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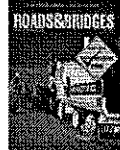
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Senate Appropriations Committee approves FY 2009 transportation funding legislation

Measure will fully fund highway and transit programs at SAFTEA-LU authorized levels
 July 14, 2008

The Senate Appropriations Committee July 11 approved FY 2009 transportation funding legislation which fully funds the highway and transit programs at the SAFTEA-LU authorized levels. The Committee included in the bill a provision to transfer \$8.017 billion from general revenue to the Highway Trust Fund (HTF) providing the revenue necessary to fully fund the programs. Absent this transfer of funds the highway program would have to be cut by 34%. The bill provides \$41.2 billion for the highway program (the same amount as in FY 08) and \$10.2 billion for transit (7.7% above the FY 08 level). Also included in the bill is funding for the Airport Improvement Program at \$3.515 billion (the same amount as in FY 08).

While the measure passed on voice vote, the transportation appropriations bill must still be approved by the full Senate where it could face opposition. Just prior to the Fourth of July recess, objections from Senate Budget Committee Ranking Republican Judd Gregg (N.H.) and Senator Jim DeMint (R-S.C.) prevented the HTF fix from being included in FAA extension legislation. At that time AGC and its transportation and construction allies worked in support of an effort lead by Senate Environment Committee Chairman Barbara Boxer (D-Calif.) and Committee Ranking Republican Jim Inhofe (Okla.) to have senators sign a letter in support of the fix. If either of your Senators did not sign the letter you are requested to contact them through AGC's Legislative Action Center at 2008 Prevent Highway Trust Fund Insolvency to ask for their support of the HTF fix.

The \$8.017 billion figure was selected because that is the amount that was taken from the Highway Trust Fund in 1998 when TEA-21 legislation was enacted as a tradeoff for funding guarantees and firewalls. At that time the HTF had a substantial balance.

The House Appropriation Transportation Subcommittee previously approved its version of the FY 2009 transportation funding measure that fully funds the highway and transit programs at the SAFTEA-LU authorized levels, however, that bill did not include a provision transferring funds to the HTF. Full committee markup of the bill in the House had been scheduled for the week of July 7 but has since been canceled. It is unclear when it will be brought up.

Source: AGC of America July 14, 2008

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Local

Bus fare increases being proposed

David Sherfinski, The Examiner

2008-07-28 07:00:00.0

Current rank: # 4 of 6,689

WASHINGTON -

Bus fares might be going up for commuters and intra-county passengers in Prince William County.

The Potomac and Rappahannock Transportation Commission is anticipating a \$1.6 million shortfall in its 2009 budget due to skyrocketing diesel fuel prices and a surge in ridership. The firm, which has added eight commuter bus trips since May, has initiated public hearings on potential fare increases to address the problem.

PRTC's commuter bus services had an average daily ridership of more than 8,000 passengers during April, May and June — the first time such a mark has been sustained for consecutive months. Ridership on the OmniRide and Metro-Direct commuter bus routes increased by 17.3 percent, and ridership on PRTC's OmniLink and Cross County Connector local bus services has jumped by 21.4 percent since February.

Overall, PRTC made more than 2.8 million passenger trips in fiscal year 2008 — a 6.2 percent increase over the 2.7 million passenger trips made in FY 2007.

Though ridership is up the increase in revenue has not been enough to offset fuel costs and escalating service costs, according to PRTC Executive Director Alfred Harf.

As a result, the PRTC Board of Commissioners recently approved a public review process to consider a fare increase, a fare indexing policy, supplemental appropriations to the PRTC budget and other budget adjustments such as reducing non-essential expenses and tapping into higher-than-anticipated state assistance.

Under the proposed fare increase, PRTC would retain reduced fares for those 60 and older, the disabled and those with a valid Medicare card. The reduced fare rate would continue to be no more than half the standard fare.

Following the six public comment hearings in September, PRTC will review the comments and finalize a proposal for the PRTC Board of Commissioners to consider at its Oct. 2 meeting. A fare increase, if approved, would not take place before November 2008.

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Examiner

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Drop in Miles Driven Is Depleting Highway Fund; Loan From Mass Transit Is Urged

By MATTHEW L. WALD
Published: July 29, 2008

WASHINGTON — Gasoline tax revenue is falling so fast that the federal government may not be able to meet its commitments to states for road projects already under way, the secretary of transportation said Monday.

The secretary, Mary E. Peters, said the short-term solution would be for the Highway Trust Fund's highway account to borrow money from the fund's mass transit account, a step that would balance the accounts as highway travel declines and use of mass transit increases. Both trends are being driven by the high price of gasoline and diesel fuel.

Ms. Peters said vehicle miles traveled on the nation's roads fell in May by 3.7 percent from May 2007, a drop first reported Monday by The Wall Street Journal. That made May the seventh consecutive month of year-to-year decline, and the ninth in the last 12. Historically, miles traveled have risen by 1 percent to 2 percent a month compared with the year earlier.

Put another way, for every 25 miles that Americans were expected to drive, they are now driving about 24.

That dampens proceeds from the federal tax on motor fuel: 18.4 cents a gallon on gasoline, 24.4 cents a gallon on diesel. Revenue from the tax goes to the Highway Trust Fund, with most of it designated to the highway account, which finances construction and repair of roads, and a much smaller share to the mass transit account.

The highway account had a balance of about \$8 billion at the beginning of the fiscal year, and the expectation was that it would have some \$4 billion by year's end. But it has been emptying faster than anticipated, and the Bush administration now projects that at some point in the next fiscal year, beginning Oct. 1, it will hit zero, causing payments to be made from it only as revenue arrives. Ms. Peters predicted a shortfall of \$3.1 billion.

Transferring the money from the transit account would require Congress's approval, according to Congressional aides. And it is sure to face opposition.

"Robbing Peter to pay Paul is not the way to go," said the president of the American Public Transportation Association, William W. Millar. "The administration proposal is shortsighted and would mean that the mass transit account would be reduced to the point where there would not be enough money to fund the federal transit program in 2010, even at the current level."

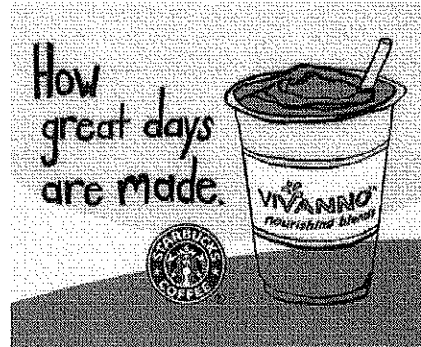
Last week the House passed a bill that would spend \$8 billion of general tax revenue on

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highways. But the White House said President Bush's senior advisers would recommend that he veto any such provision, and called for borrowing from the mass transit account instead. That account is currently in surplus, the White House said, and the transfer "would not harm transit spending and would not increase the deficit."

As for a longer-term solution, Ms. Peters said that on Wednesday she would propose a new arrangement for paying for highways, based in part on private capital financing and use of tolls that vary by time of day.

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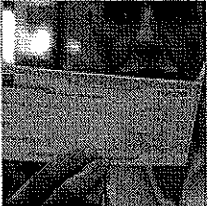
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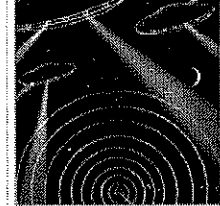
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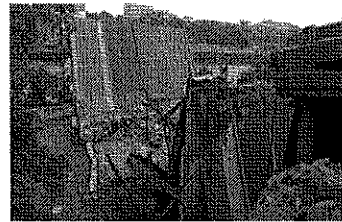
PAGE ONE

Funds for Highways Plummet As Drivers Cut Gasoline Use

By CHRISTOPHER CONKEY
July 28, 2008; Page A1

An unprecedented cutback in driving is slashing the funds available to rebuild the nation's aging highway system and expand mass-transit options, underscoring the economic impact of high gasoline prices. The resulting financial strain is touching off a political battle over government priorities in a new era of expensive oil.

A report to be released Monday by the Transportation Department shows that over the past seven months, Americans have reduced their driving by more than 40 billion miles. Because of high gasoline prices, they drove 3.7% fewer miles in May than they did a year earlier, the report says, more than double the 1.8% drop-off seen in April.



Associated Press

Before its collapse last year, the Interstate 35W bridge in Minneapolis was part of the one quarter of the nation's bridges that are considered either 'functionally obsolete' or 'structurally deficient.'

The cutback furthers many U.S. policy goals, such as reducing oil consumption and curbing emissions. But, coupled with a rapid shift away from gas-guzzling vehicles, it also means consumers are paying less in federal fuel taxes, which go largely to help finance highway and mass-transit systems. As a result, many such projects may have to be pared down or eliminated.

The challenge comes at a time when surging costs for asphalt and other construction materials already are straining state and local transportation budgets. Those cost increases make it more expensive to maintain the nation's roads, bridges and rail networks.

In many areas, the ragged edges are already showing. About 25% of bridges in the U.S. are either "functionally obsolete" or "structurally deficient," like the Mississippi River bridge that collapsed in Minneapolis last August, killing 13 people.

Moreover, the pavement is rated "not acceptable" on one of every seven miles of the nation's roads, according to the National Surface

CAST YOUR VOTE



Has your household cut back on driving? Cast your vote in the Question of the Day.

Transportation Policy and Revenue Study Commission, whose job is to assess infrastructure problems and recommend fixes.

Overall, the commission estimated, \$225 billion a year is needed to meet the country's transportation infrastructure needs. Current spending is about 40% of that level.

"We were losing ground to these incredible increases in construction costs, but then to see the erosion in driving -- it's a double whammy," said John Horsley, executive director of the American Association of State Highway and Transportation Officials. On top of the federal gasoline tax, currently 18.4 cents a gallon, the states charge their own gasoline taxes, which are typically slightly above the federal rate.

Parked Cars

Soaring gas prices have caused a rare drop in American driving. U.S. vehicle miles traveled, January to May



The Bush administration is expected to release as early as Monday figures projecting a deficit of \$5 billion or more in the Highway Trust Fund for next year. Thanks to steady increases in driving, since it was set up under President Dwight Eisenhower, the trust historically has run a surplus. It steers gasoline-tax revenue through a federal appropriations process before sending it back to the states.

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The prospect of the highway fund running a big deficit has sparked a frenzy of lobbying on Capitol Hill, as business groups, ranging from the U.S. Chamber of Commerce to the National Stone, Sand & Gravel Association, have pressed lawmakers for a quick solution.

"We're going to spend a lot of time, money and effort on this," said U.S. Chamber of Commerce President Tom Donohue. "People need to understand that this infrastructure thing is not optional."

In recent weeks, Mr. Horsley's group has circulated a memo estimating that the states will lose a total of about \$14 billion and roughly 380,000 jobs if Congress doesn't act to shore up the fund soon.

On Wednesday, the House passed a bill targeting \$8 billion for highway and mass-transit projects. The measure has a good chance of clearing the Senate as well, despite White House reservations.

On Thursday, the House passed legislation that designates an additional \$1 billion for bridge repair. House and Senate leaders are talking about including a significant increase in infrastructure spending in a possible second economic-stimulus bill.

Prelude to a Debate

The moves are a prelude to a debate expected next year as Congress considers a new, six-year transportation bill that could authorize more than \$400 billion in spending.

Transportation Secretary Mary Peters said administration officials are crafting an overhaul plan aimed at shaping the debate. The goal would be to give states more flexibility to set transportation spending, while making it easier for them to tap private-sector dollars. Also under consideration: asking Congress to loosen restrictions on states levying new tolls on interstate highways.

A big question will be what to do about the Highway Trust Fund, which pays for the promises laid out in each transportation bill. Another quandary will be whether a greater share of transportation dollars should go to rail or other nonhighway options.

With consumers already recoiling from high prices, raising the federal gas tax isn't a politically viable option. In fact, debate in the presidential campaign this year has centered on whether to give consumers a gasoline-tax holiday, a step presumptive Republican nominee Sen. John McCain has endorsed.

Rep. Earl Blumenauer, an Oregon Democrat who is leading efforts to solve what he calls the "transportation funding crisis," is hoping the presidential candidates will offer their views at a summit this fall.

Sen. Barack Obama, the presumptive Democratic nominee, and other lawmakers have proposed a \$60 billion national infrastructure bank that would fund projects that could improve regional and national transportation, such as unclogging freight-rail bottlenecks in the Chicago area.

Consumers began tapping the brakes on driving in November, but by the spring, with gasoline prices hovering around \$4 a gallon, many were leaving their cars in the driveway. March, April and May marked the steepest three-month pullback on record, the new data show.

The pullback over that short period is approaching the periodic declines seen throughout the volatile 1970s, when an oil embargo and the Iranian revolution sparked long lines at gasoline stations and two major oil shocks.

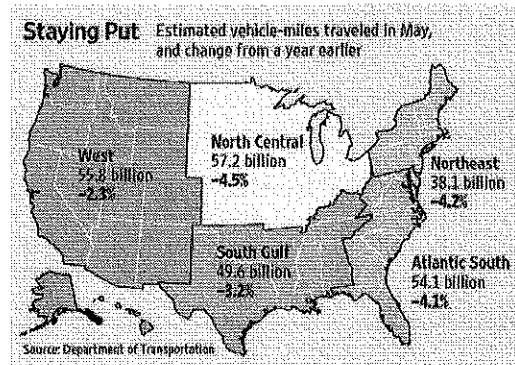
"In the past...we've seen driving bounce back pretty quickly," said Ms. Peters. "That is not the case now."

As debate revs up, the retreat from the roads shows how consumers are altering the transportation equation. With driving down, the number of people riding Amtrak has risen 11% this year, and mass-transit systems in many areas, including Seattle and South Florida, are experiencing ridership increases of 30% or more, according to the American Public Transit Association.

APTA President William Millar rides Washington's Metro rail each weekday between his home downtown and Falls Church, Va. He used to be able to find a seat at some point on his trip, but these days, he said, "I can't even squeeze onto the train" during the afternoon rush.

Earlier this year, the House passed legislation that would provide an additional \$1.7 billion to transit agencies over two years. Both chambers have passed bills that would significantly boost Amtrak funding.

The recent congressional action has raised some hopes. "I was ready until yesterday to have a list of projects to delay," said Larry L. "Butch" Brown, executive director of the Mississippi Department of Transportation, referring to the July 23 House vote to shore up the Highway Trust Fund. But going forward, he added: "There's going to be one hell of a challenge to come."



Diverting Money

Like many counterparts across the country, Mr. Brown is diverting money from new road improvement projects toward simple maintenance of existing roads. The most immediate challenge for states is ensuring Congress moves to bolster the trust fund so they don't have to further curtail plans -- and cut jobs. Mr. Brown said Mississippi stands to lose \$140 million and around 5,000 jobs.

Vermont Gov. Jim Douglas sent a letter to Congress last month saying the state would have to cancel numerous transportation projects that employ 1,600 people unless lawmakers shored up the trust fund.

Meanwhile, many consumers are rethinking their transportation options and drastically altering their travel patterns, forcing auto makers to overhaul their plans and straining the capacity of many transit systems.

Nancy Underwood, an administrator in Alexandria, Va., got rid of her gas-thirsty Ford Explorer in favor of a Honda Accord, which still cost her \$69 to fill up Sunday morning. She and her husband have nearly stopped their frequent trips to Richmond, and gasoline prices have even influenced her job situation.

"I took a job three blocks from my home" to save on gas and parking, even though "I could make more money" working in town, she said.

--Alicia Mundy contributed to this article.

Write to Christopher Conkey at christopher.conkey@wsj.com

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Bush Calls for New Highway Tolls, More Private Funding of Roads

By CHRISTOPHER CONKEY
 July 30, 2008; Page A3

WASHINGTON -- The Bush administration unveiled a plan to impose new tolls on freeways and encourage more private investment to finance road and mass-transit projects, a move aimed at stirring debate as lawmakers prepare for a major overhaul of transportation policy.

FROM THE ARCHIVES

• Page One: Highway Funds Plummet 07/28/08



The White House says more tolls and public-private partnerships can solve perhaps the biggest problem

confronting the nation's aging infrastructure: There are limited funds available to upgrade transportation networks and too many federal funds are doled out inefficiently through earmarks and pet projects that do little to improve mobility or reduce congestion.

The search for alternative funding sources is ramping up because Americans are driving less and shifting to more fuel-efficient vehicles. That means they will be paying less in gasoline and diesel-fuel taxes, which traditionally have been the biggest source of federal funding for highway and mass-transit construction.

Many states are moving to increase existing tolls. Pennsylvania, for example, is hoping to win federal permission for new tolls on a standing interstate. Meanwhile, several states are turning to business consortiums to finance, build and operate new highways, bridges and tunnels, although a political backlash has slowed the push in recent years.

The administration's proposal comes as Congress gears up to start work later this year on a six-year transportation spending bill that could cost well more than \$400 billion. The last multiyear bill, which expires in September 2009, carried a \$286 billion tab.

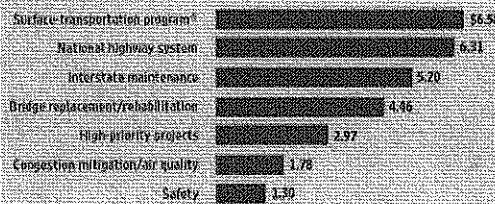
Earlier this year, a bipartisan commission concluded the nation is spending only about 40% of what is needed to reduce congestion, improve safety and spur economic growth. Transportation Secretary Mary Peters served on the commission but dissented from the majority view that gas taxes should more than double in coming years to support a big increase in transportation spending.

Ms. Peters says gas-tax rates should hold steady -- at 18.4 cents a gallon for regular gasoline and 24.4 cents a gallon for diesel, where they have stood for more

than a decade -- and private money and toll revenue can address any needed increases in funding. She declined Tuesday to say how much more the U.S. needs to increase its overall spending on transportation infrastructure. Instead, she suggested ways to make transportation spending less wasteful.

Roadwork Ahead

Highway funding apportioned to the states by the Federal Highway Administration for the 2009 fiscal year, in billions



* Available funding for states and localities on federal-aid highways, public bridges, transit capital projects and bus facilities

Source: Department of Transportation

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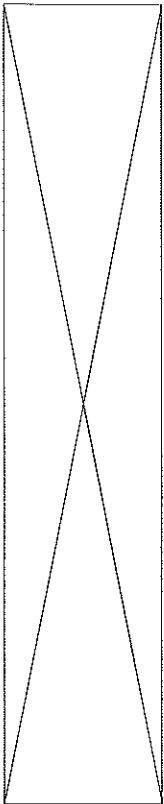
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"Our federal approach to transportation is broken," she said. "And no amount of tweaking, adjusting or adding new layers on top will make things better."

Many Democrats objected to the administration's plan, saying it could have gone further in identifying ways to raise investment and spur projects that could unclog major choke points. Perhaps the most common complaint centered on the shift in reliance from gas taxes to private-sector dollars.

"It's basically an opportunity for people who have wanted to systematically reduce the federal participation in infrastructure," said Rep. Earl Blumenauer (D., Ore.), who is spearheading a transportation debate in the House. "It's going to fall with a thud."

The two major presidential candidates haven't released detailed plans on transportation funding, even as the issue is sure to be one of next year's biggest legislative battles. Republican Sen. John McCain has stressed the need to eliminate earmarks and pet projects. Democratic Sen. Barack Obama supports the creation of a \$60 billion national infrastructure bank that would fund projects of regional and national significance. The two have also sparred over Mr. McCain's proposal to give consumers a gas-tax holiday this summer.

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Federal Transportation Secretary Proposes New Funding Plan

Posted: July 30th, 2008 09:14 AM EDT

By Greg Bluestein
Associated Press Writer

GEORGIA - The nation's top transportation official said the federal approach to funding is "broken" and presented a plan Tuesday that seeks to cut the time it takes to carry out new highway and transit projects.

Transportation Secretary Mary Peters said the plan would reduce the 13-year average it now takes to build. It also promises a renewed focus on maintaining and expanding federal highways instead of diverting funds to other projects.

She also called for Congress to revamp the "antiquated" gas tax, which she said results in less revenue for transit because it relies on volatile fuel prices.

"Without a doubt, our federal approach to transportation is broken. And no amount of tweaking, adjusting or adding new layers on top will make things better," she said at the Georgia Tech Research Institute. "It is time for a new, a different and a better approach."

Environmental activists quickly raised a red flag, saying the plan would eliminate the Congestion Mitigation and Air Quality program, a key air pollution project.

"It's a little bit surprising that they would go so far as wanting to abolish a critical part of the Clean Air Act," said Frank O'Donnell, president of Clean Air Watch. "The message they are sending is they want money going for asphalt rather than clean air."

Peters said the funding that would go to the program would instead be funneled into a pool that cities could use as they wish. Cities struggling to meet clean air guidelines could use their share to reduce pollution, while others could expand transportation.

"Planners would no longer have to slice and dice every federal dollar into niche programs," she said.

The plan also calls for consolidating 102 federal transportation programs into eight umbrella projects, which Peters said would cut waste.

She said she hopes it would ultimately help restore confidence among frustrated citizens who have lost faith in the nation's transportation network.

"If we can show commuters there's a better way to fund transportation projects ... then they'll believe again," she said.

The proposal, launched just months before the November election, would have to be adopted by a Democratic Congress. Peters said she and other Bush administration officials will immediately start lobbying.

The reaction from congressional Democrats was chilly.

"Mostly, it is a collection of the same uninspired and uninspiring policies that this administration has offered over the past five years: toll it, privatize it, lease it, sell it, or congestion-price it," House Transportation and Infrastructure Committee Chairman James Oberstar, D-Minn., said in a statement. "The administration's plan, presented during its waning months, calls to mind the concept of mortmain - the dead hand, reaching out from the past to affect the future."

Todd Spencer, executive vice president of the Owner-Operator Independent Drivers Association, which represents independent truckers, said, "The administration is on its way out and is simply hanging a 'for sale' sign on our highways as a last ditch effort to reward their friends on Wall Street."

James Ray, the Bush administration's top highway official echoed Peters' calls, saying funding through the gas tax is obsolete.

Ray, the acting administrator of the Federal Highway Administration, told a crowd in Michigan that the government should instead encourage a greater emphasis on pay-as-you-go financing, including tolls and user fees.

Associated Press Writers Joan Lowy in Washington and Jim Irwin in Southfield, Mich., contributed to this report.



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A Mass Transit Mess

The Bush administration shouldn't borrow money from public transportation to pay for highways.

Tuesday, August 5, 2008; Page A18

FOR THE FIRST time in 28 years, Americans are driving less, a happy development for proponents of public transportation. But as people shift to buses and subways, they are encountering transit systems that are crowded and outdated. Transportation Secretary Mary Peters has put forth a plan that would make those problems worse.

Ms. Peters has proposed borrowing money from the Highway Trust Fund's mass transit account to cover a projected \$3.1 billion shortfall in highway maintenance and construction. It is unclear, though, whether Ms. Peters could borrow the money without harming mass transit capital projects such as the purchase of subway cars and construction of bus garages. Transportation groups also worry that repaying the money could be difficult if gas tax revenue continues to decline. The proposal is a shortsighted solution that would take money away from mass transit at the wrong time.

The Highway Trust Fund, which helps pay for highway and transit projects across the country, is veering toward bankruptcy. It could be out of money by the end of the year. The problem? High gas prices are causing Americans to drive fewer miles: The total in May was down 3.7 percent compared with the same period last year. This is good for the environment but bad for projects funded by the federal gas tax.

Last month, the House of Representatives voted overwhelmingly to shift \$8 billion from the government's general fund to cover the shortfall. The Senate will wait until reconvening in September to consider the bill, and President Bush has threatened a veto. The administration argues that the mass transit account has a surplus of about \$3 billion and that the money wouldn't be missed. But it's inaccurate to describe a rapidly eroding fund that was as high as \$11 billion a few years ago as being in surplus. Increased ridership has put a strain on the finances of transit systems. Already there are reports of cities reducing services and hiking fares. Such cuts will deepen without an increase in federal funding.

The \$8 billion infusion approved by the House would be a temporary fix. Lawmakers need to work toward a sustainable solution. Increasing a gas tax that has remained unchanged for the past 15 years and has lost much of its value to inflation would certainly help, but the gas tax will bring in less money if Americans stay off the road or switch to other fuels. One solution is to charge commuters for the miles they drive instead of the gas they purchase. Fees could vary depending on whether drivers traveled in urban or rural areas, or during rush hours or off-peak times. That could measure road usage more precisely than the gas tax does, and it is

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something the next administration should consider. In the meantime, the Bush administration should withdraw a proposal that would jeopardize the future of mass transit.

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White House Looks to Private Sector to Push Road Pricing

Posted: August 13th, 2008 09:35 AM PDT

Josh Voorhees
Greenwire

NATION - Unable to gain significant traction in previous attempts to directly pass the cost of the nation's roadwork onto American drivers, the Bush administration is now looking to private investors to act as middlemen in the transaction.  LexisNexis

Transportation Secretary Mary Peters last month called for a massive overhaul of the national transportation strategy. At the heart of her proposal is a plan to entice the private sector to invest in transportation construction, maintenance and operations (Greenwire, July 29).

"The idea is simple," Peters said while unveiling the plan in Atlanta. "Have federal funds leverage new investments in transportation, instead of replacing them."

Pricing schemes have been trumpeted by transportation experts as a way to raise large amounts of revenue quickly to finance projects ranging from road maintenance to mass transit construction. In addition, by placing a price on driving, supporters argue market forces will work to curb traffic, reducing gridlock and cutting greenhouse gas emissions.

"Using existing infrastructure more efficiently must start with setting appropriate prices so that users ... bear the costs of their use," said Douglas Elmendorf, Brookings Institution senior fellow and an advocate for congestion pricing.

The Congressional Budget Office, the Government Accountability Office and a bipartisan commission of federal and regional transportation officials have all expressed support for pricing schemes.

"Now the [states] can't even keep up with operation and maintenance; they are being forced increasingly to the private market," said Bruce Agnew, policy director at the Cascadia Project, a Seattle-based transportation think tank. "The aging infrastructure around the country is going to have to be addressed through tolling."

Opponents often argue that the tolls -- whether public or private -- serve as a regressive tax that places an unfair burden on poor people, who must spend a larger percentage of their income on travel. Even proponents of the plan have suggested financial reimbursements might be necessary to offset the heavy impact the tolls could have on low-income households.

"These fees would have a larger adverse effect on the budgets of low-income drivers than high-income drivers, so some of the revenue collected should be used to compensate low-income drivers," Elmendorf said.

In the case of private investments, the revenue returned to compensate low-income drivers or to fund transit projects would be derived from the up-front payment to the state.

David Lewis, a former chief economist at the Congressional Budget Office and author of a paper advocating for congestion pricing, said instituting user fees on roadways poses a chicken-and-the-egg dilemma for midsize cities that might not already have reliable mass transit alternatives in place.

"The [mass] transit has to be there so as to enable people to exercise their vote with their feet, if you will," Lewis said. Addressing the shortfall

Peters said taking advantage of the estimated \$400 billion in available private-sector funding is the first step toward curing the nation's ailing transportation infrastructure and "will lead to more efficient roads and new transit systems in the nation's cities."

Attracting private investment dollars to finance roadwork addresses the looming multibillion-dollar shortfall facing the federal transportation budget. It also aligns flush with the Bush administration's stated goal of pricing roads like a utility and passing the cost of roadwork onto American drivers.

In public-private partnerships, construction and maintenance of public roadways are leased to private companies as a way to finance transportation work that lacks public funding. In exchange for a large up-front payment to the state, investors are able to collect tolls from drivers who use the privately operated roadways.

"The way these projects are typically designed, tolling is what the private equity is after," Cascadia Project's Agnew said.

DOT efforts to encourage states to implement pricing schemes of their own have been met with mixed results. A handful of federally sponsored projects are inching forward in cities like San Francisco, Miami and Minneapolis. But the department's highest-profile pricing scheme failed to break through the gridlock of state politics.

An aggressive congestion-pricing proposal for New York City that would have charged an \$8 fee to drivers entering a set congestion zone in Manhattan during peak hours failed to be approved by New York's state Legislature earlier this year amid political wrangling among state lawmakers (Greenwire, April 8). Funding 'that's running away from us'

Currently, the bulk of the nation's roadwork is funded by federal and state taxes on diesel and gasoline. The federal rate of 18.4 cents for a gallon of gasoline has stayed the same since 1993, and most state fuel taxes have remained unchanged for at least the last decade.

The static tax rates, along with a decrease in American driving and an increase in auto fuel economy, have left transportation accounts unable to generate enough revenue to keep up with needed maintenance and construction spending.

With Americans already being hit by the financial burden of \$4 a gallon gas, there is almost zero public or political support for a fuel tax hike. As a result, said Agnew, many policymakers are eager to harness the power of the private sector.

"The fiscal reality is that where we are now, with absolutely no interest in Congress for increasing the gas tax hike ... it requires that you've got to develop a funding source to replace the dwindling revenues,"

Agnew said. "So tolling is slowly catching on."

Virginia Gov. Tim Kaine (D), one of several state governors who support private financing of their states' roadways, recently compared using the gas tax for financing roadwork to relying on cigarette tax revenues to fund health care.

"When you lean on a revenue source that you hope in some ways will decline, we're chasing after a revenue source that's running away from us faster than we can chase it," Kaine said at Washington forum last month.

The multibillion-dollar up-front payments from investors can provide a needed boost to an ailing state budget.

In 2006, Indiana secured \$3.8 billion from the private sector by leasing the Indiana Toll Road for 75 years. In 2004, Chicago sold the rights to the Chicago Skyway for 99 years in exchange for \$1.8 billion. More than 20 other partnerships are currently in some form of negotiations, according to the Transportation Department.

Private investors are willing to pay such high prices because the projects are considered relatively safe and provide steady and predictable returns over the life of the deal.

The private investment allows transportation planners more flexibility than municipal bonds, which often must be repaid in 20 or 30 years. "Pension funds are patience funds," Agnew said. "No free money"

Investors must agree to a detailed set of government regulations addressing everything from how fast and how far tolls can rise to how quickly potholes must be patched.

Still, not everyone has been convinced.

Sen. Jeff Bingaman (D-N.M.), chairman of the Finance Subcommittee on Energy and Natural Resources and Infrastructure, expressed his doubts to a transportation panel last week.

"There is no denying the seriousness of America's surface transportation funding challenges," Bingaman said. "But the question is whether our federal response should be to encourage states to essentially sell off vital components of our interstate system."

Bingaman also took issue with the typically lengthy leases, usually 75 or 99 years, offered to the private sector. "I question how, with respect to a critical artery of interstate transportation, a state can possibly predict its future needs for a period that is twice that artery's operating history," he said.

At the same panel, JayEtta Hecker, director of physical infrastructure issues at the Government Accountability Office, reminded Bingaman and his colleagues that the private sector, by definition, seeks a return on its investment.

She said the money secured from the leases is merely a privately issued debt that still must be repaid in some way. "There is no free money in public-private partnerships," Hecker said.

Dennis Enright, a NW Financial principal, agreed. He told lawmakers that ultimately private investors will charge higher tolls than states would. "The private sector is incentivized to make a profit," he said. "That's their job."

Even Kaine, who called private investing "a great arrow in the quiver" of state lawmakers, warned that states cannot expect to get something for nothing.

"There are those in the policy world ... who say public-private is Jack's magic beans," Kaine said. "And all you have to do is say 'public-private partnership' and the private sector will magically build everything for you without a cost, and it's not going to happen."

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