Transportation Funding 101

February 7, 2013
Our Mission - A statewide organization dedicated to helping find solutions to the mobility challenges facing Texas

Launched in 2010 to support robust, predictable and sustainable funding solutions

TAoT participants include:
- Local governments
- Mobility coalitions
- Regional alliances
- Economic development organizations
- Chambers and state associations
- Employers
- Interested individuals
**TAoT Statewide Representation**

**Board of Directors**

- **Jim Reed**
  San Antonio Medical Foundation
  *TAoT Board Chairman*

- **Vic Suhm**
  Tarrant Regional Transportation Coalition

- **Jennifer McEwan**
  Gulf Coast Regional Mobility Partners

- **Brandon Janes**
  Jackson Walker, LLP
  Austin Chamber of Commerce

- **Ed Emmett**
  Harris County Judge
  Texas Conference of Urban Counties

- **Nelda Martinez**
  Mayor
  City of Corpus Christi

- **Rider Scott**
  Dallas Regional Mobility Coalition

- **John Thompson**
  Polk County Judge
  Alliance for I-69 Texas

- **Mica Short**
  El Paso Chamber of Commerce

- **James Carlow**
  Bowie County

- **Vic Boyer**
  San Antonio Mobility Coalition

- **Dennis Kearns**
  BNSF Railway

- **Julian Alvarez**
  Rio Grande Valley Partnership

- **Doug Pitcock**
  Williams Brothers Construction Co.

- **Michael Reeves**
  Ports-to-Plains Alliance

- **Don Durden**
  Civil Engineering Consultants

- **Judy Hawley**
  Port of Corpus Christi Authority

- **Steve Stagner**
  Texas Council of Engineering Companies
Use Our Website for Reference

- Our website can be a valuable resource for you with regular updates.
- Use the LIBRARY as a quick way to find and download copies of recent reports like the full text of the Interim Report of the House Committee on Transportation.

TRIP Lists 100 Most Deficient Highways & Bridges

A national research group has published its list of 100 most deficient highways and bridges in Texas and the results show things are getting worse. TRIP, a non-profit group, compiled the list that includes metropolitan portions of Interstate 30, Interstate 45, Interstate 35, US 75, US 281, Loop 410 and more.included replacement of the Corpus Christi Harbor Bridge. Considered a crisis for the project, TRIP’s report warns that Texas needs to spend more money on highways to keep pace with population and economic growth.

Release of the TRIP report resulted in dozens of media stories throughout the state directing attention to the need for additional sustained highway funding. [Read More/Download the Report].

Texas Must Explore Other Funding Sources

The Texas House Transportation Committee says that the current gas tax won’t meet future transportation needs and that we must explore other sources of funding. In a Final Interim Report to the new 83rd Texas Legislature, the committee concludes that the highway funding shortfall is huge and growing. They lay out funding options and explore colleagues to work toward establishing long-term solutions to deal with declining revenues from the gas tax and with directions from the State Highway Fund. [Read More].

DMN Editorial: Lawmakers Must Get Serious

The Dallas Morning News weighed in with a straight-talk Sunday editorial pointing out that members of the Texas Legislature have not been serious for years about paying the true cost of our highway system. "People have got to get serious about a long-term, sustainable transportation plan," the editors said as they summed up all of the above to help address the state’s $15 billion highway funding crisis. [Read the Editorial].

Legislative Program: Adequate, Sustainable Funding

The Transportation Advocates of Texas board of directors have adopted a legislative program for the upcoming session of the Texas Legislature that calls for passage of long-term, sustainable, growing sources of revenues to...
“I don’t know why TxDOT says they don’t have enough money to build highways. The Legislature raises the gas tax every session.”
– Anonymous candidate for the Texas Legislature – 2012

“Everyone is entitled to their own opinions, but they are not entitled to their own facts.”
■ **STRONG FOUNDATION** – The Texas highway system that still ranks well was largely built before the boom in Texas population in the past 20 years.

■ In his State of the State address **Governor Perry** pointed to the success Texas has had in leading the nation in such things as job creation, new companies locating in Texas, population growth and minimizing the impact of the recession. This has been achieved partly based on our state’s transportation system.

■ **Speaker Straus** said the first step to reform is admitting that we have a problem. That has been accomplished.

■ The Speaker also said now is the time to get serious about solving challenges – dealing with the core responsibilities of government including a healthy transportation system.
1,000 MORE VEHICLES A DAY – An average of approximately 30,000 more vehicles are added to Texas roads every month.

PAVEMENT DECAY – Nearly 90% of our roadways are rated to be in “good” or “better” condition. But by 2025 only 21% will be rated good or better based on current funding levels. We are not doing enough to protect our investment according to the 2030 Committee.

NOT KEEPING UP WITH GROWTH – Total miles traveled and population growth far exceed the growth in new highway capacity.
Both the vehicle registration fee and the fuel tax have not kept up with the increasing cost of highway construction and maintenance. To address growing needs the Legislature has enacted a series of one-time cash infusions based largely on debt.

- 2001 Texas Mobility Fund ($7.9 Billion)
- 2003 Proposition 14 ($6 Billion)
- 2007 Proposition 12 ($5 Billion)
- 2008 NTTA payment for right to develop and operate SH 121 ($3.2 Billion)
- 2009 Pass Through Financing Program ($1.8 Billion in future debt)

Total $22.9 billion in debt authority over 10 years

These one time infusions have now run out. Texans are paying the bill – more than $1 billion a year in transportation debt payments. There is no more borrowing authority to build transportation projects and the Legislature should not grant more.
Recommendations

- The Legislature should work to establish a long-term solution to address declining revenue from the state gas tax.

- “Income provided by current taxes and fees is no longer sufficient to keep pace with the current and projected highway construction and maintenance needs.”

- “Reliance on recent one-time funding from a variety of sources have allowed the state to maintain road and bridge conditions, even while traditional funding sources declined, thereby temporarily masking the severity of the issues facing the state.”

Interim Report to 83rd Texas Legislature, House Committee on Transportation – December 2012
The Texas Highway Funding Cliff

THE FUNDING CLIFF
2013 represents an exceptional year for highway contract awards based on bond funds and one-time funding.

In addition to its current funding, TxDOT needs a revenue stream that allows for future projects to address the state’s growing needs. The Legislature should identify a permanent revenue source that is:

- Predictable
- Constitutionally dedicated
- Transportation related
- Independent of the fuel source used by vehicles
- Adjusts to inflation

Transportation is a core function of State Government.

Funding it adequately is both conservative and Texan.
Transportation Funding 101 - Options

February 7, 2013
Report Includes Facts You Can Use

Interim Report
To the 83rd Texas Legislature

House Committee on Transportation
December 2012
Key Findings in the Interim Report

Page 47 – Comparing Texas to Other States

The three major sources of state highway revenue in Texas are the state fuel tax, the federal fuel tax, and vehicle registration fees. The estimated total annual amount of taxes and fees paid by the average Texan is $167.10. Texas ranks 18th in vehicle registration fees, 29th in state gasoline tax rate, and 44th in overall annual cost of vehicle ownership (See Appendix A). Many other states levy property taxes and additional miscellaneous taxes on vehicles, which Texas does not have. For example, the average driver in Connecticut pays over $1,500 in property taxes on the vehicle every year.\textsuperscript{69}

Page 49 – State Motor Fuel Taxes

\textit{State Motor Fuel Taxes}

The current state fuel tax rate is 20 cents per gallon for gasoline and diesel fuel. Five cents of every 20 cents collected is dedicated not to the State Highway Fund, but to the Available School Fund. The gas tax rate was last raised in 1991, well before vehicles were capable of the same fuel efficiency they are today.

A one cent increase in state motor fuels tax would generate approximately $110 million per year for the State Highway Fund and about $37 million for the Available School Fund.\textsuperscript{74} An increase of 5 cents per gallon would generate an estimated $420 million per year today, but only $280 million in 2030. The decline is explained by the increase in vehicle fuel efficiency, which is expected to continue over time.\textsuperscript{75}

\textbf{NOTE:} To raise $3 billion in additional revenue by increasing the fuels taxes would require more than doubling the current tax rates.
Diversions From Highway Fund

Page 46 – Diversions

Diversions

"Diverion" is the term that has been given to appropriations to Fund 6 that do not go toward the state highway system. Some diversions have recently been eliminated or reduced, but about 12 percent ($881.5 million) of the appropriations to Fund 6 in FY 2012 went to agencies and purposes not directly related to highway construction and/or maintenance. Of this amount, the largest sum ($630.6 million), went to the Department of Public Safety. DPS uses these monies for law enforcement activities including traffic enforcement, and driving and motor vehicle safety. Fund 6 dollars also support activities of the department’s crime and terrorism unit, and administrative costs. Eighty-one percent of the DPS budget for FY 2012-13 was appropriated out of Fund 6.68

Page 52 – Limiting Diversions

Limiting Diversions

Eliminating diversions from the state highway fund would make available up to around $700 million per year for construction and maintenance of Texas roadways. Additionally, ensuring transportation related revenues are reinvested into transportation projects reinforces funding transparency and voter confidence that their dollars are being spent as advertised.
State Infrastructure Bank

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State Infrastructure Bank Enhancement

State Infrastructure Banks (SIB's) have federal authorization from the 1995 National Highway Designation Act. They are intended to accelerate mobility improvements through financial assistance options to local entities.

In 1997 the Texas Legislature authorized a SIB program in Texas administered by the Texas Transportation Commission and TxDOT. The SIB is a revolving loan fund, which offers borrowers favorable terms to make roadway improvements by leveraging existing project funding and providing flexible financial assistance to expedite needed projects.

Legislation authorizing the deposit of additional revenue and the enhancement of the SIB program would be required to allow transportation agencies and developers access to: loans, credit enhancement, establishing a reserve fund, providing capitalized interest, and guaranteeing payment of costs.

Gov. Perry raised topic in State of the State address.
**Vehicle Sales Tax Transfer**

**Page 51**

*Motor Vehicle Sales Tax*
Texas has a motor vehicle sales tax rate of 6.25 percent of the sales price. Of this tax, 25 percent is dedicated to the Foundation School Fund, and the remainder into General Revenue. Over $2.5 billion in vehicle sales and use tax was deposited in the General Revenue Fund in 2011.\(^{84}\) Alternatively, increasing the state vehicle sales tax by 1 percent and dedicating the increase to transportation would provide $510 million per year today, and $760 million in 2030.\(^{85}\) Legislation was filed, but not passed, in both the House and Senate in 2011 to incrementally send the proceeds of motor vehicle sales tax revenue from the GR Fund to the SHF over a period of 10 years.

**NOTE:** Due to increased vehicle sales and higher unit prices the vehicle sales tax is now producing more than $3 billion per year. The advantage of this revenue source is that it grows with the population and the economy. It is the only option available that fills the coming $3 billion plus gap in highway contract letting.
Other Potential Sources

Page 50 – Vehicle Registration Fees

Vehicle Registration Fees
The current annual vehicle registration fee in Texas is $50.75 plus local fees for personal cars below 6,000 pounds (about the weight of a full size pick-up truck or SUV). For commercial vehicles, the registration fee is based on weight categories, and can range from about $50 to more than $800. According to the DMV, adding an additional $10 to vehicle registration fees across the board would generate an estimated $214.8 million per year for the State Highway Fund.\textsuperscript{77} An increase of $25 would produce an estimated $570 million per year, and an increase of $50, another $1.2 billion.\textsuperscript{78}

Page 50 – Vehicle Mileage Fee

Vehicle Mileage Fee
A vehicle mileage fee is based on the number of miles traveled by a vehicle in a set period. Users would only pay for their usage of the road. In practice this fee would replace the motor fuels tax and address the problem associated with rising fuel efficiency. Privacy concerns, potentially high administrative costs, and enforcement issues have been cited as objections to this method. Technology to assess this type of fee while protecting public confidentiality is in development. TTI estimated the funding yield for a 1 cent per mile fee from 2012 to 2015 would be $997 million. At 5 cents per mile, during the same time frame, the fee would yield $4.9 billion for transportation.\textsuperscript{79}

Page 50 – Driver’s License Surcharge

Driver's License Surcharge
Texas drivers pay $25 every six years to apply for or renew their driver's license. This fee is dedicated to the Mobility Fund. An additional $5 per license would generate $220 million per year for transportation projects today and $310 million in 2030.
Texas Needs A Reliable And Sustainable Means Of Funding Highway Transportation Projects Right Now And For Decades To Come.