Diverse Groups Support of Using Vehicle Sales Tax to Increase Highway Funding

AUSTIN – A bill authored by Rep. Linda Harper-Brown which would direct growth in future vehicle sales tax revenues to highway construction projects received unanimous support from a string of witnesses appearing Wednesday before a Texas House appropriations subcommittee.


CSHB 479 would cap the amount of vehicle sales tax flowing to the state General Fund at $2.5 billion per year. Growth in vehicle sales tax revenues above $2.5 billion would flow to the State Highway Fund starting in FY 2016. The amount in the first year is estimated to be approximately $1.2 billion with that amount expected to grow over time. The proposed legislation also prohibits diversions from the Highway Fund starting in FY 2016. This provision would be subject to approval by Texas voters in a constitutional amendment election in November.

“This legislation was supported in this hearing by the most diverse and broad-based list of groups I can recall ever appearing to back a transportation bill being considered by the Legislature,” said Rider Scott, legislative committee chairman for the Transportation Advocates of Texas (TAoT) and executive director of the Dallas Regional Mobility Coalition.

Witnesses were unanimous in their support for the bill and in stressing the urgent need to act now to head off the sharp drop in highway project contract lettings that will take place over the next three years. Those speaking in favor included representatives of TAoT, the Greater Houston Partnership, the Alliance for I-69 Texas, the San Antonio Tea Party, the City of Denton, Texas TURF, the Texas Association of Realtors and Texas Future, a new coalition of business associations.

Transportation Advocates of Texas is a two-year old statewide coalition that brings together cities, counties, mobility coalitions, regional organizations and business interests to support additional highway funding.

Gary Bushell, representing the Alliance for I-69 Texas and TAoT, presented the committee with a chart depicting the coming transportation funding cliff and the substantial impact the plan would have on the $4 billion funding gap. Chairman Crownover was impressed by the chart and pressed Bushell for more details. (chart attached)

Bushell explained that the state needs to be awarding at least $6 billion a year in new construction contracts to maintain highways and address congestion in a minimally acceptable way. “You can’t drop from $7 billion a year in contract lettings down to $2.4 billion in a matter of a few years without doing really serious damage to the infrastructure that builds and maintains our roads,” he said.

He said the Alliance for I-69 is very concerned about the transportation funding cliff that the Department of Transportation (TxDOT) has laid out in its estimates. He estimated that the proposed
legislation would fill about half of the funding gap of $3 to $4 billion a year projected over the next 10 years.

Terri Hall, representing Texas TURF, said that truth in budgeting “cries out” for dedicating vehicle sales tax revenues to pay for highways. “That money should be going to pay for roads before we are asked to pay more.”

“We have tripled state spending from 1990 to 2010, doubled it in the last 10 years, had a $9 billion surplus coming into this session and haven’t ended gas tax diversions yet. We are tolling the urban areas to death. So it is real hard for the grassroots and the taxpayers to say ‘go ahead and raise our taxes to fix roads’ when we see that kind of picture,” she said. “We want you to end diversions and dedicate vehicle sales taxes to roads. Please fix this without raising the tax burden on Texas families.”

Billy Cooke, representing the Greater Houston Partnership, told the committee that population growth in Texas requires the Legislature to address the highway funding shortfall. “Every year growth in Texas leads to increased commercial traffic and increased vehicle sales. TxDOT needs new funding sources now more than ever.”

Jeff Judson, representing the San Antonio Tea Party, noted that the state made the decision in 2003 to build most all roads with debt and as toll roads. “We are paying the price for that. The immediate hole we are looking at is this cliff that we are about to go off with the drop in transportation funding available to build roads.”

“All eyes are on this committee to provide part of the solution,” Judson said.

He said people associated with the San Antonio Tea Party recognize that some increases in taxes or fees may need to be part of the solution. They recognize that there is a $4 billion a year hole. “A chunk of the motor vehicle sales tax just has to be part of that,” he said.

Brandon Janes, board chairman-elect of Transportation Advocates of Texas, said that state borrowing has been very important to keeping construction going during the past decade. “But it has masked the problem that we do not have enough sustainable recurring money that is predicable so that people can plan projects in advance and we are going to need something like Rep. Harper-Brown’s bill and Rep. (Drew) Darby’s bills to be able to provide predictable money so that large projects can get scheduled, engineered and built over time. Otherwise I think the economy is going to suffer.”

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Rider Scott (214) 912-5276

ATTACHED:
(1) Chart showing impact of CSHB 479 on contract lettings
(2) Summary of SCHB 479 by authors
(3) Currently projected 10-year funding in 2013 Unified Transportation Plan by region
ADDRESSING THE TEXAS TRANSPORTATION FUNDING CLIFF

Impact of CS HB 479 on Highway Contract Lettings

Minimum Amount Needed to Maintain System and Add New Capacity
(2030 Committee Report - Worst Acceptable Conditions)

(2013 represents an exceptional year using bond funds and one-time funding sources)

($6 Billion/Year Highway Funding Target Adjusted to Reflect 20 Year Average CPI Inflation Rate)

Assumes Voters Approve of Ending Diversions from the Highway Fund (approximately $700 million per year)

Growth in Vehicle Sales Tax Revenues Over $2.5 Billion Base Moves to Highway Funding in FY 2016 (amount shown reflects a projected 3.5% annual growth in total vehicle sales tax revenues)

Projected Contract Lettings Under Current Law (TxDOT Finance Division 2012 Cash Forecast)
The Texas Two-Step:
End Diversions and Harness the Growth in Vehicle Sales Tax Revenue for Transportation

CSHB 479 (Harper-Brown, Fletcher, Guillen, Lavender, Bell)

CSHB 479 restores Texas' historically successful transportation funding principle of "pay-as-you-go" by:

- Ending diversions from the highway fund for purposes not directly related to highway construction and/or maintenance
- Harnessing only the growth in vehicle sales tax revenue over a base amount of $2.5 billion and depositing that growth amount in the highway fund

CSHB 479 offers a commonsense solution to Texas' transportation funding crisis without any new taxes, fees or tolls.

CSHB 479 instead uses the economic growth of the Texas economy and revenues collected on vehicle purchases, fuel taxes and registration fees to build roads.

CSHB 479 does not impact the biennial budget for FY 2014-2015 as it calls for the funding transition to begin in FY 2016.

Specific – End diversion of motor fuels tax and vehicle registration fee revenue
- Does not impact the biennial budget for FY 2014-15 that the Legislature is now preparing.
- Ends the use of motor fuels tax and vehicle registration fee revenue for any purpose other than acquiring rights-of-way, maintaining, planning, designing and constructing roadways.

Specific – Allocation of vehicle sales tax revenue
- Does not impact the biennial budget for FY 2014-15 that the Legislature is now preparing--vehicle sales tax revenue remains in the General Revenue fund.
- Sharing of vehicle sales tax revenue begins in FY 2016
  - The base amount of $2.5 billion per year will continue to flow to the General Fund. $2.5 billion/year is the amount the Comptroller estimated as vehicle sale tax revenue for FY 2012.
  - The growth amount would flow to the state highway fund starting in FY 2016 and continuing ad infinitum to provide sustainable funding for transportation investment.

For questions regarding CSHB 479 please contact Andrea Williams-McCoy at 512.463-0692.

The Transportation Funding Shortfall in Each TxDOT Region

**2013 Unified Transportation Plan**

The Unified Transportation Program (UTP) is used by the Transportation Commission and TxDOT as the department’s 10-year plan to guide transportation project development. The Plan includes distribution of funding in 12 project categories covering all maintenance and new construction. It follows an approach that assures that improvement projects are needs-based. The process is continuous with routine reexamination and adjustment as conditions change.

The UTP is a listing of projects and programs that are planned to be constructed and/or developed within the first 10 years of the 24-year state long-range plan. Having a project in the UTP means it has been authorized for development and as funding is available work can begin on preliminary engineering, environmental reviews, right-of-way acquisition and design. Projects beyond the first 10 years are generally not authorized for any work other than environmental studies.

TxDOT has 25 Districts which are grouped into four Regions. Shown here is the currently projected 10-year funding available under the 2013 Unified Transportation Plan for each TxDOT Region.