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March 2, 2004

## Cosponsor H.R. 3857, Private Bonds for Modern Roads Act

Dear Colleague:

Highway funding has generally come from one of two sources –the Highway Trust Fund or from tax exempt bonds issued by States. However, public/private partnerships have begun to experiment with private long-term capital funding of roads that are then repaid with tolls on the users of that privately-financed road. These projects have been successful on the limited scale they've been attempted.

The next step in public/private partnerships in road financing is to permit States to issue tax-exempt Private Activity Bonds (PABs) as the initial source of capital. The Bush Administration has proposed a \$15 billion PAB initiative as a component of this year's highway reauthorization bill. As a stand-alone bill, this proposal is H.R. 3857, the "Private Bonds for Modern Roads Act."

PABs are used to finance projects that are run by a non-governmental entity but are for public good such as airport terminals, shipping ports, and public housing. Roads are not an approved purpose for PABs, due to the fact that 20 years ago when these rules were created, roads were always financed with purely state or federal funds.

**The \$15 billion in highway projects would be built with a Federal revenue loss of only \$998 million**, as scored by Joint Tax (\$619 million as scored by Treasury). The only effect on the Federal Government is in revenue forgone from investors purchasing bonds from projects that would not otherwise be built using existing State bonding authority or Federal highway funds. Additionally, private activity bonds have no impact on contract authority or obligation limitations because there is no Federal funding involved. **This is a very cost-effective way to build roads.**

Public/private partnerships have been expanding in all levels of government activity. It was unprecedented 20 years ago to consider "private" funding for roads, but now a growing number of states encourage private investment in surface transportation facilities, including: Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, North Carolina, Oregon, South Carolina, Texas, Utah, Virginia, Washington, and Wisconsin.

As we evaluate all spending priorities, we should promote the expanded use of innovative financing options and look to private sector efficiencies in constructing highways and freight mobility facilities. The Private Bonds for Modern Roads Act, H.R. 3857, will take a good first step in this direction. I urge you to join me as a cosponsor of this legislation. For questions or to cosponsor, have your staff contact Kathleen Black of my office at 5-4201 or by e-mail.

Sincerely,

SAM JOHNSON  
Member of Congress