PASS THROUGH FINANCING

Description

A toll way operator (public or private) agrees to build and operate a facility in exchange for "toll payments" from a public agency. These payments are most often made on a per vehicle basis but are not collected from the road user. Funding for shadow tolls can come from multiple sources, such as the highway fund, tax increment financing, or other local dedicated taxes or fees.

How Will This Help?

- **Less upfront costs for the public agency –** Pass through financing allows another partner to pay the initial costs of implementation and be reimbursed in per vehicle payments from the public partner.

- **Many sources for repayment –** This financing approach allows payments to be made from multiple revenue streams. There is no single revenue dedicated to the expense.

- **Reduced toll collection costs –** Shadow tolling eliminates the need for toll collection facilities.

What's the Down-Side?

- **No new revenue –** This is a method for shifting roadway construction costs to a later year, not a method for increasing revenue for transportation. TxDOT would still be responsible for providing revenue to make the "toll payment."

- **Relatively inefficient financing method –** Little evidence suggests that shadow tolling is cheaper than traditional state funding. Direct government financing is generally considered more efficient because governments can borrow at much lower rates and are not burdened with providing shareholder profits.

Implementation Issues

- Low cost to implement.
- Legislative action is required to implement this funding change.
- Voters/users would need to be educated regarding the costs and benefits.

> ### Examples of Pass Through Financing in Texas:
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> **El Paso:** TxDOT will reimburse a private contractor a fixed dollar amount per vehicle that drives on SPUR 601, a 7.4-mile roadway upgrade between US 54 and Loop 375.
>
> **Weatherford:** TxDOT will reimburse the city of Weatherford through an agreed upon per-vehicle fee to design, build, and inspect nine separate highway segments, totaling 7.5 miles.

For more information, please refer to: http://mobility.tamu.edu/mip/strategies.php.

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