that. So that is a program where—let me just ask you this. If we were to simply just—I don't know what it is authorized at.

Do you know, Bettina, what it is authorized at, TIFIA?

If we were able to authorize it at a higher level and fund it at a higher level, theoretically, would we be able to take care of Los Angeles? Let's just say we are able to fund it way up.

Mr. KIENITZ. Right. I would say, as a matter of theory, yes. What has happened is that the tightening of credit markets in the last 2 years has led to a huge spike in demand for TIFIA resources. TIFIA used to be a program where they would provide $100 million or $200 million a year in authority, and we were lucky if, any given year, that was actually used, and there were lots of carryover funds. Now that the municipal bond market and other private markets are tight, we have recently sent out a solicitation for possible interest for TIFIA loans in 2010, and a huge number of people have responded to that.

Senator BOXER. Right. But that is why I am saying if we were able to dramatically increases the funding——

Mr. KIENITZ. Yes.

Senator BOXER [continuing]. Given the situation, or to say if a local government, a State government came to us with a plan for private sector involvement, local government involvement, State government involvement—I mean, I am a person who doesn't like to have to write new laws if we have laws on the books. So I am just pressing you. Assuming that we were able to fund TIFIA at an appropriate level, which we will leave what that is later, would that law give Los Angeles what it needed, assuming we could make these loans a third of the cost of the project? Would that go a long way to solving the problem?

Mr. KIENITZ. The answer is yes, with some asterisks. The asterisks are it is only legally allowable up to a third of the cost, so if they have a $3 billion project, we could loan them $1 billion; where the other two billion comes from is an issue. The second is that the process by which you determine the interest rate on a TIFIA loan is a well described process. I don't know that it could get the number down to low enough for what you are looking at or not, but there are a lot of market conditions that go into that.

Senator BOXER. Is the loan rate a market rate from the Federal Government, or is it lower than a market?

Mr. KIENITZ. It is based on a Treasury rate, so it is generally almost always much better than you can get in the private market.

Senator BOXER. Right now the Treasury coupon is what?

Mr. KIENITZ. I don't know.

Senator BOXER. It is low.

Mr. KIENITZ. Low. Two. Under two, I think.

Senator BOXER. Which is another interesting issue.

Well, I am going to come back for a second round and ask you about the TIGER grant program that you mentioned and the National Infrastructure Fund, but my time has run out, so I will turn to Senator Inhofe.

Senator INHOFE. Thank you, Madam Chairman.

Again, I apologize for not being here when you gave your statement; however, we have read it.

Well, we know the problem. We talked about the fact there is about $600 billion out there, and it is growing every day in terms of just maintenance backlog that we have, and we have to do something about it. Some things are not much fun to talk about, but in looking at some of the options, some have proposed changing the formula, maybe lowering the Federal—did you talk about that in your opening statement? Is that something you want to talk about, changing the formula, in order to accomplish more of these projects?

Mr. KIENITZ. This is the match rate for Federal——

Senator INHOFE. Yes.

Mr. KIENITZ. It is not something I have certainly discussed. I know it has been much discussed over many years here. Many States already provide much more local funding than the requirement is, so California and New York, Illinois, big States like that, are already probably doing their highway programs at 50/50. An individual project might legally be at 80/20, but they have way more State funds that they are using.

The issue there becomes the States without a lot of their own resources, and I know just from my time here that Montana, Wyoming, Idaho, South Dakota, States like that are the ones that tend to particularly resist that because they have much less in the way of local revenue to make that higher match.

Senator INHOFE. Yes. Well, you know, we talk—when the Senator from Minnesota is here, she talks about the horrible thing that happened, the bridge up there.

I would suggest, Madam Chairman, that—and I am reading now from 2004—a football size piece of concrete fell from a bridge and crashed through Yvonne Osborne's windshield. This was in Oklahoma City, I–35. A mother of two, and she died. I mean, this is not just a matter of convenience; it is a matter of life and death. And I am not very proud that we have a record, from indications that I have seen, in my State of Oklahoma we are dead last in the condition of our bridges, and yet we have I think one of the most quality secretaries of transportation of any of the States. We talk on almost a daily basis over doing something about this.

I understand that—and I don't know much about it, but very broadly speaking I heard Secretary LaHood, who is one of my best friends I have served with in the House, talked about that you plan to release the principals in the next 90 days. Now, I don't know what we are talking about here. Can you enlighten me as to what principals will be released in the next 90 days?

Mr. KIENITZ. I don't think I can. That is something that we are actively discussing internally to try to make sure we are on the timetable that you all are on, to the degree that we can be. So, unfortunately I don't really have anything to offer.

Senator INHOFE. These principals, are these principals going to relate to funding mechanisms like the subject of this hearing?

Mr. KIENITZ. I am not sure that has been finally determined.

Senator INHOFE. OK, it has been 16 years since the Federal aid program authorized the use of State infrastructure banks, which enables the States to use Federal funds to capitalize revolving loan funds and so forth. Now, since then only a handful of States have taken advantage of this program, and I really wonder why. Why do you think that is the case, that so few have—the program hasn't caught on. Why not?

Mr. KIENITZ. I actually have some experience with this program when I worked in State government in Pennsylvania. Pennsylvania was one of the States that did establish this program. During my time there, usage of that program was based entirely on demand, and what we offered essentially was advance payments to local governments or counties or other communities who had transportation projects they wanted to do quickly; they had revenue sources coming in slowly over time, so they would agree to get the money up front and then take their revenue and turn it back over to the State infrastructure bank to eventually repay the amount.

The real issue was that the amount of ongoing funding available to those project sponsors was so constrained it was a very difficult thing for them to pledge future year money, because they needed that future year money to take care of urgent needs ongoing or underway. So our program was a few tens of millions of dollars. In the course of a year we never turned anyone away, but when you have to pay it back——

Senator INHOFE. That is my point. This has been available to everyone, and you haven't turned them away. I think you have answered it very well.

You deal probably more than we do with a lot of the private sector initiatives. We hear a lot of the problems with it; we hear a lot of the misunderstandings by people, particularly in Texas—that is where I zero in on—that don't really understand it, and they don't think it will work. Of all the different programs that you have heard, are there any that you have established in your mind that are better types of partnership programs than any other that you could share with us?

Mr. KIENITZ. Well, I think what has happened is actually there has been an evolution over time. When this started out I think the State of Indiana was probably the first one that did one of these arrangements with the private sector, and since then the deals that have been proposed in Pennsylvania—we proposed a lease of the Pennsylvania Turnpike, which I worked on extensively—Texas, other States, the contract between the government agency and the private sector has grown a little bit more. Some lessons have been learned. For example some of the original agreements included what is called a non-compete clause. The government would be prohibited contractually from going out and building a roadway within a certain distance of the new privately leased roadway, and I think in subsequent iterations people have said it is not appropriate to tie the hands of government about what is or isn't in the public interest; government has a responsibility to undertake things in the public interest, and if that means building another road, then so be it.

So there have been some other things like that that were controversial in the early proposals that have been less so recently. I would say the underlying issue of "are you turning over what appears to be a public asset to private management" is still controversial. We were able to be very comfortable with it in the administration side in Pennsylvania; our legislature was not comfortable with it and they did not approve that lease. But the amount of money that deal could have yielded, for example, was really quite large and could have done a huge amount of road repair, bridge repair, and transit investment in the State.

Senator INHOFE. All right, thank you very much.

Sorry about that.

Senator BOXER. No, that is fine, Senator.

Senator Lautenberg.

Senator LAUTENBERG. Mr. Kienitz, thank you for your testimony. I want to get squarely to a question that we are looking for answers on and that is the President's budget includes $200 million for the mass transit tunnel in New Jersey. The President also prioritized the project for a full funding grant agreement. Does this budget signify that the President and the Administration are fully committed to building a new rail tunnel under the Hudson River?

Mr. KIENITZ. As you know, Senator, from extensive conversations between yourself and Secretary LaHood, we have been, since many months ago, and continue to be committed to keeping that project moving forward as fast as possible. The amount of resources that were committed earlier in the year and in the President's budget are designed precisely to make sure that it stays on track, because as you know the usage of that facility, when eventually completed, is going to be so terribly high it really competes very well under any criteria.

The constraint we are under, is that the way that the New Starts program works is you don't put 100 percent funding, or even 100 percent of the Federal share up front. We try to enter into a plan whereby slowly, over time, the Federal share of the project gets paid, but it is year by year, and that can be quite a drawn out process.

We have had many project sponsors in transit who get their full agreement to go out to private banks and borrow to cash-flow the project because the Federal funds come in so slowly, and that is precisely because there are $20 billion and people wanting to transit New Start funds for every $2 billion of funds we have. So that leads of a very long line out the door and a very slow payout. Hopefully, that is something that can be addressed in the reauthorization process.

Senator LAUTENBERG. Well, I am sure you are fully aware of the fact that somewhere over 60 percent of the funding is already committed for by the State and the Port Authority, so we are putting our dollars where the pick and shovel should be. So reassurance that we can continue, get what the Federal Government is committed to, and the full funding agreement is critical in this moment. There are lots of people armed with picks and shovels and spirit and ready to go, and we have to give them the [unclear] to say, OK, here you go.

Without funding for the transportation needs we provided in the Recovery Act, unemployment rates would even be higher. As the Senate debates the series of jobs bills, what might be the significant contribution that additional investment in transportation infrastructure beyond just extending existing programs, what influence might that have on the job market?

Mr. KIENITZ. A very positive one, we hope. We have a lot of experience in the Recovery Act funding of getting that funding out the door really as quickly as we could, more quickly than we did in the underlying programs, and creating jobs. I think inevitably transportation investment, if you are doing big projects, occurs over a couple of construction seasons, and that is what we are seeing with the Recovery Act.

That said, this recovery is going to be a long one—that is what all the experts say—so having something that lasts for two construction seasons is probably what the country needs. The Administration I know is in dialogue with the House and Senate leadership about potential future jobs bills and has certainly been a supporter of additional infrastructure funding——

Senator LAUTENBERG. It is hard to imagine a more ready environment than investments in transportation for jobs. I want to ask you this. Funding for high speed rail in the Recovery Act, good start, but our investment in high speed rail still lags way behind other countries. In 2009 China invested $80 billion in high speed rail, and we have seen huge investments by Germany and other countries across the world in high speed rail. Last summer China announced it plans to build 42 high speed rail lines by 2012.

Now, if we are going to compete with countries like China in the international marketplace, shouldn't the development of high speed rail receive dedicated Federal funding just like our interstate highway system does?

Mr. KIENITZ. Obviously, as you know, Senator, this Administration is very interested in high speed rail, and the President has made it a personal priority of his. That unfortunately has not led us to solve the underlying resource limitation for high speed rail any more than it has for the highway program or the transit program. That is unfortunately a problem that spreads across the breadth of all transportation investments.

So I think while we would agree entirely with your stated goal, it is going to have to be a group effort to find the politically difficult but necessary method of closing the gap so that all of the programs can be on a stable——

Senator LAUTENBERG. Well, I think that this hearing suggests ways of getting things done, including not only regional organizations, but the private sector as well.

Thanks very much, Madam Chairman.

Mr. KIENITZ. Thank you, sir.

Senator BOXER. Thank you, Senator.

Senator Voinovich.

Senator VOINOVICH. The Administration originally took the position that they did not want to see the reauthorization of the Surface Transportation Act done this year and were very strong to say we should extend it for 18 months. I hope it is clear to the Administration that we indeed are going to get the job done now, this year.

And I think it is real important that you folks get to the table. We are starting out with looking at the work that Jim Oberstar has done to try to figure out where there is agreement, and then from there we are going to get into the nitty-gritty on things. But we are going to really need your participation; you have to be at the table.

I want to underscore—and I had a chance to speak to the President about it—if you really want to do something about making an impact in this country in terms of jobs, the reauthorization of this bill, robustly funded, is going to have an enormous impact on jobs in this country. And as I mentioned in my opening statement it give us this kind of 5-year continuity or confidence that something is going to happen.

One of the big challenges of course is this issue of financing, and you touched on some of the tools that are available in Ohio. We were the first State to use the State infrastructure bank to get Port Washington done down in the Cincinnati area, but I really would like, for my benefit and for the members of this Committee, a very good memorandum on the programs that are currently available, how they work, some detail.

Now, you have scratched the surface; you couldn't go into all the detail, but I particularly would be interested in that. I may even come over and talk to some of your folks. Then you mentioned in your words that there were other tools that you would like to see, and I would be very interested in those other tools.

Senator Inhofe mentioned some other things. There is tolling that is going on. We had some people in from Texas that are using pension funds, and they are borrowing from the pension funds, and they do a toll, and then they repay the money to the pension. There is a whole variety of things that are out there that we should be looking at.

But I think that you have to recognize that all of these things we are talking about are not going to be adequate and that we do definitely need to have an increase in the gas tax. And the fact of the matter is just about every group that I have talked to in the last 8 months have basically said we will support an increase in the gas tax.

Now, there is some concern about when that would happen, but I would suggest that you go back—in fact, I will send you a memorandum on it—and look at what Drew Lewis did in 1982. At that time I was mayor of Cleveland and going through the chairs with the National League of Cities, and they really worked hard to get all of the details worked out. They looked at the various financing and then President Reagan supported a 5 cent increase in that gas tax. I have to tell you something. If they hadn't done that and come up with an emergency jobs bill, we would have had a very, very bad situation in this country.

So I think we have to look at all of this, but I think that you and others have to recognize that all these other things that we have, we are going to have to come up with the money. That is a reality, and the sooner I think it sets in the better. And I think the other thing I wanted to mention to you is that you have a chance here to do something bipartisan, and I have to tell you something.

Think about this a little bit. We may not have anything else we can do this year on a bipartisan basis; the health thing is blown. God only knows where that is going. We have the climate change; I am trying to work on that. That may blow up. But this is something that we could do all together.

The other thing that I think all of us need is to find out about this infrastructure bank you are talking about. What part of the infrastructure bank anticipates things like the mayor might want to do in terms of loans and how does that all work, or is it just across the board in terms of loans to a bunch of things over in the Department of Energy and so on? But somebody has to look at the whole big picture here and see what has to be done.

Now, Senator Lautenberg talked about high speed rail. Well, we got $400 million. There is a big controversy in Ohio right now about whether we can use that $400 million. Can the State really use that money? Couldn't we use that money for something else that would make more of a difference? What are our priorities? Is it more important to deal with what the mayor wants and our cities, and come up with a better transportation system?

Is it better for us to build that tunnel under the Hudson River than it is to, say, take on high speed rail, which many of us know is going to be a ton of money down the road? There has to be some prioritization here. You can't do it all; there are only so many assets.

So I really would urge you to start to think about some of these big picture things and get back to this Committee about what your thoughts are and how this can be done. It is really important. It is very important to the future of our country right now. We are in a very, very fragile position. If we can get started with some of these things, people have confidence in the future, we have a chance of maybe turning this thing around and going in another direction.

And I am sorry I didn't ask you questions, but I really would like you to respond to some of the things that I have talked about.

Mr. KIENITZ. Yes, certainly, Senator. I take your point entirely about the long-term value to the country and to all of the needs that we have discussed here today of getting a long-term bill, and I saw with interest your statement that you issued after the passage of the recent jobs bill here in the Senate on cloture, and also Senator Boxer has been very strong in her statements about trying to proceed down a similar path this year. We are very aware of that, as is the Secretary, and we hope to find a way to engage with you that meets your objectives.

The Secretary has been fairly clear that during a period of deep recession it was his view that it was not the right time to raise the gas tax, but obviously we will have to work with everyone here going forward to see what the choices are.

Senator BOXER. Well, let me just say Senator Voinovich has been an extraordinary partner as we—because he was not thrilled with the long-term extension; he wanted us to write the long bill this year. I mean earlier, way earlier. And we are going to do it this year. We are going to get it done before the end of the year.

And what we are going to do—Senator Inhofe is very strong on this as well—is we are going to look at all the funding recommendations. It is up to Senator Baucus and Senator Carper, who serves on Finance; they are going to find the way to do the long-term funding. We are going to look at it all and forward every good idea. But we are going to write a bill here, because Senator Voinovich is right; it is going to lift people's spirits up.

In my State—and I am sure it is true in other States—the construction industry is flat on its back because of the housing crisis, which has hit most of our States if not all. And construction jobs—these are important good paying jobs; they can't be exported. When you build a road in Ohio or Delaware or California, when you run a transportation system, it is in America. So we have to get this going.

What I am going to do now, instead of asking you more questions, because we want to get to the mayor—and I know Senator Carper said he has questions for the next panel; he will be back—is just say I would like to get your word. You have already said yes to this, and Secretary LaHood is one of my favorite ever transportation secretaries. I just want to get it on the record that you will work with us——

And Mayor, I think this is important for you to hear.

I want to get it on the record that you will work with us and with the Secretary and with our staff to examine all the laws that now you have IDed, which can be potentially helpful to Los Angeles and other places where they have made a commitment either through the ballot box or through the private sector. And from your testimony it looks like it is TIFIA, it is the National Infrastructure Fund, and it is the TIGER grant program. Can they make loans through TIGER?

Mr. KIENITZ. Yes. One of the great features of TIGER is that it can do either really in any amount.

Senator BOXER. Good.

Mr. KIENITZ. So even if we are unsuccessful in increasing appropriations for the TIFIA program, for example, the TIGER grants recently announced actually were a $50 million increase in TIFIA because those projects ended up being high priority. So TIFIA immediately grew outside of the normal budget process. So that is one other window.

Senator BOXER. OK. So I have your word that you will work with us to help Los Angeles? Because I think if we could get a project that is ready to go and build the confidence there and get it started, I think it would send a really great signal. So you will work with us on this?

Mr. KIENITZ. Absolutely. You have my commitment and our commitment.

Senator BOXER. Thank you. Thank you, Under Secretary. We very much appreciate your testimony.

Mr. KIENITZ. Thank you. My pleasure.

Senator BOXER. And we are pleased now to call up our second panel, Hon. Antonio Villaraigosa, Mayor, city of Los Angeles; Lowell Clary, Managing Partner, Clary Consulting, LLC; Mr. Max Inman, Senior Advisor for Project Finance and Program Management Initiatives, Mercator Advisors; and Ms. JayEtta Hecker, Director of Transportation Advocacy, Bipartisan Policy Center.

And we are going to begin with the mayor, and we are going to go right down the row. And Mayor, we welcome you here. You have been an ardent advocate for your city and for the same constituents I represent, and I really appreciate it. And I am really happy you are here today because I think your message to us is a good message, so please proceed.

STATEMENT OF HON. ANTONIO R. VILLARAIGOSA, MAYOR, CITY OF LOS ANGELES, CALIFORNIA

Mr. VILLARAIGOSA. Thank you, Madam Chair, for that introduction. But let me say how fortunate we are in the city and the county of Los Angeles and the State of California to have you as an advocate not just on the issue of transportation, the environment, the many jobs related issues which are so important in these times, and I want to thank you for inviting me here today.

Senator Voinovich, thank you for your remarks. Maybe it is because you are a former mayor, but clearly you know and understand just how important this issue of infrastructure, particularly in our cities and our metropolitan areas, is, not just to those areas, but to the Nation. Your comments regarding the need for public-private partnerships and innovative financing mechanisms are music to my ears, so I want to thank you for your comments.

And Senator Carper, it is good to see you as well. I know that Senator Inhofe and Senator Lautenberg had to go back to committee. As a former member of the California legislature and speaker of the assembly, I can tell you I understand having to be in two places at the same time.

I want to thank you for the opportunity to address you today. Your leadership, support, and interest in transportation infrastructure are crucial to the future of the city. In hearing each of you speak, all of you talked about this important issue of infrastructure, what it means for the economic vitality of America, its future, and I can tell you that for me those words couldn't be any truer. Your focus on leveraging Federal investment comes at just the right time.

As American cities continue to grow, we are struggling with traffic congestion and air pollution. It makes life harder and more expensive for people. Congestion burdens our economy, increases the cost of goods movement, and affects the mental and physical health of our communities. So that you understand, we are the congestion capital of the United States of America, and we move more goods than any area in the United States of America. We move 44 percent of all the seaborne goods that enter the United States through our ports.

When you look at those ports, they generate jobs in every single congressional district in the United States of America. At the same time we are facing a staggering unemployment rate. In Los Angeles the unemployment rate is at 14 percent, as high as 35 percent in the construction trades. We believe there is a way to address both issues head-on through an innovative, Federal-local partnership.

I already mentioned that we are famous for being the car capital of the world. This also makes us the most congested city, with some of the worst air quality in the country. But we are doing something about that: we are investing in car pool lanes, in congestion pricing, synchronizing our traffic signals, and most importantly investing in public transportation. Our current transit program includes construction of 12 major new lines over the next 30 years. We will double the rail system in Los Angeles County. And although I am the mayor of the city, I come here representing the entire county, 10.5 million people.

These projects include an extension of our subway, the subway to the sea that some have referred to; light rail lines in the Crenshaw District, the San Gabriel Valley, and to Los Angeles International Airport, the No. 1 destination airport and the fifth busiest airport in the world. Our overall goal is to connect the communities where we live with the major job centers in the region. As an example, this subway to the sea would connect the two largest job centers in the State of California, downtown and the west side. We need to get people where they need to go sustainably and efficiently.

Building these 12 projects will create 166,000 high quality construction jobs in a 10-year period; will create at least 2800 permanent operating and maintenance jobs. I want to point out that these are career jobs, jobs that can support a family. These projects also will take 570,000 pounds of pollutants out of the air each year, make our communities more sustainable and livable, and secure our energy future by reducing our dependence on foreign oil.

Now, we can pursue such an aggressive and far reaching transit program because of Measure R. Measure R was approved overwhelmingly by 68 percent of the voters in Los Angeles County in November 2008. We did that in the midst of an economic recession. It is a 30-year half-cent transportation sales tax. It is also the third transportation sales tax approved by our voters. Measure R alone will generate $40 billion in new revenue and together with our other three local sales taxes generate almost $2 billion a year for the region, money that we are investing in transportation infrastructure and the future of our region.

But the reason why we are here is we have a unique opportunity to build our transit projects sooner; create the jobs and capture the environmental benefits in the near future. We want to build our transit projects in 10 years instead of 30. We call our accelerated plan the 30/10 Initiative. It is 100 percent consistent with the Consensus Transit program adopted locally and approved by our voters. It would accelerate our transit program; will save billions of dollars, reducing the cost from $18.3 billion to $14.7 billion. Now, we also believe that we can cut costs even further by taking advantage of market conditions, public-private partnerships for design and construction.

Now, right now we are working to identify a funding strategy to build these projects sooner. We think we can meet most of our funding needs by financing the project costs up front using tax exempt bonds and by tapping, as was mentioned a few minutes ago, Federal programs such as Build America bonds and TIFIA. These two programs as well as the potential in National Infrastructure Bank are all very good starting frameworks.

We are looking to expand our partnership with the Federal Government, a more aggressive Federal program of interest rate subsidies, loan guarantees, direct loans, and/or innovative repayment terms. This would help us build our program in 10 years and jump start our region's economic recovery.

I mentioned that I used to be speaker, and the reason why we came up with this issue is because when I was speaker of the California State Assembly localities would always come to the legislature and ask us for money, and I would always ask them, what are you doing to invest in your infrastructure? It is nice to ask us for money, but we don't have unlimited pots of money.

Well, the same is true in the Federal Government. At a time when the Senate just passed—and the House has approved—the $15 billion jobs bill, we all know while that was a good starting point it is a long way from what we need to do right now to get people back to work to make investments in our infrastructure program that is so important.

This is not just L.A. coming with an empty hand; this is Los Angeles coming with money in hand, approximately $40 billion, and an offer for a Federal partnership with the other hand. And importantly—and I was very heartened to see all of the Senators make comments—importantly, it is a template for what we ought to be doing across the country.

I am Vice President of the U.S. Conference of Mayors, and one of the things I am arguing with my colleagues, or advocating for, I am saying, look, at a time of very limited resources at the Federal level, with the deficit and the debt as high as it is today, we need to think about innovative public-private partnerships and opportunities for us to partner to leverage what localities are doing. It will incentivize localities across the country to pass their own bonds and/or funding efforts in the way that New Jersey has done, where they are spending, I think Senator Lautenberg said, about 60 percent of the money for that tunnel locally, and it will allow all of us to accelerate the generation of jobs and the infrastructure that we need.

So as we get closer to finalizing our funding strategy we look forward to working with you to forge a new Federal-local partnership that will create quality jobs, increase sustainability, and build livable communities.

I want to thank you again, Madam Chair, for allowing me to be here today. I took the red eye as I usually do when I come here. I will be leaving in a couple hours back to Los Angeles. And if you saw both the Washington Post article, the L.A. Times opinion article in the opinion section, and the Wall Street Journal article, everybody is talking about what we are trying to do here. It is a template for what we need to do in times when there is a limited amount of Federal funds, an opportunity for us to partner in an innovative way.

Thank you very much.

[The prepared statement of Mr. Villaraigosa follows:]

ANTONIO R. VILLARAIGOSA
MAYOR

United States Senate Committee on Environment and Public Works

Testimony of Los Angeles Mayor Antonio R. Villaraigosa

March 11, 2010

Thank you Chairman Boxer, Ranking Member Inhofe, and members of the committee for the opportunity to address your committee at the "Federal, State and Local Partnerships to Accelerate Transportation Benefits" hearing. Your focus on leveraging federal investment and encouraging non-federal investment in transportation is important and timely for the nation and for Los Angeles in particular.

Introduction

Los Angeles is the car capital of the world, with the traffic congestion and air quality to prove it. Despite dramatic improvements in our air quality over the past four decades, Los Angeles continues to have some of the dirtiest air in the U.S. And, according to the Texas Transportation Institute, we continue to have the highest levels of traffic congestion in the U.S. Angelenos spend an average of 70 extra hours each year stuck in traffic. In total, we waste 367 million extra gallons of fuel and 485 million hours at an estimated cost of $10.3 billion to our regional economy.

At the same time, we have invested heavily in our transportation infrastructure and made progress in stemming the growth of traffic congestion. While most other major U.S. cities have seen congestion grow since 1997 – even those with major transit systems – Los Angeles' congestion levels have remained constant despite population increases.

We have done this by strategically expanding our car pool lane system, synchronizing our traffic lights, and expanding our mass transit system. Our first rail line of the modern era opened in 1990, connecting the City of Long Beach and downtown Los Angeles. Since then, we have invested heavily in expanding our light rail, heavy rail, and commuter rail systems. Concurrently, we have seen an explosion of rail ridership in Los Angeles. From 1996 to 2008, overall rail trips increased 150%, with light rail growing 90%, heavy rail growing 275% (after opening subway legs to Hollywood, Universal City, and North Hollywood), and commuter rail growing 126%.

According to the 2008 National Transit Database Los Angeles ranks third in the nation in total transit boardings (474 million), trailing only New York and Chicago. We also are ranked tenth in rail boardings. And our growing heavy rail system (subway) is top in the

U.S. in passengers per hour ("Unlinked Passenger Trips per Vehicle Revenue Hour"), beating out both New York and Chicago. These data suggest that there is there is a market for rail transit in Los Angeles. At the same time, we have continued to invest in our bus system, innovating new "Rapid Bus" service, building a 14-mile bus rapid transit project (Orange Line), operating the largest clean fuel bus system in the U.S., and winning the 2006 American Public Transportation Association's best large transit operator award.

Transit is the Future in Los Angeles

Public transit plays a vital role in cities, relieving traffic congestion, improving air quality, and providing lifeline service to the transit dependent so that they have access to full range of opportunities they need to prosper, from jobs and shopping to medical services, education, and recreation. But in cities like Los Angeles, we are essentially built out. There is little undeveloped land beyond our parks and clearly there is no room to build new freeways to ease traffic without ripping out neighborhoods wholesale, which I strongly oppose.

When I ran for mayor of Los Angeles in 2001 and again in 2005 (when I was elected), a cornerstone of my platform was making our city and our region more sustainable. A key part of building sustainable communities is investing in clean rail transit. I argued then and continue to believe today that Los Angeles needs a greatly expanded rail system to remain competitive in the 21st century and if we are to grow into a truly sustainable metropolis made up of livable communities.

Therefore, we are investing heavily in transit, retrofitting our city and region with new systems that provide clean, reliable alternatives to driving. At the same time, we are working to create sustainable communities around our rail stations, neighborhoods where walking, cycling, and transit can connect people to the places they want to go and the people they want to see. We are supporting major anchor developments in transit oriented districts and between 2005 and 2009 over 40% of all new construction has occurred near rail stations.

As mayor and a member of the 13-member Los Angeles County Metropolitan Transportation Authority's (MTA) Board of Directors, I have worked with my colleagues to start important planning and environmental studies for new rail lines that precede construction. We have done so because we know that major public works projects are not built overnight and that pre-construction work must continue even as we work to identify funding for our ambitious rail program.

United States Senate Committee on Environment and Public Works
March 11, 2010

The Measure R Story – Cities Investing in Transportation Infrastructure

In 2008, in the midst of a national economic recession, Los Angeles voters said "yes" to cleaner air, jobs, and livable communities and supported Measure R, a 30-year half-cent sales tax dedicated to transportation investments. Over two million voters and two-thirds (67.93%) of those casting votes on November 4, 2008 supported Measure R. While surprising to many, we were confident that our voters again would choose to invest in themselves and the transportation future of our city and our region.

Measure R will generate an estimated $40 billion in revenue over the next 30 years. It is a multi-modal funding source, dedicating 20% of revenue for highway improvements. In addition, local cities in the County of Los Angeles receive 15% of the revenue by population formula that they can spend on local projects that improve mobility, transit, cycling, and pedestrian access. But the majority (65%) of funding is dedicated to transit capital projects and transit operations. And the construction of Measure R projects will create thousands of new, high quality jobs.

Measure R can serve as a model for local investment in transportation. This is the third time the Los Angeles electorate has voted to tax itself for a better tomorrow. Previously, our voters passed half-cent sales taxes in 1980 and 1990. As a result, Los Angeles has been able to make massive investments in public transit and our highway system. We have had matching funds to compete for and secure state and federal transportation funding, including federal New Starts to support our heavy rail and light rail expansion. And we have had additional operating funds that have allowed us to keep our fares low.

MTA 2009 Long Range Transportation Plan – Consensus Transit Projects

Last year, the MTA Board of Directors unanimously adopted a new Long Range Transportation Plan (LRTP), which serves as the blue print for our transportation investments over the next 30 years. Our plan represents an MTA Board consensus of support for the 12 transit projects approved by voters in Measure R. Thanks to Measure R, we will be able to expand our rail system dramatically, building 12 new rail and bus rapid transit (BRT) lines and adding an estimated 78 miles of new service. Our plan includes 65% of its transit construction funding from Measure R, 23% from federal New Starts, and 12% from other local, state, and federal funds.

During the first decade, Los Angeles' consensus projects for federal New Starts funding are the Westside Subway and the Regional Connector and we are seeking to get both projects authorized in the upcoming surface transportation bill. The subway will extend heavy rail service from its current terminus in Koreatown westward to many important job, cultural, and medical centers, including the Los Angeles County Museum of Art, Beverly Hills, Century City, and Westwood, home of the University of California at Los Angeles (UCLA). The Regional Connector will link four light rail transit lines, improving the efficiency and ridership of our system. Our plan includes $1.6 billion in federal New Starts funding in MTA fiscal year 2010-2019 for these two projects.

The construction and operation of these lines will yield significant regional benefits. We will remove from the environment 570,000 pounds of emissions annually. We will use 10.3 million less gallons of gasoline. We will drive 208 million fewer miles each year. And we will increase annual transit use by 77 million trips.

But beyond these important environmental and transportation benefits, our plan will create jobs. Over our 30-year plan, we expect to create 166,000 construction jobs and at least 2,800 permanent jobs operating and maintaining our expanded transit system.

Los Angeles 30/10 Initiative

Unfortunately, 30 years is too long to wait if we can find a way to build these projects faster. Our "30/10 initiative" is a proposal to accelerate construction of 12 new mass transit lines and build these projects over the next decade.

30/10 will create jobs, secure our energy future, and make Los Angeles move sustainable and livable. By transforming our region, we will achieve the many benefits in the near-term, in time to see and appreciate them. Specifically, we would triple the number of construction jobs in Southern California (not just Los Angeles), with an average of over 16,000 jobs annually. These would be career jobs in the construction trades, not short-term employment. We would see 1.8 times less carbon monoxide (CO) and 2.4 times less nitrous oxides (NO_x) over the next 30 years. And we would see an expanded rail network connecting many of the most important employment and population centers in our region.

We believe that there is a compelling local and national interest in getting the jobs and environmental benefits of our transit program as quickly as possible. One of our 12 projects is already under construction and we expect to break ground on a second project later this year. Another seven projects are in some stage of formal pre-construction development (planning, environmental, or design).

By accelerating our transit program, we can reduce construction costs by 20% from avoided cost inflation alone, from $18.3 billion over 30 years to $14.7 billion over 10 years. In addition, the soft construction market provides an opportunity to put Americans back to work and save money building new rail lines. We have seen aggressive bidding on public works projects by companies hungry for work, with bids coming in ten, twenty, or more percent under the engineer's estimate.

The challenge we face is that our Long Range Transportation Plan only has $5.8 billion in transit capital funding in MTA fiscal year 2010-2019. This means a funding gap of up to $8.8 billion (though likely lower if we can go the construction market sooner). At the same time, we will have an estimated $10.4 billion of Measure R transit construction money in the second and third decades of our plan that we want to tap now.

To achieve our goal, we have been working to develop a funding plan for the 30/10 initiative. Two current federal programs – the Build America Bonds (BABs) and The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) – could provide important assistance in our efforts to make 30/10 a reality. Likewise, a national infrastructure bank also could be helpful.

But the federal government can and should do more, especially for cities and regions that are coming to the table with money in hand to create a true federal-local partnership. We have begun conversations with leaders in the Senate and House, the White House, and key federal agencies to strategize about how we can partner together to leverage local voter-approved funding in a way that will create jobs and improve sustainability.

Because we plan to finance much of the 30/10 construction, we believe a combination of multi-year direct loans, loan guarantees, interest rate subsidies, and innovative re-payment terms would enable us to fund construction of all 12 of our transit projects over the next decade. This could become the model for a new paradigm in federal transportation funding, or – at a minimum – an innovative partnership model.

Conclusion

As Congress continues its important focus on stimulating the U.S. economy and reauthorizing the surface transportation bill, we believe that serious consideration should be given to expanding the federal government's financing assistance for transportation projects. Doing so would encourage states and local government to invest in the transportation infrastructure that is essential to maintaining the competitiveness and sustainability of the U.S. in the 21st century and enable the federal government to leverage its resources strategically.

Attached are additional supplemental materials related to our 30/10 initiative, Measure R, and the job creation benefits of investing in public transit. Please do not hesitate to contact me directly or Deputy Mayor Jaime de la Vega at (213) 978-2360 or jaime.delavega@lacity.org before or after the hearing if you have any questions.

Finally, I want to thank you, Chairman Boxer, and Ranking Member Inhofe for providing me with the opportunity to submit this testimony. I look forward to working collaboratively with you and this committee in the future to forge a partnership that will help us create quality jobs and clean up the environment.

ANTONIO R. VILLARAIGOSA
MAYOR

United States Senate Committee on Environment and Public Works

Supplemental Material to the

Testimony of Los Angeles Mayor Antonio R. Villaraigosa

March 11, 2010

Attached are supplemental materials that may be helpful in preparing for the "Federal, State and Local Partnerships to Accelerate Transportation Benefits" hearing.

- Los Angeles 30/10 Initiative, February 12, 2010 (2 pp)
- "Villaraigosa's 30-10 vision", *Los Angeles Times*, February 26, 2010 (2 pp)
- Measure R [Overview], February 16, 2010 (2 pp)
- "The Construction Impact Of Metro's Measure R Transportation Projects 2009-2038", Los Angeles Economic Development Corporation, February 10, 2010 (19 pp)
- Election results, November 8, 2008 (1 p)
- Measure R Vote Totals for the County of Los Angeles and City of Los Angeles, November 2008 (2 pp)
- Measure R "Ordinance # 08-01 Traffic Relief and Rail Expansion Ordinance", July 28, 2008 (32 pp)

Please contact Deputy Mayor Jaime de la Vega at (213) 978-2360 or jaime.delavega@lacity.org at any time if you have any questions or if we can be of further assistance.

Los Angeles 30/10 Initiative
Accelerating Delivery of Measure R Transit Projects

- Create jobs, secure our energy future & make Los Angeles more sustainable and livable
- Build & open 12 major transit projects in 10 years instead of 30
- Reduce project delivery costs by 20% ($3.7 billion)

The Measure R Story

- Voters approved $40 billion, 30-year half-cent transportation sales tax, with 65% of funding for public transit
- Supported by over 67% of the voters in Los Angeles Co. in 2008 in midst of economic recession
- Public transit funding for 12 major projects in new, consensus 30-year blueprint for an improved transportation network in Los Angeles County
- 9 of 12 projects in construction or pre-construction development

Benefits & Rationale

Creating & Sustaining High Quality Jobs

- 165,990 construction jobs (10 yrs.)
  Updated figure for total jobs in Southern California (02/10/10)
- 2,800+ permanent operating & maintenance jobs
- Opportunity to purchase U.S.-made materials (steel, etc.)

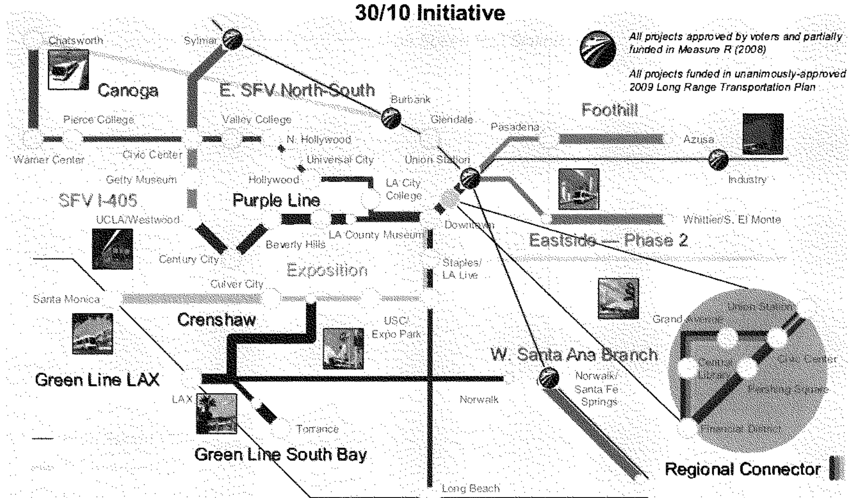
Sustainability & Livability

- 570,000 lbs. fewer emissions/yr.
- 1.8 x less CO (2020-2035)
- 2.4 x less NO_x (2020-2035)

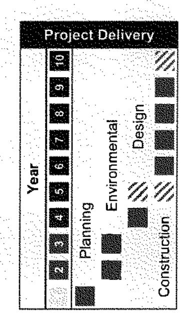
Securing our Energy Future

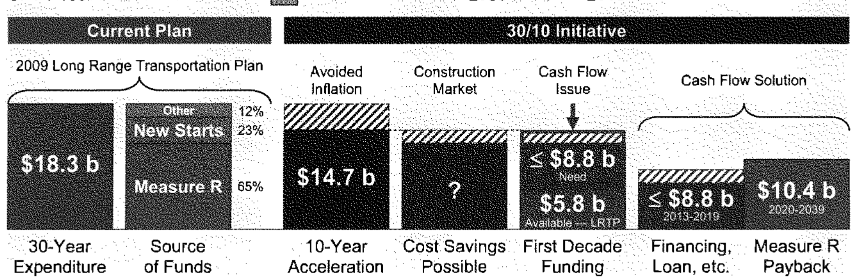
- Electric rail transit
- 10.3 million fewer gal. gas/yr.
- 77 million more transit trips/yr.
- 208 million miles less driving/yr.

30/10 Initiative



Project	Status	Year Opens Current Plan	Year Opens "30/10"
SFV North-South (Canoga)	Construction	2013	2013
Exposition - Phase 2	Environmental	2015	2015
Gold Line Foothill (Azusa)	Start < 12 mos.	2017	2014
Crenshaw	Environmental	2018	2016
SFV East North-South	Planning	2018	2018
Regional Connector	Environmental	2019	2017
Westside Subway (Purple Line)	Environmental	2019, 26, 36	2017
West Santa Ana Branch	----	2027	2018
Green Line - LAX	----	2028	2018
Eastside - Phase 2	Environmental	2035	2017
Green Line - South Bay	Environmental	2035	2018
SFV I-405	----	2039	2018





latimes.com

Opinion

Villaraigosa's 30/10 vision

Washington should get behind the mayor's transit proposal for L.A.

Tim Rutten

4:26 PM PST, February 26, 2010

Mayor Antonio Villaraigosa has been in Washington this week, meeting with other cities' chief executives and, more important, asking key lawmakers and transportation officials to support an audacious public works plan that simultaneously addresses Los Angeles' unemployment and traffic crises.

Villaraigosa never has been short on ambitious ideas, but his so-called 30/10 proposal is one of the best he's ever put forward. It deserves the support not only of the Obama administration but also of both sides of the aisle in California's large but fractious congressional delegation.

Essentially, the mayor is taking the administration at its word when it says it wants to focus on jobs and to stimulate the economy by steering funds to "shovel-ready" projects. The 30/10 plan does both of those things, and does so in a shrewd and attractive way.

The mayor's proposal starts with last year's passage of Measure R, in which Los Angeles County voters agreed to increase the sales tax by half a cent for 30 years in order to raise $40 billion to construct a specific roster of mass transit projects, including westward extension of the subway to Santa Monica and additions to the light-rail Gold Line in the San Gabriel Valley.

In essence, Villaraigosa wants Washington to give the Metropolitan Transportation Authority what amounts to a bridge loan so that rather than stretching the construction projects out over three decades, as Measure R anticipated, all the work can be completed in just 10 years. The loan would be secured by the tax revenue county voters already have pledged to the projects.

As such, it presents the administration with an opportunity to create badly needed jobs and invest in a region that desperately needs traffic relief -- at no long-term cost to the federal budget.

As Villaraigosa pointed out in Washington this week, "At a time when almost all states and most cities are going to Washington with one hand open, we're going with money in one hand and an open hand for a partnership in the other." In early meetings with lawmakers, he urged them to give special consideration to the fact that "we're the one city in the country that -- in the middle of a recession -- passed this measure. . . . We could be a blueprint of what other cities should be doing."

That would be a pleasant change indeed.

By some estimates, speeding up the construction schedule for all of the county's pending transit projects -- which includes filling in gaps in the existing light-rail system as well as new lines along Crenshaw Boulevard and westward along the Exposition right of way -- would create as many as 116,000 construction jobs. That's no small thing because nearly 40% of the county's construction workers are jobless. Moreover, because the deep and lingering recession has pushed down the costs of labor and materials, MTA officials believe letting as many contracts as possible now will save taxpayers money in the long run.

On a recent visit to Los Angeles, Rep. Peter DeFazio (D-Ore.), an influential member of the House Transportation and Infrastructure Committee, agreed that "these sorts of things are what we really need to do. . . . Taking one of the most congested places in the country and taking a big-bang approach is visionary. The problem is that this hasn't been done before. The federal government hasn't worked with a region on a scale like this."

Transportation Secretary Ray LaHood reportedly is similarly impressed by the 30/10 proposal but cautions that the federal government never has provided this sort of bridge-loan financing.

This proposal's novelty shouldn't be allowed to become an obstacle. We're still passing through the worst financial and unemployment crisis since the Depression.

Villaraigosa's plan relies on taxes that voters already have approved, and it is one of the few on the table whose scope and practicality matches that of the New Deal's grand public works projects.

Those programs not only ameliorated suffering bordering on despair, but also created physical assets from which we all still benefit. In that sense, they were quintessential examples of what historian Arthur Schlesinger regarded as President Franklin D. Roosevelt's great contribution to the American system: a politics of remedy.

timothy.rutten@latimes.com

County of Los Angeles **Measure R** Approved November 4, 2008 (67.9%)

Measure R is a historic voter-approved 30-year half-cent sales tax that will:

- Create jobs designing, building, and operating new transportation infrastructure
- Bolster the local, state, and national economies
- Increase the sustainability of Los Angeles

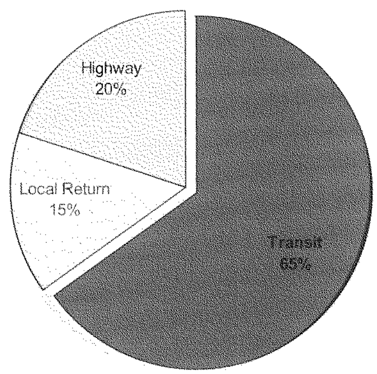
At least 65% of funding will be used to improve Los Angeles' transit system.

The largest category of funding (35%) will be used to build and expand Los Angeles' rail and busway transit system.

Federal revenue also will increase as a result of project construction.

Measure R - Allocation of Funds

Category	Percent	$ Billions
Transit		
Transit Construction	35%	13.2
Bus Operations	20%	7.6
Rail Operations	5%	1.9
Commuter Rail	3%	1.1
Rail System, Yards & Cars	2%	0.8
Subtotal	**65%**	**24.6**
Highway	20%	7.6
Local Return	15%	5.7
Total	**100%**	**37.8**



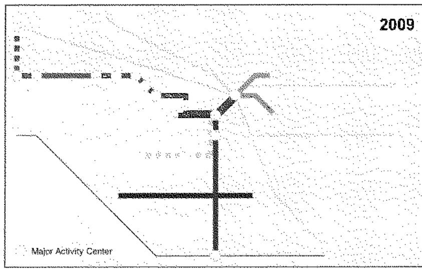
Measure R - Transit Expansion Environmental Benefits

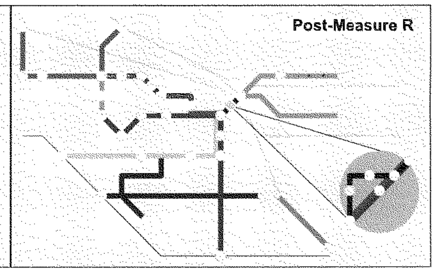
Annual Benefits

- 568,458 pounds fewer mobile source emissions
- 10.3 million fewer gallons of gasoline used
- 77 million more transit boardings
- 208 million fewer vehicle miles traveled

Measure R - Transit Construction Job Creation UPDATED

Metric	So. California
Direct Spending	$9.8 b
Total Output	$22.5 b
Earnings	$7.3 b
Jobs	**166,000**
Annual average (baseline)	5,533
Annual average (accelerated)	16,600
Federal Income Tax	$1.0 b
Social Security	$0.9 b
Medicare	$0.2 b
Total	**$2.2 b**





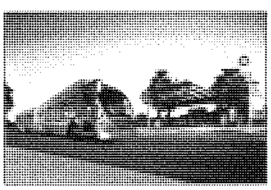
Existing Rail & Busway Lines

Line	Mode	Opened	Miles
Blue Line	LRT	1990	22.0
Red Line - Segment 1	HRT	1993	4.4
Green Line	LRT	1995	20.0
Red Line - Segment 2A	HRT	1996	2.1
Red Line - Segment 2B	HRT	1999	4.6
Red Line - Segment 3	HRT	2000	6.3
Gold Line - Pasadena	LRT	2003	13.7
Orange Line	BRT	2005	14.0
Gold Line - Eastside	LRT	2009	5.9
Expo Line	LRT	*2010-2011*	9.6
TOTAL			**102.6**

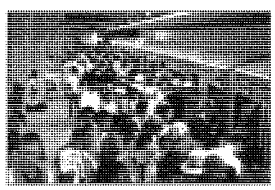
LRT: Light Rail Transit HRT: Heavy Rail Transit BRT: Bus Rapid Transit

Future Measure R Rail & Busway Lines

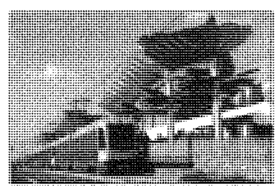
Line	Mode	Baseline	Miles
Orange Line Canoga	BRT	2013	4.0
Expo Line - Phase II	LRT	2015	6.6
Gold Line - Foothill (Azuza)	LRT	2017	11.3
Crenshaw	LRT	2018	8.5
SFV North-South	BRT	2018	*7.5*
Regional Connector	LRT	2019	1.7
Wilshire Subway	HRT	2019-2036	8.4
West Santa Ana Branch	TBD	2027	*8.0*
Green Line - LAX	LRT	2028	1.0
Eastside - Phase II	LRT	2035	9.3
Green Line - South Bay	LRT	2035	2.7
SFV I-405 Corridor	TBD	2039	*8.5*
TOTAL			**77.5**



The Orange Line (bus rapid transit) opened in October 2005 and a 4-mile extension is under construction.

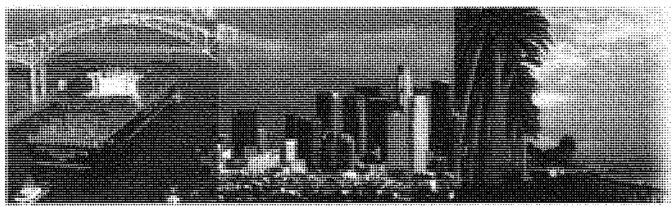


Los Angeles' heavy rail subway system has the most passenger trips per hour in the U.S. (2008 National Transit Database).



The Eastside extension of the Gold Line (light rail transit) opened in November 2009 with an amazing safety record with no lost time due to injuries during construction.

THE CONSTRUCTION IMPACT OF METRO'S MEASURE R TRANSPORTATION PROJECTS 2009-2038



Los Angeles County Economic Development Corporation

February 10, 2010

444 S. Flower Street, 34th Floor • Los Angeles, CA 90071 • (888) 4-LAEDC-1 • www.LAEDC.org

EXECUTIVE SUMMARY

The Los Angeles County Metropolitan Transportation Authority (Metro) has proposed a series of transportation improvement projects in Los Angeles County to be funded through tax revenues generated from the voter-approved Measure R increase in sales taxes.

The Consulting Practice of the Los Angeles Economic Development Corporation (LAEDC) has estimated the economic impact of $34.7 billion of these construction projects. The total economic impacts consist of the one-time increases in total output (as measured by business revenues), employment and earnings in Southern California associated with the proposed construction activities over the next 30 years. All of the projects and most of the employment and economic activity will be in Los Angeles County; however, we have used the region defined by the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura to measure the impact of Metro's spending given the interconnectedness of this region's economic activity.

In addition to the economic impact of this construction, we have estimated the annual fiscal impacts at the county, state and national levels.

The exhibit below summarizes our findings.

Economic and Fiscal Impact of Metro Construction Projects

	Project Total	Annual Average
Project spending ($ millions)	$ 34,702	$ 1,157
Total Economic Impact		
Output ($ millions)	$ 68,775	$ 2,292
Employment (jobs)	507,500	16,900
Earnings ($ millions)	$ 22,376	$ 746
Total Fiscal Impact ($ millions)		
Federal	$ 6,586.1	$ 219.5
State	2,304.8	76.8
County	271.4	9.0
Local	155.1	5.2

Sources: Metro; LAEDC
2008 dollars

Total spending, budgeted to exceed $34.7 billion, will generate $68.8 billion in economic output (measured by business revenues) in the five-county Southern California region, adding 507,500 jobs with earnings of $22.4 billion over the thirty year period, or an annual average of 16,900 jobs with $746 million in annual earnings.

Total tax revenues collected will exceed $9.3 billion, or an annual average of $310 million. Approximately 70 percent of the total, or $6.6 billion, will be earned at the federal level. More than $2.3 billion in state taxes will be paid over the thirty year period.

MEASURE R TRANSPORTATION PROJECTS

Budgeted Spending

The Los Angeles County Metropolitan Transportation Authority (Metro) has proposed a series of transportation improvement projects in Los Angeles County to be funded through tax revenues generated from the voter-approved Measure R increase in sales taxes. These projects are broadly categorized into two groups: highway and freeway projects, which also include grade separations and sound wall construction; and transit corridor construction. The overall budget for the projects included here is $34.7 billion over thirty years.

The amounts by budget category are shown in the exhibit below.

Exhibit 1
Metro Transportation Improvement Construction Projects
Program Budget by Category

	$ millions	% of total
Highway and freeway improvements, including grade separation and sound wall construction	$ 22,906.2	66.0
Of which: Right-of-way acquisition	*2,836.7*	
Transit corridor construction	11,795.8	34.0
Of which: Right-of-way acquisition	*1,56.3*	
Vehicle purchases	*985.8*	
Total Budget	**$ 34,702.0**	**100.0**

Source: Metro
2008 dollars

Approximately 66 percent of the total budget consists of highway and freeway improvements, and 34 percent for transit corridor extensions and improvements.

Excluded Spending

Right-of-way acquisition is excluded from economic impact analysis since this is an exchange of assets and does not generate economic activity. Similarly, since the purchase of vehicles is expected to occur outside of the five-county Southern California region, this spending is also excluded. Our methodology is fully described in the Appendix. Dollar values are expressed in 2008 dollars throughout this report.

Economic Impact

The exhibit below summarizes the economic impact in the five-county Southern California region due to the construction activity.

Exhibit 2 Metro Transportation Improvement Construction Projects Economic Impact by Category				
	Highway *	Transit	Total **	Annual Average
Project Spending				
Budgeted spending ($ millions)	$ 22,906.2	$ 11,795.8	$ 34,702.0	$ 1,156.7
Less: Excluded spending	*2,836.7*	*2,042.1*	*4,878.8*	*162.6*
Net budgeted spending ($ millions)	20,069.4	9,753.7	29,823.2	994.1
Economic Impact				
Output ($ millions)	$ 46,282	$ 22,493	$ 68,775	$ 2,292
Employment (jobs)	341,500	166,000	507,500	16,900
Earnings ($ millions)	$ 15,058	$ 7,318	$ 22,376	$ 746

* Includes grade separations and sound wall construction
** May not sum due to rounding
Sources: Metro; LAEDC
2008 dollars

During the 30-year construction period, the net budgeted spending related to the completion of Metro's proposed transportation projects, after deducting spending on right-of-way acquisition and vehicle purchases, is $29.8 billion. Together, this spending will generate economic output (measured by business revenues) of $68.8 billion in the five-county regions of Southern California (in 2008 dollars). The projects will create over half a million part-time and full-time jobs with total earnings of $22.4 billion, or an annual average of 16,900 jobs with $746 million in annual earnings.

The total economic output associated with highway and freeway projects is estimated to be $46.3 billion. These projects include building new freeways or highways, expanding capacity on freeways and interchanges, and the construction of grade separations along major goods movement corridors and sound wall barriers. Over the 30-year period, the total number of jobs related to these projects will be 341,500 with $15.1 billion in total salaries, or an annual average of 11,380 jobs with $502 million in earnings.

Transit projects, including the construction of light and heavy rail lines, subway extensions, and the construction of bus rapid transit lines, will generate $22.5 billion in total (direct, indirect and induced) output for the Southern California regional economy over the course of 30 years. Work on these projects will create 166,000 total jobs with over $7.3 billion in total earnings. On average, these projects will create 5,530 jobs with earnings of $244 million annually.

Industry Breakdown

Total output, employment and earnings impacts are disaggregated by industry sector in the exhibit below. This allows an estimation and industry identification of "follow-on" jobs and business revenues. The values in the exhibit should be interpreted as illustrative of the industry effects rather than precise given model and data limitations.

Exhibit 3
Metro Transportation Improvement Construction Projects
Economic Impact by Industry

Industry	Output ($ millions)	Jobs	Earnings ($ millions)
Agriculture	$ 239.4	2,021	$ 47.5
Mining	237.3	470	51.9
Utilities	1,055.8	1,507	183.8
Construction	26,838.7	218,867	10,534.5
Manufacturing	9,761.1	33,314	1,727.6
Wholesale trade	2,613.8	12,887	836.0
Retail trade	3,929.5	52,728	1,285.9
Transportation and warehousing	1,748.6	11,674	563.7
Information	1,668.0	6,385	406.3
Finance and insurance	3,622.8	13,775	975.5
Real estate	4,752.5	10,292	319.9
Professional, scientific and technical services	3,488.3	27,875	1,589.8
Management of companies	985.3	5,348	511.6
Administrative and waste management	1,386.7	20,887	609.3
Education services	459.4	7,063	208.2
Health care and social assistance	2,577.1	26,981	1,249.5
Arts, entertainment and recreation	442.7	7,491	182.3
Accommodations and food services	1,410.7	28,703	543.0
Other services	1,557.0	15,760	512.7
Households	n/a	3,509	37.3
Total *	**$ 68,775**	**507,500**	**$ 22,376**

* May not sum due to rounding
Source: LAEDC
2008 dollars

Much of the impact will occur in the construction industry, with almost 40 percent of the total (direct, indirect and induced) output earned by firms in the industry and over 43 percent of the jobs generated. However, other industries are also significantly impacted, including: manufacturing; real estate; retail trade; accommodation and food services; professional and scientific services; finance and insurance; and health care. Each of these industries will see an increase in business revenues and in the number of jobs as the effects of the increase in construction activity due to the Metro's projects ripple through the regional economy.

To put the job creation into context, we can compare its potential contribution to current employment in the region in the construction industry. According to the California Employment Development Department, in 2007 (the most recent year for which the data is available) employment in the construction industry in Southern California was 391,464 persons, and there were 6.3 million people in the total workforce.

The total estimated job creation related to the projects is 507,500 jobs over a thirty-year period, or an average of approximately 16,900 jobs per year in Southern California. The annual average amounts to approximately 0.27 percent of the total workforce in Southern California, which seems small because of the vast size of the workforce. However, the magnitude of this job creation can be better appreciated when compared to some of the largest private sector employers in Los Angeles County; for example, Northrop Grumman, with 20,500 employees in 2009; Bank of America, with 17,442 employees; and the Boeing Company, with 15,250 employees.

In the construction industry alone, job creation is expected to be 218,867 over the project period, or 7,296 per year. This amounts to 1.9 percent of the construction workforce in Southern California annually.

Geographic Distribution of Job Creation

We estimated the employment that will be generated by spending on Measure R projects within the five-county Southern California region, which includes the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura. Although the projects are physically located in Los Angeles County, the interconnected nature of the regional economy – most visible in commute patterns that cross county borders – means that the projects will generate employment across the region.

We distributed the employment created by Measure R spending proportional to each county's share of regional employment within 20 industry sectors. The distribution of employment created by individual projects will depend on where the project spending and hiring takes place. In the absence of detailed spending data for each project – many of which are not scheduled to start for a decade or more – this approach is a reasonable approximation of the likely impacts at the county level.

The Exhibit 4, on the next page, shows the likely employment distribution by county based on all Measure R projects. The values in these Exhibits should be interpreted as illustrative of the industry effects by county rather than precise given model and data limitations.

Exhibit 4
Employment Generation by Measure R Highway Spending
Industry Breakdown by County

Industry	Los Angeles	Orange	San Bernardino	Riverside	Ventura
Agriculture	180	120	340	70	640
Mining	190	30	20	30	50
Utilities	560	170	70	170	40
Construction	62,430	38,880	23,490	15,420	7,070
Manufacturing	13,000	5,170	1,440	1,740	1,070
Wholesale trade	5,120	2,010	470	790	290
Retail trade	19,030	7,100	3,840	3,830	1,680
Transportation and warehousing	4,800	870	610	1,400	180
Information	3,470	490	130	120	90
Finance and insurance	5,270	2,550	420	530	510
Real estate	3,920	1,840	490	440	230
Professional, scientific and technical	11,440	4,930	870	840	680
Management of companies	2,110	960	130	240	160
Administrative & waste	7,420	3,620	980	1,520	510
Education services	3,360	780	190	280	150
Health care and social assistance	10,810	3,460	1,420	1,750	730
Arts, entertainment and recreation	2,780	1,420	400	230	200
Accommodation and food services	10,420	4,430	1,990	1,640	840
Other services	7,360	1,420	680	840	300
Households	1,380	510	210	160	110
Total *	**197,120**	**73,380**	**26,750**	**29,340**	**14,960**

* May not sum due to rounding
Source: LAEDC
2008 dollars

Fiscal Impact

The proposed transportation projects will generate significant state, local and federal tax revenues over the 30-year construction period. Income taxes will be collected on the earnings of workers, both direct and indirect, as are unemployment insurance and disability insurance taxes. Sales taxes will be generated on the purchases of materials by the construction contractors and of goods and services by all the workers whose earnings are sustained by the transportation projects. The estimated tax revenues by level of government are summarized in the Exhibit on the following page.

We estimate that direct, indirect and induced workers will pay $3.2 billion in federal income taxes, $2.8 billion in social security taxes and $940 million in California state income taxes, together comprising almost three-quarters of all tax revenues. Sales taxes generated on all purchase will exceed $1.5 billion, more than sixteen percent of the total fiscal impact.

All together, at least $9.3 billion in tax revenues will be generated in relation to the transportation construction projects. Approximately 70 percent of this will be earned at the federal level, 25 percent at the state level, and the remainder shared between county and local governments. Our estimates of total tax revenues generated by construction-related activities are low, since due to data limitations we do not account for various federal and state taxes such as fuel taxes, business gross receipts taxes, and corporate income taxes; nor do we account for local permits and fees payable on the projects, which would be substantial for projects of this size.

Exhibit 5
Fiscal Impact of Transportation Improvement Projects

	Highway	Transit	Total *
Tax Revenue by Type of Tax ($ millions)			
Federal income tax	$ 2,128.2	$ 1,034.3	$ 3,162.6
Social security	1,867.2	907.5	2,774.6
Sales tax	958.5	553.4	1,511.8
State income tax	632.4	307.4	939.8
Medicare	436.7	212.2	648.9
CA SUI and SDI	188.1	91.4	279.5
Tax Revenue by Level of Government ($ millions)			
Federal	$ 4,432.1	$ 2,154.0	$ 6,586.1
State	1,508.7	796.1	2,304.8
County	172.0	99.3	271.4
Local government (cities)	98.3	56.8	155.1
Total *	**$ 6,211.1**	**$ 3,106.2**	**$ 9,317.3**
Annual Average	**207.0**	**103.5**	**310.6**

* May not sum due to rounding
Sources: Metro; LAEDC
2008 dollars

Results by Fiscal Year

Spending is projected to take place incrementally over the thirty-year period. The economic and fiscal impacts will be spread out over the period in relationship to each fiscal year's spending. Exhibit 6 on the following page shows the estimated economic impact by fiscal year, according to the budgeted spending.

Similarly, Exhibit 7 on page 9 shows the annual fiscal impact for each level of government.

Separate fiscal year Exhibits for the highway and freeway projects and for the transit projects can be found in the Appendix.

Exhibit 6
Metro Transportation Improvement Construction Projects
Economic Impact by Fiscal Year

Fiscal Year	Project Spending ($ millions)		Economic Impact		
	Budgeted Spending	Net Spending*	Output ($ millions)	Employment	Earnings ($ millions)
2009-2010	$ 391.6	$ 391.6	$ 903	6,700	$ 294
2010-2011	775.4	657.7	1,517	11,200	493
2011-2012	875.3	699.5	1,613	11,900	525
2012-2013	1,418.2	921.5	2,125	15,700	691
2013-2014	1,685.8	1,232.0	2,841	21,000	924
2014-2015	2,234.9	1,733.4	3,997	29,500	1,301
2015-2016	2,304.4	1,719.3	3,965	29,300	1,290
2016-2017	2,255.2	1,843.2	4,251	31,400	1,383
2017-2018	2,091.7	1,940.1	4,474	33,000	1,456
2018-2019	1,383.3	1,332.6	3,073	22,700	1,000
2019-2020	1,850.1	1,606.3	3,704	27,300	1,205
2020-2021	1,755.5	1,438.8	3,318	24,500	1,080
2021-2022	1,287.5	1,083.6	2,499	18,400	813
2022-2023	1,348.2	1,171.4	2,701	19,900	879
2023-2024	1,449.3	1,436.4	3,312	24,400	1,078
2024-2025	1,366.0	1,323.8	3,053	22,500	993
2025-2026	1,200.8	1,139.5	2,628	19,400	855
2026-2027	793.9	712.8	1,644	12,100	535
2027-2028	966.1	886.9	2,045	15,100	665
2028-2029	877.9	687.9	1,586	11,700	516
2029-2030	757.0	639.4	1,474	10,900	480
2030-2031	919.1	727.4	1,678	12,400	546
2031-2032	722.6	675.3	1,557	11,500	507
2032-2033	810.4	770.7	1,777	13,100	578
2033-2034	767.1	720.4	1,661	12,300	541
2034-2035	763.5	680.7	1,570	11,600	511
2035-2036	562.7	562.7	1,298	9,600	422
2036-2037	561.3	561.3	1,294	9,600	421
2037-2038	331.1	331.1	764	5,600	248
2038-2039	196.0	196.0	452	3,300	147
Total **	**$ 34,702**	**$ 29,823**	**$ 68,775**	**507,500**	**$ 22,376**

* Excludes right-of-way acquisition and vehicle purchases
** May not sum due to rounding
Sources: Metro; LAEDC
2008 dollars

Exhibit 7
Metro Transportation Improvement Construction Projects
Fiscal Impact by Fiscal Year

Fiscal Year	Fiscal Impact ($ millions)				
	Federal	State	County	Cities	Total *
2009-2010	$ 86.5	$ 29.4	$ 3.4	$ 1.9	$ 121.2
2010-2011	145.2	49.4	5.6	3.2	203.5
2011-2012	154.5	54.7	6.5	3.7	219.4
2012-2013	203.5	76.6	9.7	5.6	295.4
2013-2014	272.1	103.2	13.2	7.5	396.0
2014-2015	382.8	141.5	17.6	10.1	552.0
2015-2016	379.7	137.9	16.9	9.7	544.1
2016-2017	407.1	140.0	16.1	9.2	572.4
2017-2018	428.4	146.4	16.8	9.6	601.3
2018-2019	294.3	101.8	11.8	6.8	414.7
2019-2020	354.7	122.6	14.2	8.1	499.7
2020-2021	317.8	110.4	12.9	7.4	448.4
2021-2022	239.3	83.5	9.8	5.6	338.2
2022-2023	258.7	88.7	10.2	5.8	363.4
2023-2024	317.2	108.5	12.4	7.1	445.3
2024-2025	292.4	100.8	11.7	6.7	411.5
2025-2026	251.6	87.8	10.3	5.9	355.6
2026-2027	157.4	55.8	6.7	3.8	223.7
2027-2028	195.9	68.4	8.0	4.6	276.9
2028-2029	151.9	52.7	6.2	3.5	214.3
2029-2030	141.2	48.1	5.5	3.1	197.9
2030-2031	160.6	55.3	6.4	3.7	226.0
2031-2032	149.1	52.0	6.1	3.5	210.8
2032-2033	170.2	59.2	6.9	4.0	240.3
2033-2034	159.1	54.8	6.3	3.6	223.8
2034-2035	150.3	51.2	5.8	3.3	210.7
2035-2036	124.3	42.3	4.8	2.8	174.1
2036-2037	124.0	42.2	4.8	2.7	173.7
2037-2038	73.1	24.9	2.8	1.6	102.5
2038-2039	43.3	14.7	1.7	1.0	60.7
Total *	**$ 6,586**	**$ 2,305**	**$ 271**	**$ 155**	**$ 9,317**

* May not sum due to rounding
Source: LAEDC
2008 dollars

APPENDIX

Methodology

The total estimated economic impact includes direct, indirect and induced effects. **Direct activity** includes the materials purchased and the employees hired by Metro and its contractors during the project construction period. Here we account for construction workers which have been added due to the project and the materials purchased for the project. **Indirect effects** are those which stem from the employment and business revenues motivated by the purchases made by Metro and its contractors. For example, indirect jobs are sustained by the suppliers of the office supplies and insurance purchased by contractors hired for the construction. **Induced effects** are those generated by the spending of employees whose wages are sustained by both direct and indirect spending.

We used data supplied by Metro for initial spending, and estimated the direct, indirect and induced effects using multipliers from the Regional Input-Output Modeling System (RIMS II) developed by the Bureau of Economic Analysis at the U.S. Department of Commerce. In all cases, we have proceeded as if the spending will take place within a single year, as is customary when using RIMS II multipliers, although many of the proposed projects are anticipated to last several years. For long-term projects such as the multi-year Metro transportation improvement projects, the reader is cautioned to note that the modeling system does not account for changes in prices and wages over time. Thus our earnings and output estimates are not adjusted for future inflation, but are reported in constant (2008) dollars.

The estimated economic impacts are based on spending within the five-county Southern California region, which includes the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura. This region is chosen as most representative of the region most affected by Metro's projects. Although most of the employment and economic activity will be in Los Angeles County, we expect that the workforce, the materials purchased, and the business that will be impacted by Metro's spending are located throughout the five-county Southern California region.

Data limitations prevent us from estimating how much of the overall construction spending will take place outside of the region; for example, construction materials might be *purchased* locally but be manufactured elsewhere. In some instances, spending related to a project may occur in neighboring counties such as Santa Barbara or Imperial and thus generate *additional* economic impact that spills over from those neighboring counties. This spillover is not captured by our five-county analysis.

The budget category denoted as right-of-way acquisition is excluded from economic impact analysis since this is an exchange of assets. Similarly, since the purchase of vehicles is expected to occur outside of the five-county Southern California region, this spending is also excluded.

Job creation (or earnings) estimates are based on national average relationships between output and employment (or earnings). Where such relationships at the regional level differ from the national relationships, the impacts may be marginally understated or overstated. Job creation estimates are measured on a job-count basis for both wage-and-salary workers and proprietors regardless of the number of hours worked.

Supplemental Exhibits

Exhibit A-1
Employment Generation by Measure R Spending
Industry Breakdown by County

Industry	Los Angeles	Orange	San Bernardino	Riverside	Ventura
Agriculture	260	180	510	110	960
Mining	280	40	30	40	70
Utilities	830	250	110	260	60
Construction	92,770	57,780	34,900	22,910	10,500
Manufacturing	19,320	7,680	2,130	2,590	1,590
Wholesale trade	7,610	2,980	690	1,180	430
Retail trade	28,280	10,540	5,710	5,690	2,500
Transportation and warehousing	7,140	1,290	910	2,080	270
Information	5,160	730	190	170	130
Finance and insurance	7,830	3,800	620	780	750
Real estate	5,830	2,730	730	650	350
Professional, scientific and technical	16,990	7,330	1,300	1,240	1,010
Management of companies	3,140	1,430	190	350	240
Administrative & waste	11,030	5,380	1,460	2,260	750
Education services	4,990	1,160	280	410	220
Health care and social assistance	16,060	5,140	2,110	2,600	1,080
Arts, entertainment and recreation	4,130	2,120	600	340	300
Accommodation and food services	15,480	6,580	2,950	2,440	1,250
Other services	10,930	2,110	1,010	1,250	450
Households	2,050	760	310	230	170
Total *	**292,920**	**109,040**	**39,750**	**43,600**	**22,240**

* May not sum due to rounding
Source: LAEDC
2008 dollars

Exhibit A-2
Employment Generation by Measure R *Transit* Spending
Industry Breakdown by County

Industry	Los Angeles	Orange	San Bernardino	Riverside	Ventura
Agriculture	90	60	170	40	310
Mining	90	10	10	10	20
Utilities	270	80	40	80	20
Construction	30,340	18,900	11,410	7,490	3,440
Manufacturing	6,320	2,510	700	850	520
Wholesale trade	2,490	980	230	380	140
Retail trade	9,250	3,450	1,870	1,860	820
Transportation and warehousing	2,330	420	300	680	90
Information	1,690	240	60	60	40
Finance and insurance	2,560	1,240	200	260	250
Real estate	1,910	890	240	210	110
Professional, scientific and technical	5,560	2,400	420	410	330
Management of companies	1,030	470	60	110	80
Administrative & waste	3,610	1,760	480	740	250
Education services	1,630	380	90	130	70
Health care and social assistance	5,250	1,680	690	850	350
Arts, entertainment and recreation	1,350	690	190	110	100
Accommodation and food services	5,060	2,150	970	800	410
Other services	3,580	690	330	410	150
Households	670	250	100	80	50
Total *	**95,800**	**35,660**	**13,000**	**14,260**	**7,270**

* May not sum due to rounding
Source: LAEDC
2008 dollars

Exhibit A-3
Highway and Freeway Improvement Projects
Economic Impact by Fiscal Year

Fiscal Year	Project Spending ($ millions)		Economic Impact		
	Budgeted Spending	Net Spending*	Output ($ millions)	Employment	Earnings ($ millions)
2009-2010	168.8	168.8	389	2,873	127
2010-2011	339.0	305.5	705	5,199	229
2011-2012	414.6	375.7	866	6,393	282
2012-2013	567.8	421.8	973	7,178	316
2013-2014	696.3	520.0	1,199	8,850	390
2014-2015	1,184.6	867.1	2,000	14,757	651
2015-2016	1,421.8	986.5	2,275	16,788	740
2016-2017	1,505.9	1,120.9	2,585	19,076	841
2017-2018	1,605.1	1,468.0	3,385	24,983	1,101
2018-2019	1,285.5	1,269.5	2,928	21,605	953
2019-2020	1,650.3	1,508.8	3,479	25,677	1,132
2020-2021	1,462.7	1,277.9	2,947	21,748	959
2021-2022	1,150.3	978.4	2,256	16,650	734
2022-2023	1,121.7	959.3	2,212	16,325	720
2023-2024	1,126.2	1,126.2	2,597	19,166	845
2024-2025	1,011.7	1,011.7	2,333	17,217	759
2025-2026	732.0	728.4	1,680	12,397	547
2026-2027	465.0	457.9	1,056	7,792	344
2027-2028	678.0	647.1	1,492	11,013	486
2028-2029	599.6	466.5	1,076	7,939	350
2029-2030	458.0	344.1	793	5,855	258
2030-2031	459.5	286.8	661	4,881	215
2031-2032	365.0	361.4	834	6,151	271
2032-2033	461.6	454.5	1,048	7,735	341
2033-2034	445.1	432.7	998	7,363	325
2034-2035	546.0	539.9	1,245	9,188	405
2035-2036	346.0	346.0	798	5,888	260
2036-2037	246.0	246.0	567	4,186	185
2037-2038	196.0	196.0	452	3,336	147
2038-2039	196.0	196.0	452	3,336	147
Total **	**$ 22,906**	**$ 20,069**	**$ 46,282**	**341,500**	**$ 15,058**

* Excludes right-of-way acquisition and vehicle purchases
** May not sum due to rounding
Sources: Metro; LAEDC
2008 dollars

Exhibit A-4
Highway and Freeway Improvement Projects
Fiscal Impact by Fiscal Year

Fiscal Year	Fiscal Impact ($ millions)				
	Federal	State	County	Cities	Total *
2009-2010	$ 37.3	$ 12.7	$ 1.4	$ 0.8	$ 52.2
2010-2011	67.5	23.0	2.6	1.5	94.5
2011-2012	83.0	28.2	3.2	1.8	116.3
2012-2013	93.1	31.7	3.6	2.1	130.5
2013-2014	114.8	39.1	4.5	2.5	160.9
2014-2015	191.5	65.2	7.4	4.2	268.4
2015-2016	217.9	74.2	8.5	4.8	305.3
2016-2017	247.5	84.3	9.6	5.5	346.9
2017-2018	324.2	110.4	12.6	7.2	454.3
2018-2019	280.4	95.4	10.9	6.2	392.9
2019-2020	333.2	113.4	12.9	7.4	467.0
2020-2021	282.2	96.1	11.0	6.3	395.5
2021-2022	216.1	73.5	8.4	4.8	302.8
2022-2023	211.8	72.1	8.2	4.7	296.9
2023-2024	248.7	84.7	9.7	5.5	348.5
2024-2025	223.4	76.1	8.7	5.0	313.1
2025-2026	160.9	54.8	6.2	3.6	225.4
2026-2027	101.1	34.4	3.9	2.2	141.7
2027-2028	142.9	48.6	5.5	3.2	200.3
2028-2029	103.0	35.1	4.0	2.3	144.4
2029-2030	76.0	25.9	2.9	1.7	106.5
2030-2031	63.3	21.6	2.5	1.4	88.8
2031-2032	79.8	27.2	3.1	1.8	111.9
2032-2033	100.4	34.2	3.9	2.2	140.7
2033-2034	95.5	32.5	3.7	2.1	133.9
2034-2035	119.2	40.6	4.6	2.6	167.1
2035-2036	76.4	26.0	3.0	1.7	107.1
2036-2037	54.3	18.5	2.1	1.2	76.1
2037-2038	43.3	14.7	1.7	1.0	60.7
2038-2039	43.3	14.7	1.7	1.0	60.7
Total *	**$ 4,432**	**$ 1,509**	**$ 172**	**$ 98**	**$ 6,211**

* May not sum due to rounding
Source: LAEDC
2008 dollars

Exhibit A-5
Transit Corridor Construction Projects
Economic Impact by Fiscal Year

Fiscal Year	Project Spending ($ millions)		Economic Impact		
	Budgeted Spending	Net Spending*	Output ($ millions)	Employment	Earnings ($ millions)
2009-2010	$ 222.7	$ 222.7	$ 514	3,791	$ 167
2010-2011	436.4	352.2	812	5,993	264
2011-2012	460.7	323.9	747	5,511	243
2012-2013	850.4	499.8	1,153	8,505	375
2013-2014	989.5	712.0	1,642	12,116	534
2014-2015	1,050.3	866.3	1,998	14,743	650
2015-2016	882.6	732.8	1,690	12,470	550
2016-2017	749.3	722.3	1,666	12,293	542
2017-2018	486.6	472.0	1,089	8,033	354
2018-2019	97.8	63.0	145	1,073	47
2019-2020	199.8	97.4	225	1,658	73
2020-2021	292.8	160.9	371	2,739	121
2021-2022	137.2	105.2	243	1,790	79
2022-2023	226.5	212.1	489	3,610	159
2023-2024	323.1	310.2	715	5,279	233
2024-2025	354.3	312.1	720	5,312	234
2025-2026	468.8	411.0	948	6,995	308
2026-2027	328.9	254.9	588	4,339	191
2027-2028	288.1	239.8	553	4,080	180
2028-2029	278.3	221.4	511	3,768	166
2029-2030	299.0	295.3	681	5,026	222
2030-2031	459.6	440.6	1,016	7,499	331
2031-2032	357.6	313.9	724	5,341	235
2032-2033	348.8	316.2	729	5,382	237
2033-2034	322.0	287.7	664	4,897	216
2034-2035	217.5	140.8	325	2,396	106
2035-2036	216.7	216.7	500	3,687	163
2036-2037	315.3	315.3	727	5,365	237
2037-2038	135.1	135.1	312	2,299	101
2038-2039	-	-	-	0	-
Total **	**$ 11,796**	**$ 9,754**	**$ 22,493**	**166,000**	**$ 7,318**

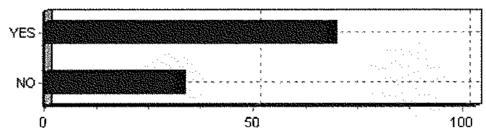
* Excludes right-of-way acquisition and vehicle purchases
** May not sum due to rounding
Sources: Metro; LAEDC
2008 dollars

Exhibit A-6
Transit Corridor Construction Projects
Fiscal Impact by Fiscal Year

Fiscal Year	Fiscal Impact ($ millions)				
	Federal	State	County	Cities	Total *
2009-2010	$ 49.2	$ 16.7	$ 1.9	$ 1.1	$ 68.9
2010-2011	77.8	26.5	3.0	1.7	109.0
2011-2012	71.5	26.4	3.3	1.9	103.1
2012-2013	110.4	44.9	6.1	3.5	164.9
2013-2014	157.2	64.1	8.8	5.0	235.1
2014-2015	191.3	76.3	10.2	5.8	283.6
2015-2016	161.8	63.7	8.4	4.8	238.8
2016-2017	159.5	55.7	6.5	3.7	225.5
2017-2018	104.2	36.1	4.2	2.4	146.9
2018-2019	13.9	6.4	0.9	0.5	21.8
2019-2020	21.5	9.2	1.3	0.7	32.8
2020-2021	35.5	14.3	1.9	1.1	52.9
2021-2022	23.2	10.0	1.4	0.8	35.4
2022-2023	46.9	16.5	2.0	1.1	66.5
2023-2024	68.5	23.8	2.8	1.6	96.7
2024-2025	68.9	24.8	3.0	1.7	98.4
2025-2026	90.8	33.0	4.0	2.3	130.1
2026-2027	56.3	21.4	2.7	1.6	82.0
2027-2028	52.9	19.8	2.5	1.4	76.6
2028-2029	48.9	17.7	2.2	1.2	69.9
2029-2030	65.2	22.2	2.5	1.5	91.5
2030-2031	97.3	33.8	3.9	2.2	137.3
2031-2032	69.3	24.9	3.0	1.7	98.9
2032-2033	69.8	25.0	3.0	1.7	99.7
2033-2034	63.5	22.3	2.6	1.5	89.9
2034-2035	31.1	10.6	1.2	0.7	43.6
2035-2036	47.9	16.3	1.9	1.1	67.1
2036-2037	69.6	23.7	2.7	1.5	97.6
2037-2038	29.8	10.2	1.2	0.7	41.8
2038-2039	-	-	-	-	-
Total *	**$ 2,154**	**$ 796**	**$ 99**	**$ 57**	**$ 3,106**

* May not sum due to rounding
Source: LAEDC
2008 dollars

LA METRO TRANS AUTHORITY - MEASURE



2/3 OF VOTES CAST

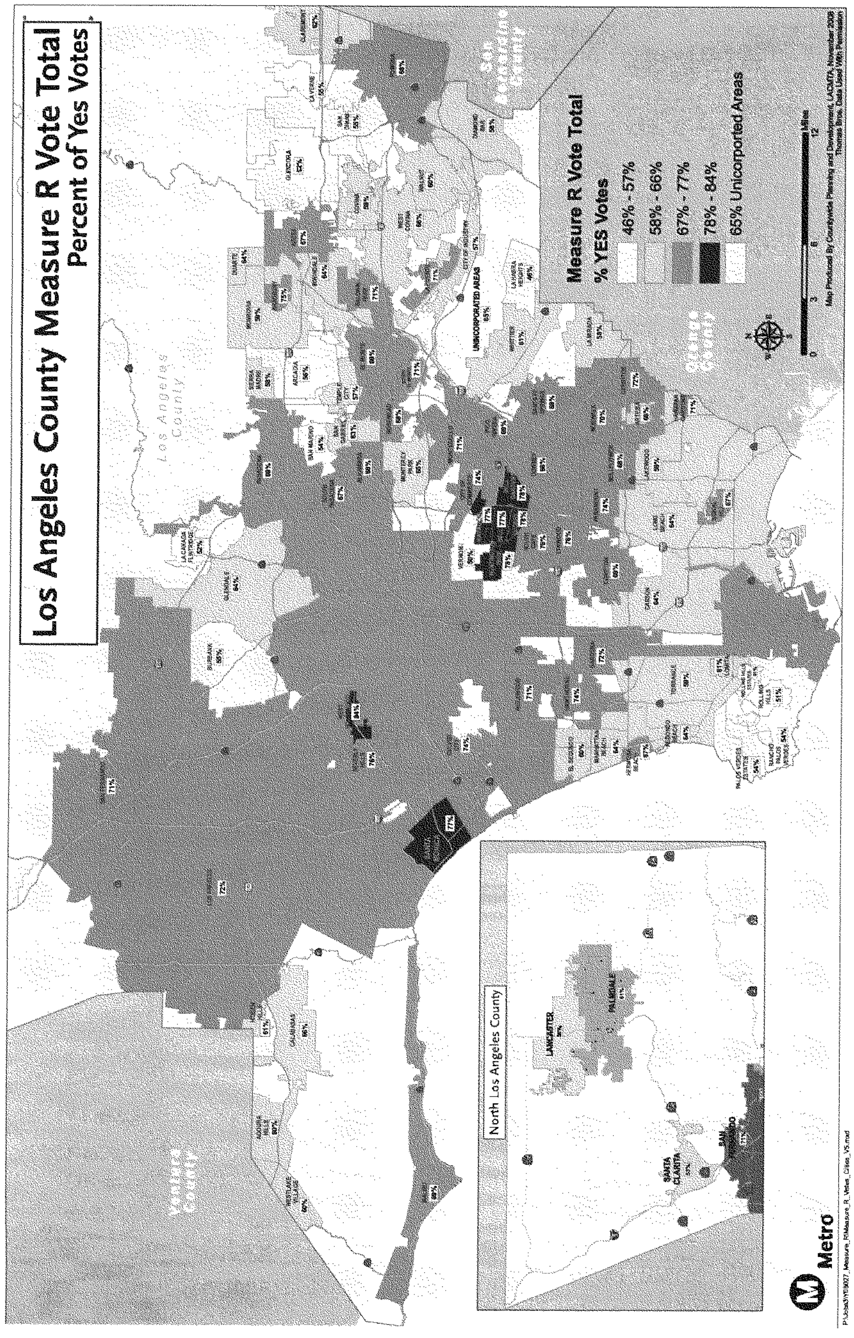
MEASURE		Votes	Percent
R - MTA SALES TAX - YES		2,039,214	67.93
	NO	962,569	32.07

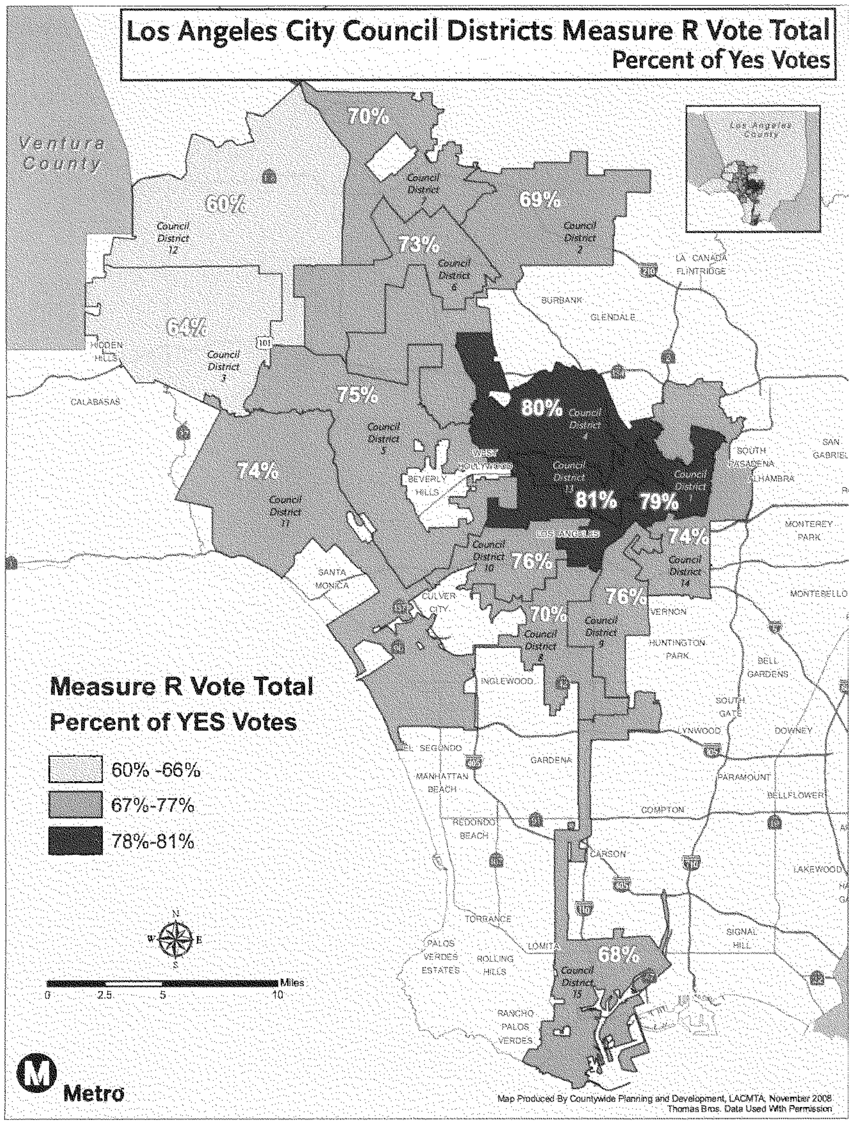
Registration	4,111,642
Precincts Reporting	4,883
Total Precincts	4,883
% Precincts Reporting	100

Remember, you need to refresh this page to ensure that you have the latest results.

Last Updated: 17:11 11/28/2008

November 4, 2008 - Los Angeles County Presidential General Election


Los Angeles County Measure R Vote Total
Percent of Yes Votes
Measure R Vote Total
% YES Votes
46% - 57%
58% - 66%
67% - 77%
78% - 84%
65% Unicorported Areas
North Los Angeles County
Metro


Los Angeles City Council Districts Measure R Vote Total
Percent of Yes Votes
Ventura County
Los Angeles County
70%
69%
60%
Council District 12
73%
Council District 6
Council District 2
64%
Council District 3
75%
Council District 5
80%
Council District 4
74%
Council District 11
Council District 13
81%
79%
Council District 1
74%
Council District 14
Council District 10
76%
76%
70%
Council District 8
Council District 9
68%
Council District 15
BURBANK
GLENDALE
LA CANADA FLINTRIDGE
CALABASAS
BEVERLY HILLS
SANTA MONICA
CULVER CITY
INGLEWOOD
SOUTH PASADENA
ALHAMBRA
MONTEREY PARK
MONTEBELLO
VERNON
HUNTINGTON PARK
BELL GARDENS
SOUTH GATE
LYNWOOD
DOWNEY
PARAMOUNT
BELLFLOWER
COMPTON
LAKEWOOD
SIGNAL HILL
CARSON
GARDENA
EL SEGUNDO
MANHATTAN BEACH
REDONDO BEACH
TORRANCE
LOMITA
PALOS VERDES ESTATES
ROLLING HILLS
RANCHO PALOS VERDES
Measure R Vote Total
Percent of YES Votes
60% -66%
67%-77%
78%-81%
Miles
0
2.5
5
10
Metro
Map Produced By Countywide Planning and Development, LACMTA, November 2008
Thomas Bros. Data Used With Permission

Ordinance # 08-01

Traffic Relief and Rail Expansion Ordinance

PREAMBLE

Mobility in Los Angeles County is a necessity and requires an aggressive, responsible and accountable plan to meet the transportation needs of its more than 10 million residents.

1. **RAIL EXPANSION:**
   Expand the county's Metro rail system, including direct airport connection

2. **LOCAL STREET IMPROVEMENTS:**
   Synchronize signals, fill potholes, repair streets, and make neighborhood streets and intersections safer for drivers, bicyclists, and pedestrians in each community

3. **TRAFFIC REDUCTION:**
   Enhance safety and improve flow on L.A. County freeways and highways

4. **BETTER PUBLIC TRANSPORTATION:**
   Make public transportation more convenient and affordable - especially for seniors, students, disabled and commuters

5. **QUALITY OF LIFE:**
   Provide alternatives to high gas prices, stimulate the local economy, create jobs, reduce pollution and decrease dependency on foreign oil

SECTION 1. TITLE

This Ordinance shall be known and may be cited as the Traffic Relief and Rail Expansion Ordinance, Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization. The word "Ordinance," as used herein, shall include Attachment A entitled "Expenditure Plan" which is attached hereto and incorporated by reference as if fully set forth herein.

SECTION 2. SUMMARY

This Ordinance provides for the establishment and implementation of a retail transactions and use tax at the rate of one-half of one percent (.5%) for a period of thirty (30) years and an expenditure plan.

SECTION 3. DEFINITIONS

The following words, whenever used in this Ordinance, shall have the meanings as set forth below:

"Board of Equalization" means the California State Board of Equalization.

"Capital Project" means a project or program described in Attachment A as a "Capital Project."

"Expenditure Plan" means that expenditure plan for the revenues derived from a Sales Tax imposed pursuant to this Ordinance, and any other identified state and local funding, as required under proposed amended Section 130350.5(f) of the Public Utilities Code.

"Gross Sales Tax" means the amount of Sales Tax collected by the Board of Equalization pursuant to this Ordinance.

"Interest" means interest and other earnings on cash balances.

"Metro" or "MTA" means the Los Angeles County Metropolitan Transportation Authority or any successor entity.

"Net Revenues" means Sales Tax Revenues minus any amount expended on administrative costs pursuant to Section 10.

"Sales Tax" means a retail transactions and use tax.

"Sales Tax Revenues" means the Gross Sales Tax minus any refunds and any fees imposed by the Board of Equalization for the performance of functions incident to the administration and operation of this Ordinance.

SECTION 4. STATUTORY AUTHORITY

This Ordinance is enacted, in part, pursuant to:

a. Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code;

b. Division 12 (commencing with Section 130000) of the California Public Utilities Code;

c. Proposed amendments to Section 130350.5 of the California Public Utilities Code adopted during the 2007-2008 legislative session.

SECTION 5. IMPOSITION OF RETAIL TRANSACTIONS AND USE TAX

a. Subject to the limits imposed by this Ordinance, Metro hereby imposes, in the incorporated and unincorporated territory of Los Angeles County, a Sales Tax at the rate of one-half of one percent (.5%) for a period of thirty (30) years beginning on the first day of the first calendar quarter commencing not less than 180 days after the adoption of this Ordinance by the voters.

b. This Sales Tax shall be in addition to any other taxes authorized by law, including any existing or future state or local Sales Tax. The imposition, administration and collection of the tax shall be in accordance with all applicable statutes, laws, and rules and regulations prescribed and adopted by the Board of Equalization.

c. Pursuant to proposed amended Section 130350.5(d) of the Public Utilities Code, the tax rate authorized by this section shall not be considered for purposes of the combined rate limit established by Section 7251.1 of the Revenue and Taxation Code.

d. Pursuant to the provisions of Section 7262.2 of the Revenue and Taxation Code, the required provisions of Sections 7261 and 7262 of that Code as now in effect or as later amended are adopted by reference in this Ordinance.

e. This Ordinance incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

f. The Sales Tax shall be administered and collected by the Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the Board of Equalization in administering and collecting the California State Sales and Use Taxes.

g. This Sales Tax shall be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this Ordinance.

SECTION 6. ADMINISTRATION BY BOARD OF EQUALIZATION

a. CONTRACT WITH STATE. Prior to the operative date, Metro shall contract with the Board of Equalization to perform all functions incident to the administration and operation of this Ordinance; provided, that if Metro shall not have contracted with the Board of Equalization prior to the operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

b. TRANSACTIONS TAX RATE. For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated and unincorporated territory of Los Angeles County at the rate of one half of one percent (.5%) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this Ordinance.

c. PLACE OF SALE. For the purposes of this Ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the Board of Equalization.

d. USE TAX RATE. An excise tax is hereby imposed on the storage, use or other consumption in Los Angeles County of tangible personal property purchased from any retailer on and after the operative date of this Ordinance for storage, use or other consumption in Los Angeles County at the rate of one half of one percent (.5%) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

e. ADOPTION OF PROVISIONS OF STATE LAW. Except as otherwise provided in this Ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this Ordinance as though fully set forth herein.

f. LIMITATIONS ON ADOPTION OF STATE LAW AND COLLECTION OF USE TAXES. In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

1. Wherever the State of California is named or referred to as the taxing agency, the name of Metro shall be substituted therefor. However, the substitution shall not be made when:

A. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;

B. The result of that substitution would require action to be taken by or against Metro or any agency, officer, or employee thereof rather than by or against the Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.

C. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

i. Provide an exemption from this Sales Tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this Sales Tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

ii. Impose this Sales Tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to this Sales Tax by the state under the said provision of that code.

D. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

2. The phrase "Los Angeles County Metropolitan Transportation Authority or any successor entity" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203 of the Revenue and Taxation Code.

g. PERMIT NOT REQUIRED. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this Ordinance.

h. EXEMPTIONS AND EXCLUSIONS.

1. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns

Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

2. There are exempted from the computation of the amount of transactions tax the gross receipts from:

A. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the County in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

B. Sales of property to be used outside Los Angeles County which is shipped to a point outside Los Angeles County, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside Los Angeles County shall be satisfied:

i. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an address outside Los Angeles County and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

ii. With respect to commercial vehicles, by registration to a place of business outside Los Angeles County and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

C. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this Ordinance.

D. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this Ordinance.

E. For the purposes of subparagraphs (C) and (D) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

3. There are exempted from the use tax imposed by this Ordinance, the storage, use or other consumption in Los Angeles County of tangible personal property:

A. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

B. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

C. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this Ordinance.

D. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this Ordinance.

E. For the purposes of subparagraphs (C) and (D) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

F. Except as provided in subparagraph (G), a retailer engaged in business in Los Angeles County shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the County or participates within the County in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in County or through any representative, agent, canvasser, solicitor, subsidiary, or person in the County under the authority of the retailer.

G. "A retailer engaged in business in Los Angeles County" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in Los Angeles County.

4. Any person subject to use tax under this Ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

i. AMENDMENTS. All amendments subsequent to the effective date of this Ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this Ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this Ordinance.

j. ENJOINING COLLECTION FORBIDDEN. No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or Metro, or against any officer of the State or Metro, to prevent or enjoin the collection under this Ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

SECTION 7. USE OF REVENUES

a. All of the Net Revenues generated from the Sales Tax plus any Interest or other earnings thereon, less any funds necessary for satisfaction of debt service and related requirements of all bonds issued pursuant to this Ordinance that are not satisfied out of separate allocations, shall be allocated solely for the transportation purposes described in this Ordinance.

b. Metro shall establish and administer a sales tax revenue fund with appropriate subfunds to account for the allocation categories defined in this Ordinance. All Net Revenues and Interest on Sales Tax Revenues shall be credited into the sales tax revenue fund and credited to the appropriate subfunds pursuant to the allocation ratios described on page 1 of Attachment A. The moneys in the sales tax revenue fund shall be available to Metro to meet expenditure and cashflow needs of the projects and programs described in Attachment A. Metro may expend additional funds from sources other than the Sales Tax imposed pursuant to this Ordinance on the projects and programs described in Attachment A. Funds shall be available for projects and programs described in Attachment A beginning in the fiscal years identified in Attachment A as "Funds Available Beginning."

c. Metro shall establish the following subfunds of the sales tax revenue fund:

1. Transit Capital Subfund
2. Highway Capital Subfund
3. Operations Subfund
4. Local Return Subfund

d. Funds in the Transit Capital Subfund shall be allocated to Capital Projects identified in Attachment A as "Transit Projects."

1. For those Capital Projects identified in Attachment A as "Transit Projects" and identified as "Escalated $," Metro shall expend no less than the amount of Net Revenues identified in Attachment A as "New Sales Tax – Total" for each Capital Project so identified.

2. For those Capital Projects identified in Attachment A as "Transit Projects" and identified as "Current 2008 $," Metro shall expend no less than an amount of Net Revenues equal to the value of the amount identified in Attachment A as "New Sales Tax – Total" for each Capital Project so identified. The amount of Net Revenues equal to the value of the amount identified in Attachment A as "New Sales Tax – Total" shall be determined by adjusting the amount identified as follows, at the discretion of Metro:

A. Up to four percent (4%) annually for the fiscal years 2010 through 2014; and

B. Up to three percent (3%) annually for the fiscal year 2015 and all fiscal years thereafter.

3. Metro shall allocate no less than the amount of Net Revenues identified in Attachment A as "New Sales Tax – Total" for the project identified in Attachment A as "Capital Project Contingency (Transit)." Funds allocated to "Capital Project Contingency (Transit)" shall be expended as needed to provide additional funding for Capital Projects identified in Attachment A as "Transit Projects." Metro may expend such funds for debt service, excluding payments for principal, to offset the costs of inflation, or for any other purpose. Metro shall not expend an amount of Net Revenues from Capital Project Contingency (Transit) that is greater than the amount permitted in paragraph (d)(2) for any Capital Project.

4. In the event that a Capital Project identified in Attachment A as a "Transit Project" is completed without the expenditure of the amount of Net Revenues allocated by this Ordinance, any surplus Net Revenues allocated to that Capital Project shall be credited to the Transit Capital Subfund and expended for Capital Projects located within the same subregion as the project so completed. The Board of Directors of Metro shall determine by a two-thirds vote whether a Capital Project is complete.

e. Funds in the Highway Capital Subfund shall be allocated to Capital Projects identified in Attachment A as "Highway Projects."

1. For those Capital Projects identified in Attachment A as "Highway Projects" and identified as "Escalated $," Metro shall expend no less than the amount of Net Revenues identified in Attachment A as "New Sales Tax – Total" for each Capital Project so identified.

2. For those Capital Projects identified in Attachment A as "Highway Projects" and identified as "Current 2008 $," Metro shall expend no less than an amount of Net Revenues equal to the value of the amount identified in Attachment A as "New Sales Tax – Total" for each Capital Project so identified. The amount of Net Revenues equal to the value of the amount identified in Attachment A as "New Sales Tax – Total" shall be determined by adjusting the amount identified as follows, at the discretion of Metro:

A. Up to four percent (4%) annually for the fiscal years 2010 through 2014; and

B. Up to three percent (3%) annually for the fiscal year 2015 and all fiscal years thereafter.

3. Metro shall allocate no less than the amount of Net Revenues identified in Attachment A as "New Sales Tax – Total" for the project identified in Attachment A as "Capital Project Contingency (Highway)." Funds allocated to "Capital Project Contingency (Highway)" shall be expended as needed to provide additional funding for Capital Projects identified in Attachment A as "Highway Projects." Metro may expend such funds for debt service, excluding payments for principal, to offset the costs of inflation, or for any other purpose. Metro shall not expend an amount of Net Revenues from Capital Project Contingency (Highway) that is greater than the amount permitted in paragraph (e)(2) for any Capital Project.

4. In the event that a Capital Project identified in Attachment A as a "Highway Project" is completed without the expenditure of the amount of Net Revenues allocated by this Ordinance, any surplus Net Revenues allocated to that Capital Project shall be credited to the Highway Capital Subfund and expended for Capital Projects located within the same subregion as the project so completed. The Board of Directors of Metro shall determine by a two-thirds vote whether a Capital Project is complete.

f. Funds in the Operations Subfund shall be allocated to the projects and programs described in Attachment A as "Operations." Metro shall expend the percentage of Net Revenues identified in Attachment A as "Percent of New Sales Tax" for each project and program described in Attachment A as "Operations."

g. Funds in the Local Return Subfund shall be allocated to the projects and programs described in Attachment A as "Local Return." Metro shall expend the percentage of Net Revenues identified in Attachment A as "Percent of New Sales Tax" for each project and program described in Attachment A as "Local Return."

1. No Net Revenues distributed to a local jurisdiction pursuant to Paragraph (g) shall be used for other than transportation purposes. Any jurisdiction that violates this provision must fully reimburse Metro, including Interest thereon, for the Net Revenues misspent and shall be deemed ineligible to receive Net Revenues for a period of three (3) years.

2. To the extent that funds are returned to local jurisdictions pursuant to this paragraph, the receipt, maintenance and expenditure of such funds shall be distinguishable in each jurisdiction's accounting records from other funding sources, and expenditures of such funds shall be distinguishable by program or project. Interest earned on funds allocated pursuant to this paragraph shall be expended only for those purposes for which the funds were allocated.

h. Metro may enter into an agreement with the Board of Equalization to transfer Sales Tax Revenues directly to a bond trustee or similar fiduciary, in order to provide for the timely payment of debt service and related obligations, prior to Metro's receipt and deposit of such Sales Tax Revenues into the sales tax revenue fund; provided, however, that such payments of debt service and related obligations shall be allocated to the appropriate Capital Project Contingency line item or to such subfund within the sales tax revenue fund consistent with the expenditure of the proceeds of the corresponding debt.

i. Metro shall propose the projects and programs in Attachment A for inclusion in the Long Range Transportation Plan.

SECTION 8. OVERSIGHT

a. Commencing with the 2009-2010 fiscal year, and in accordance with Section 8(a)(1) of this Ordinance, Metro shall contract for an annual audit, to be completed within six months after the end of the fiscal year being audited, for the purpose of determining compliance by Metro with the provisions of this Ordinance relating to the receipt and expenditure of Sales Tax Revenues during such fiscal year.

1. Prior to entering into a contract with an auditing firm to perform any audit required under Section 8(a), Metro shall solicit bids from at least three qualified firms. Notwithstanding any other provision of law, the cost of performing and publishing any audit required under Section 8(a) of this Ordinance shall be paid from Sales Tax Revenues.

b. There is hereby established a Proposition R Independent Taxpayers Oversight Committee of Metro ("Committee"). The Committee shall meet at least twice each year to carry out the purposes of this Ordinance.

c. The Committee shall be comprised of three persons, each of whom shall be a retired Federal or State Judge. Committee members shall be selected as follows: one member shall be appointed by the Los Angeles County Board of Supervisors; one member shall be appointed by the Mayor of the City of Los Angeles; and one member shall be appointed by the Los Angeles County City Selection Committee. The members of the Committee must reside in Los Angeles County. No person currently serving as an elected or appointed city, county, special district, state, or federal public officeholder shall be eligible to serve as a member of the Committee.

d. The Committee shall select and consult with an advisory panel when performing its responsibilities required under this Ordinance. The advisory panel shall consist of at least one representative, and not more than two, of the following professions or areas of expertise:

1. Construction trade labor union representative
2. Environmental engineer or environmental scientist
3. Road or rail construction firm project manager
4. Public and private finance expert
5. Regional association of businesses representative
6. Transit system user

e. All meetings of the Committee shall be held within Los Angeles County. All meetings of the Committee shall be held in compliance with the provisions of the Ralph M. Brown Act (Section 54950 et seq. of the California Government Code).

f. Each member of the Committee shall serve for a term of two years, and until a successor is appointed. No member of the Committee shall be entitled to any compensation, except that Metro may reimburse actual expenses of members arising out of the performance of their duties as Committee members.

g. Members of the advisory panel may be replaced by the Committee at any time by a majority vote of the Committee. No member of the advisory panel shall be entitled to any compensation, except that Metro may reimburse actual expenses of members arising out of the performance of their duties as advisory panel members.

h. Metro may adopt further guidelines to govern the operations of the Committee.

i. The Committee shall have the following responsibilities:

1. Review the results of the audit performed pursuant to Section 8(a) of this Ordinance and make findings as to whether Metro has complied with the

terms of the Ordinance. Such findings shall include a determination as to whether recipients of Net Revenues allocated to the Local Return Subfund have complied with this Ordinance and any additional guidelines developed by Metro pursuant to Section 9(b).

2. Prepare an annual report to the Metro Board of Directors presenting the results of the annual audit process and any findings made. The report shall include an assessment of the consistency of the expenditures of Sales Tax Revenues with this Ordinance, including Attachment A. The Committee shall cause a summary of the report to be published in local newspapers and the entire report and annual audit to be made available to every library located within Los Angeles County for public review. The Committee shall hold a public hearing on each audit and annual report and shall report the comments of the public to Metro.

3. Review any proposed amendments to this Ordinance, including the expenditure plan, and make a finding as to whether the proposed amendments further the purpose of this Ordinance. Metro shall make any proposed amendments available to the Committee at least 30 days prior to any vote to adopt the proposed amendments.

4. Review all proposed debt financing and make a finding as to whether the benefits of the proposed financing for accelerating project delivery, avoiding future cost escalation, and related factors exceed issuance and interest costs.

5. Any findings made by the Committee shall be submitted to the Metro Board of Directors in advance of the next regular Board meeting

SECTION 9. MAINTENANCE OF EFFORT REQUIREMENTS

a. It is the intent of the Legislature, as stated in Public Utilities Code proposed amended Section 130350.5(e), and Metro, that revenues provided from this Ordinance to local jurisdictions in Los Angeles County under the projects and programs described in Attachment A as "Local Return" be used to augment, not supplant, existing local revenues being used for transportation purposes.

b. Metro shall develop guidelines which, at a minimum, specify maintenance of effort requirements for the local return program, matching funds, and administrative requirements for the recipients of revenue derived from the Sales Tax.

SECTION 10. COSTS OF ADMINISTRATION

Gross Sales Tax revenues may be appropriated by Metro for administrative costs, including contractual services; however in no case shall the Gross Sales Tax revenues appropriated for such costs exceed more than one and one-half percent (1.5%) of the Gross Sales Tax revenues in any year.

SECTION 11. AMENDMENTS

a. Metro may amend this Ordinance, including Attachment A, with the exception of Section 11, for any purpose, including as necessary to account for the results of any environmental review required under the California Environmental Quality Act of the individual specific projects listed in Attachment A. Any such amendments shall be approved by a vote of not less than two-thirds (2/3) of the Metro Board of Directors. Metro shall hold a public meeting on proposed amendments prior to adoption. Metro shall provide notice to the Los Angeles County Board of Supervisors, the city council of each city in Los Angeles County, and the public of the public meeting and proposed amendments, and provide them with a copy of the proposed amendments, at least 30 days prior to the public meeting. Amendments shall become effective forty-five days after adoption.

b. Notwithstanding Section 11(a) of this Ordinance, Metro shall not adopt any amendment to this Ordinance, including Attachment A, that reduces total Net Revenues allocated to the sum of the Transit Capital Subfund and the Highway Capital Subfund. Not more than once in any ten (10) year period commencing after the year 2019, Metro may adopt an amendment transferring Net Revenues between the Transit Capital Subfund and the Highway Capital Subfund.

c. Notwithstanding Section 11(a) of this Ordinance, Metro shall not adopt any amendment to this Ordinance, including Attachment A, that reduces Net Revenues allocated to the Operations Subfund or the Local Return Subfund.

d. Metro may amend Section 11 of this Ordinance if such amendments are approved by a vote of not less than two-thirds (2/3) of the Metro Board of Directors and are approved by a simple majority vote of the electors voting on a measure to approve the amendment. Metro shall hold a public meeting on proposed amendments prior to adoption by the Board. Metro shall provide notice to the Los Angeles County Board of Supervisors, the city council of each city in Los Angeles County, and the public of the public meeting and proposed amendments, and provide them with a copy of the proposed amendments, at least 30 days prior to the public meeting. Amendments shall become effective forty-five days after adoption by the electors.

SECTION 12. ESTABLISHMENT OF BONDING AUTHORITY

Metro is authorized to issue limited tax bonds, from time to time, payable from and secured by Sales Tax Revenues to finance any program or project in the Expenditure Plan, pursuant to Sections 130500 et seq. of the Public Utilities Code, and any successor act. As additional security, such bonds may be further payable from and secured by farebox revenues or general revenues of Metro, on a basis subordinate to Metro's existing General Revenue Bonds, or any other available source of Metro's revenues, in each case as specified in a resolution adopted by a majority of Metro's Board of Directors. The maximum bonded indebtedness, including issuance costs, interest, reserve requirements and bond insurance, shall not exceed the total amount of the Gross Sales Tax. Nothing herein shall limit or restrict in any way the power and authority of Metro to issue bonds, notes or other obligations, to enter into loan agreements, leases, reimbursement agreements, standby bond purchase agreements, interest rate swap agreements or other derivative contracts or to engage in any other transaction under the Government Code, the Public Utilities Code or any other law.

SECTION 13. APPROPRIATIONS LIMIT

Article XIIIB of the California Constitution requires certain governmental entities to establish an annual appropriations limit. This appropriations limit is subject to adjustment as provided by law. To the extent required by law, Metro shall establish an annual appropriations limit and expenditures of the retail transactions and use tax shall be subject to such limit.

SECTION 14. ELECTION

Pursuant to California Public Utilities Code Section 130350, Metro hereby calls a special election to place this Ordinance before the voters. The ballot language shall read as follows:

Traffic Relief. Rail Extensions. Reduce Foreign Oil Dependence.

To:

- Synchronize traffic signals;
- Repair potholes;
- Extend light rail with airport connections;
- Improve freeway traffic flow (5, 10, 14, 60, 101, 110, 138, 210, 405, 605, 710);
- Keep senior / student / disabled fares low;
- Provide clean-fuel buses;
- Expand subway / Metrolink / bus service;
- Dedicate millions for community traffic relief;

Shall Los Angeles County's sales tax increase one-half cent for 30 years with independent audits, public review of expenditures, all locally controlled?

SECTION 15. STATUTORY REFERENCES

References in this Ordinance to proposed amendments to Section 130350.5 of the Public Utilities Code are to Section 130350.5 as amended or added by Assembly Bill 2321 of the 2007-2008 legislative session.

SECTION 16. EFFECTIVE AND OPERATIVE DATES

a. This Ordinance shall be effective on January 2, 2009, if:

1. Two-thirds (2/3) of the electors voting on the measure authorizing the imposition of the Sales Tax vote to authorize its enactment at the statewide general election scheduled for November 4, 2008; and

2. A California state statute that provides for all of the following is adopted by the California Legislature and becomes effective prior to January 2, 2009:

A. Requires Metro to include in Attachment A the following projects, programs, and funding levels:,

i. Exposition Boulevard Light Rail Transit Project from downtown Los Angeles to Santa Monica. The sum of nine hundred twenty-five million dollars ($925,000,000).

ii. Crenshaw Transit Corridor from Wilshire Boulevard to Los Angeles International Airport along Crenshaw Boulevard. The sum of two hundred thirty-five million five hundred thousand dollars ($235,500,000).

iii. San Fernando Valley North-South Rapidways. The sum of one hundred million five hundred thousand dollars ($100,500,000).

iv. Metro Gold Line (Pasadena to Claremont) Light Rail Transit Extension. The sum of seven hundred thirty-five million dollars ($735,000,000).

v. Metro Regional Connector. The sum of one hundred sixty million dollars ($160,000,000).

vi. Metro Westside Subway Extension. The sum of nine hundred million dollars ($900,000,000).

vii. State Highway Route 5 Carmenita Road Interchange Improvement. The sum of one hundred thirty-eight million dollars ($138,000,000).

viii. State Highway Route 5 Capacity Enhancement (State Highway Route 134 to State Highway Route 170, including access improvement for Empire Avenue). The sum of two hundred seventy-one million five hundred thousand dollars ($271,500,000).

ix. State Highway Route 5 Capacity Enhancement (State Highway Route 605 to the Orange County line, including improvements to the Valley View Interchange). The sum of two hundred sixty-four million eight hundred thousand dollars ($264,800,000).

x. State Highway Route 5/State Highway Route 14 Capacity Enhancement. The sum of ninety million eight hundred thousand dollars ($90,800,000).

xi. Capital Project Contingency Fund. The sum of one hundred seventy-three million dollars ($173,000,000).

xii. Alameda Corridor East Grade Separations. The sum of two hundred million dollars ($200,000,000).

xiii. MTA and Municipal Regional Clean Fuel Bus Capital (Facilities and Rolling Stock). The sum of one hundred fifty million dollars ($150,000,000).

xiv. Countywide Soundwall Construction (MTA Regional List and Monterey Park/State Highway Route 60). The sum of two hundred fifty million dollars ($250,000,000).

xv. Local return for major street resurfacing, rehabilitation, and reconstruction. The sum of two hundred fifty million dollars ($250,000,000).

xvi. Metrolink Capital Improvements. The sum of seventy million dollars ($70,000,000).

xvii. Eastside Light Rail Access. The sum of thirty million dollars ($30,000,000).

B. Authorizes Metro to impose an additional one-half of one percent (.5%) Sales Tax in the incorporated and unincorporated areas of Los Angeles County.

C. Provides that any tax imposed by Metro pursuant to the authority granted in the statute shall not be considered for the purposes of the combined rate limit established by Section 7251.1 of the Revenue and Taxation Code; and

3. No California state statute that requires Metro to provide funding from revenues derived from the Sales Tax imposed pursuant to this Ordinance for any projects or programs other than those listed in this Section or provide a level of funding greater than described in this Section, is adopted by the California Legislature in the 2007-2008 legislative session and becomes law.

b. The operative date of the Sales Tax imposed by this Ordinance shall be July 1, 2009, which is the first day of the first calendar quarter commencing not less than 180 days after the adoption of this Ordinance by the voters.

SECTION 17. SEVERABILITY

If any tax or provision of this Ordinance is for any reason held invalid or unenforceable by a court of competent jurisdiction, that holding shall not affect the validity or enforceability of the remaining taxes or provisions, and Metro declares that it would have passed each part of this Ordinance irrespective of the validity of any other part.

ATTACHMENT A

Proposed One-Half Cent Sales Tax for Transportation
Outline of Expenditure Categories
Sunsets in 30-Years: Fiscal Year (FY) 2010 - 2039
(millions)

Subfund	Program	% of Sales Tax (net of administration)	First Year Amount	10-Year Amount	30-Year Amount
Transit Capital	New Rail and/or Bus Rapid Transit Capital Projects - project definition depends on final environmental review process	35%	$ 241	$ 2,930	$ 13,790
Transit Capital	Metrolink Capital Improvement Projects within Los Angeles County (Operations, Maintenance, and Expansion)	3%	$ 21	$ 251	$ 1,182
Transit Capital	Metro Rail Capital - System Improvements, Rail Yards, and Rail Cars	2%	$ 14	$ 167	$ 788
Highway Capital	Carpool Lanes, Highways, Goods Movement, Grade Separations, and Soundwalls	20%	$ 138	$ 1,675	$ 7,880
Operations	Rail Operations (New Transit Project Operations and Maintenance)	5%	$ 34	$ 419	$ 1,970
Operations	Bus Operations (Countywide Bus Service Operations, Maintenance, and Expansion. Suspend a scheduled July 1, 2009 Metro fare increase for one year and freeze all Metro Student, Senior, Disabled, and Medicare fares through June 30, 2013 by instead using Metro's Formula Allocation Procedure share of this subfund.)	20%	$ 138	$ 1,675	$ 7,880
Local Return	Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit. (Local Return to the Incorporated Cities within Los Angeles County and to Los Angeles County for the Unincorporated Area of the County on a Per Capita Basis.)	15%	$ 103	$ 1,256	$ 5,910
	TOTAL PROGRAMS	**100%**	**$ 689**	**$ 8,373**	**$ 39,400**
	1.5% for Administration		$ 11	$ 127	$ 600
	GRAND TOTAL		**$ 700**	**$ 8,500**	**$ 40,000**

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan — **ATTACHMENT A**

30 Years, Fiscal Year (FY) 2010 - 2039

As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008

($ in millions)

for reference only - not priority order	Subfund	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321) Minimum	Additional	Total	Other Funds Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)	Funds Available Beginning	Expected Completion
1	Transit Capital Projects	*Transit Projects:New Rail and/or Bus Rapid Transit Capital Projects.Could include rail improvements or exclusive bus rapid transit improvements in designated corridors.*									
2			**Escalated $**								
3		Eastside Light Rail Access (Gold Line)	$ 30	$ 30	$ -	$ 30	$ -	$ -	$ -	FY 2010	FY 2013
4		Exposition Boulevard Light Rail Transit	$ 1,632 [a]	$ 925	$ -	$ 925	$ -	$ 353	$ 354	FY 2010-12	FY 2013-15
5		Metro and Municipal Regional Clean Fuel Bus Capital Facilities and Rolling Stock (Metro's share to be used for clean fuel buses)	$ 150	$ 150	$ -	$ 150	$ -	$ -	$ -	FY 2010	FY 2039
6		Regional Connector (links local rail lines)	$ 1,320	$ 160	$ -	$ 160	$ 708	$ 186	$ 266 [b]	FY 2014-16	FY 2023-25
7			**Current 2008 $**								
8		Crenshaw Transit Corridor - **project acceleration**	$ 1,470	$ 235.5	$ 971.5	$ 1,207	To be determined		$ 263 [c]	FY 2010-12	FY 2016-18
9		Gold Line Eastside Extension	$ 1,310	$ -	$ 1,271	$ 1,271			$ 39	FY 2022-24	FY 2033-35
10		Gold Line Foothill Light Rail Transit Extension	$ 758	$ 328	$ 407	$ 735			$ 23	FY 2010-12	FY 2015-17
11		Green Line Extension to Los Angeles International Airport	$ 200	$ -	$ 200	$ 200			TBD [d]	FY 2010-12	FY 2015-28[d]
12		Green Line Extension: Redondo Beach Station to South Bay Corridor	$ 280	$ -	$ 272	$ 272			$ 8	FY 2028-30	FY 2033-35
13		San Fernando Valley I-405 Corridor Connection (match to total project cost)	TBD	$ -	$ 1,000	$ 1,000			$ 31	FY 2030-32	FY 2038-39
14		San Fernando Valley North-South Rapidways (Canoga Corridor) - **project acceleration**	$ 188	$ 32 [e]	$ 150	$ 182			$ 6	FY 2010-12	FY 2014-16
15		San Fernando Valley East North-South Rapidways - **project acceleration**	$ 70	$ 68.5 [e]	$ -	$ 68.5			$ 2	FY 2013-15	FY 2016-18
16		West Santa Ana Branch Corridor (match to total project cost)	TBD	$ -	$ 240	$ 240			$ 7	FY 2015-17*	FY 2025-27*
17		Westside Subway Extension - to be opened in segments	$ 4,200 [f]	$ 900	$ 3,174	$ 4,074			$ 126	FY 2013-15	FY 2034-36
18		Capital Project Contingency (Transit)-Escalation Allowance for lines 8-17 to be based on year of construction	$ 7,331	$ 173	$ 3,103	$ 3,276	$ 2,200	$ 1,015	$ 840 [g]	FY 2010	FY 2039
19		***Total New Rail and/or Bus Rapid Transit Capital Projects***	***$ 18,939*** [h]	***$ 3,001.5***	***$ 10,788.5***	***$ 13,790***	***$ 2,908***	***$ 1,554***	***$ 1,965***	FY 2010	FY 2039

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan
30 Years, Fiscal Year (FY) 2010 - 2039
As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008
($ in millions)

ATTACHMENT A

for reference only - not priority order	Subfund	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321): Minimum	New Sales Tax (Assembly Bill 2321): Additional	New Sales Tax (Assembly Bill 2321): Total	Other Funds: Federal Funding	Other Funds: State Funding	Other Funds: Local Funding (Rail is 3% except as noted)	Funds Available Beginning	Expected Completion
20	Highway Capital Projects	***Highway Projects: Capital Projects - Carpool Lanes, Highways, Goods Movement, Grade Separations, and Soundwalls***									
21			**Escalated $**								
22		Alameda Corridor East Grade Separations Phase II	$ 1,123	$ 200	$ 200	$ 400	$ 200	$ 336	$ 187 [i]	As funds become available	
23		BNSF Grade Separations in Gateway Cities	$ 35	$ -	$ 35	$ 35	$ -	$ -	$ -	As funds become available	
24		Countywide Soundwall Construction (Metro regional list and Monterey Park/SR-60)	$ 250	$ 250	$ -	$ 250	$ -	$ -	$ -	FY 2010	FY 2039
25		High Desert Corridor (environmental)	$ 33	$ -	$ 33	$ 33	$ -	$ -	$ -	As funds become available	
26		Interstate 5 / St. Route 14 Capacity Enhancement	$ 161	$ 90.8	$ -	90.8	$ 15	$ 41	$ 14 [j]	FY 2010	FY 2013-15
27		Interstate 5 Capacity Enhancement from I-605 to Orange County Line	$ 1,240	$ 264.8	$ -	$ 264.8	$ 78	$ 834	$ 63 [j]	FY 2010	FY 2016-17
28		I-5 Capacity Enhancement from SR-134 to SR-170	$ 610	$ 271.5	$ -	$ 271.5	$ 50	$ 264	$ 24 [j]	FY 2010	FY 2013
29		I-5 Carmenita Road Interchange Improvement	$ 389	$ 138	$ -	$ 138	$ 97	$ 154	$ - [j]	FY 2010	FY 2015
30			**Current 2008 $**								
31		Highway Operational Improvements in Arroyo Verdugo subregion	$ 170	$ -	$ 170	$ 170	To be determined			As funds become available	
32		Highway Operational Improvements in Las Virgenes/Malibu subregion	$ 175	$ -	$ 175	$ 175					
33		Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay)	$ 906	$ -	$ 906	$ 906					
34		Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line (Truck Lanes)	$ 2,800	$ -	$ 410	$ 410					
35		Interstate 605 Corridor "Hot Spot" Interchanges	$ 2,410	$ -	$ 590	$ 590					
36		Interstate 710 North Gap Closure (tunnel)	$ 3,730	$ -	$ 780	$ 780					
37		Interstate 710 South and/or Early Action Projects	$ 5,460	$ -	$ 590	$ 590					
38		State Route 138 Capacity Enhancements	$ 270	$ -	$ 200	$ 200					
39		Capital Project Contingency (Highway)-Escalation Allowance for lines 31-38 to be based on year of construction	$ 2,575	$ -	$ 2,575.9	$ 2,576					
40		***Total Capital Projects Highway: Carpool Lanes, Highways, Goods Movements, Grade Separations, and Soundwalls***	***$ 22,337***	$ 1,215.1	***$ 6,664.9***	***$ 7,880***	***TBD***	***TBD***	***$ 288***	FY 2010	FY 2039

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan **ATTACHMENT A**
30 Years, Fiscal Year (FY) 2010 - 2039
As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008
($ in millions)

for reference only - not priority order	Subfund	Operating and Capital Programs	Percent of New Sales Tax Net Revenues	New Sales Tax (Assembly Bill 2321) Minimum	Additional	Total Escalated	Other Funds Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)	Funds Available Beginning	Expected Completion
41	Ops	Bus Operations (Countywide Bus Service Operations, Maintenance, and Expansion. Suspend a scheduled July 1, 2009 Metro fare increase for one year and freeze all Metro Student, Senior, Disabled, and Medicare fares through June 30, 2013 by instead using Metro's Formula Allocation Procedure share of this subfund.)	20%	$ -	$ 7,880	$ 7,880 k	Not Applicable			FY 2010	FY 2039
42	Ops	Rail Operations (New Transit Project Operations and Maintenance)	5%	$ -	$ 1,970	$ 1,970 k				FY 2010	FY 2039
43	Local Return	Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit.	15% l	$ 250	$ 5,660	$ 5,910 k				FY 2010	FY 2039
44	Tran. Cap.	Metro Rail Capital Projects - System Improvements, Rail Yards, and Rail Cars	2%	$ -	$ 788	$ 788 k				FY 2010	FY 2039
45	Tran. Cap.	Metrolink Capital Improvement Projects within Los Angeles County (Operations, Maintenance, and Expansion)	3%	$ 70	$ 1,112	$ 1,182 k				FY 2010	FY 2039
46		***Subtotal Transit and Highway Capital Projects***	*$ 41,276 m*	*$ 4,216.6*	*$ 17,453*	*$ 21,670*	*$ 2,908*	*$ 1,554*	*$ 2,253*	FY 2010	FY 2039
47		***Subtotal page 4***		*$ 320.0*	*$ 17,410*	*$ 17,730*	Not Applicable				
48		1.5% for Administration	N/A	$ 10	$ 590	$ 600				FY 2010	FY 2039
49		***Total***		*$ 4,546.6*	*$ 35,453*	*$ 40,000*	*$ 2,908*	*$ 1,554*	*$ 2,253*	FY 2010	FY 2039

Notes:

a. The Exposition Blvd Light Rail Transit project includes the following funds: Prop 1B Transit Modernization funds ($250 M), State Transportation Improvement Program funds ($103 M), Metro Propositions A and C funds ($354 M).
b. Systemwide ridership forecasts indicate need for a Regional Connector downtown. This expenditure plan assumes that Metro Long Range Transportation Plan funds freed-up from the Exposition Phase II project by passage of this sales tax will be redirected to the Regional Connector project by the Metro Board.
c. Local funding for the Crenshaw Transit Corridor assumes a 3% local contribution ($44 M) and a Metro Long Range Transportation Plan contribution ($219 M).
d. Local funding target and project schedule to be determined due to potential LAX contribution. First segment is included in the Crenshaw project.
e. The San Fernando Valley North-South Rapidways minimum of $100 M is divided between the East and Canoga segments.
f. Unescalated cost estimate to Westwood.
g. Assumes a 3% local contribution to the Escalation Allowance ($225 M) and a Metro Long Range Transportation Plan contribution for project scheduling risk ($615 M).
h. Total new rail and/or bus rapid transit capital projects cost estimate subject to change when cost estimates are developed for the San Fernando Valley I-405 Corridor Connection (line 13) and the West Santa Ana Branch Corridor (line 16).
i. The precise amounts of Federal and local funding for the Alameda Corridor East Grade Separations Phase II project are subject to change.
j. For projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of this sales tax shall remain in the subregion in which the project is located for projects or programs of regional significance (per AB 2321).
k. Amounts are estimates. Actual amounts will be based on percentage of actual sales tax receipts net of administration.
l. Local Return to the incorporated cities within Los Angeles County and to Los Angeles County for the unincorporated area of the County on a per capita basis per annual California Department of Finance population data
m. The total project cost estimate for the transit and highway capital projects of $41.2 B includes $12.9 B in as yet unidentified federal, state, local, and public-private partnership funds for highway projects.

Legend: Ops = Operations; Tran. Cap. = Transit Capital; SR = State Route; I = Interstate
* The West Santa Ana Branch matching funds would be accelerated by utilizing Long Range Transportation Plan resources freed-up by the use of new sales tax funds on the Interstate 5 Capacity Enhancement from I-605 to Orange County Line project (line 27).

RESOLUTION CALLING SPECIAL ELECTION PROPOSING AN ADDITIONAL RETAIL TRANSACTIONS AND USE TAX FOR TRANSPORTATION PURPOSES TO BE SUBMITTED TO THE VOTERS OF THE COUNTY AT THE SPECIAL ELECTION AND REQUESTING THE CONSOLIDATION OF THE SPECIAL ELECTION WITH THE NOVEMBER GENERAL ELECTION

BE IT RESOLVED by the Los Angeles County Metropolitan Transportation Authority ("Metro"), that, pursuant to Section 130350 of the California Public Utilities Code, a special election is hereby ordered and called to be held on Tuesday, November 4, 2008, and that the following Proposition be submitted to the electors of the County of Los Angeles at the special election.

BE IT FURTHER RESOLVED that Metro requests that the Board of Supervisors of the County of Los Angeles, State of California, consolidate the special election with the November General Election and place the Proposition upon the same ballot as shall be provided for the General Election to be held on the 4th day of November 2008, and, that the same precincts, polling places, and precinct board members as shall be used for the General Election shall be used for the Special Election pursuant to California Elections Code Sections 10400 et seq.

BALLOT PROPOSITION

The exact form of the Proposition as it is to appear on the ballot is as follows:

<table>
<tr>
<td rowspan="2">Traffic Relief. Rail Extensions. Reduce Foreign Oil Dependence.
To:
• Synchronize traffic signals;
• Repair potholes;
• Extend light rail with airport connections;
• Improve freeway traffic flow (5, 10, 14, 60, 101, 110, 138, 210, 405, 605, 710);
• Keep senior / student / disabled fares low;
• Provide clean-fuel buses;
• Expand subway / Metrolink / bus service;
• Dedicate millions for community traffic relief;

Shall Los Angeles County's sales tax increase one-half cent for 30 years with independent audits, public review of expenditures, all locally controlled?</td>
<td>YES</td>
</tr>
<tr>
<td>NO</td>
</tr>
</table>

EXHIBITS

The complete text of the proposed ordinance, including Attachment A, entitled "Expenditure Plan," is attached as Exhibit 1, and the document entitled "Five Point Plan," is attached as Exhibit 2. These documents are incorporated herein by reference.

PROCLAMATION

Pursuant to Section 12001 of the California Elections Code, Metro hereby PROCLAIMS that a special County-wide election shall be held on November 4, 2008, to vote upon the Proposition set forth in this resolution. Pursuant to Section 14212 of the California Elections Code, the polls shall be open for said election from 7:00 a.m. to 8:00 p.m. The Los Angeles County Registrar-Recorder shall cause this proclamation to be published in a daily newspaper of general circulation, printed, published, and circulated in Los Angeles County, at least one (1) time before the 4th day of November, 2008, pursuant to

Section 130351 of the California Public Utilities Code and Section 9163 of the California Elections Code.

FILING RESOLUTION

The Chief Executive Officer of Metro, or his designee, is ordered to file a copy of this resolution with the Clerk of the Los Angeles County Board of Supervisors and the Los Angeles County Registrar-Recorder/County Clerk at least eighty-eight (88) days prior to the date of the election.

ANALYSIS OF ORDINANCE

The County Counsel of the County of Los Angeles is hereby requested to prepare an analysis of said ordinance pursuant to Section 130351 of the California Public Utilities Code and Section 9160 of the California Elections Code.

CEQA EXEMPTION

The California Environmental Quality Act does not apply to this tax proposal, according to Section 21080(b)(8) and (10) through (13) of the California Public Resources Code, and Sections 15273, 15275, 15276 and 15378(b) of Title 14 of the California Code of Regulations.

This tax is proposed for the purpose of (1) meeting operating expenses; purchasing or leasing supplies, equipment or materials; meeting financial reserve requirements; obtaining funds for capital projects necessary to maintain service within existing service areas; (2) increasing funds for the existing public transit service programs; (3) instituting or increasing passenger or commuter services on rail or highway rights of way already in use and/or (4) the continued development of a regional transportation improvement program.

Metro hereby finds that the purpose of this tax includes supplementing existing tax revenues to meet a demonstrated shortfall due to decreasing federal funding and increasing transportation costs needed to complete the Los Angeles County transportation system as set forth in the Regional Transportation Improvement Program, which is incorporated herein by reference, including funding to meet operating expenses, purchase or lease of equipment or materials, meet financial reserve needs and requirements and to obtain funds for capital projects necessary to maintain service within existing service areas and to assist in meeting stricter air quality standards and accessibility requirements.

The Chief Executive Officer of Metro, or his designee, is directed to promptly file a Notice of Exemption under the California Environmental Quality Act.

ELECTION/REGISTRAR-RECORDER

Metro staff is hereby instructed to cooperate with the Los Angeles County Registrar-Recorder and to perform or cause to be performed such functions preliminary to the conduct of the special election as may be agreed upon with the Registrar-Recorder.

Pursuant to Section 130351 of the California Public Utilities Code, the cost incurred by Los Angeles County in conducting the special election shall be reimbursed by Metro.

The Los Angeles County Board of Supervisors is hereby authorized to canvass the returns of the special election requested herein to be consolidated with the November 2008 general election.

Pursuant to Section 130350 of the California Public Utilities Code, the vote requirement for the Proposition shall be an affirmative vote of two-thirds (2/3) of the votes cast on the Proposition.

ARGUMENTS

Metro hereby authorizes the Chairman of the Board of Directors of Metro to file a written argument in support of the Proposition and the rebuttal argument.

REQUEST FOR LETTER IDENTIFYING PROPOSITION

Metro hereby requests that the Registrar-Recorder identify the Proposition as "Proposition R." In the event that the letter "R" is not available, Metro requests that the Registrar-Recorder identify the Proposition as "Proposition M." In the event that neither the letter "R" nor the letter "M" is available, Metro requests that the Registrar-Recorder identify the Proposition as "Proposition A." In the event that none of the above letters are available, Metro hereby authorizes the Chief Executive Officer, or his designee, to select a letter identifying the Proposition.

BALLOT PAMPHLET EXHIBITS

Metro hereby authorizes the Chief Executive Officer, or his designee, to submit any exhibits he deems necessary, including Exhibit 1 or Exhibit 2 of this resolution, or excerpts thereof, to the Registrar-Recorder for inclusion in the ballot pamphlet.

NOTICE OF ELECTION

Upon receipt from the Registrar-Recorder of the published notice of election, the Chief Executive Officer, or his designee, shall post the notice of election in a publicly available location in the Metro Headquarters Building located at One Gateway Plaza in the City of Los Angeles, California.

WITHDRAWAL OF PROPOSITION

Metro hereby authorizes the Chief Executive Officer to instruct the Registrar-Recorder to withdraw the Proposition from the November 4, 2008 ballot in the event that the California Legislature adopts any statute that prevents the attached Ordinance from taking effect, or in the event that the California Legislature fails to adopt a statute that provides that the tax proposed by Metro in the Ordinance shall not be considered for the purposes of the combined rate limit established by Section 7251.1 of the Revenue and Taxation Code.

ENFORCEMENT AUTHORITY

Metro hereby authorizes the Chief Executive Officer to retain outside legal counsel to take any action necessary to effectuate the purposes of this resolution, including the attached Ordinance.

I certify that the foregoing resolution was adopted by a majority vote of all members of the Los Angeles County Metropolitan Transportation Authority, at its meeting held on the 24th day of July, 2008.

MICHELE JACKSON
Metro Board Secretary

Proposed One-Half Cent Sales Tax for Transportation
Outline of Expenditure Categories
Sunsets in 30-Years: Fiscal Year (FY) 2010 - 2039
(millions)

ATTACHMENT A

Subfund	Program	% of Sales Tax (net of administration)	First Year Amount	10-Year Amount	30-Year Amount
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Highway Capital	Carpool Lanes, Highways, Goods Movement, Grade Separations, and Soundwalls	20%	$ 138	$ 1,675	$ 7,880
Operations	Rail Operations (New Transit Project Operations and Maintenance)	5%	$ 34	$ 419	$ 1,970
Operations	Bus Operations (Countywide Bus Service Operations, Maintenance, and Expansion. Suspend a scheduled July 1, 2009 Metro fare increase for one year and freeze all Metro Student, Senior, Disabled, and Medicare fares through June 30, 2013 by instead using Metro's Formula Allocation Procedure share of this subfund.)	20%	$ 138	$ 1,675	$ 7,880
Local Return	Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit. (Local Return to the Incorporated Cities within Los Angeles County and to Los Angeles County for the Unincorporated Area of the County on a Per Capita Basis.)	15%	$ 103	$ 1,256	$ 5,910
	TOTAL PROGRAMS	**100%**	**$ 689**	**$ 8,373**	**$ 39,400**
	1.5% for Administration		$ 11	$ 127	$ 600
	GRAND TOTAL		**$ 700**	**$ 8,500**	**$ 40,000**

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan **ATTACHMENT A**
30 Years, Fiscal Year (FY) 2010 - 2039
As Adopted by the Los Angeles County Metropolitan Transportation Authority Board of Directors July 24, 2008
($ in millions)

for reference only - not priority order	Subfund	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321) Minimum	New Sales Tax (Assembly Bill 2321) Additional	New Sales Tax (Assembly Bill 2321) Total	Other Funds Federal Funding	Other Funds State Funding	Other Funds Local Funding (Rail is 3% except as noted)	Funds Available Beginning	Expected Completion
1	Transit Capital Projects	***Transit Projects:New Rail and/or Bus Rapid Transit Capital Projects.Could include rail improvements or exclusive bus rapid transit improvements in designated corridors.***									
2			**Escalated $**								
3		Eastside Light Rail Access (Gold Line)	$ 30	$ 30	$ -	$ 30	$ -	$ -	$ -	FY 2010	FY 2013
4		Exposition Boulevard Light Rail Transit	$ 1,632 [a]	$ 925	$ -	$ 925	$ -	$ 353	$ 354	FY 2010-12	FY 2013-15
5		Metro and Municipal Regional Clean Fuel Bus Capital Facilities and Rolling Stock (Metro's share to be used for clean fuel buses)	$ 150	$ 150	$ -	$ 150	$ -	$ -	$ -	FY 2010	FY 2039
6		Regional Connector (links local rail lines)	$ 1,320	$ 160	$ -	$ 160	$ 708	$ 186	$ 266 [b]	FY 2014-16	FY 2023-25
7			**Current 2008 $**								
8		Crenshaw Transit Corridor - **project acceleration**	$ 1,470	$ 235.5	$ 971.5	$ 1,207	To be determined		$ 263 [c]	FY 2010-12	FY 2016-18
9		Gold Line Eastside Extension	$ 1,310	$ -	$ 1,271	$ 1,271			$ 39	FY 2022-24	FY 2033-35
10		Gold Line Foothill Light Rail Transit Extension	$ 758	$ 328	$ 407	$ 735			$ 23	FY 2010-12	FY 2015-17
11		Green Line Extension to Los Angeles International Airport	$ 200	$ -	$ 200	$ 200			TBD [d]	FY 2010-12	FY 2015-28[d]
12		Green Line Extension: Redondo Beach Station to South Bay Corridor	$ 280	$ -	$ 272	$ 272			$ 8	FY 2028-30	FY 2033-35
13		San Fernando Valley I-405 Corridor Connection (match to total project cost)	TBD	$ -	$ 1,000	$ 1,000			$ 31	FY 2030-32	FY 2038-39
14		San Fernando Valley North-South Rapidways (Canoga Corridor) - **project acceleration**	$ 188	$ 32 [e]	$ 150	$ 182			$ 6	FY 2010-12	FY 2014-16
15		San Fernando Valley East North-South Rapidways - **project acceleration**	$ 70	$ 68.5 [e]	$ -	$ 68.5			$ 2	FY 2013-15	FY 2016-18
16		West Santa Ana Branch Corridor (match to total project cost)	TBD	$ -	$ 240	$ 240			$ 7	FY 2015-17*	FY 2025-27*
17		Westside Subway Extension - to be opened in segments	$ 4,200 [f]	$ 900	$ 3,174	$ 4,074			$ 126	FY 2013-15	FY 2034-36
18		Capital Project Contingency (Transit)-Escalation Allowance for lines 8-17 to be based on year of construction	$ 7,331	$ 173	$ 3,103	$ 3,276	$ 2,200	$ 1,015	$ 840 [g]	FY 2010	FY 2039
19		***Total New Rail and/or Bus Rapid Transit Capital Projects***	***$ 18,939*** [h]	***$ 3,001.5***	***$ 10,788.5***	***$ 13,790***	***$ 2,908***	***$ 1,554***	***$ 1,965***	FY 2010	FY 2039

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for reference only - not priority order	Subfund	Potential Project in Alphabetical Order by Category (project definition depends on final environmental process)	Cost Estimate	New Sales Tax (Assembly Bill 2321) Minimum	New Sales Tax (Assembly Bill 2321) Additional	New Sales Tax (Assembly Bill 2321) Total	Other Funds Federal Funding	Other Funds State Funding	Other Funds Local Funding (Rail is 3% except as noted)	Funds Available Beginning	Expected Completion
20	Highway Capital Projects	***Highway Projects: Capital Projects - Carpool Lanes, Highways, Goods Movement, Grade Separations, and Soundwalls***									
21			**Escalated $**								
22		Alameda Corridor East Grade Separations Phase II	$ 1,123	$ 200	$ 200	$ 400	$ 200	$ 336	$ 187 [j]	As funds become available	
23		BNSF Grade Separations in Gateway Cities	$ 35	$ -	$ 35	$ 35	$ -	$ -	$ -	As funds become available	
24		Countywide Soundwall Construction (Metro regional list and Monterey Park/SR-60)	$ 250	$ 250	$ -	$ 250	$ -	$ -	$ -	FY 2010	FY 2039
25		High Desert Corridor (environmental)	$ 33	$ -	$ 33	$ 33	$ -	$ -	$ -	As funds become available	
26		Interstate 5 / St. Route 14 Capacity Enhancement	$ 161	$ 90.8	$ -	90.8	$ 15	$ 41	$ 14 [j]	FY 2010	FY 2013-15
27		Interstate 5 Capacity Enhancement from I-605 to Orange County Line	$ 1,240	$ 264.8	$ -	$ 264.8	$ 78	$ 834	$ 63 [j]	FY 2010	FY 2016-17
28		I-5 Capacity Enhancement from SR-134 to SR-170	$ 610	$ 271.5	$ -	$ 271.5	$ 50	$ 264	$ 24 [j]	FY 2010	FY 2013
29		I-5 Carmenita Road Interchange Improvement	$ 389	$ 138	$ -	$ 138	$ 97	$ 154	$ - [j]	FY 2010	FY 2015
30			**Current 2008 $**								
31		Highway Operational Improvements in Arroyo Verdugo subregion	$ 170	$ -	$ 170	$ 170	To be determined			As funds become available	
32		Highway Operational Improvements in Las Virgenes/Malibu subregion	$ 175	$ -	$ 175	$ 175					
33		Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Improvements (South Bay)	$ 906	$ -	$ 906	$ 906					
34		Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line (Truck Lanes)	$ 2,800	$ -	$ 410	$ 410					
35		Interstate 605 Corridor "Hot Spot" Interchanges	$ 2,410	$ -	$ 590	$ 590					
36		Interstate 710 North Gap Closure (tunnel)	$ 3,730	$ -	$ 780	$ 780					
37		Interstate 710 South and/or Early Action Projects	$ 5,460	$ -	$ 590	$ 590					
38		State Route 138 Capacity Enhancements	$ 270	$ -	$ 200	$ 200					
39		Capital Project Contingency (Highway)-Escalation Allowance for lines 31-38 to be based on year of construction	$ 2,575	$ -	$ 2,575.9	$ 2,576					
40		***Total Capital Projects Highway: Carpool Lanes, Highways, Goods Movements, Grade Separations, and Soundwalls***	***$ 22,337***	$ 1,215.1	***$ 6,664.9***	***$ 7,880***	***TBD***	***TBD***	***$ 288***	FY 2010	FY 2039

Proposed One-Half Cent Sales Tax for Transportation: Expenditure Plan **ATTACHMENT A**
30 Years, Fiscal Year (FY) 2010 - 2039
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($ in millions)

for reference only - not priority order	Subfund	Operating and Capital Programs	Percent of New Sales Tax Net Revenues	New Sales Tax (Assembly Bill 2321)			Other Funds			Funds Available Beginning	Expected Completion
				Minimum	Additional	Total Escalated	Federal Funding	State Funding	Local Funding (Rail is 3% except as noted)		
41	Ops	Bus Operations (Countywide Bus Service Operations, Maintenance, and Expansion. Suspend a scheduled July 1, 2009 Metro fare increase for one year and freeze all Metro Student, Senior, Disabled, and Medicare fares through June 30, 2013 by instead using Metro's Formula Allocation Procedure share of this subfund.)	20%	$ -	$ 7,880	$ 7,880 k	Not Applicable			FY 2010	FY 2039
42	Ops	Rail Operations (New Transit Project Operations and Maintenance)	5%	$ -	$ 1,970	$ 1,970 k				FY 2010	FY 2039
43	Local Return	Major street resurfacing, rehabilitation and reconstruction; pothole repair; left turn signals; bikeways; pedestrian improvements; streetscapes; signal synchronization; and transit.	15% l	$ 250	$ 5,660	$ 5,910 k				FY 2010	FY 2039
44	Tran. Cap.	Metro Rail Capital Projects - System Improvements, Rail Yards, and Rail Cars	2%	$ -	$ 788	$ 788 k				FY 2010	FY 2039
45	Tran. Cap.	Metrolink Capital Improvement Projects within Los Angeles County (Operations, Maintenance, and Expansion)	3%	$ 70	$ 1,112	$ 1,182 k				FY 2010	FY 2039
46		***Subtotal Transit and Highway Capital Projects***	*$ 41,276* m	*$ 4,216.6*	*$ 17,453*	*$ 21,670*	*$ 2,908*	*$ 1,554*	*$ 2,253*	FY 2010	FY 2039
47		***Subtotal page 4***		*$ 320.0*	*$ 17,410*	*$ 17,730*	Not Applicable				
48		1.5% for Administration	N/A	$ 10	$ 590	$ 600				FY 2010	FY 2039
49		***Total***		*$ 4,546.6*	*$ 35,453*	*$ 40,000*	*$ 2,908*	*$ 1,554*	*$ 2,253*	FY 2010	FY 2039

Notes:

a. The Exposition Blvd Light Rail Transit project includes the following funds: Prop 1B Transit Modernization funds ($250 M), State Transportation Improvement Program funds ($103 M), Metro Propositions A and C funds ($354 M).

b. Systemwide ridership forecasts indicate need for a Regional Connector downtown. This expenditure plan assumes that Metro Long Range Transportation Plan funds freed-up from the Exposition Phase II project by passage of this sales tax will be redirected to the Regional Connector project by the Metro Board.

c. Local funding for the Crenshaw Transit Corridor assumes a 3% local contribution ($44 M) and a Metro Long Range Transportation Plan contribution ($219 M).

d. Local funding target and project schedule to be determined due to potential LAX contribution. First segment is included in the Crenshaw project.

e. The San Fernando Valley North-South Rapidways minimum of $100 M is divided between the East and Canoga segments.

f. Unescalated cost estimate to Westwood.

g. Assumes a 3% local contribution to the Escalation Allowance ($225 M) and a Metro Long Range Transportation Plan contribution for project scheduling risk ($615 M).

h. Total new rail and/or bus rapid transit capital projects cost estimate subject to change when cost estimates are developed for the San Fernando Valley I-405 Corridor Connection (line 13) and the West Santa Ana Branch Corridor (line 16).

i. The precise amounts of Federal and local funding for the Alameda Corridor East Grade Separations Phase II project are subject to change.

j. For projects funded from other sources on or before December 31, 2008, the funds freed-up by passage of this sales tax shall remain in the subregion in which the project is located for projects or programs of regional significance (per AB 2321).

k. Amounts are estimates. Actual amounts will be based on percentage of actual sales tax receipts net of administration.

l. Local Return to the incorporated cities within Los Angeles County and to Los Angeles County for the unincorporated area of the County on a per capita basis per annual California Department of Finance population data.

m. The total project cost estimate for the transit and highway capital projects of $41.2 B includes $12.9 B in as yet unidentified federal, state, local, and public-private partnership funds for highway projects.

Legend: Ops = Operations; Tran. Cap. = Transit Capital; SR = State Route; I = Interstate

* The West Santa Ana Branch matching funds would be accelerated by utilizing Long Range Transportation Plan resources freed-up by the use of new sales tax funds on the Interstate 5 Capacity Enhancement from I-605 to Orange County Line project (line 27).

Senator Barbara Boxer

1. What benefits to the environment are you expecting from the 30/10 initiative?

MTA staff estimated the environmental benefits as follows:

- 570,000 lbs. fewer emissions per year from reactive organic gases (ROG), nitrous oxides (NOx), carbon monoxide (CO), and particulate matter (2.5 micron and 10 micron)
- 10.3 million fewer gallons of gasoline uses each year
- 77 million more transit trips each year
- 208 million fewer miles driven each year

The Southern California Association of Governments (SCAG), the Metropolitan Planning Organization that includes Los Angeles County, estimates that 30/10 will take more pollutants out of the air by finishing the projects sooner:

- 1.8 x less CO (2020-2035)
- 2.4 x less NOx (2020-2035)

More detailed estimates are being developed at the project level through the environmental review and clearance process.

2. What can Congress do to encourage other cities to make the kind of investments your city and region is making in transportation?

- Create funding programs that reward cities and regions that invest in themselves through self-imposed taxes or fees
- Set aside a portion of funding in certain categories and programs that can only be accessed by cities and regions that have imposed transportation taxes or fees
- Increase local matching requirements for federal funding programs

3. Why should the federal government assist LA in solving its transportation problems? What is the federal interest in the 30/10 initiative?

- Los Angeles is a federal non-attainment area, so the federal government has an interest in helping Los Angeles meet federal air quality regulations

- Los Angeles has multiple new stations as part of California's high speed rail project recently funded by the federal government and expanding our region's transit system will increase the effectiveness of federally-supported high speed rail

- About 40% of all sea borne cargo coming to the U.S. enter the ports of Los Angeles and Long Beach and their transport to the rest of the country depends in large part on trucking through our region's freeways and roads; getting people out of their cars and onto public transit reduces freeway and road congestion, making goods movement more efficient (faster), less expensive, and environmentally better (reduced air pollution)

- Finally, the federal government can use Los Angeles a demonstration project to create a new federal financing program; the original federal loan for the Alameda Corridor freight rail project in the 1990's became the structure for The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA)

<u>**Senator James M. Inhofe**</u>

1. When we talk about highways, people are often not aware that that federal investment in highway and bridges makes up less than 40% of all capital investment at all levels of government in this country. Recognizing that even a robustly funded highway bill cannot solve our infrastructure crisis alone, what changes would you make to the Federal-aid Highway program to encourage increased spending on highways and bridges from the state and local sources?

- Create funding programs that reward cities and regions that invest in themselves through self-imposed taxes or fees
- Set aside a portion of funding in certain categories and programs that can only be accessed by cities and regions that have imposed transportation taxes or fees
- Increase local matching requirements for federal funding programs
- Allow state governments to toll existing interstate highways to manage congestion and generate revenue for maintenance as well as new highway capital investments; mandate that all transportation tolls can only be used for transportation purposes

2. It has been almost 16 years since the federal-aid program authorized the use of state infrastructure banks (SIBs), which enabled states to use federal funds to capitalize revolving loan funds for transportation projects within each state. Since then only a handful of states have taken advantage of this program. Why do you think this valuable tool has yet to catch on?

- Lack of federal and state funds to capitalize SIB is probably the major barrier

3. In an effort to leverage greater transportation, would you consider lowering the federal share for projects and also creating some type of mechanism to provide additional funding to states that commit more of their resources to transportation investments (such as creating a new formula factor or new incentive program)

- Yes
- The incentive should also apply to counties and cities, not just states

4. It appears that one of the Administration's major transportation goals is the creation of a national infrastructure bank, separate from the traditional highway program, which would be funded by general treasury revenues. Does their proposal for such a transportation fund bring anything to the table that would not be accomplished by an enlarged TIFIA program and larger multi-modal discretionary programs?

- In general, TIFIA, the proposed National Infrastructure Innovation and Finance Fund (NIIFF), possible National Infrastructure Bank (NIB), and the Build America Bonds all provide similar relief and assistance to state and local government: lower cost access to capital

- It is not clear if any of the existing or proposed structures are inherently better since the two key factors from a local government perspective are how much lower is the cost of capital and is the federal program funded at a sufficient level to meet the nation's needs

- For example, the TIFIA program's structure would generally support 30/10, however the interest rate (though subsidized) is still higher than Los Angeles can afford and the program's overall current funding level since its inception is too small to accommodate a program the size of 30/10

- The advantage of a NIIFF or NIB is that the program could be available more broadly for an array of needed public infrastructure projects whereas TIFIA (as currently structured) is only available for transportation projects; another advantage would be creating a single set of rules and guidelines for state and local governments seeking federal financing or assistance

<u>**Senator George V. Voinovich**</u>

1. Many mayors feel like they get shortchanged with federal transportation funding. How can we help in the next reauthorization bill provide municipalities with flexibility to leverage your federal funds so that you can focus on your needed priorities?

- Consider allocating some federal formula funds directly to cities instead of to states
- Consider enabling legislation that provide tools for local government to generate transportation revenue, e.g. explicitly authorizing cities to implement congestion pricing zones

2. Local elected officials know well the tough economic conditions this country faces. As a former mayor, I know the responsibilities you face. Given that economists are predicting tight economic conditions into the future; can you speak to how your city is working with its MPO to leverage scarce federal, state and local transportation resources?

- We work in partnership to leverage resources at two regional agencies
- The first is the Los Angeles County Metropolitan Transportation Authority (MTA), where the Mayor of Los Angeles serves by state law and appoints three other Board members
- The second is the Southern California Association of Governments (SCAG), region's the Metropolitan Planning Organization, where the City of Los Angeles participates

3. How can we further strengthen regional cooperation so that we can achieve the federal goals?

- Creating programs and funding for nationally significant projects that have regional benefits

Senator David Vitter

1. Please discuss how California's Renewable Electricity Standards (RES) are affecting the price of electricity In California?

The State of California has been a leader in gas and electric energy policy, setting innovative mandates for renewable energy, demand side management, and greenhouse gas regulation. In 2002, SB 1078 established a Renewable Portfolio Standard (RPS) of 20% by 2017 for all investor owned utilities (IOUs) and required publicly owned utilities (POUs) to adopt a similar RPS standard. The State's RPS goal was subsequently modified in 2006 and 2007 and is now 20% by 2010. In November, 2009, by Executive Order of Governor Schwarzenegger, the California Air Resources Board began promulgating regulations that, when adopted in July 2010, will set a statewide RES target of 33% by 2020 with additional targets to be determined in the intervening years. Eligible resources include wind, photovoltaic, solar thermal, digester gas, fuel cells using renewable fuels, hydroelectric generation under 30MW, geothermal, biodiesel, biomass and landfill gas, and ocean wave and ocean thermal.

In April 2010, the California Public Utilities Commission (CPUC) submitted its "Gas and Electric Utility Cost Report" (report) to the Governor and the Legislature. This mandatory annual report analyzes the cost to electricity ratepayers in California of each program mandated by the statute and CPUC regulations. The report concluded that system average electric rate increases have tracked inflation from 2003 to 2009, with an annual average increase of 2.7%, compared with the 2.7% average annual inflation rate since 2003. With respect to the RPS effect on the price of electricity, the report states that "while renewable energy is central to the state's core energy procurement planning, renewable energy revenue requirements remain a minor component in the total portfolio at present, 9% in 2009. As of 2009, the average cost of renewable energy is comparable to the prices of the remaining energy portfolio." This is not to say that planned future resources may not have an impact upon electricity rates in California.

2. Is CA expected to meet its RES goals?

Yes. While there have been challenges due to the poor economic climate and uncertainty over the last eight years, California's utilities have been working in conjunction with the Governor, the CPUC, and the Legislature to ensure that California's RES goals are achieved in a sustainable and cost-effective manner. During 2009, significant progress towards the 20% by 2010 target had been made in California. The CPUC's "Renewable Portfolio Standard Report, Q1 2010", was recently submitted to the Governor and Legislature. It provides an update on the progress of California's utilities in meeting the RPS targets. The report states:

- In 2009, 357 MW of new renewable capacity reached commercial operation.
- The largest solar photovoltaic (PV) facility in California reached commercial operation in 2009.

- The 2009 RPS solicitation resulted in 100 TWh of renewable energy bids and was the largest to date. The IOUs shortlisted over 23 TWh of bids.
- The CPUC has approved over 130 RPS contracts for more than 12,000 MW of capacity.

Additionally, in-state projects represented 71% of new projects providing economic benefits to local communities and the State as a direct result of the RPS. Collectively the IOUs served 15% of their retail sales with renewable energy in 2009. The City of Los Angeles Department of Water and Power is on track to achieve 20% renewable resources by the end of 2010. The CPUC will issue a proposed decision approving the investor owned utilities' 2010 RPS procurement plans in the second quarter of this year.

3. Have you recently recommended a separate surcharge to fund renewable energy?

On April 15, 2010, the City of Los Angeles City Council and the Los Angeles Department of Water and Power (LADWP), the largest municipally owned utility in the nation, created the "Renewable Energy and Energy Efficiency Trust Fund" to finance renewable energy resources and development, and energy efficiency programs including providing incentives and subsidies for commercial and residential solar projects. The City adopted a 0.1 cent per kilowatt-hour rate adjustment that will be deposited into this fund. LADWP's renewable energy program dates back to 2004. LADWP has one of the state's most aggressive renewable portfolio standards at 20% by 2010 and 35% by 2020.

4. Is it accurate that the state government estimates AB32 will increase electricity prices alone by 14%?

AB 32, California's Global Warming Solutions Act of 2006, directed the California Air Resources Board (ARB) to develop the Climate Change Scoping Plan (Plan) which serves as California's blueprint for reducing its greenhouse gas (GHG) emissions to 1990 levels by 2020. In approving the Plan, the ARB directed staff to update the analysis of the economic effects of implementing the Plan. On March 24, 2010, the ARB released an updated economic analysis of AB 32. The report was developed in consultation with members of the Economic and Allocation Advisory Committee (EAAC), appointed by California Environmental Protection Agency (Cal/EPA) Secretary Linda Adams and ARB Chairman Mary Nichols. EAAC consists of top economists, business and financial leaders in California. The updated economic analysis provides an update on the expected economic effects of Scoping Plan implementation, taking into consideration the recent downturn in global economic activity and the progress on key federal policies designed to help achieve California's and the country's climate-change policy goals. The analysis also examines the potential outcomes should some of the ambitious measures included in the Plan not achieve the level of emissions reductions currently expected.

The analysis relied on two primary tools: the Energy 2020 model and the Environmental Dynamic Revenue Assessment Model (E-DRAM). Energy 2020 is a multi-region energy model that provides complete and detailed simulations of the demand and supply for all fuels. While Energy 2020 modeling results show an increase in energy prices (i.e., cost per unit), the increases in efficiency throughout the economy help reduce fuel expenditures in California relative to the "reference case" by 4.9 percent by 2020. These results suggest that the increases in energy prices in California resulting from the measures in the Scoping Plan are offset by the resulting decreases in fuel use. The ARB is also currently conducting a specific economic analysis on the impacts of achieving a 33% by 2020 RES. That study will be completed in June 2010.

5. Over the last ten years please discuss how many manufacturers and businesses have been moving to California versus how many have been leaving?

From a June 2006 report from the Public Policy Institute of California entitled "Business Relocation and Employment Change in California" by Jed Kolko:

Relocation has generally resulted in a net loss of establishments and jobs in California.

By net loss, we mean the difference between the number of establishments (or jobs) that moved into California and the number that moved out. According to the National Establishment Time-Series, in every year between 1992 and 2003, relocation caused a net loss of establishments (i.e., single business sites—either firms or parts of a firm) and jobs in the state. The largest net loss of establishments occurred in 1993-94, when California had a net loss of 750 establishments. The largest net loss of employment occurred in 1996-97, when California had a net loss of 17,118 jobs.

But these losses are negligible compared to the overall size of California's economy.

In percentage terms, 1992-93 and 1993-94 were the worst years for establishment losses. In each year of this two-year period, California experienced a net loss of about 0.05 percent of its 1.4 million establishments. At this rate, it would take about 20 years for California to lose just 1 percent of its business establishments. The worst years for job loss were 1993-94 and 1996-97, when net job loss from relocation in each year was about 0.1 percent of the state's 16 million jobs.

Relocation has relatively little effect on employment change.

In every year between 1992 and 2003, job creation (the gross addition of jobs) came primarily from the formation of new establishments and the expansion of existing ones, and job destruction (the gross elimination of jobs) resulted primarily from establishment closures and contractions—rather than from relocation of establishments. On average, 60.4 percent of job creation came from new establishments, 38.7 percent from growth of existing establishments, and only 0.9 percent from establishments moving to California. Similarly, 66.1 percent of job destruction stemmed from establishment deaths, 32.4 percent from contraction, and only 1.5 percent from establishments leaving the state.

Higher-wage industries lose more jobs than lower-wage industries due to relocation.

Over the period 1992-2003, the sectors with the largest net employment losses due to relocation were manufacturing and finance and insurance. Each lost over 20,000 net jobs due to relocation. Average manufacturing wages are $53,713 per year and average finance and insurance industry wages are $73,827, compared to the statewide average of $45,459. Overall, the top one-third of industries in terms of average wages accounted for half of the net job loss due to relocation.

Yet, employment relocation tells us nothing about the overall employment dynamics of an industry.

Among the two industries with the largest net job losses due to relocation, the manufacturing industry also lost employment overall during the period 1992-2003, but the finance and insurance industry grew even faster than the state average. There is in fact no correlation between an industry's net employment change due to relocation and overall employment change. Relocation patterns, therefore, are not an accurate indicator of the overall growth of California's industries.

NOTE: Mr. Kolko has indicated that for data ending in the year 2006 (the most recent data), the trends shown in this report have not changed. He also stated the factor which has been the most significant on workers (and businesses) leaving or coming to California has been the cost of housing and real estate and that in recent years, California has had a net gain of college-educated people because housing and real estate prices have been more affordable. He felt housing and real estate more accurately gauged the migration of businesses in California than did taxes or regulations.

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Senator BOXER. Thank you so much, Mayor.

Our next speaker we are going to call on is Max Inman, Senior Advisor for Project Finance and Program Management Initiatives at Mercator Advisors.

Could you tell us a little bit about the company and where it is located?

STATEMENT OF MAX INMAN, SENIOR ADVISOR, PROJECT FINANCE AND PROGRAM MANAGEMENT INITIATIVES, MERCATOR ADVISORS

Mr. INMAN. Yes. Mercator Advisors is headquartered in Philadelphia. It is a very small firm that provides transportation finance consulting, primarily with public agencies, State and local governments primarily, and also with the U.S. Department of Transportation.

Prior to joining Mercator, I was the Chief of the Federal Aid Financial Management Division at the Federal Highway Administration; I spent 33 years at Federal Highway. And I would like to thank the Chairman and members of the Committee for the opportunity to testify.

In the mid-1990s, FHWA, under the leadership of Deputy Administrator Jane Garvey, began to explore innovative finance techniques that would help State and local governments advance transportation projects. With the assistance of this Committee many of these techniques were included and authorized in legislation, helping to accelerate projects through more efficient use of Federal funds. At FHWA during that time, I saw firsthand the value of Federal, State, and local agencies, along with Congress, working together to find solutions to financing transportation projects.

Many project sponsors have taken advantage of initiatives such as the State infrastructure banks, the GARVEE bonds, the TIFIA loans, the enhanced advance construction procedures and more flexible State matching share provisions. We have made great progress in the last decade by providing a much wider array of financial tools than the standard 80 percent grant program that was the mainstay of the Federal highway program until just a few years ago. But we need to continue developing other financial techniques and looking for ways to improve the current techniques, so I would like to direct my comments this morning to some of the existing Federal transportation programs.

First, the State infrastructure banks. Since their inception in 1995 only eight States have exceeded $100 million in executed loan agreements. However, these States have shown how successful the banks can be, especially in providing assistance to local governments, often resulting in local projects being completed well ahead of the projected date and at overall lower cost compared to using a pay as you go strategy. I think Congress should provide incentive grants to encourage States to create or expand State infrastructure banks and also provide States with more flexibility in using the bank funds for any eligible transportation project.

The Grant Anticipation Revenue Vehicles, known as GARVEE bonds, have been very successful in allowing States to advance large projects without seriously impacting their current program of projects. Allowing States to use Federal funds to pay debt service payments conforms to the standard business practice of paying for capital improvements over the life of the asset.

It is important, though, to recognize that GARVEE bonds depend on the prospect of a long-term and reliable source of Federal funds. Recurring short-term authorizations or temporary disruptions to Federal payments because of shortages in the Highway Trust Fund could raise the risk of a default on a bond payment and therefore may impact the State's ability to issue GARVEE bonds on favorable returns.

The TIFIA program that was authorized in 1998 provides credit assistance to major transportation projects. The flexibility of the program that allows subordinate claims on pledged revenues and loan payments to be deferred until 5 years after the project is completed is tailor made for long-term transportation projects. Unfortunately, the program, as you have heard, is now unable to meet the demand for credit assistance due to program funding constraints.

Because of its ability to help advance projects of national or regional significance, as well as its favorable budget scoring, the TIFIA program is a prime example for increased funding to help leverage Federal resources. I believe the program would benefit from some technical changes, such as increasing the loan size to 50 percent of the project cost or perhaps eliminating the so-called springing lien provision.

Just to mention a few other Federal policies that might contribute to assisting in this effort, I would like to suggest perhaps a reduction in the number of Federal programs, currently over 100; increase the flexibility of States to use those programs for their highest priorities; consider providing States with greater flexibility and matching funds on a program basis, as opposed to a project level basis; reducing streamline that Federal restrictions on tolling interstate highways; and allow States to privatize interstate highway rest areas.

In conclusion, the legislation initiated by this Committee has significantly enhanced the financing options available to State and local governments, allowing for the acceleration of projects and more opportunities for participation by the private sector. This results in reduced construction costs and expedited benefits to the users of the transportation systems. But the effectiveness of any of these finance techniques depends on the establishment of a reliable and substantial source of funding. I am confident that the Committee will meet this challenge.

Thank you for the opportunity to testify.

[The prepared statement of Mr. Inman follows:]

TESTIMONY OF MAX I. INMAN
SENIOR ADVISOR OF MERCATOR ADVISORS, LLC
BEFORE THE COMMITTEE ON ENVIORNMENT AND PUBLIC WORKS
UNITED STATES SENATE

MARCH 11, 2010

Federal, State and Local Partnerships to Accelerate Transportation Benefits

Good morning. My name is Max Inman, presently a senior consultant for Mercator Advisors LLC.. I currently serve on the Taxation and Finance Committee of the Transportation Research Board. Prior to joining Mercator Advisors, I spent 33 years working at the Federal Highway Administration (FHWA), including 12 years as Chief of the Federal Aid Financial Management Division when I was responsible for overseeing the development and implementation of FHWA's innovative finance programs. This included responsibility for reviewing GARVEE bonds, state infrastructure banks, TIFIA credit instruments and public-private partnerships. I thank the Chairman and members of the Committee for the opportunity to testify.

In the mid-1990's, FHWA, under the leadership of Deputy Administrator, Jane Garvey, began to explore innovative finance techniques that would help state and local governments advance transportation projects. With the assistance of this Committee, many of these techniques were included in authorizing legislation helping to accelerate projects through more efficient use of federal funds. At FHWA during that time, I saw firsthand the value of federal, state and local agencies along with Congress all working together to find solutions to financing transportation projects.

Many project sponsors have taken advantage of initiatives such as state infrastructure banks, GARVEE bonds, TIFIA loans, enhanced advance construction procedures and more flexible state matching share provisions. We have made great progress in the last decade by providing a much wider array of financial tools than the standard 80% grant program that was the mainstay of the federal highway program until just a few years ago. We need to continue developing other beneficial finance techniques and looking for ways to improve the current techniques. But while these tools can be valuable, even more important is the over-riding need for sustainable sources of revenue -- user charges and taxes -- to make these financing techniques viable.

I would like to make a few comments about some possible next steps:

State Infrastructure Banks

Since their inception in 1995, state infrastructure banks have shown limited success. Almost forty states established banks due in large part to a modest $150 million in federal seed funds. Many of those states failed to capitalize the banks much beyond this initial infusion. To date, only eight states have exceeded $100 million in executed loan agreements. However, these states have shown how successful the banks can be, especially in providing assistance to local governments often resulting in local projects being completed well ahead of the projected date and at lower overall cost, compared to using a pay-as-you-go strategy.

I believe more states would benefit by having an active state infrastructure bank, although I recognize it is difficult for states to commit federal and state funds to a bank when the demand for direct grants far exceeds available funding. I would recommend that Congress provide incentive funds to encourage states to create or expand state infrastructure banks. Unlike the initial seed funds which created a feeding frenzy, the incentive funds might provide some level of matching funds for states that capitalize a bank using their federal or state program funds. Also, the states should be given more flexibility to use bank funds for any eligible transportation project.

GARVEE Bonds

Grant Anticipation Revenue Vehicles (GARVEE bonds) have been very successful in allowing states to advance large projects without seriously impacting their current program of projects. Allowing states to use federal funds to pay debt service payments conforms to the standard business practice of paying for capital improvements over the life of the asset. Using GARVEE bonds on major projects that result in accelerated benefits, including increased economic activity for the state, will likely result in greater state revenues during the period in which the bond payments are being made.

It is important to recognize that GARVEE bonds depend on the prospect of a long-term and reliable source of federal funds. Recurring short-term authorizations or temporary disruptions to federal payments because of shortages in the Highway Trust Fund could raise the risk of a default on bond payments. Uncertainty regarding the future of the Federal-aid Highway Program may impact states' ability to issue GARVEE bonds on favorable terms.

TIFIA Assistance

While experiencing a slow start after the enactment of the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA), project sponsors are now recognizing the advantage of including TIFIA financing as part of a project's financial plan. The flexibility of the program that allows subordinate claims on pledged revenues and loan payments to be deferred until five years after the project is completed is tailor-made for long-term transportation projects. Unfortunately, the program is now unable to meet the demand for credit assistance, due to program funding constraints.

Because of its ability to help advance projects of national or regional significance, as well as its favorable budget scoring, the TIFIA program is a prime candidate for increased funding to help leverage federal resources. I believe the program would benefit from several technical changes – such as increasing the loan size up to 50 percent of project costs, incorporating the ability to provide incentive grants to help sponsors assess project feasibility and close funding gaps, and perhaps eliminating the so-called "springing lien" provision. I note that these, as well as other, changes were recommended by the National Surface Transportation Infrastructure Financing Commission. I also note that the investment goals contained in the Administration's Fiscal Year 2011 Budget proposal for a National Infrastructure Innovation and Finance Fund (NIIFF) probably could be accomplished by growing and refining the existing TIFIA program rather than creating a new entity within the Department of Transportation having similar if not overlapping responsibilities.

Private Activity Bonds

The use of private activity bonds (PABs) for highway/intermodal projects has been very limited since authorized in 2005, with only two projects totaling less than $1 billion issued from the $15 billion authorized. My initial view of this program was that it would allow states to increase their use of private operators on highway/intermodal projects but would not result in a significant increase in the issuance of tax exempt debt. Under current market conditions, PABs require ½% to ¾% higher yield than conventional tax-exempt bonds, somewhat diminishing their cost-effectiveness. I would recommend that this program remain in place to see if future market conditions might become more favorable to the use of private operators.

Build America Bonds

The federal stimulus legislation, The American Recovery and Reinvestment Act of 2009 (ARRA) enacted over a year ago established a new method of tax-advantaged borrowing by state and local issuers for governmental activities—Build America Bonds, or BABs. These taxable rate bonds are eligible for a 35% interest subsidy from the Treasury, resulting in a net cost to issuers as much as 1% below conventional tax-exempt rates today. In 2009, approximately 22% of the $64 billion issuance volume was for transportation purposes. These taxable bonds appeal to new categories of investors, such as pension funds and life insurance companies, who were not major investors in tax-exempt bonds. Not only have BABs helped stabilize the municipal market during a time of great turmoil, they also may be an important part of the infrastructure project finance landscape going forward. The President has proposed extending the BABs program beyond the current expiration date of December 2010, albeit at a lower 28% interest subsidy. I would recommend that Congress also consider the authorization of higher-subsidy BABs for certain kinds of desired transportation investments requiring a larger financial subsidy.

Other Federal Policies

There are other federal policy changes that may result in the acceleration of projects and encourage non-federal investment in transportation. For example:

- Reduce the number of federal programs (currently numbering over 100) and increase their flexibility to help states direct funds to their highest priorities. For instance, there may be only a few federal programs to assist states in meeting national objectives such as enhanced safety, reduced congestion or Interstate maintenance along with a program that provides incentive funds for states that are making progress in meeting those objectives.

- Consider providing the states with greater flexibility in matching federal funds on a program-level basis. The current project-level matching policies are complicated making it difficult to determine their effectiveness.

- Reduce and streamline the federal restrictions on tolling Interstate highways.

- Allow states to privatize Interstate highway rest areas.

Conclusion

Legislation initiated by this Committee has significantly enhanced the financing options available to state and local governments allowing for the acceleration of projects and more opportunities for participation by the private sector. This results in reduced construction costs and expedited benefits to the users of the transportation systems. But the effectiveness of any of these finance techniques depends on the establishment of a reliable and substantial source of funding. I am confident the Committee will meet this challenge.

Environment and Public Works Committee Hearing
March 11, 2010
Follow-Up Questions for Written Submission

Questions for Max Inman

Questions from:

Senator Bernard Sanders

1. There has been a great deal of talk and interest, from the Administration and from some Senators, about establishing a national infrastructure financing entity or program, now known as the I-Fund.

There have been concerns raised that such an entity would require a good deal of federal general fund dollars but not directly benefit rural areas.

How would you design such a program to make sure it covered all of America, so that communities not near a toll road or interstate project would benefit from that investment?

Response:

While much of the discussion about the national infrastructure entity has focused on revenue-generating facilities in metropolitan areas such as toll roads, there is no reason why the I-Fund could not make loans on favorable terms to *untolled* tax-backed projects in rural areas backed by state or local revenue streams. In fact, over one-third of the loans funded under the similar TIFIA program have been secured by tax revenues rather than user charges. And even for those projects in more populous areas that are toll facilities, if they can be assisted at the federal level through loans rather than grants, the I-Bank would free up more grant funding capacity for other projects, including projects in rural states.

When viewed at the state level, a project receiving credit assistance from a national financing entity, with repayment coming from toll revenues, for example, provides indirect benefits to other state routes. First, it would free federal, state or local resources that would have been needed for constructing and operating that facility for use on other facilities within the state -- such as rural roads. Second, if the tolls were set at a level that allowed the state to collect revenue above the amount needed to operate and maintain the facility, then additional funds would be available for other state transportation projects.

2. Rep. Oberstar, in his transportation authorization bill, would create a new office in the Department of Transportation to protect state and localities from bad privatization deals.

What would each of you recommend that the Congress do to make sure that communities are not taken advantage of by the financing partner if it becomes generally allowable to partly privatize infrastructure built with public money?

Response:

Negotiating a public-private partnership (PPP) is a complex undertaking involving numerous issues that evolve over time. I hold the view that state and local agencies involved in the negotiation of a PPP do so with the interest of their citizens in mind. It is difficult for the federal government to establish specific limitations on these negotiations that would be considered appropriate in every circumstance. My preference is that the U.S. Department of Transportation (U.S. DOT) provide information and assistance to state and local agencies relating to best practices, model agreements, analysis of previously negotiated agreements, PPP training, etc. The U.S. DOT currently provides some assistance to state and local agencies relating to PPPs using its staff directly as well as in cooperation with the Center for Excellence in Project Finance that was created by SAFETEA-LU. I recommend that these existing structures be strengthened and perhaps expanded to provide more training and assistance in this area.

Senator James M. Inhofe

1. When we talk about highways, people are often not aware that that federal investment in highway and bridges makes up less than 40% of all capital investment at all levels of government in this country. Recognizing that even a robustly funded highway bill cannot solve our infrastructure crisis alone, what changes would you make to the Federal-aid Highway program to encourage increased spending on highways and bridges from the state and local sources?

Response:

I would like to see a federal program that provides state and local governments an incentive to meet specified national objectives. For example, the number of federal programs would be reduced to specifically address the national objectives. Additional (incentive) funding would be provided to states and cities that can move their transportation systems toward the national objectives.

I agree that more federal funding alone cannot solve the infrastructure crisis; therefore, these funds should be focused on fewer, more targeted national objectives. State and local governments would have the responsibility for funding projects not directly related to the national objectives.

2. It has been almost 16 years since the federal-aid program authorized the use of state infrastructure banks (SIBs), which enabled states to use federal funds to capitalize revolving loan funds for transportation projects within each state. Since then only a

handful of states have taken advantage of this program. Why do you think this valuable tool has yet to catch on?

Response:

I see three primary issues with SIBs. First, they have been undercapitalized: the funding comes from the state's federal-aid apportionments that, in most cases, are insufficient to meet existing needs. It is hard for states to prioritize dollars to capitalize a new lending program when urgent day-to-day needs are under-funded already. Second, some states, I expect, are reluctant to establish a bank that federalizes every project. And finally, State DOTs may lack the staff with the familiarity and expertise necessary to manage a large lending program.

The program attracted much attention in the mid-1990s when a modest amount of incentive ("seed capital") funds was initially provided to states that created a SIB. Unfortunately, many of those states did not have the necessary legislation or commitment for establishing a successful bank. One federal strategy might be to provide additional incentive funds for states that first commit some of their federally-apportioned funds to a SIB.

In regard to the federalization of SIB projects, the initial legislation required states to follow federal requirements on those projects that received loans from funds that were used to capitalize the bank. When those funds were repaid to the bank and loaned out a second time, those second-round projects were not subject to federal requirements. This maintained a level playing field providing that the same number of projects were subject to federal requirements regardless of whether on not the funds were used to capitalize a SIB. Subsequently, the SIB provisions were revised to require the application of federal rules to all SIB projects which some states may view as eroding the value of the SIB.

3. In an effort to leverage greater transportation, would you consider lowering the federal share for projects and also creating some type of mechanism to provide additional funding to states that commit more of their resources to transportation investments (such as creating a new formula factor or new incentive program)?

Response:

The rationale for requiring a federal share at the project-level is not well defined. Some believe its purpose is to ensure that states continue to invest in the program (prevent displacement of state funds) and others believe that a state provides better oversight on projects where it commits its own funds (has "skin in the game"). I am not sure that the current federal share policy accomplishes either objective and would recommend that the issue be evaluated perhaps through a research project.

As noted in question 1, the overall federal share of highway capital projects is less than 40%. Most states would be able to satisfy a greater state share of project costs simply by reducing the funding on state-only projects, so a reduction in the project federal share may not result in an increase in transportation funding. On the other hand, there are some states that use most or all of their state funds to match federal projects, and those states might have difficulty increasing their revenues in a slow economy. If the objective of requiring a state match on projects is to prevent the displacement of state funds, it may be more effective to establish a program level maintenance of effort requirement. However, additional research in this area is needed to evaluate the impacts of any change in policy.

In regard to the idea that states provide better oversight on projects where state funds are expended, I am not aware of any evidence to support that conclusion. It would be troubling if this were true since a number of high priority activities are eligible for 100% federal funds.

In regard to providing incentives for states to increase their transportation investments, I would limit federal funding to specific national objectives and provide an incentive fund for states that make progress in meeting those objectives.

4. It appears that one of the Administration's major transportation goals is the creation of a national infrastructure bank, separate from the traditional highway program, which would be funded by general treasury revenues. Does their proposal for such a transportation fund bring anything to the table that would not be accomplished by an enlarged TIFIA program and larger multi-modal discretionary programs?

Response:

The TIFIA program has provided a good supplement to capital markets financing by offering federal credit assistance that is patient and flexible. When I worked in the TIFIA office, I valued the expertise and field office support provided by the modal administrations in the U.S. DOT.

However, project sponsors have suggested the program could be made even more effective if the lending activities were housed in a separate organization. A single-purpose government corporation (like the Export Import Bank or OPIC) with dedicated staff could provide "one-stop shopping" to sponsors of projects seeking both grant and loan assistance. In addition, an organization whose sole focus was managing large loans might result in faster processing of applications and execution of loan agreements. Finally, many observers believe that an independent board of directors with industry expertise might reassure co-investors, and ensure that only the most meritorious projects are prioritized under an expanded program.

If the TIFIA program is retained, I would suggest it be strengthened as follows: (1) increase funding for the program, (2) allow assistance for a larger share of project costs, perhaps 50%, (3) eliminate the springing lien, and (4) exempt the program from the obligation limitation that covers the Federal-aid Highway Program.

While the TIFIA program could be expanded and modified to facilitate greater project investment, I believe consideration should be given to consolidating federal transportation credit policies and lending activities into a single, multi-modal entity with a narrower focus on financing large projects of national significance.

5. I believe public private partnerships, or PPPs, are an important mechanism to help fill the gap between limited federal-aid funds and the immense infrastructure needs in this country. Obviously, there are some in Congress that want to make them more difficult, but is there anything the federal government can do to enable more PPPs?

Response:

I agree that many projects can benefit from a public-private partnership. While private partners seldom provide outright funding for a project (contributed capital that does not require direct repayment or return), they can provide financing, expertise and innovation. A good way to nurture these partnerships is by providing additional sources of project revenue. While increased taxes or user fees will be necessary to meet the nation's transportation needs, PPPs would benefit from more flexible tolling policies and fewer restrictions on privatization. For example, Congress might remove restrictions on tolling Interstate highways and allow the privatization of Interstate rest areas.

The responsibility for negotiating PPP agreements is with the owner of the facility, generally a state or local agency. Broad restrictions established at the national level could limit an owner's ability to negotiate a provision that would be in its best interest on a specific project. I believe an appropriate federal role is to assist and educate state and local agencies to ensure that these agreements protect the interests of the traveling public and citizens in general.

Senator BOXER. Thank you for those good ideas.

Now we are going to hear from Lowell Clary, Managing Partner, Clary Consulting.

And if you would tell us about that firm, where it is, and what you do.

STATEMENT OF LOWELL R. CLARY, MANAGING PARTNER, CLARY CONSULTING, LLC

Mr. CLARY. Thank you, Madam Chair.

I am Lowell Clary. Clary Consulting is an advisory firm based in Tallahassee, Florida, and I am also a founding member of P3 Development Company, which is based in Tallahassee, Miami, and Denver, around the country.

I have been I the private sector about 2 years, and since that point in time we have been developing projects and advising on projects. I bring that experience, as well as prior to that I was chief financial officer for Florida Department of Transportation and developed many of these projects. I am going to briefly talk about some specific projects that were developed in Florida that have used many of these tools to accelerate projects.

The Miami Intermodal Center is a major intermodal center, about $1.5 billion in Miami; involves all modes of transportation. It was a major partnership among multiple Federal agencies, State and local agencies; at times a bit like herding cats to get it done. It used the first TIFIA loan that was ever implemented by USDOT and also has a second TIFIA loan in it as well as multiple private, State, local, and Federal funding sources.

The second project is a design-build-finance. I–75 in southwest Florida has been highly congested. The Florida DOT had many projects scheduled over about a 10-year period, with construction going longer than that. They moved an ability to advance those projects up with the private sector providing the funding up front, and then the Department is paying them back over time in a term called design-build-finance. It advanced that project by about 6 years in total. Florida DOT has put out a number of projects totaling over $2 billion with the use of this tool that has advanced a number of projects forward.

95 Express is a project in Miami, and that was copied after a State Road 91 in California as a HOT lane. It basically created a new lane in each direction out of the existing footprint of I–95 in Miami-Dade County, and they added that to the HOV lane and have created two high occupancy toll lanes. It was hotly debated for several years. The Urban Partnership Program with Florida DOT brought that forward, and it is now in operation and getting rave reviews.

Availability payment structure was used on the Port of Miami Tunnel and I–595. The Port of Miami Tunnel was about a $1 billion project; I–595 is about $1.3 billion. And availability payment structure essentially is where the private sector provides the funding up front and the government pays it over time from multiple funding sources. Both of those projects have toll revenues in them. Excuse me, in the case of the Port Tunnel, have user fees; and they also have State and Federal and local funds in those. The Port Tunnel moved from probably never happening to a real project through this concept. I–595 moved forward and advanced about 15 to 20 years in that.

Sunrail is a commuter rail project in central Florida. And while, Chairman, I know this is not a purview of your Committee, this project will eliminate the need for a lane in each direction on I–4, which certainly is a reduction in the need to fund highway improvements and comes in at a cost less than that and is moving forward.

Some programs that may be under consideration, Florida created the Strategic Intermodal System, which brings all modes together in a strategic fashion and focused funding on those collectively, and I would encourage you to take a look at that as you are developing your bill.

In addition, Florida has high speed rail essentially ready to go. It is the only system in the country that is a closed system, which would allow the system to operate with true high speed rail. The initial phase is a fairly modest investment and would allow a lot of testing and ability to move this forward at a modest investment to test out high speed rail without expending significant State and Federal dollars into it.

Florida has tolling in the State. About $1.2 billion a year is generated; about 10.5 cents equivalent of State gas tax. And they are moving forward with 100 percent free flow traffic on those. They have 70 percent penetration of electronic tolling today and will eliminate cash pay toll booths in a few years.

State infrastructure bank in Florida has been very successful. Twenty-nine projects under the Federal SIB, about $1 billion total with $300 million in loans; 36 projects from a State-created SIB, about $7.2 billion in total projects with $761 million in loans. That State SIB was the first SIB in the country that was bonded with the repayment stream from the loan portfolio of the SIB loan supporting that bond and allowed it to grow in its overall structure and allow a lot more loans. It also revolves loans back into it, which keeps it active.

Florida also has an efficient environmental process which allows projects to move forward more timely.

Chairman, in some recommendations, I would encourage flexibility in both the funding structure and also in the ability for States and local governments to raise fees in multiple methods, similar to sales tax, as well as tolling. I do believe that public-private partnerships can be a tool for the future, and I would encourage that that be not limited in Federal law, that it can be allowed to move forward. I also encourage you to continue with the TIFIA program, but you might consider making it multi-modal so that it can accommodate seaports, airports, and other modes, as well as just highways and transit.

Thank you very much.

[The prepared statement of Mr. Clary follows:]

P3 DEV CO., LLC

Clary CONSULTING, LLC

Testimony of

Lowell R. Clary
P3 Development Company, LLC
Clary Consulting, LLC
Tallahassee, Florida

Submitted to:
Committee on Environment and Public Works
United States Senate

Hearing:
Federal, State, and Local Partnerships to Accelerate Transportation Benefits
March 11, 2010

P3 Development Company, LLC 2260 Wednesday Street, Suite 200 Tallahassee, Florida 32308

Testimony of
Lowell R. Clary
Chief Operating Officer, P3 Development Company, LLC
Managing Partner, Clary Consulting, LLC
Tallahassee, Florida

Submitted to:
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Madame Chair, Minority Leader Inhofe, and Members of the Committee:

I am Lowell Clary, Chief Operating Officer for P3 Development Company, LLC, and Managing Partner, Clary Consulting, LLC. Prior to my private sector career I served in Florida State government for 25 years, leaving my post as Assistant Secretary for Finance and Administration for the Florida Department of Transportation in late 2007. I also serve as the Chair of the Taxation and Finance Committee of the Transportation Research Board.

Thank you for the opportunity to present testimony on Federal, State, and Local Partnerships to Accelerate Transportation Benefits. It has been my pleasure to work on many projects in the public sector and now projects in the private sector that utilize the partnerships of all levels of government and in some cases the private sector to accelerate transportation benefits. I led the efforts for transportation finance and public-private partnerships for the Florida Department of Transportation and served on many national committees and panels related to these subjects.

Examples of Solid Partnerships that Accelerated Transportation Improvements
Let me briefly outline some projects that are excellent examples of partnerships that I have been fortunate to be a key part of moving these projects forward.

Miami Intermodal Center
The Miami Intermodal Center or "MIC" is a true intermodal center that will serve auto, bus, commuter rail, Metrorail, connection to air, and ultimately as the end station for High Speed Rail. The MIC project is a prime example of extensive partnerships including a number of overlapping Federal agencies and administrations (US DOT-FHWA, FRA, FAA, FTA; Corp of Engineers; and EPA), the State of Florida, Miami-Dade County (Miami-Dade Transit, Miami-Dade Aviation Department, County Administration), Miami-Dade Metropolitan Planning Organization, Miami-Dade Expressway Authority, several cities in Miami-Dade County, Airlines serving Miami International Airport, Rental Car Companies serving Miami International

Airport, and others. At times it was a bit like herding cats, however, through the strong leadership of Jose Abreu, former Florida Secretary of Transportation and District Secretary in Miami the project moved forward.

The project was simply an "idea" in 1997 and then Congress implemented the Transportation Infrastructure Finance and Innovation Act, better known as "TIFIA". We cut our teeth with former US DOT Assistant Secretary Jack Basso and his team at US DOT in 1997/1998 to deliver the first ever TIFIA loan, and later a second TIFIA loan to advance the MIC program of projects from an idea to reality. Today, there are direct roadway connections from MIA to expressways both north and south of MIA; the consolidated rental car facility will open later this year; a people mover from MIA to the MIC is under construction, the MIC Central Station is in final design, and an added feature, the Miami Metrorail connection to the MIC is under construction. It took strong partnerships from all levels of government and the private sector for this project to move forward. For more information please refer to: www.micdot.com

IROX Design-Build-Finance

In 2005, I-75 in Lee and Collier Counties of Southwest Florida was four lanes, with unacceptable congestion which was rapidly growing worse. The Florida Department of Transportation (FDOT) had just under $470 million in improvements scheduled and funded over a five-year period to widen the roadway over 30 miles and enhance a number of interchanges with construction taking over nine total years. All parties, being the local counties, the Lee-Collier Metropolitan Planning Organization, FDOT and FHWA desired to move these projects along as quickly as possible due to the dire situation. The FDOT developed a new approach termed "Design-Build-Finance" or DBF in a partnership with the FHWA, local MPO, and the construction industry, who partnered with banks for the financing to advance the project. The FDOT combined the projects together and asked the construction industry to provide the hridge financing to allow the projects to be advanced. The construction industry responded and the combined project was developed to deliver all projects five years ahead of the original schedule. The project construction is running almost a year ahead of schedule, thus shaving six years off the original schedule. Thanks to FDOT District Secretary Stan Cann for the innovation to deliver these projects much sooner with a new method of project delivery. For more information please refer to: www.irox75.com

FDOT has moved forward a number of DBF projects totaling over $2.15 billion in accelerated improvements in partnership with various local governments and the FHWA. The advancement of three of the most recent DBF projects also included ARRA funds.

95 Express

Dr. Thomas DeCoster, a professor at Indiana University, has provided leadership training at FDOT for many years. Dr. DeCoster led a session where he reflected that K-12 schools and colleges taught us it is wrong to copy off of others as this is termed "cheating". Then he said with gusto, "Cheat, Cheat, Cheat!" meaning that we should borrow good ideas that are not proprietary information. The 95 Express project is patterned after SR-91 Express in Southern California. High Occupancy Toll (HOT) lanes or Express Lanes had been under discussion for a number of years in Miami-Dade County. The debates on HOT lanes were tough and there was no clear consensus to move HOT or express lanes forward. Then, in 2006/2007, US DOT created a discretionary program focused on innovative projects to provide options to heavily congested corridors, termed "Urban Partnerships". The solicitation for project proposals focused the attention of Miami-Dade County, the local MPO and the Florida Legislature in short order to advocate HOT lanes on I-95 from I-395/SR-836 in Miami north to I-595 in Ft. Lauderdale. The proposal was selected by US DOT and the Federal funds were combined with State funds and anticipated toll revenues to fund the first phase in 2007. The first phase of 95 Express created a new lane in each direction from the existing roadway footprint and combined this with the existing HOV lane to create the HOT lanes for ten miles in Miami-Dade County. This segment is fully operational and includes Bus Rapid Transit in the corridor that is funded from the toll revenues generated by 95 Express. The second phase that extends 95 Express north to I-595 is scheduled to move forward in 2010. Thanks to the innovation of former FDOT District Secretary Johnny Martinez and the leadership of FDOT Secretary Stephanie Kopelousos, and District Secretaries Gus Pego and Jim Wolfe to move 95 Express forward. For more information please refer to: www.95express.com

Availability Payment – Port of Miami Tunnel and I-595
The FDOT had two major challenges that needed action where more comprehensive public-private partnerships provided an opportunity to move the projects forward.

Port of Miami Tunnel - The Port of Miami, the number one international cruise terminal and tenth in the United States in container cargo, is located on Dodge Island, which is served hy one bridge that requires port traffic to use local streets in the City of Miami. This routes thousands of semi-trucks a day by American Airlines Arena, numerous new high-rise residential towers, or by Miami-Dade College and other local businesses. Users of the Port of Miami identified poor access at the Port as their number one concern. The poor access has created a major disadvantage in competing for port business and in part, resulted in the loss of existing Port users over the past few years.

After years of planning, the Project Development and Environmental review (Environmental Impact Study) was completed in the late 1990s. However, there was no consensus among the various parties to move the project forward. In 2005, FDOT discussed the project with various local officials and there was desire to move the project forward, however, the more than $1 billion needed to fund the project had not been identified. The FDOT developed a flexible public-private partnership (PPP) approach where funding would be provided up front by the private partner and then reimbursed over time in a partnership between FDOT and Miami-Dade County/City of Miami at 50% each for capital cost and FDOT funding the annual operations and maintenance. The approach outlined was an "Availability Payment" where the private partner is responsible for the design-build-finance-operation-maintenance (DBFOM) of the project. The public partners, under FDOT's leadership are responsible for paying a portion of the funds to the private partner during and at the completion of the project (five years for design-construction), with the remainder to be paid over the 30 year operating life of the project. The annual payment is termed an "availability payment" because the private partner must "earn" the payment by properly operating and maintaining the facility during each year. There are penalties up to and including deducts of the annual payment if performance measures are not met. The final agreement includes capital costs that are substantially below the FDOT estimate ($865 million, including the risk reserve, compared to the FDOT estimate of $1.2 billion). The financial close of the project occurred on October 15, 2009. The private partner secured financing in a very tough financial market that included bank loans, a TIFIA loan from US DOT ($341 million), and equity from the private partners. It is unlikely the Port of Miami Tunnel project would have moved forward without the PPP approach. Thanks to the leadership of Miami-Dade County officials Mayor Alvarez, County Manager George Burgess, and Assistant County Manager Ysela Llort and FDOT Secretary Stephanie Kopelousos, Districts Secretary Gus Pego and former District Secretary Johnny Martinez for moving the Port Tunnel forward. For more information refer to: www.portofmiamitunnel.com

I-595 - The 595 Express improvements, an *Accelerate Florida* project, has created more than 900 jobs and more are anticipated as construction continues. The $1.25 billion project is a Public Private Partnership (PPP) with I-595 Express LLC.

The 595 Express project is the only east to west expressway in Broward County and connects Port Everglades and Fort Lauderdale International Airport with I-95, I-75, the Sawgrass Expressway and Florida's Turnpike. Motorists will have travel options with three tolled, reversible express lanes in the existing I-595 median. Other project improvement efforts include operational enhancements to ramps and auxiliary lanes, noise walls, and express bus transit upgrades. To date, the improvements are the largest infrastructure project ever undertaken by the FDOT. By using a PPP and innovative contracting solutions, the I-595 Express project will be built in four-and-one-half years, an estimated 15 years earlier than the traditional method of construction. The contractors serve as the concessionaire to design, build, finance, operate and maintain the project for a 35-year term. Construction started in February 2010 and is scheduled to be completed in 2014. The PPP with I-595 Express LLC was the first availability payment approach project in the United States. The financing for the project also occurred during in a very challenging financial market and included banks loans, a TIFIA loan, and equity from the private partners. Thanks to the leadership of FDOT District Secretary Jim Wolfe, Assistant Secretary Kevin Thibault and Secretary Stephanie Kopelousos for moving 595 Express forward. For more information refer to: www.i-595.com

Sunrail

Sunrail is a commuter rail line moving forward that will provide transit ridership options from south of Orlando north 60 miles parallel to I-4. Sunrail is a partnership between FDOT, local counties including Orange, Osceola, Seminole and Volusia, and US DOT. While commuter rail is not directly part of the purview of the Committee on Environment and Public Works, the benefits certainly are of interest to the Committee. These include foregoing the need for at least one additional lane in each direction that would be needed on I-4 to accommodate the riders that will use commuter rail and the reduction in auto traffic thus reducing emissions in the environment. The leadership of FDOT Secretary Stephanie Kopelousos, District Secretary Noranne Downs, and local leaders in each County, legislative senior leaders and a host of others moved Sunrail forward. For more information refer to: www.sunrail.com

Florida High Speed Rail

Florida High Speed Rail (HSR) phase 1 from Tampa to Orlando has cleared the environmental phase and has about 95 percent of the land in government ownership needed to deliver a new generation HSR system on a "closed system". A "closed system" means the HSR system would operate on tracks that are not shared with any other rail system. This facilitates the ability to implement new HSR technologies that are operating in Europe and Asia. Again, this project is not directly the purview of the Committee on Environment and Public Works; however, the evaluation of the impact certainly falls within the Committee's responsibilities.

The capital cost of phase 1 of HSR in Florida is estimated at $3.23 billion, with about 95% of land needed already in government ownership, with the land and work to date leaving the amount needed to implement the phase 1 at $2.65 billion. Florida received a grant of $1.25 billion from the ARRA funds dedicated to HSR. There are no other "closed systems" that are ready to move new generation HSR forward in short order. This project provides an opportunity to move forward with new generation in HSR in the United States. There are many challenges that must be addressed including that new generation HSR is new to funding/regulatory agencies like US DOT and there are strong competitors that can deliver solid new generation HSR systems. Florida HSR phase 1 provides an early opportunity to break new ground, test new methods, identify the steps needed for implementation and fully evaluate the cost/benefit of HSR for a modest total investment compared to much more extensive/expensive HSR systems. For more information refer to: www.floridahighspeedrail.org

Summary on Projects

These are just a few of the examples of Federal, state and local partnerships to accelerate the delivery of transportation improvements. The common thread among the above projects is each set of partnership/tools advanced projects or moved a project forward that would not have otherwise moved without these key partnerships and access to innovative finance tools. There are many great examples across the country that could be added to these examples. The key is flexibility to mix and match the best tools in a partnership to advance the project forward.

Programs

Outlined below are examples of key programs that have fostered strong partnerships that advanced transportation improvements.

Strategic Intermodal System

Florida created an innovative approach to the key transportation facilities in Florida termed the Strategic Intermodal System, or SIS. The SIS was developed in a strong partnership with Federal and local partners. The SIS:

- Is made up of statewide and regionally significant facilities and services **(strategic)**
- Contains all forms of transportation for moving both people and goods, including linkages that provide for smooth and efficient transfers between modes and major facilities **(intermodal)**
- Integrates individual facilities, services, forms of transportation (modes) and linkages into a single, integrated transportation network **(system)**

The SIS is a statewide network of high-priority transportation facilities, including the state's largest and most significant commercial service airports, spaceport, deepwater seaports, freight rail terminals, passenger rail and intercity bus terminals, rail corridors, waterways and highways. These facilities are the workhorses of Florida's transportation system, carrying more than 99 percent of all commercial air passengers, virtually all waterborne freight tonnage, almost all rail freight, and more than 68 percent of all truck traffic and 54 percent of total traffic on the State Highway System.

The State of Florida organized funds from Federal sources and state funds to create a funding source for the SIS. FDOT districts partner with the local governments through the Metropolitan Planning Organizations to identify projects that qualify under the SIS for possible SIS funding. These are then developed into a statewide pool that is refined and selected based on performance based selection criteria across all modes of transportation. This process has advanced many projects that would not have otherwise move forward due to traditional stovepipe sources of funding such as key intermodal connectors at seaports and airports and intermodal centers that connect multiple modes of transportation. Former FDOT Secretaries Tom Barry, Jose Abreu and Denver Stutler, and former Assistant Secretary Ysela Llort provided the leadership to move the SIS forward. For more information please refer to: www.dot.state.fl.us/planning/sis/

Pricing - Tolling

The State of Florida has provided transportation improvements for many years through tolling. Today, there are over 750 miles of toll facilities serving the traveling public in Florida. In 2009 these toll facilities provided just under $1.2 billion in total revenues, equivalent to 10.5 cents in State gas tax in Florida. These toll facilities provide most of the expressway system miles in Orlando, a major portion of expressway system miles in the Tampa Bay area, Ft. Lauderdale, and Miami. Since 1990, almost all new expressway system centerline miles in Florida have been constructed as toll facilities. Florida has instituted an aggressive effort to institute electronic tolling and has a penetration rate in most major urban areas of over 70 percent of users travelling through electronic tolling. The toll operators are aggressively moving forward with plans to provide 100 percent free flow travel on the various toll facilities through electronic tolling and other alternative means of payment other than toll booths. For more information refer to: www.dot.state.fl.us/financialplanning/finance/tfrtf/FDOT_Assisted_Toll_Facilities.pdf

Florida State Infrastructure Bank

The State of Florida instituted the Florida State Infrastructure Bank (SIB) in the FDOT in 1997. The first SIB, termed the "Federal SIB" created was from Federal funds as authorized in the Federal SIB pilot program created in the National Highway System of 1995. The Federal SIB was adjusted by TEA-21 and subsequent legislation. These adjustments created stovepipes in the Federal SIB, thus complicating the ability to make loans beyond typical roadway or transit improvements that are standalone projects that meet Federal standards.

The State of Florida expanded the SIB in 2000, when Section 339.55, Florida Statutes was created to institute a "State SIB" program. The State SIB program is funded with state funds and is multi-modal allowing loans for all modes of transportation on an equal footing. The State SIB is very flexible with the ability to defer payments, subsidize interest rates, be subordinate to senior debt, and with terms up to 30 years. The program also includes the ability to issue bonds supporting by the SIB loan portfolio. FDOT issued the first bonds in the United States backed solely by the existing and future loans in the State SIB program. The issuance of bonds has allowed the program to greatly expand the ability to make additional loans.

Federal SIB has supported a total of 29 projects with a total cost of $1.08 billion, with the SIB loans totaling $324 million for a leverage factor of over three times. The State SIB has supported a total of 36 projects with a total cost of $7.24 billion, with the SIB loans totaling $761 million for a leverage factor of over nine times. Both the Federal and State SIB equal a total project cost of $8.3 billion, with SIB loans at $1.085 billion, with a leveraging factor overall of over 7.6 times. The majority of these projects were originated by local governments and expressway authorities in a partnership with the State of Florida. For more information refer to: www.dot.state.fl.us/financialplanning/finance/sib.shtm

Efficient Environmental Processes

One of the biggest portions of the project cycle relates to the environmental process that involves the review and resolution of many key issues over an extended period of time that may be as much as four years on major projects prior to environmental approvals being provided.

On many projects there is a need for mitigation related to a host of issues such as impacts to wetlands or protected wildlife. The State of Florida has created comprehensive programs in cooperation between the various entities involved in environmental issues. For example, when wetlands may be impacted the entity moving the project forward may pay into an established process at the State Department of Environmental Protection at preset rates based on the number of acres that are impacted. The payment of these established fees allows the transportation project to move forward. Further, it leaves the responsibility of securing the acreage to compensate for the impacted areas with the environmental experts who then can combine payments from multiple projects to secure entire basins in the region producing a more robust environmental protection zone that makes long-term sense. For more information refer to:

www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0373/SEC4137.HTM&Title=->2009->Ch0373->Section%204137#0373.4137

Florida also created an Efficient Transportation Decision Making process. ETDM is a major change in the traditional way of doing business as projects are planned and the environmental review process is implemented. The various resource agencies at the Federal, state and local level are involved earlier and throughout the process. The ETDM process provides "screens" that work to identify key issues early in the project planning and development process. Either the project is modified to avoid key concerns or if this is not possible the appropriate partners are brought in early and close coordination is maintained to ensure the environmental issues are addressed in the most efficient manner and that the project moves forward in a timely manner. The ETDM allows major projects to move forward in a timely manner while ensuring that the environment is protected or enhanced in the development and implementation of the project. For more information refer to: www.dot.state.fl.us/emo/ETDM.shtm

Challenging Funding Situation

I do not need to add my voice to the long list of very accomplished officials and studies that have discussed the very challenging funding situation. I would note that the State of Florida was the very first state to experience negative vehicle miles travelled and to see reductions in the forecast of future gas tax collections. I felt somewhat like "Chicken Little" bringing this up at national meetings back then, but it ended up being an early trend for the rest of the nation.

I was in a workshop in California last week sponsored by the California Foundation on the Environment and Economy. This workshop was focused on ideas to move infrastructure improvements forward in both water and transportation. The event was well attended by state and local elected leaders and appointed officials. During one discussion the topic came up of raising the gas tax as a possible solution. Several elected officials felt this was a possible solution. A gentleman spoke up that he has supported numerous local governments in promoting and passing local sales tax initiatives in California. Further, that during his work they periodically survey the public on possible options to raise funds for transportation. The gentleman said there is little to no support for raising the gas tax in the surveys. After further discussion, all agreed that a gas tax increase would be only an interim solution if it could even pass political muster to move forward. This was due to the major impact to the consumption of gas/diesel fuel due to more fuel efficient vehicles and other issues. Interestingly, he said there is much more support for tolling as an option to raise revenues and also that sales tax initiatives have been successful, even during the down economy as recently experienced in Los Angeles.

In my work as the Chair of the Taxation and Finance Committee of the Transportation Research Board I have run across all of the various studies over the past two years plus many papers written to address the "shortfall" in transportation funding. After some time, it all seemed to run together as there was so much input from the various interested groups. My key observation is there seems to be ***NO*** consensus on the method to raise funds for investment in transportation.

Flexibility Is Needed

States and local governments were struggling to fund much needed infrastructure improvements prior to the recession. Now they are struggling to meet day to day needs. Today, in most states and local governments, the only method to move large projects forward is to borrow funds and it may require a user fee, such as tolls, impact fees or some other charge to pay part or all of the project cost. In this environment it is essential that state and local governments be provided the maximum flexibility to move projects forward. This flexibility crosses all boundaries including:

- Provide Federal funds in the most flexible programs and funding "pots" as possible. Strive to make these programs and funding pots intermodal like the Florida Strategic Intermodal System. Consider creating a Federal Strategic Intermodal System.
- Allow the maximum flexibility on state and local funding options such as user fees (tolls, impact fees, or other use charges). Current House proposals restrict this authority.
- Don't limit flexible project delivery methods such as design-build and public-private partnerships (design-build-finance, design-build-finance-operate-maintain, or other combinations)
- Improve the Federal credit assistance programs
    - Continue and improve TIFIA – address the springing lien, expand to all modes of transportation, provide a stahle annual funding level
    - Review the need for multiple/overlapping Federal credit assistance programs such as TIFIA, RRIF, proposed National Infrastructure Bank to see if one expanded program can address all needs
    - Improve the State Infrastructure Bank program in Federal law – make it multi-modal, incentivize funding SIBs
    - Remove or increase the volume cap on Private Activity Bonds
    - Continue Build America Bonds
- Improved coordination of the environmental review and approval process among the various Federal entities in coordination with state and local partners.

Closing

Thank you for the opportunity to share my testimony with your Committee. My best wishes on meeting the major challenges that face the Committee in moving forward with a new or revised Federal transportation program.

Follow Up Contact:

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Senate Environment and Public Works Committee Hearing
Response to Follow Up Questions of March 11, 2010
Lowell R. Clary

Questions for Clary

Questions from:

Senator Bernard Sanders

1) There has been a great deal of talk and interest, from the Administration and from some Senators, about establishing a national infrastructure financing entity or program, now known as the I-Fund.

There have been concerns raised that such an entity would require a good deal of federal general fund dollars but not directly benefit rural areas.

How would you design such a program to make sure it covered all of America, so that communities not near a toll road or interstate project would benefit from that investment?

Response: It is important to keep in mind that "TIFIA" and the proposed "National I-Bank" are "loan programs" where a project needs access to capital (a loan) and has the ability to repay the loan in the future.

The State of Florida has created a very effective, state funded, State Infrastructure Bank program (SIB). The program has criteria for broad participation by all modes of transportation and there is no "minimum size" project. As such this allows urban and rural areas to participate in the program. The "TIFIA" program is limited to surface transportation and has a minimum project size of $50 million and this may limit less costly rural transportation projects from having access to the program. As such, the key item is to ensure the National Infrastructure Bank provides for all modes of transportation and not set a minimum project size.

Secondary, there could be priority added to the selection process for rural projects such as:

- Economic Improvements – priority added to consider high economic value rural transportation improvements that generate a significant return on the investment of the "I-Bank" loan. For example, one of the key improvements in rural areas relates to a new development (i.e, shopping center or residential development) that may need a turn lane or a signaled intersection to be added for the development to move forward. The developer may be willing to participate in the cost of the improvement, but the access to efficient capital (loans) from the I-Bank would reduce the overall cost of the project, thus making it more feasible and ensuring that the needed infrastructure improvements are made when needed.

The economic return on these type projects is substantial and should score well based on this being a priority in the selection process for the "I-Bank."

- Safety Improvements - a factor could be added related to improvements that are needed in rural areas for projects that fix or replace a problem that solves major safety concerns. These should be major safety situations like a bridge has been closed due to safety concerns.

2) Rep. Oberstar, in his transportation authorization bill, would create a new office in the Department of Transportation to protect state and localities from bad privatization deals. What would each of you recommend that the Congress do to make sure that communities are not taken advantage of by the financing partner if it becomes generally allowable to partly privatize infrastructure built with public money?

Response: Public-private partnerships (P3) have been underway for many years around the World. The United States is more recent in the use of the P3 project delivery method. It is important to identify P3 projects into two major categories being, first, a long-term lease of an existing government owned asset commonly referred to as a " Brownfield project", and second, the delivery of a new transportation improvement commonly referred to as a "Greenfield project".

The large majority of discussion and concerns expressed in the United States on P3 has revolved around "Brownfield projects", being the Chicago Skyway and Indiana Turnpike that have moved forward, and the Pennsylvania Turnpike, New Jersey Turnpike, Florida Alligator Alley and several others that have not moved forward. There are many views, both supportive and opposed on whether to do long-term leases of a major infrastructure asset to the private sector. The policy decision to lease a major public asset ultimately rest with the public owner of the facility and any partners on the asset such as the Federal Highway Administration, Federal Transit Administration or other public entity. There are many reasons to "monetize" an asset and there are just as many reasons to not do so. Excellent information exists that outlines the pros and cons of leasing an existing major public asset and as such I will not restate these items here. Many public entities are struggling to balance their annual budgets, much less fund new capital improvements. As such, public entities are considering monetizing existing public assets such as parking facilities, toll roads, and other items that generate annual use fees. Several key items should always be considered as part of making a decision to lease a major public asset. These include:

1) Use of the proceeds should NOT be used for annual operations, but invested in a flow of funds like these detailed below that ensure the funds are used for long-term capital improvements and like type assets.
    a. Adequately maintain and improve the asset being leased;
    b. Improve related assets such as connecting roads and public transit in the corridor; and
    c. Other major capital improvements similar to that asset.
2) There should be a public involvement and procurement process that is transparent and allows for solid public input and review of the decision-making and process to procure a private partner.

3) The agreement must ensure the public entity can direct the private partner related to the operations of the asset during major events such as a natural disaster. However, there must be adequate compensation if the public entity shuts down the revenue stream for an extended period of time for a major public need such as moving supplies to an area impacted by a natural disaster.

There are solid P3 processes for Greenfield projects in states like Florida, Virginia, Texas, Colorado and several others that have moved P3 projects forward. There are key elements that address protecting the public and to ensure the government is not "taken advantage of" in the process. Each of these public owners has hired top flight P3 advisors to guide them on the P3 process. This is essential to ensure public owners that are implementing a P3 have access to the best and latest practices for P3s to advise them on the P3 project and process. Some key areas that are addressed in the processes for these states are outlined below.

1) Business case analysis that compares a P3 approach to a traditional public approach for the delivery of the project. This would ensure that a P3 approach is only used when the business case analysis proves the approach is more cost effective for the project than a traditional project delivery method. This analysis is normally performed at least twice, once prior to moving forward on the procurement and then based on the selected proposal prior to announcing the award to the private team. This analysis has varied terms such as "Value for Money", "Public Comparator", "Cost-Benefit", and others. The bottom line, is this analysis should be performed on all major projects to determine the best delivery method for the project.
2) Ensure the project is "owned" by the government and the private partner has the rights to design-build-operate-maintain the facility under contract or a lease from the public owner.
3) Ensure that any rate setting for fees is fully addressed in the agreement between the public owner and the private team.
4) Ensure that performance standards for operation and maintenance of the facility are fully addressed in the agreement between the public owner and the private team. Further, ensure that "hand back" requirements that outline the standards and condition the facility must be in as it is turned over to the public owner at the end of the agreement between the public owner and the private team.

Senator James M. Inhofe

1. When we talk about highways, people are often not aware that that federal investment in highway and bridges makes up less than 40% of all capital investment at all levels of government in this country. Recognizing that even a robustly funded highway bill cannot solve our infrastructure crisis alone, what changes would you make to the Federal-aid Highway program to encourage increased spending on highways and bridges from the state and local sources?

Response: In most cases state and local governments increase spending on highways and bridges to solve problems that have generated enough public demand to warrant attention from elected officials. These problems may be safety concerns or major congestion. Communities need the maximum available options and tools to solve these problems. This means a flexible Federal transportation program. This includes areas such as:

- The ability to impose fees, whether it be tolls, impact fees, ridership fees, or other fees. These fees are true "user funded transportation". In general the ability to use such fee structures is open in Federal law today, except for the Interstate system, where there are major limitations in current law.
- Providing Federal funds that are flexible so these can be matched with state and local funds on the most needed transportation improvements. The Federal program has become divided and sub-divided down into so many categories and sub-categories it makes it very difficult to match up Federal funds with the most needed improvements.
- Providing flexibility on the project delivery methods that allows the use of the best method to deliver the project in the most cost effective and timely manner. This includes combining project phases such as design-build-operate-maintain as the business case supports.

2. It has been almost 16 years since the federal-aid program authorized the use of state infrastructure banks (SIBs), which enabled states to use federal funds to capitalize revolving loan funds for transportation projects within each state. Since then only a handful of states have taken advantage of this program. Why do you think this valuable tool has yet to catch on?

Response: The use of revolving loan programs like the SIB is a change in approach for most state DOTs. The DOTs traditionally fund projects with pay-as-you-go grant funds from Federal and state tax sources. Most project sponsors would prefer to have a grant for a project instead of a loan. While the law authorizes state DOTs to use federal funds to capitalize the SIB, these same funds can be used for grant funds for much needed projects. When you take the lack of experience with revolving loan programs and that federal funds may be used for grant funded projects as well as capitalizing the SIB, in most cases the SIB does not get capitalized.

Further, the "stove pipes" that exist for the SIB limits what the funds that are deposited into the SIB can be used for. This limitation on the use of these funds has also reduced its implementation. This limitation reduces the potential pool of projects and encroaches on the traditional project financing markets. Additionally the requirement to match federal funds has proved difficult for many cash starved states and prevented them from using this approach.

3. In an effort to leverage greater transportation, would you consider lowering the federal share for projects and also creating some type of mechanism to provide additional funding to states that commit more of their resources to transportation investments (such as creating a new formula factor or new incentive program)

Response: I support total elimination of the Federal match requirement in favor of a level of effort and performance approach. The level of effort and performance approach would combine funding and system performance to reflect both the level of funding a state provides for transportation and also how well they maintain their system to incentivize the communities. Providing a program level focus help ensure that priorities are set based on the highest needs, be that safety or congestion instead of the level of match required or the limited program requirements.

4. It appears that one of the Administration's major transportation goals is the creation of a national infrastructure bank, separate from the traditional highway program, which would be funded by general treasury revenues. Does their proposal for such a transportation fund bring anything to the table that would not be accomplished by an enlarged TIFIA program and larger multi-modal discretionary programs?

Response: TIFIA is an excellent program that has successfully be used to advance many much needed major projects. TIFIA does have one key limitation related to the program being used as "subordinated debt" to other project debt such as bank loans or bonds. The limitation is termed the "springing lien" where in the case of a major default on the project debt the TIFIA loan is put on a parity basis with the senior debt, but making it senior debt instead of subordinated debt. If the springing lien provision can be solved, then it would be possible to expand the TIFIA program to meet the need of most projects that need this type of credit assistance to move forward.

However, the creation of a new National Infrastructure Bank (NIB) could bring an additional financing tool into the transportation finance toolbox. If the NIB is seeded with sufficient funds to allow the NIB to develop a portfolio of loans that could be further leveraged for additional loan capital, the bank can provide a long term tool for transportation. Critical to the success and functionality of the NIB is flexibility across varied transportation modes, subordination to senior debt (with no springing lien provisions), loan term and repayment structures that allow for project ramp-up periods and sound financial vetting of projects which would create a competitive market based on loan quality and other financial supports for the project. This type of bank should not be intended for the full financing of a project, the highest and best use of the bank occurs when it is used as the final solution to bring the gap financing to a critical project.

5. I believe public private partnerships, or PPPs, are an important mechanism to help fill the gap between limited federal-aid funds and the immense infrastructure needs in this country. Obviously, there are some in Congress that want to make them more difficult, but is there anything the federal government can do to enable more PPPs?

Response: Public-private partnerships (P3) have been underway for many years around the World. The United States is more recent in the use of the P3 project delivery method. The key is to allow the P3 delivery method as a tool in the toolbox of state DOTs. Restricting the use of P3s by States that desire to utilize this approach is overly restrictive and contrary to meeting transportation needs. Every State has unique needs and preferred methods to meet their transportation needs. It would be most productive from a Federal perspective to focus on providing a set of tools which a State can choose from to deliver these needed projects.

When a state is considering the lease of an existing transportation asset, several key items should be considered as policy direction before making a decision to lease a major public asset. These include:

1) Use of the proceeds should NOT be used for annual operations, but invested in a flow of funds like the list below that ensure the funds are used for long-term capital improvements and like type assets.
   a. Adequately maintain and improve the asset being leased;
   b. Improve related assets such as connecting roads and public transit in the corridor; and
   c. Other major capital improvements similar to that asset.
2) There should be a public involvement and procurement process that is transparent and allows for solid public input and review of the decision-making and process to procure a private partner.
3) The agreement must ensure the public entity can direct the private partner related to the operations of the asset during major events such as a natural disaster. However, there must be adequate compensation if the public entity shuts down the revenue stream for an extended period of time for a major public need such as moving supplies to an area impacted by a natural disaster.

There are solid P3 processes for Greenfield projects in states like Florida, Virginia, Texas, Colorado and several others that have moved P3 projects forward. There are key elements to consider as policy to address protecting the public interest and provide a solid procurement process. Each of these public owners has hired top flight P3 advisors to guide them on the P3 process. This is essential to ensure public owners that are implementing a P3 have access to the best and latest practices for P3s to advise them on the P3 project and process.

1) Business case analysis that compares a P3 approach to a traditional public approach for the delivery of the project. This would ensure that a P3 approach is only used when the business case analysis proves the approach is more cost effective for the project than a traditional project delivery method. This analysis is normally performed at least twice, once prior to moving forward on the procurement and then based on the selected proposal prior to announcing the award to the private team. This analysis has varied terms such as "Value for Money", "Public Comparator", "Cost-Benefit", and others. The bottom line is this analysis should be performed on all major projects to determine the best delivery method for the project.

2) Ensure the project is "owned" by the government and the private partner has the rights to design-build-operate-maintain the facility under contract or a lease from the public owner.
3) Ensure that any rate setting for fees is fully addressed in the agreement between the public owner and the private team.
4) Ensure that performance standards for operation and maintenance of the facility are fully addressed in the agreement between the public owner and the private team. Further, ensure that "hand back" requirements that outline the standards and condition the facility must be in as it is turned over to the public owner at the end of the agreement between the public owner and the private team.

Senator BOXER. Thank you very much, Mr. Clary.

And last but not least, Ms. JayEtta Hecker, Director of Transportation Advocacy, Bipartisan Policy Center.

Welcome.

STATEMENT OF JAYETTA Z. HECKER, DIRECTOR, TRANSPORTATION ADVOCACY, BIPARTISAN POLICY CENTER

Ms. HECKER. Thank you very much, Madam Chair. Very pleased to be here. Senator Voinovich. I am speaking on behalf of the National Transportation Policy Project, which is a major effort of the Bipartisan Policy Center.

The BPC was actually developed just a few years ago to develop pragmatic, bold, but doable ways for moving forward that are politically viable and that are pragmatic to solve the Nation's problems. And in line with that our transportation project was put together to bring fresh thinking, new views with business leaders, academics, civic leaders; kind of not all just the usual system owners and managers but the real users of the system and the parts of the economy that are so affected by it.

So this group worked for 2 years. We had comprehensive research supporting our work; deliberations of this very mixed and different group, and reached a consensus report that we issued in June.

Our principal message actually aligns so well with the hearing today because the core of our observation was that resources will always be scarce and that achieving national goals will require a fundamentally new performance based partnership between the Federal Government and its State, local, regional, and private partners.

To share a little bit more detail, I have organized my remarks around three points. The first is that the Federal Government needs to be restructured to assure accountability for wise transportation investments that are scarce and that achieve specific and optimized results. The second is that we need to provide direct incentives to non-Federal partners for developing sustainable funding strategies. And finally, we have a caution about the new financing mechanisms and the need for very new real revenue.

The first topic, that assuring Federal dollars are invested wisely, stems from what is a very widespread observation that the Federal program has lost its direction since the completion of the interstate. We have no overarching or consensus based national goals and that the program essentially functions as a block grant mechanism with very little accountability. We have no national plan today; we have no national priorities, and this lack of direction results in a fundamental failure of the $40 billion—minimum—that we spend each year to leverage non-Federal funds.

Accordingly, our group recommends that transportation be clearly focused on outcomes, national outcomes, not transportation outcomes, and they are not really controversial: promoting economic growth; providing for national connectivity; assuring the mobility in our metropolitan regions; integrating energy and environment into our transportation decisions; and of course improving the safety of our system.

But moving to such a performance driven approach actually is more than just setting these goals. We have had similar goals, lofty goals, in almost every transportation legislation, but they are precatory language. They don't govern the programs; they don't guide where the money goes. Our main recommendation is that Congress needs to begin an aggressive transition to a performance based system with comprehensive testing and refining of outcome oriented national metrics. And I can discuss that more in the Q&As.

The second broad topic, our policies need to directly incentivize investment. I start with something that may sound a little off topic, but we actually think it is extremely germane, and that is incentivizing investments begins with assuring that the Federal dollar does not displace or substitute State or local funds and that it is indeed focused on true national interests.

So our recommendation is that the Congress—this is a very sensitive issue; it needs to broaden the definition of the national system to include critical freight corridors and rail corridors, which are so vital to our Nation, obviously needing partnerships with private parties, but it has to narrow the definition on highways which is too inclusive and muddies the water of who is really responsible for what.

So we need a redefinition of the national system to focus what will always be scarce Federal dollars on the national interest and then clarify and motivate and incentivize State and local areas to be very clear what their direct inherent responsibilities are.

Now, more directly to the topic of incentivizing non-Federal investment, I won't repeat because you have heard excellent comments here about the importance——

Senator BOXER. I have to tell you your time is out, so if you want to just quickly tick them off, because your time has run out, and we have to ask questions.

Ms. HECKER. New efforts to support State efforts to implement direct user charges with incentive grants; capital cost funding; remove restrictions on road pricing; expand and increase the flexibility of TIFIA; and directly facilitate private investment.

So I will leave it there.

[The prepared statement of Ms. Hecker follows:]

BIPARTISAN POLICY CENTER

STRATEGIES TO BETTER LEVERAGE THE FEDERAL TRANSPORTATION DOLLAR AND PROMOTE INCREASED NON FEDERAL INVESTMENT

Statement of
JayEtta Z. Hecker

Director of Transportation Advocacy
National Transportation Policy Project
A project of the Bipartisan Policy Center

United States Senate Environment and Public Works Committee
Hearing on
"Federal, State and Local Partnerships to Accelerate Transportation Benefits"

March 11, 2010

NATIONAL
TRANSPORTATION
POLICY PROJECT

Madam Chair, Ranking Member Inhofe and Members of the Committee,

I am honored to be here speaking on behalf of the Bipartisan Policy Center's (BPC), National Transportation Policy Project (NTPP). The BPC was founded by four former Senate majority leaders, Tom Daschle, Bob Dole, Howard Baker and George Mitchell. BPC was created to help provide the motivation and infrastructure to forge the bipartisan consensus we believe is necessary for durable change across a range of difficult policy challenges. In line with the BPC's overarching purpose, which is to develop and advance pragmatic, politically viable solutions to critical public policy problems, NTPP was designed to bring new approaches and fresh thinking to our nation's pressing transportation challenges. The Project's membership includes experts and leaders in transportation policy, as well as users of the system whose voices have not typically been heard in previous policy debates. The NTPP is co-chaired by four former elected officials: your former Senate colleague Slade Gorton, former Congressmen Martin Sabo and Sherry Boehlert, and former Detroit Mayor Dennis Archer. Your current colleague, Senator Mark Warner, was an original co-chair before stepping down to join the Senate and you may know continues his interest and commitment to advancing a performance-based transportation program. The BPC works to develop and promote sound policy solutions that can attract public support and political momentum to achieve real progress in a wide range of sectors including national security, agriculture, energy, health care, financial services, debt reduction, and science.

Prior to my current work with the NTPP, I had the honor of serving as a Director of Physical Infrastructure at the GAO, directing hundreds of comprehensive studies of the nation's surface transportation programs, many for this committee, over my 25 years of service with GAO.

We are appreciative of this opportunity to address the central question of this hearing - leveraging federal dollars and stimulating non federal investments. My statement is drawn from the comprehensive research, deliberations and consensus report of the NTPP[1]. The report concluded a two-year effort with a wide range of business, academic and civic leaders[2], calling for U.S. transportation policy to be more performance driven, more directly linked to a set of clearly articulated goals, and more accountable for results. Our principle message aligns with the focus of this hearing today – that resources will always be scarce and that achieving critical national goals will require a wide range of efforts to restructure the federal program to better leverage the federal dollar and incentivize and reward performance of non federal partners for addressing the nation's critical transportation needs.

My statement is organized around three central observations and conclusions of our report on surface transportation policy:

[1] PERFORMANCE-DRIVEN: New Vision for U.S. Transportation Policy, National Transportation Policy Project, BPC, 2009

[2] A list of all NTPP members is included at the end of this statement.

(1) The federal program should be restructured to move toward direct accountability for "wise" investment of federal funds that optimize specified PERFORMANCE results;

(2) Federal policies and programs need to provide direct INCENTIVES to non federal partners for more strategic investments and sustainable funding strategies; and

(3) New FINANCING MECHANISMS may not necessarily incentivize non federal investment.

Background

To set the stage for my remarks, I'd like to briefly summarize the NTPP conclusions, many of which reflect a widespread consensus on the need for fundamental reform of the existing program to foster performance, accountability, and results.

It is widely recognized that that a critical flaw in our existing national surface transportation policies and programs is the absence of clear, overarching, consensus-based national goals[3]. Since the era of interstate highway construction over a half century ago, this lack of defined goals has undermined federal efforts to keep pace with changing transportation needs and the need to promote the more effective management and maintenance of infrastructure that is critical to national interests. Absent clear goals, it is not surprising that the current system of transportation planning and funding, at all levels of government, lacks accountability. This has been a common theme of reviews by many stakeholders—and was the central finding of a body of GAO work concluding that existing programs lack a well-defined national vision, have no links to performance, and fail to address current nationally significant challenges including freight congestion and transportation's unsustainable impacts on the environment[4].

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[3] National Surface Transportation Policy Study and Revenue Commission. "Transportation for Tomorrow." 2007;

National Surface Transportation Infrastructure Financing Commission. "Paying Our Way- A New Framework for Transportation Finance." February 2009;

National Conference of State Legislatures. "A Transportation System for the 21st Century." Federal Issue Brief. NCSL Policy – Surface Transportation Federalism. Web. March 8, 2010;

National Governors Association Economic Development & Commerce Committee. "Policy Position: EDC-13. Surface Transportation." July 20, 2009. Web. March 8, 2010;

Kavinoky, Janet. "U.S. Chamber Applauds Recommendations for Performance-Driven Transportation Policy." U.S. Chamber of Commerce. June 9, 2009. Web. March 8, 2010;

Brookings Metropolitan Policy Program. "A Bridge to Somewhere: Rethinking American Transportation for the 21st Century." 2008;

[4] Surface Transportation Programs: Proposals Highlight Key Issues and Challenges in Restructuring the Programs. GAO-08-843R: July 29, 2008; Surface Transportation: Restructured Federal Approach Needed for More Focused,

The problem of accountability stems in part from a well-intended effort to provide the states, which are the primary recipients of most federal transportation funds, with extensive flexibility to shift federal dollars to any "Title 23" or federally eligible road or project. The current structure amounts to a de facto block grant program. Federal oversight is almost entirely process-oriented and focused on the front end with little attention to the outcome or impact of the investment of federal dollars. Federal oversight that does exist - in terms of eligibility requirements for highway projects - is often criticized as adding considerable cost and time; and yet despite the costs and delay of the process-oversight, the quality and outcome of investments are rarely considered[5].

More importantly, there is no current federal requirement to optimize any "return" on transportation investments, or even to estimate the potential returns or cost-effectiveness of alternate investments in most cases[6]. Formula funds, which constitute the bulk of federal funding, contain no requirement that grant recipients focus on results or even consider economic analyses of project costs or benefits. This simple mechanism for transferring funds may have had merit during the interstate construction years, when a national system had been agreed upon. But today there is no agreed-upon national plan. Recent research has documented that since the completion of the Interstate Highway System the returns on public highway investments have reduced to single digits[7], due in part to inefficient policies and the failure to promote sound management of existing infrastructure while maximizing the returns from new investments.

Simply put, the existing system is based on a lack of accountability by recipients of federal funds who have never been asked to track the results of their investments of federal, state, and local funds – and has no consequence for poor investment choices or deteriorating system condition and performance. Further, the concern that federal dollars substitute for states' own transportation funds was the subject of a rigorous GAO study which updated and refined the most sophisticated econometric work on the subject. That research demonstrated that during last 20 years, as federal investment levels increased, state substitution of federal dollars for levels of funding they would otherwise be expected to have made increased to over 50 cents on dollar[8]. The structure of the federal program directly affects how

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Performance-Based, and Sustainable Programs. GAO-08-400: March 6, 2008; Transforming Transportation Policy for the 21st Century: Highlights of a Forum. GAO-07-1210SP: September 19, 2007.

[5] Federal-Aid Highways, Federal Requirements for Highways May Influence Funding Decisions and Create Challenges, but Benefits and Costs Are Not Tracked. GAO-09-36: December 2008, p.4.

[6] Highway and Transit Investments: Options for Improving Information on Projects' Benefits and Costs and Increasing Accountability for Results. GAO-05-172: January 24, 2005.

[7] Shirley, Chad and Winston, Clifford, Firm Inventory Behavior and the Returns from Highway Infrastructure Investments, Journal of Urban Economics, Volume 55, Issue 2, March 2004, pp. 398-415.

[8] Federal-Aid Highways: Trends, Effect on State Spending, and Options for Future Program Design. GAO-04-802: August 31, 2004.

well the federal dollar is leveraged – and has the potential – not yet realized – for improving the performance of the nation's transportation system.

With this context of the significant flaws inherent in the current policies, programs, and relationships, I turn to the focus of this hearing - exploring how the federal transportation dollar can be effectively leveraged and how the federal program can incentivize an appropriate increase in state, local and private dollars. Recall my remarks are organized around three key points:

- ✓ Federal policy should promote "wise" investment to optimize performance.
- ✓ Specific policies are needed to directly incentivize non federal investment.
- ✓ New financing mechanisms will not necessarily incentivize non federal investment.

In each section, I highlight specific NTPP recommendations for Congressional action to better leverage the federal transportation dollar.

ASSURE FEDERAL DOLLARS ARE INVESTED WISELY TO PROMOTE PERFORMANCE

Performance is central to the question of effectively leveraging the federal dollar. Without clear federal goals and dynamic measures to focus the use of federal funds, the federal program lacks direction and inherently fails to leverage non federal funds. As long as federal funds flow as an uninterrupted stream without regard to performance, there is little incentive for public or private entities to take the political risks necessary to make strategic transportation investments.

As with nearly all other observers, we concluded that there is an urgent need for defining specific goals for the federal transportation program that direct resources to the achievement of clear national interests.

RECOMMENDATION: NTPP recommends the national interests in transportation investment be recognized as advancing the following key national concerns:

- **Economic Growth**—Producing maximum *economic growth* per dollar of investment

- **National Connectivity**—*Connecting* people and goods across the *nation* with effective surface transportation

- **Metropolitan Accessibility** —Providing efficient *access* to jobs, labor, and other activities throughout *metropolitan* areas

- **Energy Security and Environmental Protection**—Integrating *energy security* and *environmental protection* objectives with transportation policies and programs

- **Safety** —Improving *safety* by reducing the number of accidents, injuries, and fatalities associated with transportation

At the same time we recognize that moving toward a performance-driven approach requires fundamental reform and involves far more than identifying clear national goals. Implementing a performance-driven approach and introducing accountability will challenge entrenched interests and require government institutions at all levels to change longstanding practices and ways of doing business. Accordingly, we believe it is essential for Congress to support the development of more specific *outcome-oriented* measures outlining the desired outcomes of federal investments. Performance metrics must be fair, transparent, and free of bias toward particular transportation modes or geographic regions.

There is compelling evidence that increasing the focus of the federal program on nationally significant and outcome-oriented performance metrics will require substantial development, refinement, application and testing, to build a reliable foundation for public and political confidence in core performance measures.

As a result, NTPP's core recommendation is that a long term commitment is needed to begin a systematic transition from a process and revenue sharing model to a performance-based program.

RECOMMENDATION: Congress should begin an aggressive transition to a performance-based system with **SUPPORT FOR COMPREHENSIVE TESTING AND REFINING OF OUTCOME-ORIENTED NATIONAL METRICS.** This will mean pilot testing the application of broad, mode-neutral national performance metrics on the state and metropolitan level to identify and address specific implementation challenges.

FEDERAL POLICIES SHOULD DIRECTLY INCENTIVIZE INVESTMENT

UPDATE AND REFINE THE NATIONAL SYSTEM TO FOCUS FEDERAL LEADERSHIP AND CLARIFY AREAS FOR DIRECT STATE AND LOCAL RESPONSIBILITY

A discussion of better leveraging the federal dollar begins with assuring the federal dollar is focused on truly national interests and is clear which areas and parts of the overall transportation system are inherently state and local responsibilities. Federal funds will certainly displace and substitute for state or local governments funds if federal funds - and even more so with a high federal match - are provided for assets those governments would - or should - have the inherent interest in providing and maintaining.

The National Highway System (NHS), which includes the Interstate Highway System, represents only one mode and has no consistent foundation for inclusion or exclusion and is thus inconsistent in the type of roads included or excluded in every state. As the current threshold for eligibility for most highway federal funds, it is not focused, consistent, or effective in distinguishing federal from state and local leadership roles. It is therefore unsuitable for the purpose of understanding the true national system. It includes many facilities that are providing primarily local benefits and thus should not be eligible for federal funding to cover a majority share of the preservation costs.

A more focused role for the federal government means not only emphasizing preservation and performance of the existing national network, but preserving what is truly a federal system. For example, nearly every bridge in the country is considered a bridge of federal interest and drives the formula for how bridge funds are distributed to each state – including every culvert over 20'. A comprehensive GAO report of the national program revealed that while the bridge program has been successful in reducing the number of structurally deficient bridges over the last ten years, that measure neither captures overall reduction of the safety or risk associated with specific bridges or promotes the use of federal funds for major bridges of direct significance to interstate commerce. GAO reported that most of the improvement over the past 20 years has been in locally owned and rural bridges as opposed to the large bridges that are most critical for interstate commerce. The result is that states use their federal bridge funds for smaller bridge rehabilitation projects and when major bridges need replacement or rehabilitation, states for the most part seek earmarks or other funding sources. Since bridge funds are apportioned to states without regard to furthering *national* goals, states have no incentive to focus on the most nationally significant projects and are not held accountable for the results of their investments[9].

Federal dollars will be best leveraged when they provide incentives for state and local entities to dedicate their own funds toward areas with clear national benefits, where they might not otherwise have the incentive to do so. At the same time, this will clarify areas of primary state and local interest and provide a clear incentive for local choices of investment levels, funding strategies, and priorities.

NTPP concluded that a wholesale re-examination of what is and what is not part of the federal surface transportation system is required[10]. That system should include freight and passenger rail as well as highway infrastructure and should include access to ports and airports. NTPP believes that Congress should appoint a bipartisan commission modeled after the Defense Base Closure Realignment Commission (BRAC), which was relatively successful in objectively deciding which military bases to close. The nation similarly needs to decide which elements of the NHS (and nearly 1 million miles of federal-aid eligible highways) should be included in a redefined national system going forward, as well as which non-highway elements should be included.

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[9] "Highway Bridge Program, Clearer Goals and Performance Measures Needed for a More Focused and Sustainable Program." Sep. 2008. GAO-08-1043. p. 40.

[10] This recommendation mirrors similar calls in the work of GAO, the National Policy and Revenue Study Commission (Policy Commission), and the National Surface Transportation Infrastructure Financing Commission (Finance Commission).

It is this newly redefined system that should be the target of future formula funding. The formula funds intended to preserve vital national connections must be used to reduce the maintenance backlog and improve the performance of this national system. Once consensus is achieved on the extent of the system, additional suggestions could be made regarding important bottlenecks. These targeted bottlenecks could then potentially be used as a method of funding distribution.

RECOMMENDATION: Establish **BIPARTISAN COMMISSION TO UPDATE THE SCOPE OF THE NATIONAL SYSTEM.** Develop a new consensus that redefines what is meant by the national transportation system through the establishment of a bipartisan commission. This will mean narrowing the defined National Highway System – but at the same time broadening the system to include critical freight corridors and nodes, including rail, maritime and aviation links.

TRANSITIONING TO MODE NEUTRAL OUTCOME-ORIENTED PROGRAMS WILL BETTER LEVERAGE THE FEDERAL DOLLAR AND INCENTIVIZE POTENTIAL RECIPIENTS

The current program impedes the distribution of funds on a mode-neutral basis and thus reduces the overall performance of the system. This is a particular problem for metropolitan programs because, despite some funding flexibility, projects are forced into either "highway" or "transit" categories—even though highway and transit systems work best as components of a multi-faceted *program* to successfully address metropolitan mobility needs and system performance. The modal silos are an even more severe constraint for freight projects, which are best identified by an unbiased assessment that considers all mode choices and promotes the development of partnerships and linkages across modes. However, adopting a mode-neutral approach to new investments will remain extremely difficult in practice as long as most of the funding is coming from users of one mode.

STRUCTURAL REFORM RECOMMENDATIONS:

Move toward consolidating surface programs into new mode-neutral and performance-based formula and competitive programs focused on **METROPOLITAN ACCESSIBILITY, NATIONAL CONNECTIVITY,** and **ESSENTIAL ACCESS** for integrating programs for rural, isolated, and disadvantaged populations.

SUPPORT SUSTAINABLE STATE AND LOCAL FUNDING

The nation has a direct interest not only in the sustainability of its own federal program, but enhancing the ability of state and local governments to meet their share of the overall funding responsibility. The federal government can recognize that decisions by state or local governments to charge direct user fees for new capacity introduces significant financing complexities as well as political challenges for state and local officials.

Direct user fees, such as a mileage-based charge, can improve system performance and represent a critical tool for states and metropolitan areas to supplement or eventually replace traditional revenue sources. Support should be provided to states or groups of states piloting new comprehensive user-based fees. This includes developing specific strategies for garnering public support and confidence in privacy protections for users, as well as developing an efficient and reliable administrative pricing and payment mechanism. NTPP relied on and supports the numerous specific recommendations made by the Finance Commission, which was specifically chartered to evaluate funding options by the Congress in SAFETEA-LU, on this issue.

While NTPP supports a well defined federal focus on nationally significant infrastructure, there is clear national interest in supporting and incentivizing state and local governments to develop sustainable funding sources for locally significant infrastructure investments. Historically there has been some evidence that states have reduced their own funding as federal transportation grants increased. While state revenue sources vary, the real value of the average state gas tax has declined by more than 30 percent since the late 1950s[11]. It is clear that achieving national performance goals for our entire transportation system will require that states and local governments have an ability to substantially increase revenues for needed infrastructure investments.

Accordingly, NTPP concluded that the federal government should facilitate state and local capacity to develop sustainable, equitable, and performance-enhancing revenue streams. States and localities have a wide range of transportation investment and revenue-raising options at their disposal, including private partnerships, fuel and/or dedicated sales taxes, congestion pricing, developer fees, toll roads, HOV conversion to HOT lanes, and value capture from transit development. While the federal government should not be in the business of prescribing specific state and local strategies, it can remove impediments and support efforts to use creative financing tools at the state and local level.

NTPP concluded that performance and environmental goals are likely to be most cost-effectively achieved with the greater use of variable pricing on congested roadways. The federal government can clearly promote performance-enhancing and sustainable state and local investment by removing remaining restrictions to instituting such policies on the nation's roadways, albeit with appropriate controls and oversight measures[12]. In addition, with the removal of restrictions on pricing, the TIFIA program should be expanded to allow for loans that are paid back with variable pricing tolls on national highways. In fact, the TIFIA program, with an established record, has proven to be an effective tool for leveraging of federal funds, promoting direct user fees, introducing market discipline and facilitating private participation. Congress could more systematically link the TIFIA program to national interests by directing DOT to apply the performance metrics we have proposed to aid in their assessment of projects.

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[11] "Future Financing Options to Meet Highway and Transit Needs," NCHRP Project 20-24(49): December, 2006

[12] Highway Public-Private Partnerships: More Rigorous Up-front Analysis Could Better Secure Potential Benefits and Protect the Public Interest. GAO-08-44: February 8, 2008.

RECOMMENDATION: Congress should establish specific provisions to **SUPPORT EFFORTS BY STATES TO IMPLEMENT DIRECT USER CHARGES** including reducing restrictions on **ROAD PRICING,** expanding **TIFIA,** and facilitating **PRIVATE INVESTMENT** with carefully targeted controls.

NEW FINANCING MECHANISMS WILL NOT NECESSARILY BETTER LEVERAGE THE FEDERAL DOLLAR

Numerous proposals are being advanced to establish a new national infrastructure "bank" or "fund" as a way to increase federal investment and address critical national needs. At the same time, a significant economic downturn and the delay in Congressional enactment of a new surface transportation program has led to the most significant dedication of General Funds to transportation since before the Federal-Aid Highway Act of 1956.

NTPP cautions that creation of a new special-purpose financing entity does not necessarily address any of the fundamental performance challenges that confront our transportation programs. Issuing new federal bonds or establishing and capitalizing a national infrastructure bank are ideas that need to be recognized as forms of borrowing. The NTPP panel was unanimous is agreeing that the use of general taxpayer funds should be limited to programs which demonstrably generate nationally significant and broadly-based public benefits.

NTPP supports the Finance Commission's delineation of critical factors that need to be addressed to provide the foundation for any new (or existing) infrastructure financing entity:

- The critical infrastructure improvements being targeted;
- The types of (existing or new) financing assistance necessary or helpful in accelerating the investments;
- The sources of revenue used to fund the investments and repay any financing assistance
- The control over resource allocation; and
- The federal budgetary impact and other policy issues.

RECOMMENDATION: NTPP believe that the purposes of any new financing entity need to be **CLEAR, SPECIFIC, AND TRANSPARENT REGARDING ACTUAL REVENUE SOURCES AND BENEFICIARIES.** Any new entity should be directed to apply rigorous quantitative performance metrics covering the range of national interests that need to be balanced, and strive to align funding sources with the beneficiaries of federal investments. Finally, establishing a new financing entity must not be seen as a substitute for moving aggressively to develop sustainable and adequate sources of revenue for transportation infrastructure that are supported—to the maximum extent possible—by well-designed user-based fees.

The NTPP panel also underscored the important reality - that how transportation revenue is raised and the extent to which system costs are transparent has direct effects on both the performance of the system and the level of total investment needed. The close relationship between how transportation systems perform and how transportation revenues are generated led to our conclusion that, beyond simply addressing the need for additional revenue, policymakers must also ensure that revenue is generated in ways that provide more accurate signals to users of system costs and thus promote improved system performance.

Recognizing that the financing mechanisms in place to support the nation's highway and transit programs are unsustainable and in need of significant reform, NTPP made several specific recommendations for thinking longer term about a sustainable – and performance enhancing strategy for raising revenue. The problem is not just that the current fuel tax and other taxes that support the highway and transit trust funds have not been increased or pegged to inflation, and that this is causing a growing funding shortfall. Rather, the central flaw of existing financing mechanisms is that they provide a poor signal to users about the costs they impose on the system. In other words, *how* we raise money for transportation is itself an extremely important policy decision—quite apart from decisions about how much money needs to be raised, where that money should go, or how the federal government can focus its program to enhance non federal investments. Thus, reform of current financing mechanisms must be central to any effort aimed at making overall U.S. transportation policy more performance-based, effective, and efficient. Federal leadership is required to assist and support both states and local governments in developing the next generation of an efficient user-based funding mechanism.

With the major advancements in technology, a future funding system can more accurately and directly charge users - notably differentiating for mileage in high congestion zones or for travel during more congested times of day. A new system could also apply different fees based on vehicle fuel economy and emissions. Such tailored alignment of fees to distinct costs will send the proper price signals to users, thereby reducing congestion, emissions, and fuel consumption. Mileage-based fees that vary based on congestion would provide incentive for drivers to shift to off-peak periods, consolidate trips, use less congested routes, use alternative modes, or telecommute. Fees can also be tailored to avoid penalizing rural drivers who travel long-distances on relatively empty roads. Finally, a corollary benefit of increasing the transparency of costs is that capital investment decisions will be guided by quantitative signals of increased demand for physical capacity.

Over a longer time horizon, a vehicle-based revenue system may offer additional efficiencies and dramatic new safety benefits if it is integrated with developing proposals for integrating "smart road–smart car" technologies. The platform of on-vehicle GPS technology is already being applied to advanced innovations with automatic crash prevention. Other applications are being adapted to provide diverse consumer services including routing, vehicle optimization, and payment of a range of services such as parking, registration and weight or emissions-related fees.

The Finance Commission clearly concluded that direct user charges in the form of mileage-based user charges are the most viable and sustainable long-term "user pay" option for the federal government to raise adequate and appropriate revenues to provide the federal share of funding for the system. They noted that real-world examples as well as academic research demonstrate that VMT fee systems, in addition to raising needed revenues, also would result in additional benefits, including more efficient use of transportation infrastructure, reduced environmental and social externalities, and improved information for drivers. The Commission also noted that national leadership in this arena will play an important role in facilitating states and localities ability to implement their own VMT-based charges, and savings on their administrative costs by piggybacking on the national system. The Commission noted that the primary federal role in furthering state and local governments' ability to use these techniques consists of limiting restrictions on their use and facilitating and encouraging states and localities to experiment where appropriate. In addition, because many states and localities have already begun implementing pricing and tolling options, Congress needs to address interoperability concerns to reduce the likelihood of incompatible equipment and technologies which could soon impede progress on a future national VMT-based charge system.

RECOMMENDATION: CHARTER COMPREHENSIVE RESEARCH, PILOTS AND PLANNING FOR EQUITABLE AND SUSTAINABLE NATIONAL USER-FEE. Due to the many benefits of a comprehensive national user-based funding mechanism, NTPP recommends a national commitment to completing the needed research and planning to transition to a national user-pay funding mechanism by a date certain. The Congress should call for identification of both short and long term strategies for transitioning to a more performance and use-based funding structure.

In sum, the federal government has many opportunities – and indeed a responsibility – to reform and refocus federal transportation programs to provide the nation, its communities, businesses and individuals, value for the money spent – and accountability for performance. Specific measures to incentivize and reward states and local entities for developing sustainable funding sources are needed – and can be a core part of the reforms the Congress enacts as it charts a new vision for federal transportation programs.

This concludes my prepared remarks. I look forward to any questions you may have – and stand ready to support the committee in its significant challenges ahead.

National Transportation Policy Project Members

Dennis Archer - Former Mayor of Detroit
Sherwood Boehlert - Former New York
Slade Gorton - Former United States Senator from Washington
Martin Sabo - Former United States Congressman from Minnesota

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Alan Altshuler - Harvard professor (Kennedy School and Graduate School of Design); former Massachusetts Secretary of Transportation
Jack Basso - American Association of State Highway and Transportation Officials (AASHTO); former Assistant Secretary for Budget and Programs, United States Department of Transportation
Lillian Borrone - Board Chair of the Eno Transportation Foundation; former senior executive of Port Authority of New York and New Jersey
Josephine Cooper - Toyota Motor Group, Vice President, Government & Industry Affairs
Tom Downs - Former CEO of Amtrak; former Commissioner of New Jersey Department of Transportation; former President of the Eno Transportation Foundation
Mike Erlandson - Vice President Government Affairs, SUPERVALU
Douglas Foy - Serrafix Corporation; former President of the Conservation Law Foundation
Jane Garvey - Former Administrator of the Federal Aviation Administration; JP Morgan
David Goode - Former CEO of Norfolk Southern Corporation
Douglas Holtz-Eakin – President, DHE Consulting LLC; former Director of Congressional Budget Office
Nancy Kete - Senior Fellow and Director of EMBARQ-The World Resources Institute's Center for Transport and Environment
Ann Klee - Vice President, Corporate Environmental Programs, General Electric
Mark Laswell - President, CH2M Hill Transportation Business Group
William Lhota - President and CEO of the Central Ohio Transit Authority (COTA); former senior executive at American Electric Power
Bob Lowe - President and CEO of Lowe Enterprises, Inc.
Sean McGarvey - Secretary-Treasurer, Building and Construction Trades Department, AFL-CIO
Bryan Mistele - President and CEO of INRIX
Jim Runde - Managing Director and Special Advisor, Morgan Stanley
Chris Vincze - Chairman and CEO of TRC Companies
Martin Wachs - Director of RAND Corporation's Transportation, Space, and Technology Program; Professor Emeritus at the University of California Berkeley
Dr. John Wall - Vice President Chief Technical Officer at Cummins Engine
Lynda Ziegler – Senior Vice President at Southern California Edison

Environment and Public Works Committee Hearing

March 11, 2010

Follow-Up Questions for Written Submission

Questions for Hecker

Questions from:

Senator Bernard Sanders

1. There has been a great deal of talk and interest, from the Administration and from some Senators, about establishing a national infrastructure financing entity or program, now known as the I-Fund. There have been concerns raised that such an entity would require a good deal of federal general fund dollars but not directly benefit rural areas. How would you design such a program to make sure it covered all of America, so that communities not near a toll road or interstate project would benefit from that investment?

ANSWER:

Your question wisely reflects a dose of skepticism about new financing proposals. While financing and delivery approaches may have a role where the goals, mechanisms, and decision making criteria are well designed, they do not by themselves address the underlying funding or revenue challenge of our transportation programs. Further, in most cases, as your question suggests, most proposals depend almost entirely on an infusion of substantial general funds – which for the foreseeable future implies borrowing and increased debt. Moreover, proposals rarely provide sufficient specifics for an objective, rigorous and equitable selection criteria. Congress should examine the concept of a national infrastructure financing organization with due caution recognizing that no such mechanism can be viewed as a "silver bullet" solution to the enormous infrastructure investment challenge facing the nation. Any such entity should be carefully structured to address credit market or funding program gaps and target assistance to key improvements essential to supporting the national network. Congress also should ensure that any such entity is properly integrated with or a logical extension of current federal assistance programs, most notably TIFIA and other federal credit programs.

The extent to which a new financing entity would have the potential to directly benefit the needs of rural areas, would depend on the goals and niche for such a new institution. While connectivity of rural areas is seen by many as a continuing national interest, such interests may be more effectively advanced through formula funds or more targeted programs, as opposed to a "bank" which might more likely focus on credit assistance for large scale, multi-modal and cross jurisdiction projects generating revenue from users and other non-federal beneficiaries.

2. Rep. Oberstar, in his transportation authorization bill, would create a new office in the Department of Transportation to protect state and localities from bad privatization deals. What would each of you recommend that the Congress do to make sure that communities are not taken advantage of by the financing partner if it becomes generally allowable to partly privatize infrastructure built with public money?

ANSWER:

With the massive shortfall of funds to improve or even maintain existing transportation networks, the federal government has an important role to play in both removing barriers and creating positive incentives for state and local government to develop sustainable sources of funding. There is no clear rule or standard for either the appropriateness of private sector funding or management or the nature of the contractual relationship. Each state or local government, largely through laws and evaluation procedures, must play the primary role in determining the suitability of private-sector involvement in various aspects of project delivery, operations, and financing.

The federal role is most compelling in assuring national interests are not undermined (such as a potential burden on interstate commerce) and actively facilitating exchange of best practices across states, including the far more extensive and largely successful experience outside the United States. The market in the US is rapidly evolving with each new public-private partnership and a rigid and restrictive federal role defining specific contract terms would certainly have a chilling effect on the best adaptation of PPPs for any given environment.

Senator James M. Inhofe

1. When we talk about highways, people are often not aware that that federal investment in highway and bridges makes up less than 40% of all capital investment at all levels of government in this country. Recognizing that even a robustly funded highway bill cannot solve our infrastructure crisis alone, what changes would you make to the Federal-aid Highway program to encourage increased spending on highways and bridges from the state and local sources?

ANSWER:

While it is true that federal investment in highway and bridges makes up less than 40% of all capital investment at all levels of government in the U.S., the federal program remains significant and research shows that state and local governments use the federal dollar to replace or substitute for investments they would otherwise have made. (see GAO report on state substitution of their own funds with federal transportation funds: GAO-04- 802). In addition, a lack of accountability for outcomes stems in part from a well-intended effort to provide the states, which are the primary recipients of most federal transportation funds, with extensive flexibility to shift federal dollars to any "Title 23" or federally eligible road or project. The current structure amounts to a de facto block grant program. Federal oversight is almost entirely process-oriented and focused on the front end with little attention to the outcome or impact of the investment of federal dollars. The federal oversight that does exist - in terms of eligibility requirements for highway projects - is often criticized as adding considerable cost and time; and yet despite the costs and delay of the process-oversight, the quality and outcome of investments are rarely considered.

In addition, there is no current federal requirement to optimize any "return" on transportation investments, or even to estimate the potential returns or cost-effectiveness of alternate investments in most cases. Formula funds, which constitute the bulk of federal funding, contain no requirement that grant recipients focus on results or even consider economic analyses of project costs or benefits. Recent research has documented that since the completion of the Interstate Highway System the returns on public highway investments have reduced to single digits, due in part to inefficient policies and the failure to promote sound management of existing infrastructure while maximizing the returns from new investments.

To address these perverse and unintended effects of the federal program, several significant reforms are required:

1. Incentivize and reward states for developing sustainable funding sources for both their federal match and their own significant transportation needs.
2. Remove barriers to tolling and pricing; reauthorize and expand the TIFIA credit assistance program; authorize and fund federal incentive grants to support the development by states of major user-backed projects.
3. Re-capitalize the State Infrastructure Banks, expand the availability of private activity bond financing for highway /intermodal facilities; and consider the use of other targeted tax incentives for high-priority investments with major public benefits.
4. Encourage the use of public-private partnerships for highways and other surface transportation modes, subject to a limited set of conditions to protect the public interest (including interstate commerce) while recognizing the primary responsibility of state and local officials in overseeing such arrangements.
5. Aggressively begin to introduce an outcome or performance-oriented structure to the federal program where funds are linked to progress in advancing clearly defined national interests and intended outcomes. As soon as possible, reduce the process-oriented federal oversight role and provide progressively greater attention to the outcome or impact of the investment of federal dollars.
6. Increase the sophistication of federal planning requirements to support development of comprehensive outcome-oriented investment "programs" that optimize the "return" on integrated packages of transportation investments.

2. It has been almost 16 years since the federal-aid program authorized the use of state infrastructure banks (SIBs), which enabled states to use federal funds to capitalize revolving loan funds for transportation projects within each state. Since then only a handful of states have taken advantage of this program. Why do you think this valuable tool has yet to catch on?

ANSWER:

SIBs are state-run revolving funds that make loans, provide credit enhancements, and other forms of non-grant assistance to surface transportation projects. While the SIB Program allows states to capitalize revolving loan funds with regularly apportioned Federal-aid (Title 23 and Title 49) funds, a barrier to broader use may be related to their primary application to non-grant assistance. Revenue-generating projects have been relatively slow to develop in the U.S., in part due to a broad public view that roads should be free, the robust municipal financing market, and the relatively limited pricing of road use in the U.S. Further, where revenue-generating projects are being developed, other credit sources have been tapped including the TIFIA program and more recently the Build America Bonds.

Increasing state interest and activity in credit assistance programs will likely require a broader sweep of policy changes in the federal program that incentivize both performance and states generation of sustainable revenue sources for meeting transportation infrastructure needs.

3. In an effort to leverage greater transportation, would you consider lowering the federal share for projects and also creating some type of mechanism to provide additional funding to states that commit more of their resources to transportation investments (such as creating a new formula factor or new incentive program)?

ANSWER:

One of the most important reforms needed in the federal program is to incentivize state and local governments to develop sustainable revenue sources to meet the significant infrastructure needs of our growing economy and population. As you rightly suggest, lowering the federal share for projects can directly influence the level of partnership of state and local partners. This is particularly appropriate for many projects which generate significant local benefits and produce less specific national benefits. Similarly, new and well targeted mechanisms can be developed to provide additional funding to states that commit more of their resources- on a sustainable basis - to transportation investments. Such incentives can be included in formula programs, with a factor related to "level of effort" or some measure of sustainable revenue sources or as a key element of a new incentive program.

4. It appears that one of the Administration's major transportation goals is the creation of a national infrastructure bank, separate from the traditional highway program, which would be funded by general treasury revenues. Does their proposal for such a transportation fund bring anything to the table that would not be accomplished by an enlarged TIFIA program and larger multi-modal discretionary programs?

ANSWER:

Proposals for an infrastructure bank or fund are primarily financing arrangements – capitalized as you suggest with general fund revenues (which for the foreseeable future means borrowing). Such proposals often downplay that while alternative financing mechanisms and public-private partnership can be highly useful, they are not substitutes for actual revenues. These financing and delivery approaches should be employed where appropriate, but they cannot by themselves address the underlying funding challenge. Any such entity should be carefully structured to address well defined gaps in either credit markets or funding programs and target assistance to key improvements essential to supporting the national network. As you suggest, TIFIA, other federal credit programs, and a new multi-modal discretionary program may more directly meet critical needs – and thus at a minimum any infrastructure "bank" or fund must be properly integrated with or a logical extension of current federal assistance programs, most notably TIFIA and other federal credit programs.

5. Given our overwhelming needs and limited resources, what l or 2 major changes to the federal program do you believe are needed to leverage more projects?

ANSWER:

Resources will always be scarce and achieving critical national goals will require a wide range of efforts to restructure the federal program to better leverage the federal dollar and incentivize and reward performance of non federal partners for addressing the nation's critical transportation needs. The single most important change to the federal program requires a fundamental change of incentives.

Simply put, federal policies and programs need to provide direct incentives to non federal partners for more strategic investments and sustainable funding strategies.

Senator George V. Voinovich

1. Ms Hecker, in your statement, you note that since completion of the interstate, the federal program has lost focus - and suffers from the absence of a national plan. How would you propose to correct these circumstances and to find the right balance between national goals and purposes, and state and local discretion?

ANSWER:

NTPP – and many others – have concluded that existing federal transportation programs lack a well-defined national vision, have no links to performance, and fail to address current nationally significant challenges including freight congestion and transportation's unsustainable impacts on the environment.

The first step toward a more focused and effective federal role requires Congress to define what the federal government's primary goals are for transportation policy and transportation system investments. NTPP proposes five key goals, all of which we believe are critical to the national interest and all of which—because of their intrinsically national nature—require federal leadership and action:

- Economic Growth—Producing maximum *economic growth* per dollar of investment
- National Connectivity—*Connecting* people and goods across the *nation* with effective surface transportation
- Metropolitan Accessibility —Providing efficient *access* to jobs, labor, and other activities throughout *metropolitan* areas
- Energy Security and Environmental Protection—Integrating *energy security* and *environmental protection* objectives with transportation policies and programs
- Safety —Improving *safety* by reducing the number of accidents, injuries, and fatalities associated with transportation

The next critical step is developing objective performance metrics that can be used to choose among different investment options and, subsequently, to judge their results. To assure a focus on achieving defined national goals, we need a set of agreed-upon tools for objectively measuring how a given policy, program, or investment achieves progress toward those goals. Such tools, or performance metrics, must be fair, transparent, and free of bias toward particular transportation modes or geographic regions.

To achieve our recommended national goals and implement our performance metrics, a comprehensive consolidation and restructuring of current programs—together with a fundamentally new approach to funding—are both required.

We recommend a new structure that consolidates all current federal transportation programs into two categories: formula-based system preservation programs and competitive capacity expansion programs. Restructuring the federal program structure around clearly defined national goals and broad performance metrics holds the promise to direct federal resources (a) toward the investments that offer the greatest returns at the lowest cost, and (b) in amounts that are proportionate to the national benefits to be gained.

There is a careful balancing of newly defined and clarified intergovernmental relations inherent in this approach. The consolidated and restructured programs we recommend are not intended to be prescriptive, but precisely to allow for a bottom-up approach in which states and local areas have substantial flexibility to develop proposals that reflect their preferred strategies for advancing national goals. Thus funding could be awarded to support a variety of policies or sets of investments, including public-private partnerships across any and all transportation modes. In particular, to compete for competitive federal funds, states and local entities would have to demonstrate that their proposed programs are cost-effective and would produce results aligned with national goals.

2. Ms. Hecker, you caution that new financing mechanisms will not necessarily better leverage the federal dollar and recommend that the purposes of any new financing entity need to be clear, specific, and transparent regarding actual revenue sources and beneficiaries. What are your specific concerns and recommendations?

ANSWER:

Numerous proposals are being advanced to establish a new national infrastructure "bank" or "fund" as a way to increase federal investment in and address critical national needs. At the same time, the significant economic downturn and the delay in Congressional enactment of a new surface transportation program has led to the most significant dedication of General Funds to transportation since before the Federal-Aid Highway Act of 1956.

The Bipartisan Policy Center's transportation project has cautioned that creation of a new special-purpose financing entity does not necessarily address any of the fundamental performance challenges that confront our transportation programs. Issuing new federal bonds or establishing and capitalizing a national infrastructure bank are ideas that need to be recognized as forms of borrowing. The NTPP panel was unanimous is agreeing that the use of general taxpayer funds should be strictly limited to programs which demonstrably generate nationally significant and broadly-based public benefits.

BPC's transportation project supports the Finance Commission's delineation of critical factors that need to be addressed to provide the foundation for any new (or existing) infrastructure financing entity:

- The critical infrastructure improvements being targeted
- The types of (existing or new) financing assistance necessary or helpful in accelerating the investments
- The sources of revenue used to fund the investments and repay any financing assistance
- The control over resource allocation, and
- The federal budgetary impact and other policy issues.

In short, the purposes of any new financing entity need to be clear, specific, and transparent regarding actual revenue sources and beneficiaries. Any new entity should be directed to apply rigorous quantitative performance metrics covering the range of national interests that need to be balanced, and strive to align funding sources with the beneficiaries of federal investments. Finally, establishing a new financing entity must not be seen as a substitute for moving aggressively to develop sustainable and adequate sources of revenue for transportation infrastructure that are supported—to the maximum extent possible—by well-designed user-based fees.

3. Ms. Hecker, you note that the Bipartisan Policy Commission concluded that we need to re-examine of what is and what is not part of the federal surface transportation system is required and that Congress should appoint a bipartisan commission modeled after the Defense Base Closure Realignment Commission (BRAC). You note that the nation similarly needs to decide which elements of the National Highway System (NHS) should be included in a redefined national system going forward, as well as which non-highway elements, including rail and maritime systems, should be included. Can you discuss why you believe such a comprehensive review is required?

ANSWER:

Strategies to better leverage the federal dollar should begin with assuring the federal dollar is focused on truly national interests and being clear which areas and parts of the overall transportation system are inherently state and local responsibilities. Federal funds will certainly displace and substitute for state or local governments own funds if federal funds – and even more so with a high federal match – are provided for assets which other levels of government would – or should- have the inherent interest in providing and maintaining.

The National Highway System (NHS), which includes the Interstate Highway System, represents only one mode and has no consistent foundation for inclusion or exclusion and is thus inconsistent in the type of roads included or excluded across every state. As the current threshold for eligibility for most highway federal funds, the NHS is not focused, consistent, or effective in distinguishing federal from state and local leadership roles. It is therefore unsuitable for the purpose of understanding the true national system. It includes many facilities that are providing primarily local benefits and thus should not be eligible for federal funding to cover a majority share of their preservation costs.

Federal dollars will be best leveraged when they provide incentives for state and local entities to dedicate their own funds on areas with clear national benefits, *where they might not otherwise have the incentive to do so.* At the same time, this will clarify areas of primary state and local interest and provide a clear incentive for local choices of investment levels, funding strategies, and priorities.

NTPP concluded that a wholesale re-examination of what is and what is not part of the federal surface transportation system is required and should include elements other than highway infrastructure such as freight and passenger rail as well as access to ports and airports, where there are demonstrable public benefits on a national scale. Together these factors led NTPP to recommend that Congress appoint a bipartisan commission to redefine that nationally significant transportation systems, modeled after the Defense Base Closure Realignment Commission (BRAC), which was relatively successful in objectively deciding which military bases to close. It is this new redefined system that should be the target of future formula funding. The formula funds intended to preserve vital national connections should be targeted to reduce the maintenance backlog and improve the performance of this national system. Once a consensus is achieved on the extent of the system, additional suggestions could be made regarding important bottleneck, which could then potentially be used as a factor in the distribution of federal funds.

Senator BOXER. Thank you very much. I appreciate your summing up.

I will start with the questions. You know, I was taken by what you said, Ms. Hecker, about don't displace local funds. Well, doesn't this example of Los Angeles taking the lead, going there, passing a bond issue, voters saying this is it, we are going to bond ourselves for the next 30 years to the tune of $40 billion through the sales tax, isn't that an example of action that ought to be incentivized in the new bill?

Ms. HECKER. Precisely. That whole point of incentivizing sustainable local funding, which they took the initiative to. I am talking about a program that would more generally incentivize regions to take those tough decisions in advance.

Senator BOXER. Exactly. That is what I think so fits in. In other words, they have done now what you are talking about more communities doing.

Ms. HECKER. Right.

Senator BOXER. And I think to incentivize this is important. And I think on both sides of the aisle we understand very well how urgent it is to build an infrastructure that works in this country, and we also understand very well we have to leverage, leverage, leverage funds. That is key. Local, State, regional, private, everything. I mean, that is what we have to do in this bill in order to reach for the numbers that we need to build the kind of infrastructure and transportation systems of the future.

So, Mayor Villaraigosa, I guess I want to thank you very much because when I heard this proposal, as you know, I was very taken with it, and it made a lot of sense to me. And it really in many ways exemplifies what we try to do in America; we get a basic source of funding, and we figure out how can we help either the homeowner or how can we help the businessman or woman carry out that dream if we believe that we will get paid back for it, and what you have is the proof.

So I guess what I need to ask you is I think this notion of moving quickly, we have already established that it makes sense just because of the confluence of issues hitting us—the recession, the need for more jobs, the lower costs that are coming in on these projects—have you calculated in any way some of the savings and some of the increases in jobs if we were to be able to help you to do in 10 years what you would otherwise do in 30?

Mr. VILLARAIGOSA. Yes, we have, Madam Chair. And by the way Senator Voinovich talked about reduction currently in costs about 10 to 12 percent. Over the last 18 months, CalTrans, which is our State Highway California Transportation Department, the bids have been 18 percent lower. In the city of Los Angeles, our public works bids have been—I am sorry, that was 18 percent.

Our public works bids are down 16 percent lower. So we think we can generate almost $4 billion in savings in a 10-year period of time due to the soft market, the fact that the unemployment rate, in the construction industry particularly, is as high as it is. So that is the number.

Senator BOXER. Well, thank you for that. That is really—$4 billion less, that is huge savings.

Mr. VILLARAIGOSA. And by the way these aren't my estimates; these are estimates that I think that we provided in our testimony. These are expert analysis of what we could save.

Senator BOXER. Well, that is why this is so timely. Now, in addition, as we all know you were eloquent about the quality of the air and the fact that we need to clean up the environment. It seems to me that is another cost that I don't know whether you have quantified it, but we know what asthma does to kids. We know what living near congested areas, the impact of that; it is hardening of the arteries way earlier. That has been proven by health experts. So have you looked at the benefits of the environment of moving forward with these projects which will alleviate some of the terrible congestion?

Mr. VILLARAIGOSA. Yes. As I said, just moving from 30 to 10 years will reduce about 500,000 tons of carbon emissions from the region. I don't have—and I know that the American Lung Association is supporting this effort, as is virtually every environmental organization. The Chamber of Commerce will be here next week advocating for 30/10——

Senator BOXER. Good.

Mr. VILLARAIGOSA [continuing]. Because of its job creation, as I said, 165,000 jobs. I can quantify this. At the port alone—not the whole region, just the port—we know there are about 2400 premature deaths that are caused, a million lost school days that are caused just with the diesel emissions and pollution at the port. So take that across the region. Remember, this is the most congested area in the United States of America, and its air quality is always in the top three or—well, in the bottom three or four. It is one of the——

Senator BOXER. Worst.

Mr. VILLARAIGOSA. I guess one of the worst in the United States of America, yes.

Senator BOXER. Mayor, thank you very much. I am very anxious to move forward very quickly. I have one last question for you.

Mr. VILLARAIGOSA. Yes.

Senator BOXER. In terms of the legislation we have that could be helpful that many of our experts here on this panel and our under secretary cited, TIFIA and some others, it is necessary to be able to show us one or two projects that are already pretty much laid out. So I guess my last question to you is do you have on your list of projects a couple of projects that you feel will be ready to go in terms of all the planning and the environmental work on them and all the rest in the next 12 months or so, or is it a longer period?

Mr. VILLARAIGOSA. Yes, we do. There are a number of projects. The foothill extension, the exposition line phase 2 are two of them. I think 8 of the 12 projects have substantial environmental review work. All of the projects, according to the experts that we have talked to, construction managers and the like, can be done within the 10-year period of time.

Senator BOXER. Excellent. But I am asking you shovel ready.

Mr. VILLARAIGOSA. Yes, two.

Senator BOXER. And you are saying there are two?

Mr. VILLARAIGOSA. There are two.

Senator BOXER. There are two shovel ready. And do you know the cost of those off the top or not?

Mr. VILLARAIGOSA. Off the top of my head, the cost of——

Senator BOXER. Just within a range. It doesn't matter.

Mr. VILLARAIGOSA. About $2.5 billion for the two of them.

Senator BOXER. OK. Well, this has been extremely helpful. And if I don't get to see you, have a safe and good trip back, and I will see you soon. And thanks to the rest of the panel, too.

Mr. VILLARAIGOSA. Thank you very much. Again, Madam Chair, thank you. And Senator Voinovich, thank you as well. I really enjoyed hearing the bipartisan support for innovative ways to address this tremendous infrastructure need that the Nation has. Thank you very much.

Senator BOXER. Absolutely.

Senator Voinovich, questions.

Senator VOINOVICH. Does the city run the transit system?

Mr. VILLARAIGOSA. We do have a DASH system, a local circulator, if you will, in the city, but no, we are part of a regional system, the Metropolitan Transit Authority. I sit on that board as either the chair, the first vice chair or second vice chair of it. There is a consensus around——

Senator VOINOVICH. Forgive me for interrupting, but is the county also an MPO, you know, metropolitan planning agency?

Mr. VILLARAIGOSA. No, I think SCAG, the Southern California Association of Governments, is the MPO, but the Metropolitan Transit Authority is the organization whose responsibility it is to address the regional transportation needs.

Senator VOINOVICH. So what happened in order to put your plan together, you got everybody at the table and you worked it out, and——

Mr. VILLARAIGOSA. Yes.

Senator VOINOVICH [continuing]. Dotted the Is and crossed the Ts. It is terrific. That is great. And I am sure that that has——

Mr. VILLARAIGOSA. Unanimously, by the way.

Senator VOINOVICH. I am sure that is has had an impact on the people who supported the increase in the tax. One of the things that we are trying to do on the national level is to talk about these projects of regional significance dealing with congestion, freight areas, which you have there, and just trying to build the need for this. So that is one thing.

The problem we have here is that this country is so different, and Mr. Secretary, you are talking about having a performance based responsive program, and in some States the major issue in terms of their Federal funding would be—I know one, for example, they have the worst bridges in the United States, and they would like to have some flexibility in terms of how they spend their money.

And one of the things that I am concerned about is to have some bureaucracy in Washington created to kind of oversee what is going on and having people having to come here and touch base. It would seem to me that if an MPO or a regional transit system or whatever it is came together like you did, that that would be enough to indicate that this is something that makes sense, and by the way, they are willing to pay for it. This leveraging thing I think you should be rewarded for this kind of thing. So I am interested in that point of view.

The other thing that I am interested in is Congressman Oberstar has done a great deal of work and spent 2 and a half years on it, on his work, and we are trying to get people's opinion about what they think of that legislation. We are trying to get a consensus. I talked with Don Borut of the National League of Cities, and I was talking to the U.S. Conference of Mayors to come to us and kind of come together and say, this is what we think is good and what we don't think is good.

And Mayor, I would really be interested in—you put so much work in this, I am sure you have a tremendous amount of staff work, people there that are backing you up. I would be real interested in getting your input on that.

All I do is talk. What is your opinion about what would be the most effective thing to help you right now in terms of your situation?

Mr. VILLARAIGOSA. Well, we are heartened to know that by the end of the year we are going to get a surface transportation bill out that I think all of us are looking forward to that. But even in that bill, the fact is there is not unlimited money, and the reason why we have come forward with offering some innovative ways to stretch those Federal dollars is because we think that ultimately this is the best route to add value and create leverage between localities, States, and the Federal Government.

Senator VOINOVICH. The real issue is what is the vehicle on the Federal level that your folks have looked at as being the most effective way to get the job done? I asked Mr. Kienitz about——

Mr. VILLARAIGOSA. Yes.

Senator VOINOVICH [continuing]. The state that the national infrastructure bank, and I don't know, what are they going to use that for? Is three-quarters going to be for transportation and transit, or are they going to spread it out all over the country?

Mr. VILLARAIGOSA. Well, there are a number of vehicles that are currently configured. There could be others. But as I mentioned, or as was mentioned, TIFIA, Build America bonds, a demonstration project for an infrastructure bank, loan guarantees, loan subsidies. There are a number of mechanisms to make something like this work and/or to really incentivize localities to put up some of the investment that we are asking the Federal Government to do.

Senator VOINOVICH. One of the things that I have been advocating since last year is that in spite of the fact that there are some creative financing mechanisms out there—and I am not as familiar with them as I should be.

I know in Florida you have done—I am really impressed with what you have done in Florida, and congratulations, Mr. Clary, for your role in it. If you weren't there it wouldn't have happened. I hope you feel good about that.

We had some folks in from Texas that have talked about tolling and borrowing money from their pension funds, et cetera. So I think we need to understand all of these opportunities that are there. But the real question is many of us feel that we do not have enough money coming in the till, and I have advocated at least a

10 cent increase in the gas tax, with indexing, to create a backdrop for all of this.

You are a politician. What would the folks in Los Angeles have to say if your representatives voted for increasing the gas tax but making sure that the way it is done is that the program fits in with what you are trying to do? Or would they say, hey, we have done enough and——

Mr. VILLARAIGOSA. I think the region—remember, we have taxed ourselves three different times, a penny and a half. Measure R, this last penny——

Senator VOINOVICH. By the way we have done that in Cuyahoga County.

Mr. VILLARAIGOSA. I believe they would support it is the answer, Senator Voinovich.

Senator VOINOVICH. Mr. Inman, what do you think?

Mr. INMAN. My view is that a gas tax increase would be generally supported. I think what we have seen is if you offer improvements to the system, as the mayor is doing—he is going to offer improvements in the short term—these are valuable assets to the American public.

Senator VOINOVICH. Mr. Clary. You have been there.

Mr. CLARY. I have been there, and I will offer an observation. And the mayor certainly knows his constituents much better than I do, but I was at a meeting last week in California where a group sponsored—there were State and local officials there, and there was a gentleman there that polls for tax initiatives all over California, and he said in his surveys he had done over the past 2 years the level of support for a gas tax had been steadily dropping and was in the single digit range.

And what surprised him is user fees. I think the disconnect that has happened is the public doesn't see that as a user fee as much anymore. The user fees that they looked at was a pricing model of a tolling, and he said what surprised him was that was getting much higher and was approaching 50 percent.

Senator VOINOVICH. If you have that, send it to me.

Mr. CLARY. I will get that, yes, sir.

Senator VOINOVICH. Ms. Hecker.

Ms. HECKER. I would concur with all of the research that has been done. The only way to get the revenue to really beef up the program to begin to address the Nation's needs is to in the short term raise the gas tax. But it is only a short term. And longer term we need to be looking at more sustainable approaches that are actually more equitable and more user based than the gas tax really is these days.

The other thing I would observe is that the public has lost the trust that the Trust Fund has been spent well, and I think that is part of the reason we are so focused on getting some performance focus and accountability. I think that will be a key part of the communication to the public that this is needed, but we have clear focus, just like it has been at the local level. Local measures that are very clear about what the outcome is pass, and when they are vague they don't pass.

Senator VOINOVICH. Thank you.

Senator CARPER. Those were very good questions.

If I may ask a question of Ms. Hecker there. There was once a woman who worked at GAO for a number of years; she was one of the top people there. And she left maybe a year or so ago, and I think her name was also JayEtta, and I think her middle initial was Z. Was that you?

Ms. HECKER. Yes.

Senator CARPER. I remember the first time I ever saw your name when you were at GAO, I thought it was like the name of a rapper, JayEtta Z.

[Laughter.]

Senator CARPER. And you really are cool. You have the neatest name, and every time I see your name I think of that first thought, how could a rapper end up with a senior position at GAO? And here you are now being one of the leaders on the bipartisan front. So good for you. Thanks for the work that you did there, and thanks for what you are doing today.

Welcome all of our panelists. Mayor, it is great to see you, especially. But each of you, thank you for coming and sharing your thoughts and ideas and advice with us.

Question, if I could, for Ms. Hecker. For maybe there-quarters of a century the gas tax has been used, as you know, as really the primary funding mechanism—not the only funding mechanism, but the primary funding mechanism for Federal transportation projects. I believe that continued reliance on the gas tax is really not sustainable because, and at least one of you made this point already, good news, cars are becoming more efficient; bad news, because they have become more efficient we will have less gasoline tax to derive from their operation unless we just drive more and more miles and continue to see vehicle miles traveled that escalate.

About a month or two ago we had a chance to drive a Chevrolet Volt down here. It goes about the first 40, 50 miles on battery, then after that it has an auxiliary engine to help charge the battery to run the car. But we are going to be building in Delaware—Automotive is going to launch in about 18 months a vehicle that gets about 100 miles per gallon, another flex fuel plug-in hybrid car—not flex fuel, but a plug-in hybrid car, and a beautiful car. So we see just around the horizon the prospect of vehicles that not just meet the CAFE standard, 36.36 miles per gallon by 2016, but go way, way beyond that, and that is wonderful news, but it is going to undermine our ability to raise taxes over time from the gas tax.

There are a lot of, I guess, political and technical questions which need to be answered before a new system can be adopted to begin to replace the fuel tax, and the transition is obviously going to occur over not just 1 year but over a number of years. Having said that, this is something that we can't ignore here in Washington.

I would just ask what steps you might recommend that we here in the Congress take in our next transportation bill to recognize this truth and also to prepare for it.

Ms. HECKER. Well, first, let me agree with all you have said. It is not a sustainable strategy, and in many ways I think the Congress would really be irresponsible not to begin planning now for a post-gas tax environment. It is losing its credibility; it is losing its utility as a proxy for use; and while in the short term it is our only way to really get the kind of revenue to support a bill, we have to start now.

And the tools, interestingly, that we have talked about today, are all about financing; they are not new money in many ways; they are borrowed money. I mean the new money is a sales tax, or a new money is an actual source of revenue. But these tools to loan and have funds funded by the General Fund, those aren't the new money. The new money needs real revenue. We have to begin a national process of rigorous and comprehensive planning as soon as possible.

Frankly, I think it should begin before you pass a bill if it passes in December. This is urgent enough; it can be well defined. The tests we have underway are very small, they are not scalable, they haven't cut across States, and there are fundamental questions. And connecting back to the hearing today, it would provide a fundamentally new and efficient platform for States to also transition to a more efficient user based fee.

So all of the reasons are go ahead, structure the tests. We have specific recommendations of the kinds of robust testing that is needed and would be happy to share that with you, the Finance Committee, but it is also a policy issue. How you raise the money affects performance. So this Committee has an interest as well in the sustainability of a user pay system which, frankly, is deteriorating.

Senator CARPER. All right. Thank you very much. Thanks for your comments. Thanks for your willingness to share some further insights with us as we prepare to face this challenge.

If I could, Mayor Villaraigosa, your experience—it is great to always have somebody before us who actually does things in the public sector and is responsible for getting things done and achieving results, and as a recovering Governor it brings back some wonderful, wonderful memories, and challenges, too. But your experience in L.A. demonstrates the challenges that we face in our metropolitan areas, and although I am told only about 60 percent of Americans actually live in large urban areas, those areas represent maybe 90 percent of traffic congestion, maybe 90 percent of transit riderships, and I am told about 90 percent of population that is exposed to auto related air pollution.

Let me just ask this. Do you believe that the Federal transportation policy is well suited to address metropolitan transportation needs? And if not, what recommendations do you have for improvement? You have already made some, but feel free to reinforce those again.

Mr. VILLARAIGOSA. Well, there is, as I had mentioned earlier, I am also the vice president of the U.S. Conference of Mayors, and I can tell you that last year——

Senator CARPER. Let me ask you a question. In the National Governors Association you become vice chair and then become chairman.

Mr. VILLARAIGOSA. Yes. Next year.

Senator CARPER. OK. It is like having another job, you know.

Mr. VILLARAIGOSA. Right. One of the issues that was a great deal of concern to us last year was, if you recall, historically with respect to what they called the STIP funds, metropolitan areas receive about two-thirds of the money—and by the way the numbers I have from the U.S. Conference of Mayors is that in metropolitan areas, about 82 percent of the population lives in the metropolitan areas of the United States. That is the number we have been given over the years.

So, historically the metropolitan areas receive two-thirds of the funding and the State one-third. Last year they changed that formula with the ARRA funding, and the States got two-thirds and the metropolitan areas got one-third.

The problem with that—I mentioned I used to be speaker of the Assembly, so I went to the legislature and the Governor and convinced them that in California we should turn it back to the way it used to be. So the metropolitan areas did get two-thirds in California, but not everybody was able to do that.

The problem with that is, what I mentioned back then at the White House, was that while you are still going to build a road, it is a road—when you do it that way it is a road that is going to connect the ducks to the geese, and in the case of an area like mine connect the two largest ports in the United States of America. There is a difference in terms of infrastructure, the impact of that infrastructure.

So I would say, from my vantage point both as mayor of the city of L.A. and representing a large metropolitan area, that making sure that metropolitan areas get the majority of the money, if you will, makes a lot of sense, and it is the way the STIP funds have historically been distributed but weren't last year.

Senator CARPER. Thanks very much.

We have been joined by Sheldon Whitehouse, a senior Senator from Rhode Island, and he is going to proceed and grill each of you until it is time to go to lunch.

Senator WHITEHOUSE. The junior Senator from Rhode Island.

Nice to see you, Mayor, and welcome to the other witnesses.

Mayor, I wanted to explore an idea with you. We have considerable infrastructure in this country that is decrepit, that is in urgent need of repair and replacement; highways, bridges, water systems, wastewater systems. There is a great deal of it. And we have an urgent need for jobs, and we have legitimate serious concerns about the deficit that got run up in the last Administration in particular.

It strikes me that there is a real convergence around the decrepit infrastructure. If it can be put into the category of infrastructure that is going to have to be replaced anyway, then to get onto that job now, first of all, puts jobs into the economy now, while they are desperately needed. And as anybody who has been involved in maintenance and repair understands, ordinarily the quicker you get after maintenance and repair the less expensive the job ultimately is.

So it is sort of a double whammy on the deficit argument. First of all, you are going to have to spend it sooner or later anyway, so it doesn't really add to the deficit if you move the repair or maintenance forward; and second, you are probably actually saving hard dollars against that future liability by getting to the repair or the maintenance or replacement sooner. So I see that as sort of a frame for our infrastructure and jobs argument.

Against that I see our efforts in order to avoid anything resembling an earmark with the stimulus funds, which everybody hates when they are called stimulus funds, but everybody loves as soon as they hit a particular project. I think that there has been a great number of Governors and Members of Congress who have campaigned against the stimulus and gone to every ribbon cutting they can find because they love the projects; they just hate the ideology of it. But the projects work.

But what I have seen is that it has been slow going getting the funding out. It has to go through the Federal bureaucracy first; then in very significant measure, by and large it goes through a State bureaucracy, and then only then, finally gets to the project itself and to putting boots on the ground and jobs in the field.

I would love to hear your thoughts on whether the mayors might be in a position to try to build an accelerated process so that you could come to Congress and say, look, if you really want these jobs out there, I can prove to you, one, that our process will be transparent and honest and fair, and two, that we will hit those projects that are clearly going to need to be done sooner or later anyway.

It is a bridge under an existing weight restriction; it is a viaduct that has been declined further maintenance because it is in such terrible shape; it is a wastewater treatment facility that is spewing sewage into our waters. These are things we are not going to tolerate for long. We are not going to let those bridges fall down. We have to get on it.

But I don't see a mechanism in our governmental apparatus for directing funding through to jobs that allows that to happen in any kind of immediate and transparent way, and clearly the existing bureaucracy isn't the way to do it. Can the mayors come up with a truly transparent local mechanism for saying, look, these are the real projects we need so that you can get around the sort of concern that this is earmarking, this is special dealing, this is whatever, but also get around the bureaucracy, and that we could, with confidence in that program, find ways to direct funding directly to mayors directly for projects that meet those standards and that are transparent?

Mr. VILLARAIGOSA. I think we can. First of all, Ms. Hecker mentioned performance based funding. I am all for it. Earlier in my testimony we talked about the fact that in our county—the most congested county in the United States, the car capital of the world—that we have put together a half-penny sales tax that generates $40 billion over a 30-year period of time.

We have come up with a plan to accelerate the 30-year $40 billion investment in a 10-year period of time, and what we have said is there are a number of creative financing opportunities, public-private partnerships, cost savings that come with the fact that the construction industry currently has an unemployment rate in our county of about 35 percent; to be able to generate the wherewithal to create about 165,000 jobs, reduce about 500,000 tons of carbon emissions in that 10-year period of time.

My hope is that this could be not just something for L.A., an "earmark," but a template for what we all need to be doing. I mentioned earlier that I was the speaker of the California State Assembly, and I always had people come up with their hand out and ask for State funding, and I would always say to them, what are you doing to match that, to demonstrate the community resolve that this is a priority?

So in an era of limited funds, with a debt that is the largest in our history and a deficit that is going to be a priority beginning next year to address, I think it is very important to come up with these kinds of innovative ways to say, look, we are putting up our own money; we would like the Federal Government to partner through a guarantee, through a loan subsidy, through an infrastructure bank these efforts; and say this isn't just for L.A., this is a template that could work for Rhode Island, that could work for New Jersey, that could work for Oklahoma, and Ohio and some of the other States that are represented by the members here.

I believe that that is a way for us, in a time of limited funds, to leverage these investments and to accelerate, as you said, these jobs, which are so critical in these times.

Senator WHITEHOUSE. My point is also about the transparency of the selection process. I think in Rhode Island, for instance, we have a number of bridges that are in urgent need of repair. Highway 95 goes right through the middle of Rhode Island; it is the most traveled east coast artery; it goes through the city of Pawtucket over the river.

The Pawtucket River Bridge is now under a weight restriction so that trucks have to go around it onto another access highway, but is much longer than the Route 95. And I think if people were able to see that this bridge in my community that I know needs to be replaced is on the list, and I know how it got there, and I know that it was transparent and clear and public, everybody had a chance to have their say, I think there would be a lot of confidence that the kind of infrastructure spending that we need to do is the right thing to do, and deficit concerns can be allayed because in fact we have an infrastructure deficit. And if we really accounted for this stuff properly we would count that as a liability, and by fixing it you would reduce the liability and the books would still balance.

So I just encourage you, through the mayors, to try to look at a way to create a sufficiently transparent process at the mayoral level that everybody can have confidence in it, that we could have enough confidence to fund it directly and get you out of the loop of being at the tail end of the funding running through first the Federal bureaucracy, then the State bureaucracy, then finally you get the pickings of what is left or the leavings of what is left.

And I know that Mayor Cicilline from my capital in Rhode Island is interested in this as well and has been working on these issues trying to find ways to put the mayors more directly into the infrastructure equation.

But it strikes me that that is sort of a sweet spot. If it is really transparent, if people really get that that is truly decrepit infrastructure, and if that is attached to, wait a minute, this is OK to do even when there is a deficit because it is going to cost more later anyway, then I think there is a lot of room to move, and clearly we have an infrastructure gap that needs closing in a big, big way.

Mr. VILLARAIGOSA. Well, I think you hit the nail on the head. Remember, the half-penny sales tax that we passed, we did it in November 2008, in the beginning of the recession. We did it with a 68 percent vote because we were transparent. We identified all 12 public transit projects, all the highway projects. We addressed the entire region. Using standards developed by the Metropolitan Transit Authority, which is our regional transportation authority, we identified them based on congestion and air quality and the number of people that they would move and the entire needs of the region.

I think you are absolutely right, and you hit it on the head. What we have seen is, at the State level there is much less support for State bonds than there are for local, because people see more of a direct connection between their tax dollars and those investments.

Senator WHITEHOUSE. Well, I would urge you to take that template, try to expand it as widely among the mayors as you can, and attach it to the appeals you make to the Federal Government and not just to your local constituents for bond support.

Mr. VILLARAIGOSA. I will heed that advice and certainly make those arguments. Thank you very much, Senator.

Senator WHITEHOUSE. Let me ask one more question, then I will let everybody go. I know it is noon, and I apologize.

I was interested, Mr. Inman, I your thoughts on the grant anticipation revenue vehicles as a sort of de facto capitalization of infrastructure investment, and I would be interested in your thoughts on exploring other ways in which Federal transportation policy can support treating these capital investments as the capital investments that they are rather than effectively expensing them every year. Front loading against future borrowing is the way the GARVEE notes do it, but I would be interested in your thoughts on capital budgeting more generally and in national infrastructure bank in particular.

Mr. INMAN. I think the tools that we put into place when I was at the Federal Highway Administration—as I mentioned earlier, I was the Chief of Financial Management at Federal Highway before joining Mercator. Certainly our objective, as the mayor has indicated, is to try to move projects forward, particularly in this environment. This is such an opportune time to move projects up. As you indicated, they have to be built anyway. If you build them now you build them cheaper. The public has use of the facilities many years in advance. It can increase your economic recovery from economic benefits that occur. It is just many, many issues, and GARVEE bonds have been very successful in that. Now, there may be some advantage to a capital budget, for example, because you are not looking at—you are really looking at providing a basis for the economic strength of the country.

As far as the infrastructure bank, my personal view—and this is my personal view—I am not exactly sure how that is a big advantage over an existing TIFIA program. The TIFIA program is very suited to transportation type improvements based on the flexibility of the program; whereas, the infrastructure bank, I am not sure how that might be administered. Would it be outside the Department? There are so many issues that would have to be resolved.

I managed the TIFIA program for some time when I was at Federal Highway, and one of the advantages we had was the support of the USDOT as well as the field offices because we have to monitor those projects. We need people, we need engineers, we need other folks monitoring those projects that are being funded through TIFIA, and that was such a good, I think, fit for the TIFIA program, is you had that other resources already available within the Department to help you provide that support. And with the infrastructure bank I am not sure where all that would come from.

Senator WHITEHOUSE. Gotcha.

Mr. INMAN. Thank you.

Senator WHITEHOUSE. Well, I won't hold anybody longer. I will recess the hearing.

Mr. Clary and Ms. Hecker, if you would like to provide a written response on the capital budgeting or national infrastructure bank question, I would be delighted to hear from you, but I don't want to keep the mayor and all of you any longer.

The record of the hearing will remain open for another week if anybody wishes to add anything to it. I thank you all for your testimony.

Without further ado, the hearing is adjourned.

[Whereupon, at 2:35 p.m. the Committee was adjourned.]

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