

THE GOOD NEWS

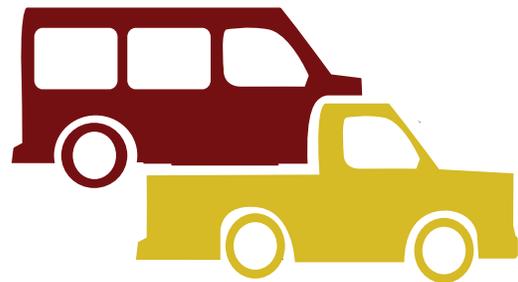
- **TEXAS IS No. 1** - Cable Network CNBC ranked Texas as the best place in the country to do business, partially based on our state's transportation system.
- **STRONG FOUNDATION** - The highway system that still ranks well was largely built before the boom in Texas population in the past 20 years. Voter approved highway project bond debt (Prop. 12 and Prop. 14) has helped sustain construction and at the same time TxDOT has worked to squeeze as many projects as possible from the State Highway Fund.
- **LOCALLY REQUESTED P3s DELIVER** - Other roads are moving forward and jobs are being created because the Legislature permitted use of public private partnerships (P3s) for specific projects requested by local elected officials. Among P3 projects authorized are:
 - Houston - portions of SH 99 Grand Parkway, US 290, SH 288 and SH 249
 - Dallas/Fort Worth - I-635 LBJ Express, I-35E, I-35W, I-820 North Loop, SH 183/121 Airport Freeway
 - Lower Rio Grande Valley - second causeway to South Padre Island
 - Austin - MoPac Improvement Project Phase I (Loop 1)
- **BANG FOR OUR BUCKS** - Some large projects will be built in part because of **one-time cost savings** on other projects during a period of extremely competitive bidding. Among these are:
 - San Antonio - portions of Loop 1604 & US 281
 - Austin - MoPac Improvement Project Phase I (Loop 1)
 - Nueces County - 10 miles of I-69 (US 77)
 - Denton County - additional lanes on I-35E
 - Fort Worth - I-35W south of I-820
 - Houston - reconstruction of US 290/I-610 interchange

TRANSPORTATION = JOBS & ECONOMIC PROSPERITY



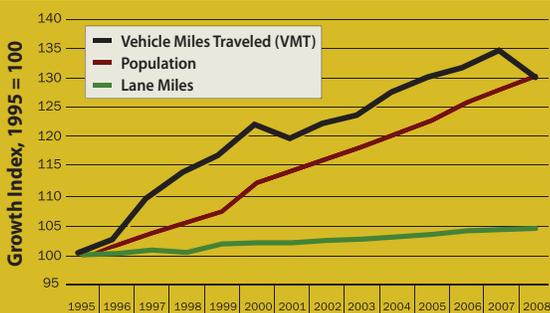
“ Texas stands alone as the leader in economic development and job creation and providing the infrastructure for that activity is a daily undertaking for our team. We are moving forward with multiple mega projects across the state, including the I-35 corridor expansion and I-69 from South Texas to East Texas. Activities like these undoubtedly helped us surge to the top of the ranks. ”

– Ted Houghton, Chairman
Texas Transportation Commission



THE GAP IS WIDENING

Texas Vehicle Miles Traveled, Population And Lane Mile Growth Indices



Source: U.S. Census Bureau, U.S. Department of Transportation, Federal Highway Administration, Highway Statistics, annual editions.

THE NOT SO GOOD NEWS

WE ARE NOT KEEPING UP WITH DEMAND

- **1,000 MORE VEHICLES A DAY** - An average of about 30,000 more vehicles are added to Texas roads every month.
- **PAVEMENT DECAY** - Nearly 90% of our roadways are rated to be in “good” or “better” condition. But by 2025 only 21% will be rated good or better based on current funding levels. We are not doing enough to protect our investment.
- **NOT KEEPING UP WITH GROWTH** - Total miles traveled and population growth far exceed the growth in new highway capacity.

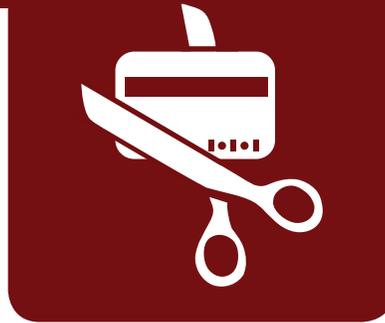
THE BAD NEWS

THE SHRINKING GAS TAX BLUES - The tax on gasoline and diesel, a major source of revenue, has not been raised in more than 20 years and inflation has reduced its purchasing power by 40%.

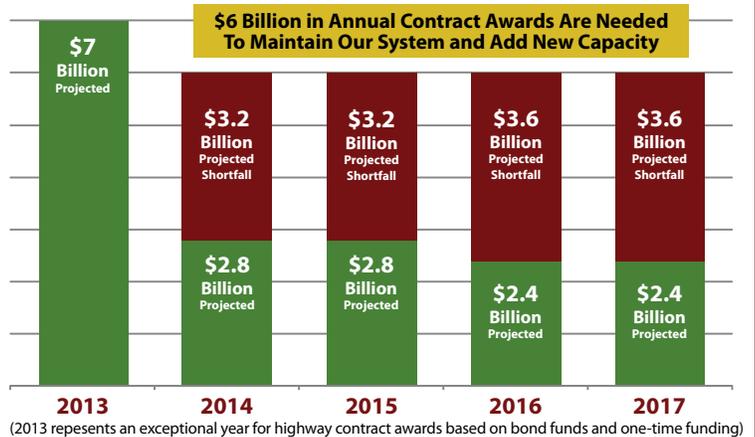
THE CREDIT CARD IS MAXED - For the past few years many of our new capacity highway projects have been funded [1] by private sector debt borrowed against toll revenue and [2] by state debt borrowed against fuel taxes and general revenue. We do not have authority to issue more debt.

- We are spending more than \$1 billion a year from fuel taxes to service voter-approved bond debt on roads that are already in service.
- When the \$7 billion in contracts are awarded in 2013 the state's approved borrowing capacity for highway projects will be exhausted.
- The 2030 Committee concluded that we need at least \$6 billion a year for construction and maintenance just to maintain the "minimum acceptable system."
- **There will be a shortfall of more than \$3 billion a year for needed future projects.**

RELIABLE AND SUSTAINABLE FUNDING - We need to establish a source of funding that is consistently reliable and which grows with the state. This new transportation funding must be solely dedicated to the state highway system.



TOTAL HIGHWAY CONTRACT AWARDS



THE ROUGH ROAD AHEAD

“ It is a widely recognized fact that Texas' highway infrastructure is failing to keep pace with population and economic growth. Congestion is a growing problem, and many highways are in need of substantial maintenance, expansion, or other improvements. Preventive maintenance is far more cost effective than allowing excessive deterioration, and insufficient funding will lead to even larger problems in the future.

The quality of roadways affects productivity and quality of life through time lost sitting in traffic. As traffic congestion worsens, it can have a negative effect on future development across a spectrum of industries. Manufacturing firms which need to be able to accurately plan shipment times, for example, may be reluctant to locate in high-traffic areas. Companies employing knowledge workers may also take into consideration likely commuting times. Past studies have shown that such infrastructure investments yield about a 30% annual return in terms of productivity and economic activity. ”

- Ray Perryman, Texas Economist



Unless Texas Finds a Reliable and Sustainable Means of Financing Transportation We Face a Rough Road Ahead.