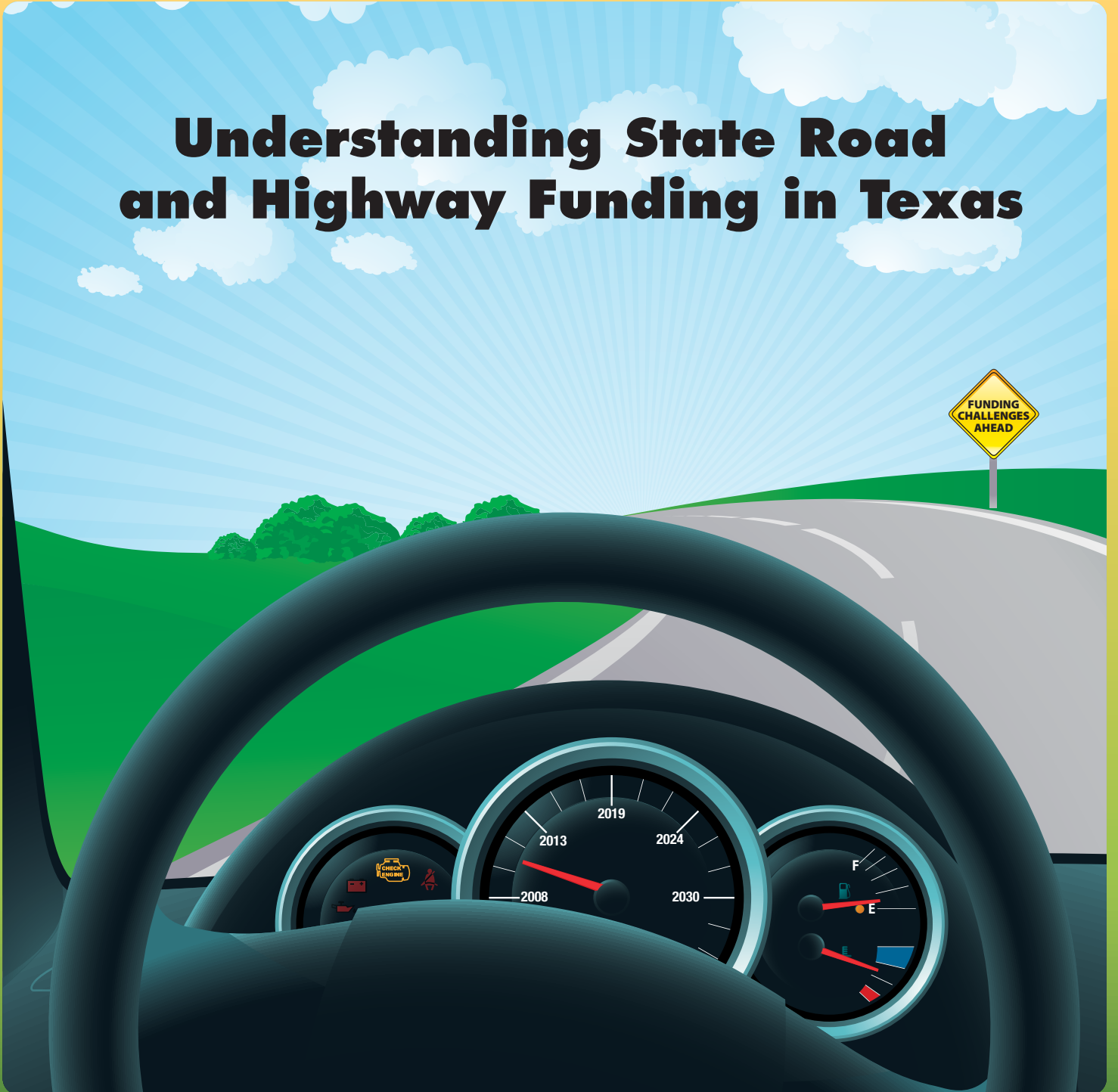


TRANSPORTATION FUNDING

Understanding State Road and Highway Funding in Texas





TRANSPORTATION NEEDS AND COSTS

In 2008, the Texas Transportation Commission appointed a 12-member committee of Texas business, academic and civic leaders to determine independently the state's transportation needs through 2030. According to the committee, Texas needs to invest \$315 billion between now and 2030 to maintain the existing infrastructure, prevent - not improve - worsening traffic congestion in urban areas, and ensure rural mobility and safety.

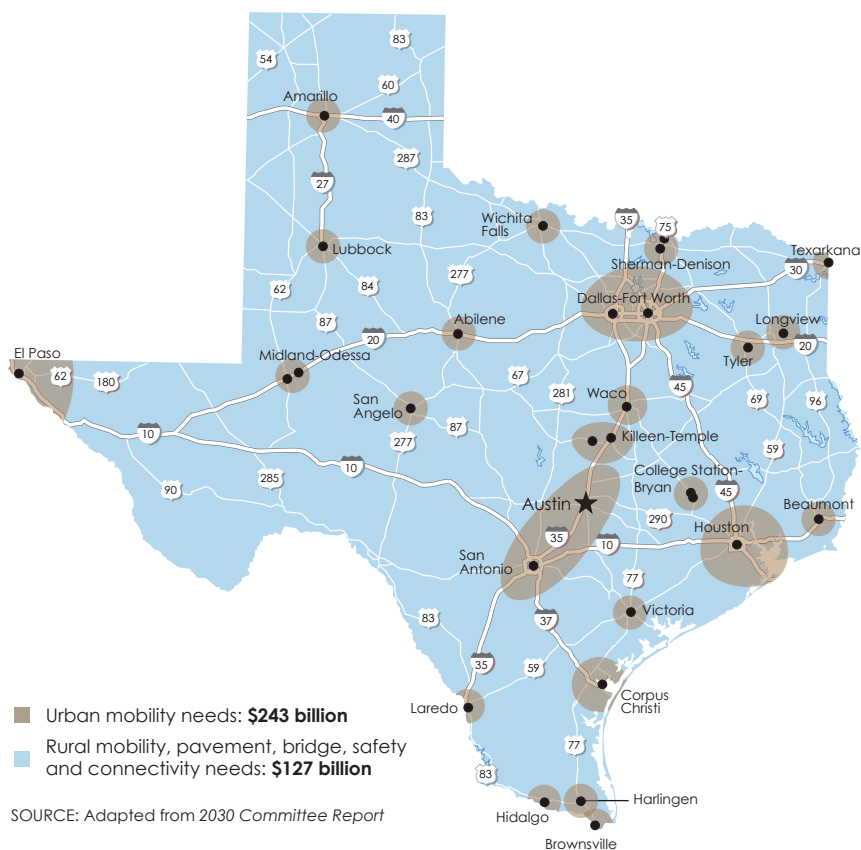
That's \$315 billion if state and local partners could make those improvements today. Current state revenue projections show less than half of that amount will be available over the next two decades. Since the initial report was released, the Texas Transportation Institute (TTI) has updated the transportation needs figure to the year 2035. According to TTI, total statewide needs are now about \$370 billion.

With inflation, and adding in the Texas Department of Transportation's (TxDOT) other state responsibilities—like ferry service on the Gulf Coast, engineering and planning—that amount increases to more than \$480 billion over the next 20-plus years.

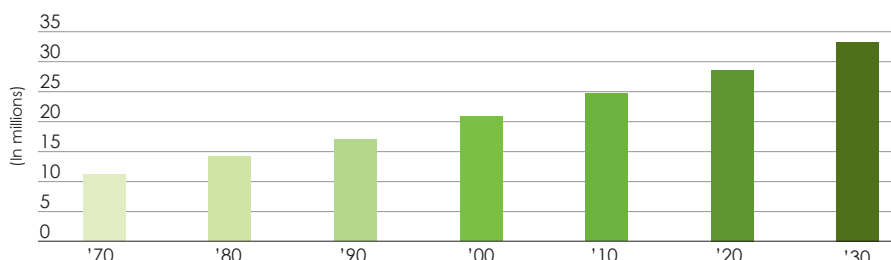
Although filling that funding gap is a daunting prospect, exploring funding solutions for our most critical transportation needs is a realistic starting point. As state leaders explore those long-term financial solutions, TxDOT will continue working to balance the needs with available resources.

ESTIMATED CONSTRUCTION AND MAINTENANCE NEEDS

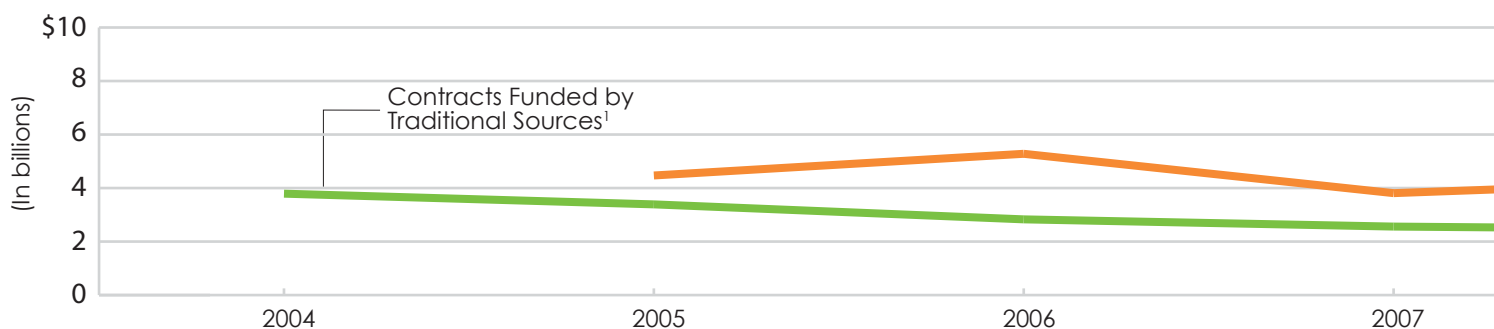
This map is a visual compilation of the statewide transportation funding needs through 2035 as identified by the Texas Transportation Institute.



TEXAS POPULATION GROWTH, 1970-2030



HIGHWAY CONTRACTS



1 This includes the State Highway Fund which comprises state and federal motor fuel taxes, vehicle registration fees and federal reimbursements.
 2 This includes Proposition 12 bonds, Proposition 14 bonds, Texas Mobility Fund, toll partnerships and federal stimulus dollars.



WHAT ARE THE CHALLENGES?

Traditional transportation funding sources – primarily motor fuels taxes and registration fees – have remained static for many years, and have not kept pace with mounting transportation demands.

Since the early 1990s, Texans have continued to pay 38.4 cents per gallon in state and federal motor fuel taxes while the state’s population has grown by more than 6 million, and vehicle miles traveled have increased by more than 50 percent. Population growth is projected to continue, and although more Texans should mean more money in transportation coffers, there are some factors to keep in mind:

- **Fuel efficiency.** By 2030, Texans will likely be driving passenger cars and trucks that could average about 34 miles per gallon. And fewer gallons purchased translate into fewer available dollars for transportation.
- **Inflation.** In Texas, construction inflation increased 65 percent between 2002 and 2008. Since the downturn in the national economy, prices have dipped. But as the economy improves, it is likely that prices will continue their upward trend.
- **Federal funding issues.** Texas is a donor state. For every federal motor fuel tax dollar Texans send to Washington, D.C., the state gets back about 70 cents for highways and 8 cents for transit. Additionally, federal funding is increasingly unreliable, making it difficult to plan for future transportation needs.
- **Aging infrastructure.** Many Texas roads and bridges have exceeded their intended lifespan and require extensive rehabilitation.
- **Other uses.** A portion of state transportation funds supports other important functions of government. In the 2010 to 2011 biennium, \$1.15 billion in state highway fund revenues were allocated to other programs.

CONSTRUCTION & MAINTENANCE PURCHASING POWER

Since one dollar in 1997 equals 61 cents today, a \$20 million project built in 1997 would cost more than \$32 million today.



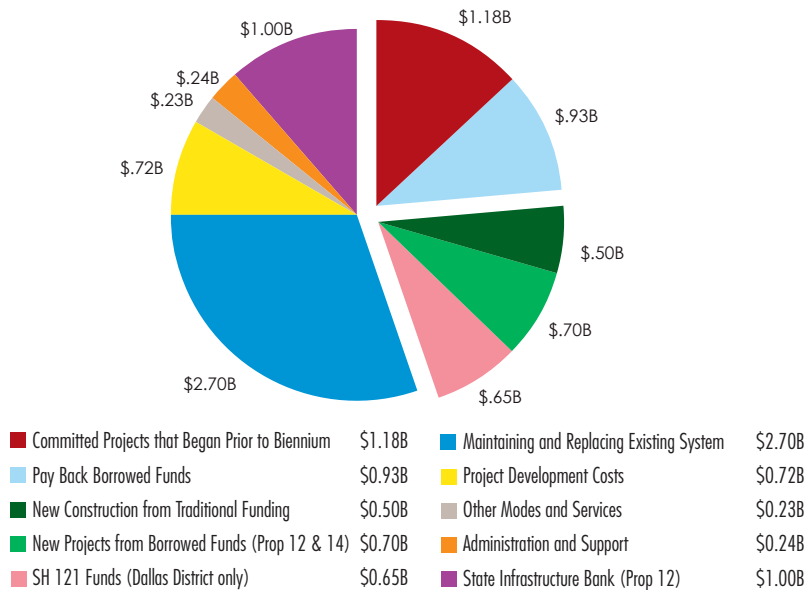
1997 = \$1.00



2010 = 61¢

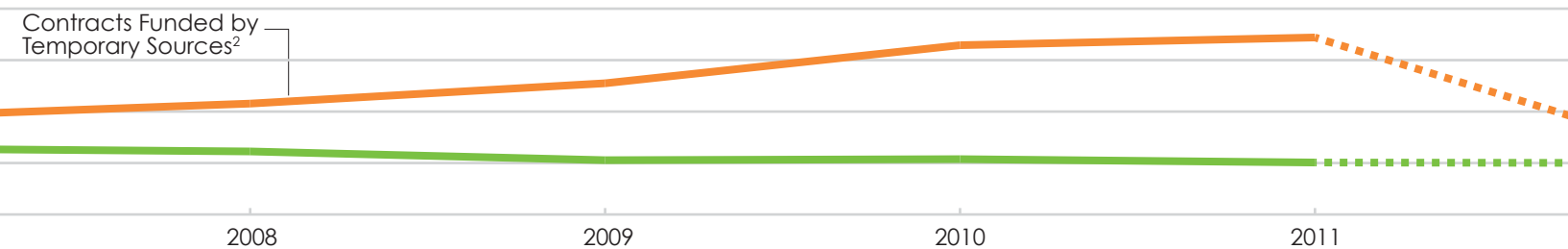
SOURCE: TxDOT, July 2010 Highway Cost Index

2011 TxDOT BUDGET: \$9 Billion



SOURCE: TxDOT, Finance Division

Contracts Funded by Temporary Sources²



SO WHAT'S THE DISCUSSION?

The search for acceptable solutions is challenging, and no single action is likely to address all of the state's transportation needs. Several proposals are part of the public dialogue. Some of these are:



MAXIMIZE TRADITIONAL SOURCES

- **Address other uses.** Dedicating all state motor fuels tax revenue to transportation would provide additional revenue each biennium, but other essential state services that are currently supported with state highway fund revenues would need new funding sources.
- **Improve TxDOT efficiency.** TxDOT is continually maximizing its existing budget by streamlining operations. The department also secured an outside consultant to conduct a top-down audit to recommend further efficiencies.



CREATE NEW CAPITAL

- **Increase vehicle registration fees.** Each \$10 increase in motor vehicle registration fees should yield almost \$200 million annually in additional revenues.
- **Index or increase the motor fuel tax.** Any changes to the tax could yield additional funding for the state. For example, if the current fuel tax were indexed (e.g., to the Consumer Price Index), each one percent increase would add about \$20 million a year to the State Highway Fund. A 1 cent increase in the tax would generate about \$100 million a year in revenue. Any additional gains, however, will eventually be tempered by higher fuel efficiency.
- **Local options.** A proposal discussed during the 81st Session of the Texas Legislature would have permitted voters to allow certain local governments the option to raise fuel taxes and other fees to address their specific transportation needs.
- **Vehicle Miles Traveled (VMT) tax.** Replacing the current per-gallon fuel tax with a VMT system would accurately reflect road usage, and could compensate for future fuel efficiency.

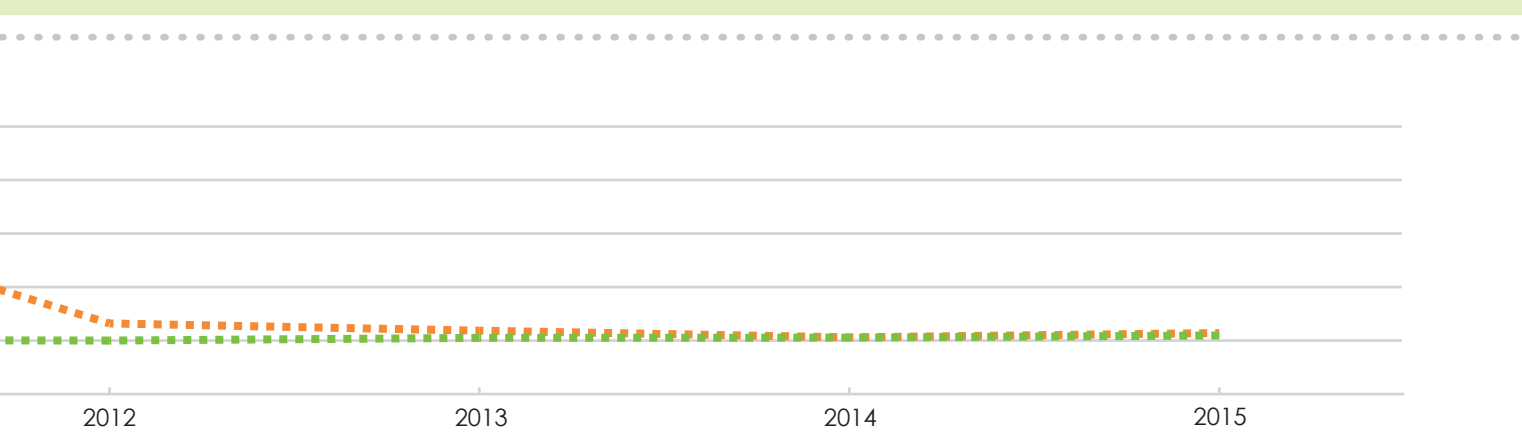
- **Increase the federal rate of return.** If Texas were no longer a donor state, it would receive an estimated \$500 million more a year in highway funding under current formulas.
- **Other possibilities.** Some legislative leaders have discussed using other state revenue sources to fund needed projects. Those ideas include using a portion of the state's oil severance and vehicle sales taxes. In 2008, the vehicle sales tax raised \$3 billion for Texas' General Revenue Fund.



CONTINUE/EXPAND PROGRAMS

- **Public-Private Partnerships.** Partnering with the private sector brings in additional money and allows projects to be built sooner, rather than waiting until traditional funding is available.
- **Bonding.** In recent years, the Texas Legislature has approved borrowing against future general and state highway fund revenues to accelerate projects statewide, saving money on future inflation costs and putting projects on the ground sooner.
- **Tolling.** Toll authorities play a significant role in developing transportation solutions. While toll roads cannot be the sole solution to the state's transportation challenges, they offer drivers alternative routes and time-saving choices.
- **Transportation Reinvestment Zones (TRZ).** Strengthening TRZs provides another local funding option. Increased property tax revenue generated within the improved zone is used to finance transportation projects.

NOTE: These funding sources are not all-inclusive. TxDOT does not advocate any particular solution. Final decisions about transportation funding options belong to state legislators and members of Congress.



estimated
SOURCE: TxDOT, Finance Division



STATEWIDE FUNDING NEEDS

The Texas population will increase over the next couple of decades. And with all that growth will come more demand on the transportation system, demand for more and improved infrastructure that can't be built within existing revenue streams. While every region of the state has important transportation projects that need funding, specific projects are important to the state's overall economic well-being. Below are just a few. (Projects subject to change.)

1 U.S. 59, U.S. 77, U.S. 281, SH 44

- Upgrade existing roadways to interstate status
- \$16.4 billion (Estimate is preliminary and is based on suggested improvements from Segment Committees.)

2 I-35 in the Waco and Temple areas

- Expand to eight lanes
- \$497 million

3 Interstate 10 in Jefferson, Chambers and Orange counties

- Widen roadway
- \$200 million

4 Harbor Bridge in Corpus Christi

- Replace bridge
- \$600 million

5 Grand Parkway (Segment A through I-2)

- Construct new location roadway
- \$5 billion

6 South Padre Island Causeway

- Construct second connection to the island
- \$562 million

7 Loop 1604 in San Antonio

- Add capacity to roadway
- \$2.76 billion

8 Loop 49 in Smith and Gregg counties

- Continue building tolled loop around Tyler
- \$165 million

9 Northeast Parkway

- Construct new location roadway
- \$359 million

10 I-35E in Dallas and Denton counties

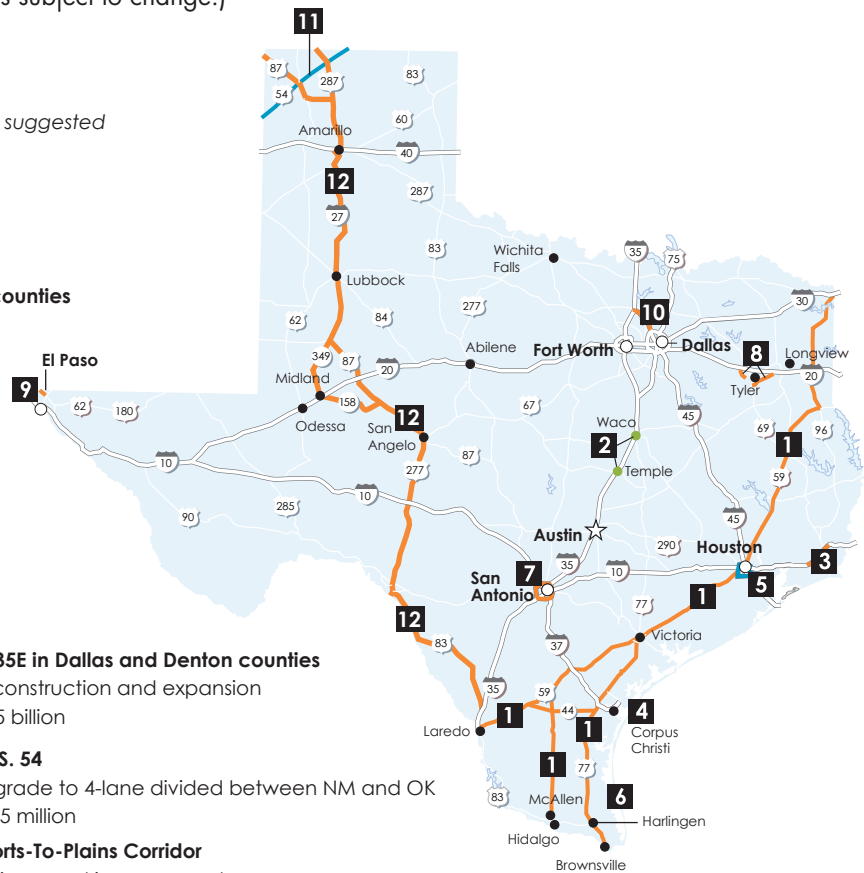
- Reconstruction and expansion
- \$5.5 billion

11 U.S. 54

- Upgrade to 4-lane divided between NM and OK
- \$155 million

12 Ports-To-Plains Corridor

- Various road improvements
- \$1.9 billion (Estimate is preliminary for 4-lane divided facilities.)



Stay up-to-date with your projects and TxDOT's performance.

The best decisions can only be made with access to the right information. Project Tracker and TxDOT Tracker can be found at www.txdot.gov.





CONCLUSION

Demand on our transportation system is outpacing available revenue, and we're trying to meet 21st century demands with 20th century dollars. Today's challenges of inflation, population growth, aging infrastructure and more fuel-efficient vehicles have stretched available funds to their limits.

Just as the problem is multifaceted, so is the solution. Public officials are working diligently to develop options that are practical and acceptable to the public.

Transportation is essential to Texas' future. Investing in a balanced, regionally determined, multimodal transportation network stimulates economic activity. It also creates employment opportunities and gives Texas communities choices to address their growing and changing populations.

The information and ideas presented in this brochure discuss the needs of highway and road funding in the state of Texas. But there are other, equally important, modes of transportation—from rail to public transportation to aviation—that need to be considered in developing a solution for Texas' transportation challenges. Meeting our future needs will require a multi-level approach, and every Texan needs to be involved in the dialogue. We hope you add your voice to the discussion. If you have any questions or comments, please e-mail us at AskTxDOT@txdot.gov.

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Sources used in this report: http://www.txdot.gov/about_us/funding_sources.htm



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