

REVENUE FORECAST

As summarized in Chapter 4, a performance-based needs assessment was conducted for the Texas Transportation Plan (TTP) to identify the minimum investment required to achieve state of good repair (SGR) or similar performance targets for each mode over the TTP horizon. This chapter provides information on reasonably anticipated revenues over that same 25-year timeframe in order to better understand the gap between long-range needs and transportation funds.

5.1 Highway Revenues

5.1.1 Revenue Sources

TxDOT highway revenues from federal, state, and other sources are deposited into the State Highway Fund (SHF).¹ A significant portion of the SHF revenues are generated by:

- **State motor fuels taxes.** State motor fuels taxes collected – currently 20 cents per gallon on gasoline and 15 cents per gallon on diesel fuel – have not been raised since 1991. Seventy-five percent of the revenue generated by state motor fuels tax is allocated to the SHF, with the remaining 25 percent allocated to the Available School Fund. According to the Texas Comptroller of Public Accounts, motor fuels taxes generated \$3.3 billion in revenue for fiscal year 2014 – of which, \$2.47 billion was allocated to the SHF.
- **Vehicle registration fees.** An annual motor vehicle registration fee is assessed per vehicle. Various rates are charged based on the type, age, and weight of the motor vehicle. Passenger cars and light trucks less than 6,000 pounds are charged \$50.75. Vehicle registration fees generated \$1.35 billion in revenue for fiscal year 2014.
- **Federal Highway Trust Fund (HTF).** Federal motor fuels taxes collected – currently 18.4 cents per gallon on gasoline and 24.4 cents per gallon on diesel fuel – are used to support the HTF. Texas receives an allocation from the federal HTF for obligation to projects that are eligible for federal reimbursements. Net revenues from Federal Receipts Matched for transportation programs for fiscal year 2014 were \$3.85 billion. Other sources include accrued interest from revenue bonds and short-term notes, lubricant sales tax, and toll revenues, among others.

5.1.2 Revenue Forecast

5.1.2.1 Trends and Challenges

Forecasting of revenues, expenditures and fund balances is a critical function of TxDOT. The cash balance of the SHF changes daily and is impacted by economic trends. Likewise, the needs of the traveling public and subsequent responsibilities of TxDOT continue to change. Thus, while TxDOT maintains a methodology by which revenue sources and expenditures can be tied together to project future cash flows, the revenue forecast developed for the TTP represents an extrapolation of cash flow from not only TxDOT's revenue baseline, but also from current revenues of the state's transit agencies. More information regarding the TTP revenue forecasting assumptions is provided in Section 5.1.1.

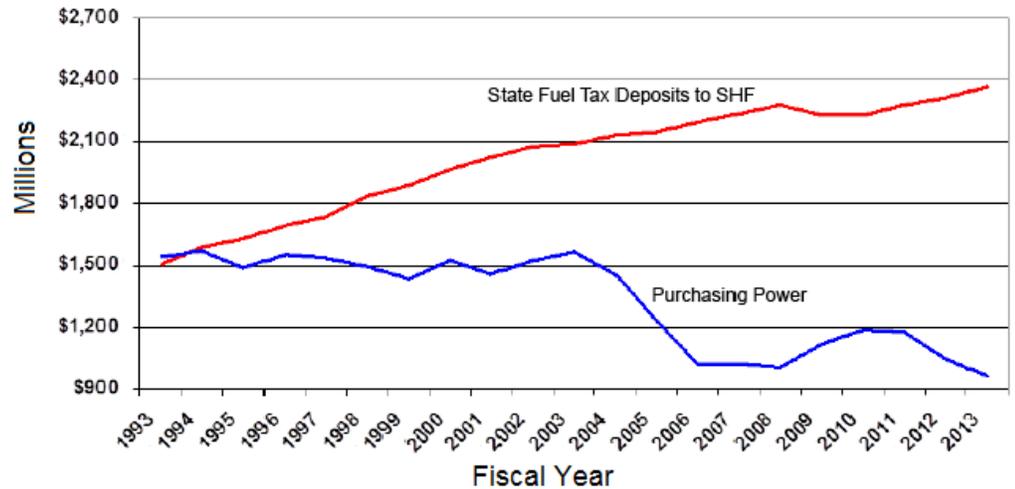
TxDOT faces the following funding challenges:

- **Federal Funding Issues.** Several factors, including the expiration of the current surface transportation legislation – Moving Ahead for Progress in the 21st Century (MAP-21) Act – at the end of May 2015, and the impending insolvency of the HTF, make federal funding increasingly unpredictable. The HTF continues to pay out more money to states than it is taking in. Multiple general revenue infusions into the HTF have kept the fund solvent. Without further Congressional action, the HTF would be unable to meet obligations in a timely manner in the summer of 2015, which could result in delayed payments to states. In addition, Texas continues to rate near the bottom in the percentage of fuel tax revenue sent to Washington, compared to the percentage of funds that are returned for projects. These circumstances make it difficult to plan for future transportation projects.

¹ Texas Comptroller of Public Accounts. State of Texas Annual Cash Report. November 2014. http://www.texastransparency.org/State_Finance/Budget_Finance/Reports/Cash_Report/14/texas_annual_cash_report_2014.pdf

- State Highway Funds.** Trends in vehicle miles traveled and the number of vehicles registered in the state will greatly impact the amount of revenue generated for the SHF. As previously noted, total trip volumes are expected to increase by 57 percent in the state in accordance with population and employment growth. However, as vehicles become more fuel efficient, the amount of revenues collected from fuel taxes will not keep pace with transportation needs of the state, which includes the increase in wear and tear

Exhibit 5-1. State Fuel Tax Deposits to State Highway Fund (1993-2013)



Source: TxDOT. Transportation Funding: Understanding Transportation Funding in Texas. 2014.

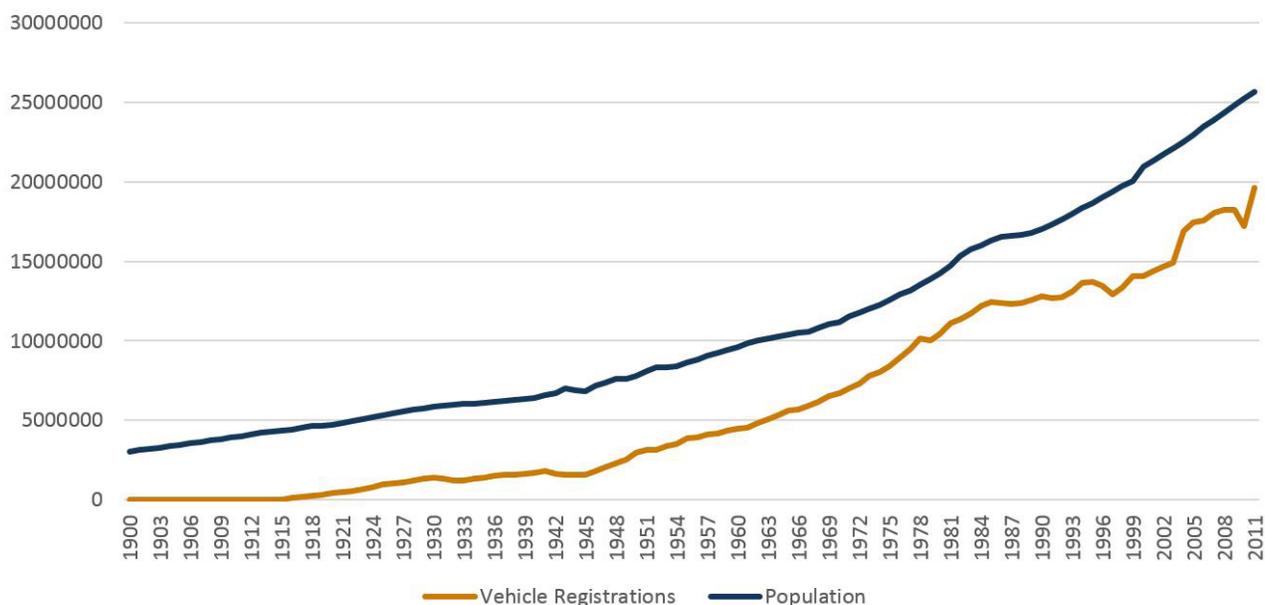
on transportation facilities resulting from higher vehicle miles traveled. As shown in Exhibit 5-1 the funding shortfall has been – and will continue to be – exacerbated by the fact that state fuel taxes are not indexed to inflation, which greatly diminishes the purchasing power of the funds generated.

Beyond the state and federal gas tax contributions, vehicle registration fees constitute approximately 18 percent of the total SHF revenues. As shown in Exhibit 5-2, the number of vehicle registrations has and is expected to continue to grow along with but at a slower rate than the increase in population. Exhibit 5-3 indicates the total and effective (inflation-adjusted) SHF revenues generated by private and commercial vehicle registrations from 1993 to 2012.

5.1.3 Highway Revenues Available to Meet Texas Transportation Plan Needs

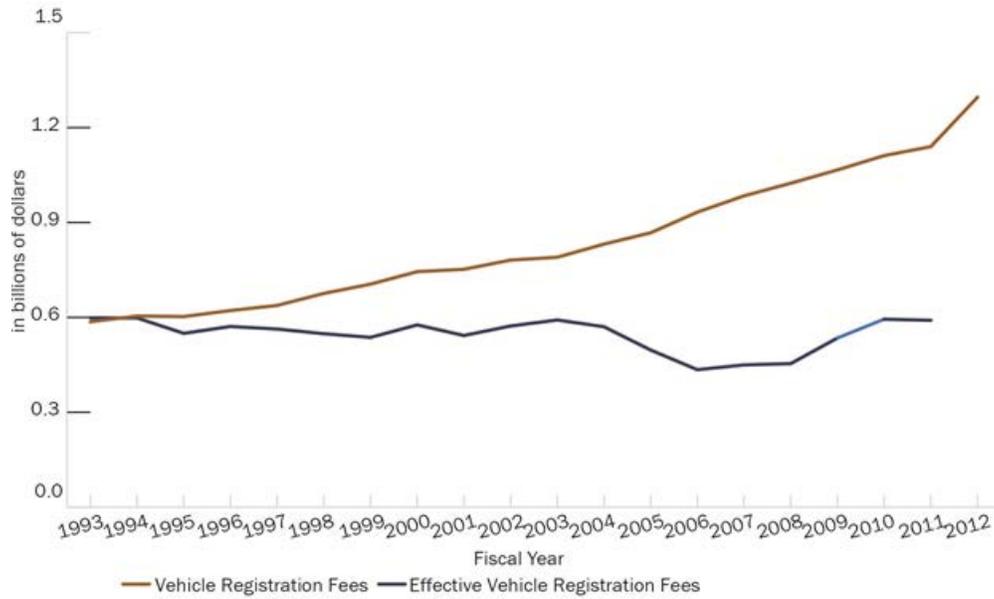
While TxDOT’s allocation of SHF revenues is estimated at more than \$8 billion annually, it is important to note that some of the allocated funds are committed to TxDOT agency operations and other ongoing projects and activities, and not available for current investment activities identified in the TTP. To better understand which SHF revenues can be used for future highway investment needs identified in the TTP, it is important to detail the funding categories utilized by TxDOT for internal programming (Exhibit 5-4).

Exhibit 5-2. Vehicle Registrations and Population Growth (1900-2011)



Source: USDOT. Highway Statistics. Texas Population Estimates. US Census. <http://www.census.gov/>

Exhibit 5-3. State Highway Fund Revenues Generated by Vehicle Registration Fees (1993-2012)



Source: TxDOT. TxDOT Funding:2013 Educational Series.
http://ftp.dot.state.tx.us/pub/txdot-info/sla/education_series/txdot_funding.pdf

Exhibit 5-4. Category Funding at a Glance

Funding Category		Project Selection	State/Federal Share
1	Preventive Maintenance and Rehabilitation	Projects selected by districts. Commission allocates funds through Allocation Program.	Federal 90% State 10% or Federal 80% State 20% or State 100%
2	Metropolitan and Urban Area Corridor Projects	Projects selected by Metropolitan Planning Organizations (MPOs) in consultation with TxDOT. Commission allocates funds through Allocation Program.	Federal 80% State 20% or State 100%
3	NonTraditionally Funded Transportation Projects	Project selection varies based on the funding source, such as Proposition 12, Proposition 14, Pass-Through Toll Finance, Regional Toll Revenue and Local Participation.	Federal 80% State 20% or State 100% or Local 100% Varies by agreement and rules
4	Statewide Connectivity Corridor Projects	Projects selected by commission based on corridor ranking. Project total costs cannot exceed commission-approved statewide allocation.	Federal 80% State 20% or State 100%
5	Congestion Mitigation and Air Quality Improvement	Projects selected by MPOs in consultation with TxDOT and funded by districts' Allocation Program. Commission allocates funds based on population percentages within areas failing to meet air quality standards.	Federal 80% State 20% or Federal 80% Local 20% or Federal 90% State 10%
6	Bridges Federal Highway Bridge Program, Federal Railroad Grade Separation Program	Projects selected by the Bridge Division as a statewide program based on the Federal Highway Bridge Program and the Federal Railroad Grade Separation Program eligibility and ranking. Commission allocates funds through Statewide Allocation Program.	Federal 90% State 10% or Federal 80% State 20% or Federal 80% State 10% Local 10%
7	Metropolitan Mobility and Rehabilitation	Projects selected by MPOs in consultation with TxDOT. Funded by district's Allocation Program. Commission allocates funds according to the federal formula.	Federal 80% State 20% or Federal 80% Local 20% or State 100%

Exhibit 5-4. Category Funding at a Glance

Funding Category		Project Selection	State/Federal Share
8	Safety Federal Highway Safety Improvement Program, Federal Railway-Highway Crossing Program, and the Safety Bond Program	Projects selected statewide by federally mandated safety indices and prioritized listing. Commission allocates funds through Statewide Allocation Program.	Federal 90% State 10% or Federal 90% Local 10% or State 100%
9	Transportation Alternatives Program (TAP)	Local entities/TxDOT nominate projects. FHWA/FTA determine eligibility. Eligible projects selected and approved by commission on a per-project basis.	Federal 80% State 20% or Federal 80% Local 20%
10	Supplemental Transportation Projects State Park Roads, Railroad Grade Crossing Replanking, Railroad Signal Maintenance, Landscape Incentive Awards, Green Ribbon Landscape Improvement, Curb Ramp Program, Coordinated Border Infrastructure Program, Comprehensive Development Agreements and Congressional High Priority Projects	Projects selected statewide by Traffic Operations Division or Texas Parks and Wildlife Department or district. Commission allocated funds to districts or approves participation in federal programs with allocation formulas. Coordinated Border Infrastructure Program funds are allocated to districts according to the federal formula.	State 100% or Federal 80% State 20% or Federal 100%
11	District Discretionary	Projects selected by TxDOT districts. Commission allocates funds through Allocation Program.	Federal 80% State 20% or Federal 80% Local 20% or State 100%
12	Strategic Priority	Commission selects projects which generally promote economic opportunity, increase efficiency on military deployment routes or to retain military assets in response to the federal military base realignment and closure report, or maintain the ability to respond to both man-made and natural emergencies. Also, the commission approves pass-through financing projects in order to help local communities address their transportation needs.	Federal 80% State 20% or State 100%

Exhibit 5-5 Highway Revenue Assumptions and Totals (2014 Constant Dollars)

Highway Revenues	Average Annual Budget (Billions)
TxDOT Project Letting	\$3.1
Non-Letting (Highway Projects)	
Maintenance (routine and contracted maintenance for existing and new facilities)	\$1.8
Preliminary Design/Construction Engineering	\$0.5
ROW Acquisition	\$0.1
Total Highway Revenues	\$5.5

5.2 Revenues for Non-Highway Modes

Revenues for non-highway modes can be found in the modal plans and improvement programs listed in Chapter 2, Exhibit 2-2.