

**WRITTEN TESTIMONY OF**

**THE HONORABLE TIM GATZ**

**STATE OF OKLAHOMA  
EXECUTIVE DIRECTOR OF THE OKLAHOMA TURNPIKE AUTHORITY**

**Before the**

**UNITED STATES SENATE  
ENVIRONMENT AND PUBLIC WORKS  
TRANSPORTATION AND INFRASTRUCTURE SUBCOMMITTEE**

**Hearing on**

**“Leveraging Federal Funding; Innovative Solutions for Infrastructure”**

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Thank you, Chairman Inhofe, Ranking Member Cardin and members of the Subcommittee, for the opportunity to testify related to identifying innovative ways to leverage available resources to fund and finance transportation infrastructure. We appreciate the critical charge and important work of the Subcommittee and encourage all possible consideration for options to improve our national transportation infrastructure.

My name is Tim Gatz and I serve as the Executive Director for the Oklahoma Turnpike Authority. I have been involved in planning, constructing and maintaining Oklahoma's transportation system and infrastructure at many different responsibility levels since 1990.

Today, I want to emphasize several points –

The conditional deficiencies of a long underfunded national transportation system cannot be resolved by the States alone and requires an increasing and congressionally influenced federal investment level combined with a long term national transportation network improvement strategy.

The focused investment of federal resources is necessary, but should in no way be restricted from use as leverage for financing opportunities and private sector partnerships.

With the advancements in tolling technologies and equipment along with toll tag interoperability efforts by tolling authorities across the country, tolling should be clearly recognized as a viable, long term and sustainable transportation revenue mechanism to address critical national transportation system needs and the deployment of toll-supported infrastructure investments should be included in any national transportation system investment strategy.

### **The Oklahoma Perspective**

The Oklahoma Turnpike Authority was legislatively created as an instrumentality of the State of Oklahoma in 1947 to construct a modern transportation link between Oklahoma City and Tulsa. At the time, Oklahoma was blessed to be on the route of the Mother Road, U.S. Route 66, which entered the northeast corner of the state at Miami and crossed the state serving Tulsa and Oklahoma City before exiting at Erick on our west border with Texas.

After World War II Route 66, as the only national transportation link between Illinois and California, became increasingly congested, dangerous and concerning for Oklahomans and no tax supported resources were available to address the developing deficiencies. The 87 mile long Turner Turnpike was completed in 1953 as a safe, modern, high speed toll road three years prior to President Eisenhower signing the Federal-Aid Highway Act ushering in the Interstate era. Today, the more than 270 miles of the Turner, the Will Rogers and the H.E. Bailey Turnpikes carry the Interstate 44 shield and are part of a combined toll network of 605 miles. Oklahoma has utilized a balanced and

responsible investment strategy including tax supported and toll supported highways to meet the transportation needs of our citizens.

### **The Need for Continued Federal Investment in Transportation Infrastructure**

New innovation is necessary to address the increasing transportation challenges ahead and states should not be left to bear the financial burden of a national transportation system by ourselves. The resolution of our on-going national transportation funding crisis and the crafting of new, more effective project and program delivery protocols must be jointly developed in a renewed State and Federal partnership. Such a partnership must be based on the trust and alliance between state and local leaders and their congressional members along with the clear, mutual understanding of the critical and growing needs of infrastructure.

Long term, consistent federal funding remains vitally important to the development and delivery of transportation improvement projects. States must be able to anticipate the availability of resources in order to properly plan, design and construct projects. States constantly inspect our transportation infrastructure and collect and analyze a wide variety of data in order to assess the operational and conditional status of our highways. The care, preventative maintenance, reconstruction and expansion of the transportation system are predicated on recognized and documented critical needs and our clear understanding of long term resource availability factors heavily into our investment decision making.

This understanding of Oklahoma's transportation needs affords us with a multi-faceted transportation improvement program that is fiscally constrained, tangible, explainable and extremely easy to discuss with transportation professionals, elected officials and the public.

### **Increasing Private Sector Investments and Enhancing Financing Options**

For the most part, the federal interstate and national highway system has been predominantly constructed and operated on a publicly financed basis with the majority of projects designed, operated and maintained by public sector transportation agencies. However, nothing in federal transportation law should inhibit or restrict the way a state is allowed to fund and finance the transportation improvement projects and transportation facilities of today. Every available option should be given full, careful and complete consideration. In a time of such funding uncertainty, states should be empowered to look outside the federal government for desperately needed transportation investment dollars.

In 1956, the Federal-Aid Highway Act included a general prohibition on tolling on the interstates and other federally assisted highways. Even today, this prohibition remains largely in effect with tolling allowed only under very specific circumstances. However and conversely, public / private partnerships (3Ps) and other debt financing options are being encouraged as effective and widely accepted financing options. In this discussion, it is important to recognize that technological advancements are rapidly

enhancing multi-state toll tag interoperability and a national toll tag is no longer out of reach. Simple tolling can be a very flexible and effective revenue component in a bold, new national transportation strategy and is the purest representation of an equitable user fee.

That being said, the difference between identifying new near and long term sources of transportation revenue and simply creating new ways to incur debt must also be acknowledged. Public / Private partnerships and innovative financing options will not work in every case and should not be held as the federal government's best or only solution to stemming the further deterioration and operational deficiency of the entirety of our national transportation system.

### **Balancing Revenue Risk in Public Private Partnerships**

While Oklahoma has not engaged in a transportation related public private partnership in the current definition, we have long employed a business model where bond holders finance turnpike improvements and the public's use of the facilities provides for a reasonable return on investment over time. Nonetheless, we have been both watchful and mindful of the continuing development of modern 3P project delivery methodologies and of the mechanisms used to assess and assign risk.

Recognizing that a 3P project must have sufficient liquidity to provide an adequate return to investors and to pay for any debt incurred, we believe carefully vetting potential projects, selecting the appropriate risk sharing model and preparing a structured tolling strategy is paramount to project success. Until recently, we simply had not identified a potential project that met our expectations for private sector risk sharing while retaining the ability to meet our performance criteria and deliver a good value to future users of the transportation improvements.

### **The Gilcrease Expressway – Oklahoma's Proposed and Uniquely Leveraged Partnership**

The Gilcrease Expressway was envisioned as part of the original Tulsa region expressway master plan more than 50 years ago, including the long recognized need for a segment to serve west and north Tulsa. Some engineering, environmental and right of way acquisition work has progressed over the years funded with very limited, but nonetheless traditional federal, state and local revenue streams. Completing this \$300 million, five mile leg of the Expressway between Interstate 44 and US Highway 412 with a bridge over the Arkansas River is vital to providing access and connections for businesses and economic activity in the region and to provide a reliever route for growing congestion concerns for travel into downtown Tulsa. However, no single governmental entity is able to complete the project in the near term without partnership and innovation.

After many years of discussion between the Oklahoma Turnpike Authority (OTA), the City of Tulsa, Tulsa County, the Indian Nations Council of Governments (INCOG), the Oklahoma Department of Transportation (ODOT) and the Federal Highway

Administration (FHWA), an innovative partnership has been conceived. The Oklahoma Turnpike Authority will leverage the work that has been accomplished to date to construct the Gilcrease Expressway segment as a federalized toll facility. The project will consist of a fully functional four lane divided tolled highway including a bridge over the Arkansas River and interchanges at Interstate 44, W 51st Street S, W 41st Street S, W 21st Street S, US-412 and with a north terminus at West Edison Street.

The project is federalized through the previous investment of federal funds in design services and right of way acquisition facilitated by INCOG on behalf of the City of Tulsa. Therefore, it is not feasible to include the facility as a component of the currently defined turnpike network and the project as described will be constructed as a federal-aid compliant, wholly OTA owned, operated and maintained, but stand-alone toll facility.

Previously acquired right of way from ODOT, Tulsa County and the City of Tulsa will be conveyed to OTA ownership and we will fund and complete the additional right of way acquisitions necessary to facilitate the construction of the project. Also, the City of Tulsa has previously contracted to progress engineering work and OTA will assume the remaining fee for the design contract beginning at a defined milestone and establish a scope to complete the engineering work.

It is anticipated that OTA will develop a process to solicit interest from potential third party contractors and investors who may wish to be a party to a delimited public-private partnership. In general, the OTA will provide for the necessary right of way, engineering plans, construction management, and toll operations to insure construction and operations meet our high standards. The proposed partnership will share only the construction risk and a portion of the long term toll revenue risk associated with and defined by a tolling directive. The cost of construction will be partially offset with a defined cash contribution from the OTA and from the sale of GARVEE Bonds backed by INCOG on behalf of the City of Tulsa.

Interested third party partners will be expected to provide the remaining capital necessary to complete the construction of the Gilcrease Expressway segment in exchange for anticipated payments from the generated toll revenues in an amount to be determined and over a period of time to be proposed in a subsequent competitively bid process. OTA will provide support for the collection and remittal of the toll revenue to the successful bidder after satisfying a defined maintenance reserve requirement. At the end of the agreed upon toll collection payout, the continued tolling directive and maintenance responsibility will remain with the OTA as the owner.

While many variables with the Gilcrease project are yet to be completely solved, it is evident that a variety of funding and financing methodologies can be combined, leveraged and utilized to successfully and quickly deliver transportation improvements that might not be financially viable otherwise. The utilization of such methodologies in order to fund certain, well defined transportation system needs and, in turn, generate a user specific revenue stream in order to finance or partially finance the construction, operation and maintenance of the facility should continue to be supported and further

enhanced in the federal program and not be unnecessarily restricted or inhibited by federal regulation.

In conclusion, any proposed federal infrastructure initiative seeking to attract private sector involvement and investment must be flexible enough to equitably accommodate potential projects in all stages of completion and in all types and sizes, not just “mega-projects”. Likewise, state and national tolling strategies should be considered and included in these discussions and supported and enhanced for the future.

Mr. Chairman and members, thank you again for the opportunity to visit with you today and I will be happy to try and answer any questions you may have.