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Shirley Ybarra is a senior transportation policy analyst at Reason Foundation, a nonprofit think tank advancing free minds and free markets.

Ms. Ybarra served as Secretary of Transportation for the Commonwealth of Virginia from 1998 to 2002, overseeing a budget of $3.2 billion and a staff of 13,000 people. Between 1994 and 1998, Ybarra was Virginia's Deputy Secretary of Transportation.

Ybarra also served as senior policy advisor and special assistant for policy for U.S. Secretary of Transportation Elizabeth Dole from 1983 to 1987. In that role, Ybarra managed the transfer and privatization of Dulles and National Airports to the Washington Metropolitan Airport Authority.

Ybarra authored Virginia's Public-Private Transportation Act of 1995, considered the model public-private partnership legislation in the United States.

In 2001, Ybarra received the American Road and Transportation Builders Association's "Public-Private Ventures Entrepreneur of the Year Award" for her leadership in designing innovative infrastructure financing.

She holds a Master's degree in Economics and a Bachelor's degree in Business Administration from the University of Nebraska, Lincoln.

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Tax Increases Are Wrong Fix for Virginia's Congestion Woes

State needs to turn to innovative solutions, not tax increases

By Shirley Ybarra   June 4, 2008

As the special session on transportation funding approaches, Gov. Tim Kaine has once again proposed more taxes on Virginians to "solve" the road funding crisis. Kaine wants to increase auto sales taxes, vehicle registration fees and institute new levies on real estate.

Gov. Kaine claims his plan will provide another $1.1 billion in transportation funds. But by clinging to this same old stale, and increasingly unsustainable, approach to transportation funding, Kaine's plan will do little to bolster mobility in the state.

Tax increases aren't the answer. Thanks to Virginia's public-private partnership legislation passed in 1995, a mechanism exists for the state to attract massive amounts of private capital to fund needed infrastructure projects.

With bipartisan support, public-private partnerships have been used successfully on a handful projects such as interstate highway maintenance. The state's Department of Transportation has gained valuable experience reviewing and implementing these proposals. Why not further unleash the private sector to build - with strong public oversight - the new large highway and bridge projects we need to solve the transportation crisis here in Virginia?

Other states are doing it. Missouri is finalizing a contract with a private sector team that will finance a $500 million dollar rehabilitation of a staggering 802 bridges over a 5-year period, and then maintain those same bridges for 25 years. Missouri would never have been able to accumulate the funding for such a massive project through traditional means, like new or higher taxes. With 13,000 bridges to maintain in Virginia, we should be looking at similar types of innovative contracting.

Over 10 years ago, Virginia signed the first performance-based road asset management maintenance contract in the country securing a fixed-price long-term contract for Interstate highway maintenance using the Public-Private Transportation Act.

The turnkey concept established performance standards for a single firm to manage and contract for all maintenance. Because the concept was so new, the first contract was for 250 miles of various Interstate segments and covered all aspects of road maintenance and all work, labor, materials, services and equipment necessary to meet the asset specific outcomes and performance targets specified in the agreement. The required work ranged from routine repairs and preventive treatments, roadside maintenance including mowing, and restorative maintenance.

In 2000, the Florida Department of Transportation took Virginia's lead and embraced asset management maintenance contracts, initiating an aggressive program of securing long term performance-based contracts for routine maintenance. By August of 2005, Florida had executed 17 contracts totaling $517 million or $69 million annually. The state estimated the savings to be $105 million, or 17 percent over the life of the contracts. In FY2003-4, they even reduced its request for highway maintenance funding by $9.1 million. It's likely that Virginia could reap similar results if we were as aggressive as the Sunshine State.

Gov. Kaine's plan will do little to tackle the major problem of congestion. The current Virginia Department of Transportation districts are largely a product of the late 1920's; thus, the funding formulas used to distribute transportation dollars are an anachronism dating back to the era when roads were primarily used to bring produce from small farms to markets. Since only a small portion of the formula takes population into account, urban congestion is effectively ignored.

Hence, projects are not judged on their performance or ability to relieve congestion. Instead, the projects are often politically determined. There is little prioritization to get the most bang for the buck. With more and more Virginians wasting ever more time in gridlock, shouldn't solving the congestion problem be a top priority?

As legislators approach the special session in June, it is time to take a hard look at the Governor's proposal and think about innovative ways to solve the problems that he does not address. Simply raising the taxes on working Virginians, throwing more money after bad, and using the same old tired formulas will accomplish nothing but raising taxes. But if the legislature can demand the changes necessary to make the Virginia Department of Transportation accountable, bring the private sector into the picture and emphasize congestion-busting projects over political pork, perhaps they could really accomplish something worthy of a special session.

Shirley Ybarra is senior transportation policy analyst at Reason Foundation and former Secretary of Transportation in Virginia.

Virginia Saving Money with Fixed-Price Interstate Maintenance Deal

Florida and international community have demonstrated there are significant savings to be had

By Shirley Ybarra May 8, 2008

Over 10 years ago, Virginia signed the first performance-based turnkey asset management maintenance contract in the country. Virginia was a leader as it secured a fixed-price, long-term contract for Interstate highway maintenance.

The turnkey concept was to contract with one contractor for management and contracting for all maintenance-fence line to fence line. Because the concept was so new, the first contract was for 250 miles of various segments of Virginia's Interstate highway and it covered all maintenance, routine repairs, preventive treatments and rehabilitative and restorative maintenance, labor materials, services and equipment necessary to meet the performance targets specified in the agreement.

Judging cost savings based on government accounting of its own costs is always difficult. Nevertheless, numerous studies tried to quantify the savings attributed to the new approach and results tended to be in the range of 15 to 20 percent savings.

Beginning in 2000, Florida's Department of Transportation (FDOT) took Virginia's lead and embraced the asset management maintenance contracts, initiating an aggressive program of securing long term performance based contracts for routine maintenance.

They viewed the benefits of the program accurately:

- Fixed long-term price (no change orders, beats inflation)
- Performance-based results
- Cost Savings
- Reduction/transfer of risks
- Fewer contracts to administer
- Savings in administrative staff and resources
- Program stability

By August of 2005, Florida had executed 17 contracts totaling $517 million, or about $69 million annually. FDOT estimated the savings to be $105 million or 17 percent for the life of the contracts. In Fiscal Year 2003-04, FDOT even reduced its request for highway maintenance funding by $9.1 million.

Their plan envisioned 28 contracts by 2008 totaling $929 million ($121 annually) and they are on target. Just the simple fact of administering regular (numerous) contracts versus fewer long-term contracts saves taxpayers' money. Look at the statistics provided by Florida: Number of contracts: 980 vs. 28; Number of invoices processed annually: 11.760 vs. 336; number of advertisements: 950 vs. 4.

Internationally the concept has also been embraced in places like Australia and New Zealand. In the early 1990s, the Australian government tried two pilot projects. The projects produced a 16 percent cost savings, a 22 percent increase in productivity in the first year, and a 13 percent asset quality improvement.

Australia then let a 10-year performance-based contract for all activities for 450km (280 miles) of urban roads. This contract has improved the road condition by an estimated 15 percent with savings estimated at 35 percent.

New Zealand also uses 10-year maintenance contracts called "performance specified maintenance contracts." The contractor takes total responsibility for delivering services at agreed upon service levels. The Agency in New Zealand is an enthusiastic supporter of long-term outcome/performance-based contracts citing assured expenditures for maintenance and increased service levels.

In 2006, Virginia Gov. Tim Kaine signed legislation requiring all Interstate maintenance to be outsourced by July 1, 2009. The Commonwealth Transportation Board approved four contracts in February 2007 worth $157.3 million, thus outsourcing 58 percent of Virginia's Interstate maintenance. All of the contracts are five-year performance-based maintenance contracts with options to renew for up to four years. These are fixed price contracts so that certain Interstate maintenance costs are now locked in for the state.

In Virginia, by law, maintenance and operation of existing highways is the first funding priority. For many years, the excess in the maintenance account was transferred to the construction fund. When the cost of maintenance and operations exceeds the dedicated revenues, there is a "maintenance deficit." In 2002, the maintenance account experienced that deficit for the first time and in FY 2008 will be $260 million. The deficit is expected to rise to $388 million in FY 2009 and to $500 million in FY 2013.

Virginia's maintenance budget in FY 2008 is just over $1.2 billion. The long-term fixed price Interstate maintenance contracts underway are but a pittance of this budget and hardly a "brave step."

If Virginia wants to solve the "maintenance deficit" perhaps the state should be thinking more boldly: hold down the bite of inflation and lock in the costs for other roads such as the primary system. Given that the maintenance deficit is growing, Virginia could get more bang for its maintenance bucks, improve road quality and safety and deliver move value for the maintenance spending if it expands the long-term performance based approach beyond the 1,118 miles of Interstate. Virginia's state-maintained highway system consists of 58,000 miles--8,100 miles of primary and 48,300 of secondary roads-just given the number of miles, the savings could be very significant.

Shirley Ybarra is senior transportation policy analyst at Reason Foundation and former Secretary of Transportation in Virginia.

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Feds Don't Need Bigger Role in Public-Private Partnerships

States can best determine what works for their own road projects

By Shirley Ybarra April 1, 2008

Several states are now considering legislation that would enable them to fund and build transportation infrastructure projects through public-private partnerships. Some of the state bills have flaws that will need to be worked out in the process; however the concept is a good one - state legislatures seeking to be part of the growing movement that is attracting additional capital for transportation projects.

States with bills in the legislature include Kentucky, Arizona, Alabama, Tennessee, Missouri as well as ongoing debate in Pennsylvania and New Jersey. They are all looking to take advantage of the partnership opportunities that have been enjoyed by several other states such as Virginia and Texas in the past.

In the late 1980's, California and Virginia authorized the first public-private road projects. Two are now completed in California, and the Dulles Greenway has been operating since 1995 in Virginia. Each state dealt with the issues facing the projects, and today these projects are bringing needed capacity and service to motorists. But while forward thinking at the time, today these statutes would be considered chiseled out of the "stone age."

In 1995, Virginia passed a new statute with a market-based approach to public-private ventures, permitting both solicited and unsolicited proposals for all modes of transportation construction, operation and maintenance. Since then, about half of the states across the country have passed some form of significant legislation to authorize some form of public-private ventures in transportation.

While many of the states patterned their legislation after the Virginia model, each state has tailored their statutes to suit their own needs and concerns. Billions of dollars worth of transportation projects now in the pipeline can be attributed to these partnership laws.

Two recent reports at the federal level also looked at the growing use of public-private partnerships. The first was from the National Surface Transportation Policy and Revenue Commission, and the second from Government Accountability Office.

Both reports looked cautiously at public-private partnership (PPP) opportunities and both suggested that there may be a need for a greater federal role. If anything could put a chill on the fledgling private capital market in the United States, it would be dumping the cold water of greater federal involvement into the pot.

The federal government already has a significant influence and oversight in virtually all of these major road and highway transactions. The U.S. Department of Transportation's (DOT) Federal

Highway Administration must approve the procurement process used for the public-private partnerships. If the project involves a connection to an Interstate, or a project on the Interstate, or any project using Title 23 federal funds, the federal government is involved. If any federal funds are used, even Transportation Infrastructure Finance Innovation Act (TIFIA) loans, the federal government is involved. Then there is the environmental review, via the National Environmental Policy Act (NEPA) process.

As it stands, state governments struggle to jump through all of these hoops now.

Congress, via the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU), provided some encouragement to public-private partnerships by providing a number of provisions that encourage further experimentation by the states including private activity bonds, congestion pricing, and several tolling pilot programs.

DOT has also helped clear the way by streamlining processes for important public-private partnership projects with SEP-15 (which permits negotiated exemptions from certain regulations).

Under the Bush administration, DOT also continues to promote the public-private partnership process and supports the legislation being adopted by the states.

No two road deals or public-private partnership transactions are exactly alike. There are no cookie cutters available as we try to reduce the traffic and congestion crisis that threatens our economy. Congress cannot "standardize" a transaction method that will be effective in all states and to overlay yet another "federal" role for transportation projects using public-private partnerships makes no sense.

Shirley Ybarra is a senior transportation policy analyst at Reason Foundation. She previously served as Virginia's Secretary of Transportation.

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Spend Transportation Dollars on Transportation

Virginia continues to raid funds intended for infrastructure

By Shirley Ybarra
Washington Examiner- January 26, 2008

About six months ago, the Minnesota bridge collapse gave the nation a tragic illustration of what happens when you don't pay enough attention to deteriorating roads and bridges.

In 2005, Gov. Tim Kaine seemed to understand the importance of improving Virginia's infrastructure, saying, "Solving Virginia's transportation crisis is the most urgent issue facing my administration."

Yet today, Gov. Kaine is raiding $180 million from the transportation trust fund to pay for new preschool and mental health programs. The plan is fiscally unsound and would harm the state's transportation interests over both the short- and long-terms.

Virginia's governors have a long history of raiding the transportation trust as a trick to balance the budget. Unfortunately, while politicians move money around to claim they've balanced the budget, commuters end up spending more time stuck in traffic and the state's roads and bridges deteriorate.

In 1991, Gov. Doug Wilder shifted $200 million from the transportation trust fund to balance the budget. As he was leaving office in late 2002, outgoing Gov. Jim Gilmore proposed using $317 million in transportation trust fund revenue to help balance the budget. Gov. Mark Warner actually took that $317 million and also diverted another $143 million in general funds that were supposed to be used on specific transportation projects in the Virginia Transportation Act of 2000.

Now Gov. Kaine proposes diverting $180 million "temporarily" from highway construction programs to increase spending on unrelated programs such as a health care, preschool education, and mental health.

Kaine says that the highway money, appropriated for transportation last year, could not actually be spent this year and claims the funds will be replaced when the construction projects are slated to begin. The last time transportation funds were "borrowed" in this manner it took eight years to pay the money back.

While Kaine says the state has more than enough transportation money, 21 Senate Democrats just called for a tax increase and more fees to pay for transportation projects that they say the state doesn't have the money for.

Like most things, the truth is in the middle. The Democrats are right – the state has massive transportation needs. But a tax increase is the last thing the state needs. Virginia must stop pilfering transportation money for non-transportation uses and continue to be a leader in utilizing public private partnerships, taking advantage of the willingness of private sector firms and investment houses to finance major transportation projects. While these partnerships can not be used for all projects, the money Gov. Kaine is taking could very well be the money needed to close a deal on the proposals that are now before the Virginia Department of Transportation (VDOT).

A Reason Foundation study recently showed 22 percent of Virginia's bridges are structurally deficient or functionally obsolete. Other studies show Virginia needs to add nearly 1,000 lane miles of new roads and highways to keep up with the population growth and traffic congestion expected over the next 20 years or so.

The VDOT budget is big, $4 billion in 2007, and makes up one of the largest portions of the state's budget, so maybe chopping off $180 million looks like it shouldn't hurt. But anyone driving on the state's roads knows otherwise. There is maintenance to be done, potholes to be filled, and capacity that urgently needs to be added.

Perhaps it is easy to re-route transportation money because of its dispersed constituency. People living in different parts of the state, each taking their own route to work, aren't a mobilized force in politics. But state leaders must have the vision to ensure that Virginia has the transportation infrastructure in place to keep the economy moving, and its citizens safe.

When that bridge collapsed in Minnesota, 13 percent of that state's bridges were considered obsolete or deficient. Here in Virginia that figure is 22 percent. Transportation money should not be diverted to pet projects until that number is zero and no taxpayers are stuck in wasteful traffic jams that keep them from their families and friends. And tax increases should be off the table until the state is spending all of its transportation money – on transportation - and it has exhausted the billions and billions of dollars in private capital clearly willing to build roads in Virginia.

Shirley Ybarra, Virginia's Secretary of Transportation from 1998 to 2002, is senior transportation policy analyst at Reason Foundation. This column first appeared in the DC Examiner.