

Texas Public Policy Foundation

# Transportation Infrastructure Development

Legislator's Guide to the Issues 2015-16

## Transportation Infrastructure Development



### The Issue

Texas' robust economy and rapid population growth have put pressure on the Lone Star State's transportation infrastructure. This has led some to suggest that more funding is needed to pay for roads. Some estimates show that this amount is in the ballpark of an additional \$4 billion annually to the current annual transportation budget of about \$11 billion.

The general narrative typically heard is that we are underinvesting in our roads and we must borrow funds, dip into the state's rainy day fund, or spend other funds to invest appropriately. Though concerns over the state's transportation infrastructure threaten Texas' economic vitality, legislators should consider alternatives to spending more by expanding public-private partnerships (PPP) and design-build procurements.

The Texas Department of Transportation's (TxDOT) 2014-15 budget of \$22 billion is an increase of 17% over the previous biennium and includes the constitutional amendment proposed by SJR 1. This amount covers more than 12,000 employees and provides substantial resources to maintain and build roads.

However, there are indications of a lack of efficiency at TxDOT whereby they missed 30% of their design project planning deadlines and spent more than the design project budget 53% of the time in 2013. In addition, U.S. Census data show the average commute in Texas has shortened from 25.4 minutes in 2000 to 24.8 minutes in 2010. These factors show clearly that the state's transportation infrastructure can be provided more efficiently with lower cost.

According to 2011 data, Texas is 23rd in the nation in per capita highway spending when both state and federal funds are counted at \$186.35 and above the national average of \$169.85. When considering state funds alone, Texas ranks 27th with \$66.94 in per capita spending—just 26 cents behind the national average.

A more applicable number than per capita spending is dollars spent per miles driven. Federal and state funds amount to \$20.15 per 1,000 miles driven, ranking Texas near the middle of the pack at 20th in the nation and 12% above the national average. Regarding only state dollars per 1,000 miles driven, Texas spends \$7.24, which ranks 26th and is 2% above the national average.

Over the past 25 years, Texas ranked number one nationally in saving money using public-private partnerships (PPP) and design-build procurements with nine contracts totaling approximately \$10 billion in inflation-adjusted dollars—less than 3% of Texas' total transportation spending over this time.

Design-build differs from traditional design-bid-build contracting in that, in the former, a contractor is responsible for designing and building the project while in the latter, a different party, usually the government, designs the project and then bids it out to a contractor to build. Design-bid-build typically results in a longer, more expensive process.

In the past six years, TxDOT awarded five design-build contracts totaling \$3.85 billion. This method of procurement is estimated to have saved Texas taxpayers some \$1.08 billion, or 22% of the total spent.

But money isn't the only thing saved. According to a federal study, the national average time savings for a design-build contract versus a design-bid-build contract is approximately 14%. This yields real benefits for Texas commuters.

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For example, the DFW Connector Project used design-build shaving 28 months off the expected timeline versus the traditional bidding process. This saved \$43 million in construction inflation while allowing 180,000 cars to use the DFW Connector earlier than they otherwise would have, saving about \$60 million in commuter costs.

Currently, the Transportation Code limits the use of design-build to no more than three per year. This statute expires in August 2015. However, with the substantial benefits of time and money saved by public-private partnerships and design-build contracts, these and other market-oriented reforms should be considered to save billions of transportation dollars per year—potentially equaling or exceeding the additional amount of money some claim we should spend.

### The Facts

- The Texas Department of Transportation's (TxDOT) current biennial budget of \$22 billion covers more than 12,000 employees and provides vast resources to maintain and build roads.
- Total dollars spent per 1,000 miles driven amounts to \$20.15, ranking Texas near the middle of the pack at 20th in the nation and 12% above the national average.
- Design-build contracting is estimated to have saved Texas taxpayers 22% over the last six years and 14% more in time savings versus a design-bid-build method.
- In 2013, HB 22 would have freed TxDOT to achieve design-build savings by eliminating the restrictions on these contracts.

### Recommendations

- Remove governmental restrictions on the development of innovative practices in the financing, design, building, and private ownership/operation of Texas' transportation infrastructure.
- Extend and expand design-build contracting after it expires in August 2015.

### Resources

*Fiscal Size-Up: 2014-15 Biennium* by Legislative Budget Board (Feb. 2014).

*TPPF Commends Direction of Current Transportation Bills* by Arlene Wohlgemuth and Chuck Devore, Texas Public Policy Foundation (Aug. 2013).

*2011 State Statistical Abstracts* by Federal Highway Administration (2011).

