



Prop 1 Funding FAQ

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1. What is Prop 1?

On Nov. 4, 2014, Texas voters approved the ballot measure known as Prop 1, authorizing a constitutional amendment for transportation funding. Under the amendment, half of the money that would normally go to the state Economic Stabilization Fund (aka the Rainy Day Fund) will be redirected to the State Highway Fund. Without creating any new taxes or fees, the amendment simply changed where a portion of existing oil and gas tax revenues will be deposited. The constitutional amendment proposed by [SJR \(Senate joint resolution\) 1](#) (Third Called Session, 83rd Legislature), which legislators approved on Aug. 5, 2013. Prop 1 passed with the approval of nearly 80% of Texas voters.

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2. What does the amendment do? Is this a permanent fix for transportation needs?

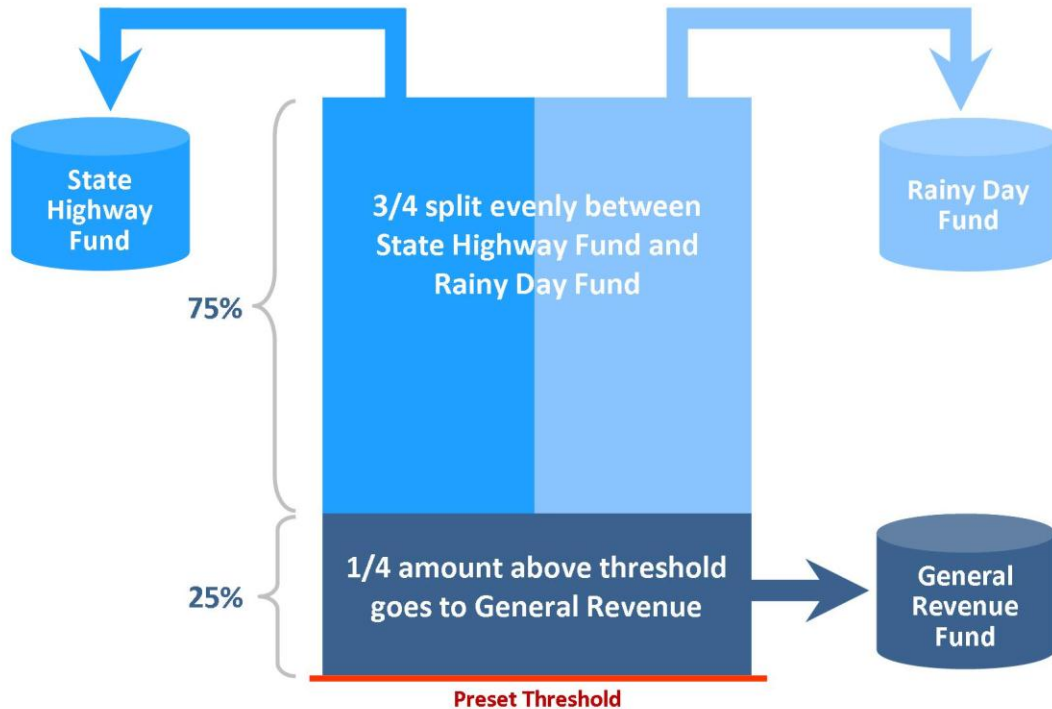
The amendment authorizes \$1.7 billion to be deposited into the State Highway Fund in the first year for much-needed transportation projects. According to TxDOT, Texas' estimated unmet annual transportation needs are \$5 billion: \$1 billion for recurring maintenance, \$3 billion for mobility, and \$1 billion for repairs related to increased energy sector activity. The amendment marks a significant first step toward providing the unmet funding needs for transportation projects in Texas.

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3. Is this a new tax? Where do the funds come from?

No, this is not a new tax. The money comes from redirecting half of the funds that under current law go into the Economic Stabilization Fund (ESF) to the State Highway Fund. The ESF receives 75 percent of the state's annual oil and gas production tax collections that exceed the amount collected in fiscal year 1987, when it was created.

Texas Oil & Gas Production Taxes Above Threshold



Note: Actual amounts deposited in the State Highway Fund may vary based on the minimum balance of the Rainy Day Fund set by the Legislature's Joint Select Committee to Study the Balance of the Economic Stabilization Fund.

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4. How can the funds be used?

A related bill, [HB \(House Bill\) 1](#) (approved Third Called Session, 83rd Legislature), outlined the mechanism and details of when the funds are transferred and how they can be used. Those funds must be used and allocated throughout the state in accordance with formulas adopted by the Texas Transportation Commission. The funds can only be used for the construction, maintenance, rehabilitation, and acquisition of right-of-way for public roads, but may not be used for toll roads.

For more information, please see the webpage for the [Proposition 1 Stakeholder Committee](#).

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5. How does the Legislature ensure that the money remaining in the Economic Stabilization Fund (ESF) is sufficient?

[HB 1](#) calls for the Speaker of the House and the Lieutenant Governor to appoint five House members and five Senate members to a select committee each biennium to determine a

“sufficient balance” of the Economic Stabilization Fund (ESF). In determining such a balance, the committee will consider:

- a. The history of ESF balances;
- b. The history of transfers to the ESF;
- c. Estimated ESF balances during that fiscal biennium;
- d. Estimated transfers to the ESF to occur during that fiscal biennium;
- e. Information available to the committee regarding state highway congestion and funding demands; and
- f. Any other information requested by the committee regarding the state's financial condition.

If the then-current balance of the ESF is below the “sufficient balance” determined for the biennium by the select committee, the Comptroller would reduce or withhold allocations to the State Highway Fund as necessary to maintain a sufficient balance in the ESF.

In December 2014, the Legislature’s Joint Select Committee to Study the Balance of the Economic Stabilization Fund set the minimum balance, or “floor,” for the fund at \$7 billion for the current and next two fiscal years (FY 2015, 2016, and 2017). The Texas Comptroller of Public Accounts certified that \$1.74 billion would be available for transfer to the State Highway Fund for FY 2015.

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6. When did the new provisions take effect?

The new provisions took effect immediately after the final certification of the Nov. 4, 2014 election. Authorization to access the funds was granted by the Legislative Budget Board (LBB) and the Office of the Governor on Dec. 15, 2014.

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7. What requirements does the legislation place on TxDOT?

For the fiscal biennium ending Aug. 31, 2015, [HB 1](#) requires TxDOT to identify \$100 million in savings, which it must use to reduce its long-term debt. The savings could come from operational efficiencies, cost reductions or cost savings, but could not reduce the amount of funding available for transportation projects.

Additionally, the legislation requires that any funds TxDOT receives from this new amendment must be used and allocated throughout the state in accordance with formulas adopted by the Texas Transportation Commission, and used only for the construction, maintenance, rehabilitation, and acquiring of right-of-way for public roads. They cannot be used for toll roads.

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8. Who do I contact for more information?

For media inquiries, contact TxDOT Media Relations at MediaRelations@txdot.gov or (512) 463-8700. For inquiries from the public, legislative offices, or other government offices, contact [TxDOT State Legislative Affairs](#).

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