FUNDING

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TxDOT RESOURCE LINKS

Scan the QR codes with your mobile device or click on the resource link to direct you to additional resources and more details on the information provided in this document.

Texas Department of Transportation
TxDOT’s public website for agency information and resources focused on meeting the needs of drivers, businesses, government officials, and those who want to learn more about TxDOT.

TxDOT 2023-2024 Educational Series
TxDOT’s complete 2023-2024 Educational Series that focuses on a range of transportation issues affecting TxDOT and the State of Texas.
OVERVIEW
Transportation projects may take many years to develop and construct. In addition to managing the construction and delivery of projects, the Texas Department of Transportation (TxDOT) must oversee the project development phase, which includes public involvement, environmental analysis, design, engineering, and right-of-way acquisition. However, before any financial commitment can be made to a project, available funds must be identified. Funding for a transportation project often comes from multiple revenue sources with different permissible uses. For years, state and federal motor fuel taxes and state vehicle registration fees adequately serviced the needs of the state highway system. Over time, these traditional revenues failed to keep up with the state’s growing population and transportation demands. To address the population boom and the diminishing purchasing power of motor fuels taxes and registration fees, the Texas Legislature provided TxDOT several bonding programs to advance large projects more quickly, as opposed to paying for projects on a cash basis as the funding became available. These bond programs helped the state avoid the substantial effects of inflation. The available proceeds from using these bonding tools in the early 2000s (Proposition 14 State Highway Fund Bonds ($6 billion), Proposition 12 Highway Improvement General Obligation Bonds ($5 billion), and Texas Mobility Fund Bonds ($7.4 billion)) were fully allocated to existing projects and have been spent. The Unified Transportation Program is TxDOT’s 10-year, mid-range planning document that guides the state’s transportation project development. Rather than planning projects on a conservative, fiscally constrained cash forecast, the Unified Transportation Program is based on a reasonably optimistic forecast of potential funding. This method of planning allows TxDOT to develop projects so it can accelerate contracted projects or reduce the number of contracted projects, depending on how the funds are appropriated and become available.

Additionally, this method of planning allows TxDOT’s 25 geographic districts and local planning organizations to adjust more readily to unpredictable economic factors, such as the state’s oil and gas production, the changing needs of the state budget, and evolving local project needs. While deposits of non-traditional funds are difficult to predict, these new funds and performance-based planning mechanisms allow the state’s transportation experts to add new projects to planning schedules that would otherwise not have been included.

Performance-based planning and programming is the practice of using data to inform decision-making about investment in the transportation system. Performance-based planning and programming provide a link between the state’s transportation strategy and the real-world operations of the highway network. TxDOT relies on this approach to select transportation projects that demonstrate the greatest needs and potential benefits to the state system based on objective measurement. Data inputs include traffic levels, freight volumes, crash counts, and pavement quality scores. Performance-based planning and programming help safeguard taxpayer dollars by helping TxDOT develop and build the right projects to address the needs of the entire state.

TxDOT uses a performance-based process to allocate available funds, guide project selection, and distribute funds to projects in the Unified Transportation Program (UTP). The Unified Transportation Program is based on a reasonably optimistic forecast of potential funding. This method of planning allows TxDOT to develop projects so it can accelerate contracted projects or reduce the number of contracted projects, depending on how the funds are appropriated and become available.

1. Last legislative session, the Texas Legislature passed House Bill 2219 (87th Legislature, Regular Session, 2021) to allow TxDOT to issue approximately $2 billion in Texas Mobility Fund Bonds until January 1, 2027. The actual amount of bond issuance is dependent on market prices at the time of issuance.
CASH FORECAST

TxDOT updates the cash forecast for revenues, expenditures, and fund balances on a monthly basis. The forecast projects future revenues based on a financial analysis that includes historical trends, current law, the Texas Comptroller of Public Accounts’ (comptroller) official revenue estimates, current events, and other developments. TxDOT’s federal highway reimbursement projections consider the current federal surface transportation authorization bill, continuing resolutions, redistributions, and federal requirements concerning the use of funds. TxDOT projects future expenditures using the state General Appropriations Act framework, base contract letting amounts in TxDOT’s 10-year Unified Transportation Program, remaining obligations of previously awarded projects, and other relevant data. The forecast adds a percentage of total expenditures excluding contractor payments, debt service, and other agency appropriations to a growth expenditure line item to account for the effects of inflation, additional programs, legislative changes, and other factors. Figure 1 shows how the cash forecast contributes to planning and programming for transportation projects, which leads to the formation of TxDOT’s Legislative Appropriations Request (LAR).

METROPOLITAN PLANNING ORGANIZATIONS

Texas is home to 23 distinct Metropolitan Planning Organizations (MPOs). These federally required local decision-making bodies are responsible for overseeing the planning and prioritization of transportation improvements in their respective metropolitan areas. Federal law requires governors to designate a Metropolitan Planning Organization for each urban area of Texas with a population of more than 50,000 people.

Once TxDOT or a Metropolitan Planning Organization identifies a needed transportation project, TxDOT plans the project by evaluating it among regional priorities and decides if the project should advance to the next step of development. TxDOT and the Metropolitan Planning Organization then prioritize projects for funding and schedule them for construction based on an assessment of the funding available to develop and build projects over the next several years.

Federal law requires each Metropolitan Planning Organization to develop a Transportation Improvement Program (TIP) and requires the state to compile a Statewide Transportation Improvement Program (STIP) as a condition of securing federal funds for transportation projects. A Transportation Improvement Program is a four-year, capital improvement program cooperatively developed by local and state transportation entities. It includes a list of multi-modal transportation projects and may involve primarily rural or metropolitan regions. The Statewide Transportation Improvement Program is a four-year, financially constrained plan composed of the 23 Metropolitan Planning Organization’s Transportation Improvement Programs and the rural Transportation Improvement Programs. Projects included in the Statewide Transportation Improvement Program, once approved by the Federal Highway Administration and the Federal Transit Administration, are then eligible to use federal funds.
UNIFIED TRANSPORTATION PROGRAM

As described above, the Unified Transportation Program is a 10-year, midrange planning document that guides TxDOT’s transportation project development. The Unified Transportation Program is one part of a comprehensive planning and programming process linking the planning activities of the Statewide Long-Range Plan and Metropolitan Transportation Plans to the detailed programming activities under the Statewide Transportation Improvement Program and TxDOT’s 24-month letting schedule. Specifically, the Unified Transportation Program provides a listing of projects and programs that TxDOT plans to develop and construct over the 10 years. The inclusion of projects or programs in the Unified Transportation Program authorizes project development activities and serves as a communication tool for stakeholders and the public to understand TxDOT’s project development commitments. Despite its importance to TxDOT as a planning and programming tool, the Unified Transportation Program is neither a budget nor a guarantee that projects will or can be built.

LETTING

Letting is the process of providing notice, receiving bids, and awarding contracts for highway improvement projects. At this stage of project development, TxDOT staff must have a realistic view of how much funding will be available to make progress payments on awarded contracts. In addition to biennial appropriations and past programming commitments, TxDOT must ensure that: (1) there is sufficient revenue to support its new commitments; and (2) the revenue will be there beyond the biennium, since each project may continue to pay out over several years.

APPROPRIATIONS

The Texas Legislature appropriates funds to state agencies on a biennial basis. TxDOT creates its Legislative Appropriations Request one year in advance of the biennium in which it will spend the requested funds. When TxDOT receives its appropriations, it uses a significant portion of the funds to make progress payments for active projects that were awarded for construction previously. The remaining funds are available for TxDOT to develop future projects and make progress payments on projects that begin in the current biennium. While TxDOT strives to deliver projects on budget and on time, a variety of circumstances—many of which are outside of its control—may delay the delivery of projects. These many moving parts create a greater need for budget flexibility among the project development and delivery strategies in TxDOT’s biennial budget.

TRADITIONAL SOURCES OF REVENUE

TxDOT receives both traditional and non-traditional funding sources with differing constitutional and statutory limitations. The following section summarizes each major traditional source of TxDOT funding, and Figure 6 details the statutorily authorized uses of each funding stream.

STATE REVENUE SOURCES

The State Highway Fund, which is also known as “Fund 6,” consists of deposits from various revenue sources, several of which are specifically dedicated by the Texas Constitution for highways. One of the most important revenue sources for the State Highway Fund is the state motor fuels tax. The state currently levies 20 cents per gallon of gasoline and diesel and 15 cents per gallon of liquefied and compressed natural gas. The Texas Constitution dedicates three-fourths of state motor fuels tax revenue to the State Highway Fund and one-fourth of that revenue to the Available School Fund. The Texas Legislature last increased the state motor fuels tax rate in 1991. In fiscal year 2022, the comptroller deposited $2.8
billion in motor fuels tax revenue into the State Highway Fund. The state motor fuels tax contributes a significant amount of funding to the State Highway Fund. However, inflation has caused purchasing power to deteriorate over the last three decades. Figure 2 illustrates the declining purchasing power of state motor fuels tax revenues when adjusting for the Highway Cost Index.

Another significant source of funding for the State Highway Fund is motor vehicle registration fees. Not including the optional fees that counties assess and a new $4.75 processing and handling fee per vehicle registration, the base annual registration fee is approximately $51 to register most vehicles in Texas. The state and counties share the revenue from the base registration fees. In fiscal year 2022, the comptroller deposited $1.6 billion in vehicle registration fee revenue into the State Highway Fund. Figure 3 illustrates the declining purchasing power of constitutionally dedicated vehicle registration fee revenue adjusted to the Highway Cost Index (HCI).

Although traditional revenues are declining in purchasing power, they provide TxDOT with predictable revenue sources that are ideal for long-term project planning and delivery. The comptroller deposits these traditional funds monthly, which remain one of the most dependable sources of revenue for the state.

**Figure 2**

*State Motor Fuels Tax Revenue*  
*Nominal vs. HCI 1992 $*

**FEDERAL FUNDING**

The current federal motor fuels tax rate is 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel. Revenue collected from the federal tax on gasoline and diesel is deposited in the federal Highway Trust Fund.

Approximately one-third of TxDOT’s budget is comprised of federal funds. For decades, federal aid for highways was supported solely by dedicated tax and fee revenue deposited into the federal Highway Trust Fund. When Congress enacted the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU) in 2005, the surface transportation authorization legislation that determined transportation funding levels from 2005 to 2009, Congress elected to spend down the balance of the Highway Trust Fund that had accumulated over the years. This allowed Congress to raise each state’s allocation of federal highway program funding relative to the previous long-term authorization, but it left no room to increase federal aid after 2009 unless Congress acted to increase the federal motor fuels taxes and fees or provide another funding mechanism. Further, declining
gas consumption because of increased fuel efficiency, the rising popularity of hybrid and electric vehicles, and the declining purchasing power of the unchanged federal motor fuels tax have increased the necessity for Congress to contribute general funds to the federal Highway Trust Fund. In subsequent reauthorization acts, Congress kept federal funding at elevated levels without increasing the taxes or fees deposited in the Highway Trust Fund, requiring the continued transfer of general funds to the federal Highway Trust Fund.

The most recent surface transportation legislation, the Infrastructure Investment and Jobs Act (IIJA), passed on November 15, 2021. The Infrastructure Investment and Jobs Act provides a five-year reauthorization of federal highway, highway safety, transit, and rail programs for federal fiscal years 2022 through 2026.

TxDOT also received federal funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act (ARPA) to help offset lost revenue because of COVID-19 by providing funding for the Highway Infrastructure Program, transit services, and aviation grants.

The federal funding amounts that appear in the state General Appropriations Act are estimates of federal reimbursements for payments on projects that were obligated with earlier authority and projects obligated under the Fixing America’s Surface Transportation Act. For more information on surface transportation, maritime, and aviation legislation and funding at the federal level, please see the Federal Government section of this Educational Series document.
NON-TRADITIONAL SOURCES OF REVENUE

PROPOSITION 1
On November 4, 2014, 80 percent of Texas voters approved a ballot measure known as Proposition 1, which authorized a constitutional amendment for non-tolled highway funding. Under the amendment, a portion of oil and gas tax revenues, which would have otherwise been deposited into the Economic Stabilization Fund (also known as the “Rainy Day Fund”), is deposited to the State Highway Fund. Figure 4 depicts the statutory procedures for Proposition 1 funding.

TxDOT began awarding project contracts using Proposition 1 funds in March 2015. As of December 2022 (fiscal year 2023), the State Highway Fund has received approximately $13.3 billion in Proposition 1 revenue.

Unlike TxDOT’s traditional funding sources, Proposition 1 deposits occur yearly rather than monthly, resulting in large cash deposits. While TxDOT has accelerated its letting schedule, there will be a significant cash balance in the State Highway Fund while TxDOT delivers and pays out these projects.

The following factors affect future Proposition 1 deposits:

- Fluctuations in oil and natural gas production and prices affect Proposition 1 deposit amounts.
- The comptroller determines the sufficient balance threshold of the Economic Stabilization Fund by adopting an amount equal to seven percent of the certified general revenue-related appropriations made for that fiscal biennium. A higher sufficient balance in the Economic Stabilization Fund can limit the amount of the Proposition 1 transfer to the State Highway Fund. Additionally, legislative appropriations made from the Economic Stabilization Fund that reduce the amount of cash available to meet the sufficient balance may reduce the funding transferred into the State Highway Fund. In other words, if the balance of the Economic Stabilization Fund is less than the sufficient balance, severance tax revenues will first be distributed to the Economic Stabilization Fund until the balance meets the threshold. Only after the sufficient balance is met will funds be distributed evenly between the State Highway Fund and the Economic Stabilization Fund.
- Proposition 1 funds are set to expire after the fiscal year 2035 transfer if the legislature does not extend the statutory expiration date.

Figure 4
PROPOSITION 1
Texas Oil & Gas Production Taxes Above Threshold
Proposition 1 funds transfers are set to expire after the Fiscal Year 2035 transfer (December 31, 2034), unless a future legislature votes to extend them.

1. Actual amounts deposited in the State Highway Fund may vary based on the sufficient balance of the Economic Stabilization Fund determined by the Texas Comptroller of Public Accounts. The sufficient balance threshold of the Economic Stabilization Fund is set at an amount equal to seven percent of the certified general revenue-related appropriations made for the state fiscal biennium.

2. The Economic Stabilization Fund is also known as the Rainy Day Fund.

3. Preset collection threshold is set at 1987 oil and natural gas production tax levels: $531.9 million in oil production tax revenues and $599.8 million in natural gas production tax revenues.
PROPOSITION 7
On November 3, 2015, 83 percent of Texas voters approved Proposition 7, a constitutional amendment to dedicate portions of revenue from the state’s general sales and use tax as well as from the motor vehicle sales and rental tax to the State Highway Fund for non-tolled projects. Figure 5 illustrates the statutory procedures of Proposition 7 funding. Proposition 7 has two components.

The first component requires the comptroller to deposit into the State Highway Fund up to $2.5 billion of the net revenue from state sales and use tax that exceeds the first $28 billion of revenue coming into the state treasury every fiscal year. The second component of Proposition 7 dictates that when state motor vehicle sales and rental tax revenues exceed $5 billion in each fiscal year, the comptroller must transfer 35 percent of the revenue above the first $5 billion collected to the State Highway Fund. As of November 2022, the comptroller has transferred a total of $13.2 billion in Proposition 7 revenues to the State Highway Fund.

The first component of Proposition 7 (sales and use tax) expires on August 31, 2032, and the second component (motor vehicle sales and rental tax) took effect on September 1, 2019 (FY 2020) and expires on August 31, 2029.

Similar to Proposition 1 deposits, the State Highway Fund receives large cash deposits from Proposition 7 in one or more large totals each year, rather than smaller monthly deposits. While TxDOT has accelerated its letting schedule, there will be a significant cash balance available in the State Highway Fund as these projects are delivered and paid out.

Figure 5
PROPOSITION 7
Sales & Use Tax; Motor Vehicle Sales & Rental Tax
Proposition 7 funds (Sales & Use Tax) are set to expire August 31, 2032; and Proposition 7 funds (Motor Vehicle Sales & Rental Tax) are set to expire August 31, 2029 unless a future legislature votes to extend them.

1. This transfer of funds to the State Highway Fund took effect September 1, 2017 (FY 2018).
2. This transfer of funds to the State Highway Fund became eligible to take effect beginning with the state fiscal year starting on September 1, 2019 (FY 2020).
TEXAS MOBILITY FUND

Texas voters approved the creation of the Texas Mobility Fund in 2001, and the Texas Legislature identified and dedicated certain revenues to the fund in 2003 to advance transportation projects. The maximum bond maturity is 30 years. Debt service payments are secured by fund revenues and are also backed by the full faith and credit of the state.

The program issuance limitation is based on the certified revenue estimate provided by the comptroller. Texas Legislature passed House Bill 2219 (87th Legislature, Regular Session, 2021) to allow TxDOT to issue no more than $3.6 billion in Texas Mobility Fund Bonds until January 1, 2027. Currently, TxDOT estimates it can issue $2 billion based on current revenue and interest rate assumptions.

Texas Mobility Fund Bonds are not subject to the constitutional debt limit unless there is a draw from general revenue to make a debt service payment. If there were a draw, only the amount of the draw from general revenue would count against the debt limit. To minimize the likelihood of such a draw, there is a statutory safeguard that TxDOT may only issue additional debt if the projected revenues of the Texas Mobility Fund in any year are at least 110 percent of the program’s projected debt service. Specifically, this safeguard requires the comptroller to certify that annual revenue from the Texas Mobility Fund will be at least 110 percent of annual debt service throughout the years the bonds will be outstanding.

Revenues to the Texas Mobility Fund totaled approximately $498 million in fiscal year 2022 with $378 million of that amount used to pay debt service. The largest sources of funding are drivers license fees, drivers record information fees, motor vehicle inspection fees, and certificate of title fees. TxDOT may directly spend any Texas Mobility Fund revenue in excess of the required debt service on certain transportation projects.

SHORT-TERM BORROWING

TxDOT is authorized to issue short-term debt that is secured by the State Highway Fund to carry out its functions. The purpose of this program is to ensure that TxDOT can have as many projects underway as possible without carrying a “cushion” in the State Highway Fund balance should project payments come in more quickly or revenues come in more slowly than necessary to maintain adequate cash flow. TxDOT does not have any short-term debt outstanding as of the date of this paper.
STATUTORILY AUTHORIZED USES OF FUNDING STREAMS

TxDOT created Figure 6 as a guide to clarify the funding restrictions associated with each of its state funding sources and financing tools. Figure 6 is useful in discussions related to non-highway state transportation needs such as aviation projects, capital funding for ports, rail, and public transportation.

Figure 6

<table>
<thead>
<tr>
<th>FUNDING SOURCE</th>
<th>PROJECT TYPE</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Highways (Non − Tolled)</td>
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<td>Proposition 1 Funds</td>
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<tr>
<td>Proposition 7 Funds</td>
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<tr>
<td>State Highway Fund (Dedicated)²</td>
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<tr>
<td>Texas Mobility Fund²</td>
<td>✓</td>
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<tr>
<td>State Highway Fund (Non-Dedicated)³</td>
<td>✓</td>
</tr>
<tr>
<td>General Revenue⁴</td>
<td>✓</td>
</tr>
</tbody>
</table>

1. State Highway Fund (Dedicated) includes traditional sources of funding dedicated by the Texas Constitution and consists of state motor fuel and lubricant taxes, motor vehicle registration fees, and interest earned on dedicated deposits. It also includes federal reimbursements that are not reflected in the above grid, as a small amount of these federal funds may at times be used for other modes of transportation.

2. The Texas Constitution allows for the use of Texas Mobility Fund revenues and bond proceeds to develop and construct state highways and other public transportation projects.

3. State Highway Fund (Non-Dedicated) includes very limited revenue sources that are designated by statute but not the Texas Constitution. These limited revenue sources are further constrained by an annual, statutorily required transfer of approximately $150 million, which backfills the Texas Mobility Fund’s loss of certificate of title fees. Many multi-modal transportation services have received level funding for decades because of the limited availability of non-dedicated funds.

4. State general revenue can be used on all forms of multimodal transportation in order to pay for exceptional items or legislative directives where other revenues are unavailable due to restrictions or if they have already been fully obligated.
CONNECTING YOU WITH TEXAS

RESOURCES

TEXAS DEPARTMENT OF TRANSPORTATION

PROJECT TRACKER
Project Tracker is the gateway to up-to-date information about TxDOT highway improvement projects, providing 24/7-access to the public, employees, and elected officials.

PERFORMANCE DASHBOARD
STRATEGIC GOALS
TxDOT’s performance dashboard provides a transparent way to show how we are doing as an agency. We highlight performance measures related to the seven strategic goals that guide our mission of Connecting You with Texas: Promote Safety, Optimize System Performance, Preserve Our Assets, Deliver the Right Projects, Focus on the Customer, Foster Stewardship and Value Our Employees.

TEXAS DEPARTMENT OF TRANSPORTATION

GOVERNMENT AFFAIRS
TxDOT’s Government Affairs Division works closely with government on both the state and federal levels though the State Legislative Affairs and Federal Affairs sections.

TxDOT’s complete 2023-2024 Educational Series that focuses on a range of transportation issues affecting TxDOT and the state of Texas.

TxDOT is committed to your safety and to the reliability of the information contained on this site. While road conditions can change rapidly, DriveTexas.org is an industry leader in providing some of the most accurate and up-to-date travel-related information currently available to drivers in Texas. Information presented here is as close to real time as possible. For those who use our roads, please do not use this site while operating a motor vehicle.

Be Safe. Drive Smart. Thank you!