

THE BOND BUYER

Study sees fiscal risks in plan for new Florida toll roads

By

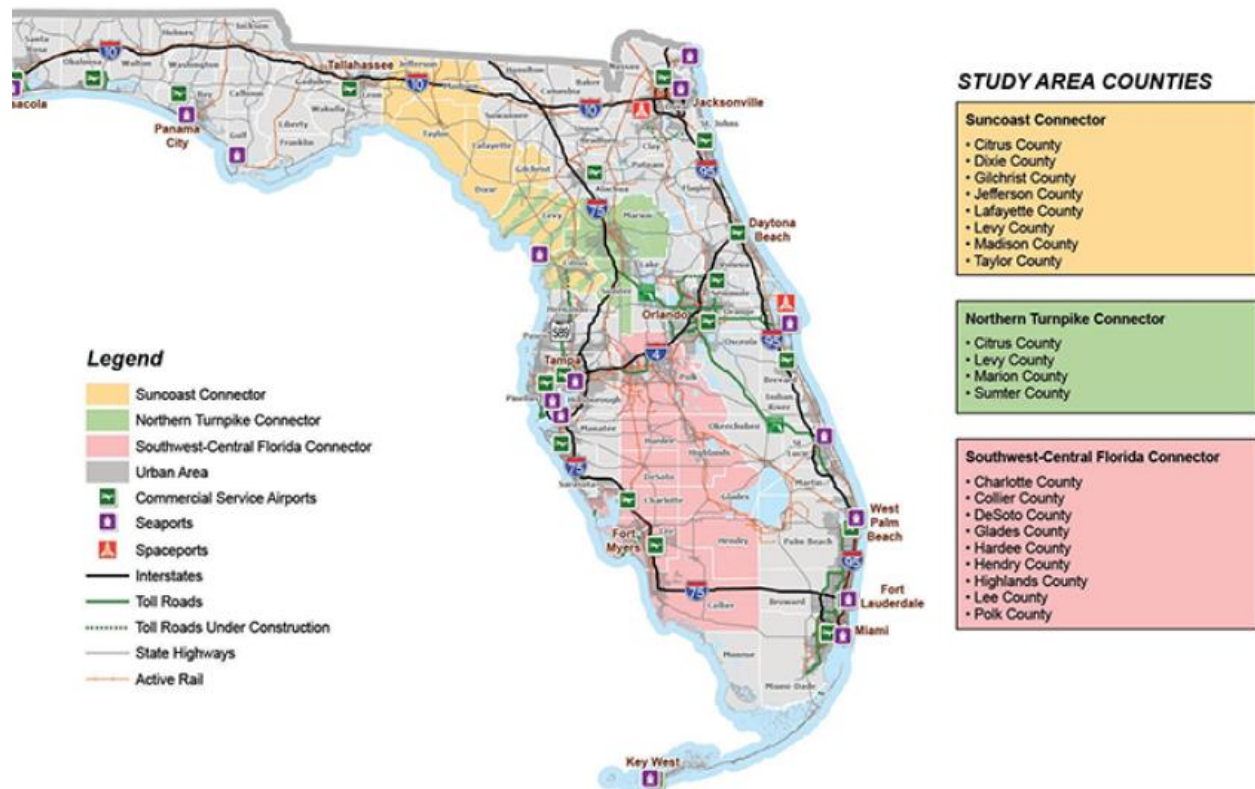
Shelly Sigo

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A "Monte Carlo" feasibility study of Florida's proposal to build three major toll roads concludes that the plan is financially risky and that there's little data demonstrating a need for them.

The 330 miles of new roads will run through highly environmentally sensitive areas of the state and run the risk of encouraging sprawl, says the Sept. 16 [multi-part study](#) by Cornell Consulting, a student-run management firm at Cornell University.



The orange, green and pink areas are broad corridors in which Florida plans to build 330 miles of new toll roads.

Florida Department of Transportation

The three roads could cost more than \$10.3 billion, which doesn't include financing costs, according to the study's fiscal feasibility analysis, commissioned by the Sierra Club in coordination with the No Roads to Ruin Coalition, [a group of 55 organizations and businesses](#) opposing the toll road plan.

The highway plan is called M-CORES, for Multi-use Corridors of Regional Economic Significance.

The Cornell feasibility study was developed using a "Monte Carlo" analysis that included running 500 combinations of risk and financial uncertainty for each road based on the Florida Department of Transportation's requirements for determining a transportation project's need and cost.

"If the construction of M-CORES is pursued it will likely compromise the fiscal integrity of the Florida Turnpike System and put further strain on Florida taxpayers," said the study, which suggests Florida would need to use cash, bond financing and potentially public-private partnerships to complete the projects.

A [separate report](#) called "M-CORES: A Detour Around Accountability," projects that the new toll roads could cost more than \$26.4 billion over the next decade. It was released by the nonprofit growth advocacy organization 1000 Friends of Florida and Sierra Club in August.

The \$26.4 billion estimate was extrapolated from information provided by Florida TaxWatch and the expected cost of a major transportation project still under construction: the \$1.6 billion, 25-mile Wekiva Parkway that will complete a beltway around Orlando.

Gov. Ron DeSantis [signed Senate Bill 7068](#) in May 2019, requiring FDOT to create task forces to study exact routes and costs for each toll road, which would become part of the state's turnpike system. The bill also provides funds for planning and construction, although at the time the bill was passed the cost was unknown.

The three task forces have held separate meetings for more than a year. Meetings scheduled in October will be used to finalize their first reports to the governor, which are due Nov. 15.

Michael McGrath, an organizing representative for the Sierra Club, said the coalition believes the task force process is a sham because it gives special interests, such as business representatives in the road construction, asphalt and

internet industries, special seats at the planning table for the roads that they will benefit from.

The public and people "who will have roads built through their backyards," serve on the panels though they have lesser importance, he said.

"We're 13 months into this process of determining the guiding principles and also instructions for how these roads will ultimately be constructed," he said, "and we really have little to show for it.

"There really hasn't been much data-driven analysis of mapping layers or areas to avoid, and we don't even know where the actual paths will be aligned and what the actual impacts will be to environmental and also economical resources across Florida," McGrath added.

FDOT spokeswoman Beth Frady said the M-CORES program is currently in the pre-planning phase and no paths or courses for the proposed corridors have been determined by the task forces yet, suggesting that the Cornell study is premature.

Frady also said opinions and assumptions mentioned in the Cornell study don't consider the proposed M-CORES program holistically.

"Any estimation for a cost for a corridor would be very unreliable as the proposed corridors are yet to be determined," Frady said in an email, adding that it is also important that any cost estimates for the roads include traffic and revenue studies, and those haven't been done yet.

The legislation charging FDOT with facilitating the M-CORES program clearly defines a five-phased approach for project development, she said. The three task forces are working in the first phase but ultimately they will determine the needs for each corridor that will then be used to guide financial and environmental feasibility studies.

"In accordance with law, no transportation corridor can be built if it does not meet financial or environmental feasibility," she said. "These feasibility studies can only be conducted once a proposed corridor is determined."

SB 7068 states, "To the maximum extent feasible, construction of the projects shall begin no later than Dec. 31, 2022, with the corridors open to traffic no later than Dec. 31, 2030."

Cornell study on Florida's proposed toll roads

The projects are "financially risky" with little data showing need

Environmentally sensitive areas are affected; sprawl is a risk

Roads may compromise the Florida Turnpike's fiscal integrity

FDOT should reject the projects to remain fiscally responsible

Source: Cornell Consulting report, September 2020

Environmental organizations have warned that the toll roads, particularly the Southwest-Central Florida Connector that will slice through the rural heartland of the state 150 miles from Lakeland to Naples, will threaten the environment and Florida's unique animal species.

The Suncoast Connector would extend the existing 60-mile-long tolled Suncoast Parkway, which runs from Hillsborough County to Citrus County on the west coast and has never met revenue projections, 150 miles north to the Georgia state line.

The Northern Turnpike Connector would be a 40-mile toll road linking the Suncoast Parkway with the Florida Turnpike, near Interstate 75.

In July, the government watchdog group Florida TaxWatch [questioned the cost](#) and feasibility of the Suncoast Connector after performing its own analysis of the proposed toll road.

TaxWatch found that although no official cost estimates have been developed for the road, because the exact route hasn't been determined, that construction of the Suncoast Connector could range in cost from a low of \$4 billion to a high of \$10.5 billion: or between \$25 million and \$70 million per mile.

If the cost fell at the midpoint of Florida TaxWatch's estimated range, and only 70% of total costs are financed with bonds, the Connector would need to generate \$2.37 million in toll revenue per mile to satisfy projected bond costs,

which is 10% more than the average revenue per mile of the entire Florida Turnpike System, the study said.

"It is questionable that ridership on the Suncoast Connector would be sufficient to pay off the bonds in the statutorily required time frame," said the study. Most bonds issued to finance Florida's transportation projects mature in 30 or 35 years.

"There is legitimate concern about the financial prudence of the investment in the Suncoast Connector as a bond-financed toll road," TaxWatch President Dominic Calabro and Kurt Wenner, vice president of research, said in a joint statement to The Bond Buyer.

Cornell Consulting's Monte Carlo analysis found that none of the three connector projects passed FDOT's requirement to pay back construction costs within 15 years with toll revenue.

Only one project, the Northern Turnpike Connector, would have more than the required 50% of the debt service coverage ratio after 12 years, at 71%, while the other two did not meet that FDOT requirement. None of the projects would have 100% of the required debt service coverage ratio at 30 years.

The Sierra Club's McGrath said the coalition's study on the toll roads isn't premature.

"This [study] is actually asking some really serious questions especially in relationship to the fiscal feasibility of these projects from both FDOT's budget and on Florida taxpayers," he said. "Secondly, it's also fully considering alternatives, none of which have really been considered by the task forces and also FDOT seriously."

When the toll road legislation was passed, lawmakers said Florida would need the road capacity and new hurricane evacuation routes to serve the state's fast-growing population. The M-CORES plan also includes using the routes to bring broadband internet to unserved rural areas of the state.

Because the connectors are major road projects, McGrath said broadband deployment wouldn't be achieved until construction was completed in 10-12 years, pushing the "digital divide down the road" for rural communities that need access to faster internet service now.

The Cornell study said a quicker and cheaper alternative to building toll roads would be placing fiber optic cables on electric poles along existing roads. A

similar method was used to expand broadband access in the Florida Keys, and is currently being used across Kentucky.

To increase hurricane evacuation times without the cost of building the new toll roads, McGrath said the study suggests emergency planners could consider using "contra traffic flows," where one or more lanes on existing roads and interstates are reversed to improve traffic levels especially in congested areas. This method has been used by Louisiana, he said.

The Cornell reports were provided to task force members on Sept. 16, McGrath said, adding he expects task force members to consider them as they finalize reports to the governor's office.

"The reports lay out a clear and compelling case that adds even more timely evidence that the construction of more than 300 miles of toll roads is unnecessary," he said. "Road construction is not needed to accomplish the lofty goals of the M-CORES program. There are alternatives that utilize existing infrastructure, can be accomplished in a quicker time frame, all while being achieved for a fraction of the cost."

[Shelly Sigo](#)