



PASS-THROUGH FINANCING



More Information: tti.tamu.edu/policy/how-to-fund-transportation

Description

Pass-through financing involves a project developer (public or private) agreeing to build and operate a roadway in exchange for payments from a public agency. (Note this is not traditional toll road financing or a traditional toll road.) These payments are most often made on a per-vehicle basis but are not collected from the road user. Funding for these payments can come from multiple sources, such as:

- The State Highway Fund.
- Tax increment financing.
- Other local dedicated taxes or fees.

Pass-through financing is one option local governments can use to help finance transportation projects in a timely manner.

How Will This Help?

- **Reduces upfront costs** for the public agency by allowing a partner to pay the initial costs of the project and be reimbursed by the agency.
- **Allows payments to be made from multiple revenue streams.**
- **Reduces toll collection costs** as an alternative to traditional toll financing by eliminating the need for toll collection facilities.

What's the Downside?

- This method shifts roadway construction costs to a later year; it is not a method for increasing revenue for transportation. The Texas Department of Transportation (TxDOT) would still have to provide funds to make the payment.
- It is a relatively inefficient financing method. Little evidence suggests

WHO



STATE/LOCAL

COST TO COLLECT



LONGEVITY



RELIABILITY



IMPLEMENTATION



WHO'S DONE IT: TEXAS



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.

that these payments are cheaper than traditional state funding. Direct government financing is considered more efficient because governments can borrow at much lower rates and do not have to provide shareholder profits.

CASE STUDY: FM 1488 IN MONTGOMERY COUNTY

This project involved widening a two-lane rural roadway to a four-lane roadway with a continuous turn lane for a total length of 7 miles.

The improvement of FM 1488 in Montgomery County, from FM 2978 to IH 45, is considered the first pass-through financing project in Texas. Montgomery County agreed to pay for this widening project and will be reimbursed by the state based on the number of motorists that travel on the improved highway.

