

**SUBJECT:** Depositing a portion of the sales tax to the state highway fund

**COMMITTEE:** Transportation — committee substitute recommended

**VOTE:** 11 ayes — Pickett, Martinez, Burkett, Y. Davis, Fletcher, Harless, Israel, Murr, Paddie, Phillips, Simmons

0 nays

1 absent — McClendon

**WITNESSES:** For — Bob Jones, ACEC-Texas; Scott Haywood, Move Texas Forward; Brandon Janes, Transportation Advocates of Texas; Don Dixon; Johnny Weisman; (*Registered, but did not testify:* Anne O’Ryan, AAA Texas; Jennifer Newton, AGC of Texas; C. Brian Cassidy, Alamo RMA, Cameron County RMA, Camino Real RMA, Central Texas RMA, Grayson County RMA, North East Texas RMA; Gary Bushell, Alliance for I-69 Texas, I-14/US 190/Gulf Coast Strategic Highway Coalition; Dana Harris, Austin Chamber of Commerce; Seth Mitchell, Bexar County Commissioners Court; TJ Patterson, City of Fort Worth; Megan Dodge, City of San Antonio; Charles Reed, Dallas County; Brandi Bird, Dallas Regional Mobility Coalition; Byron Campbell and Drew Campbell, DRMC; Matthew Geske, Fort Worth Chamber of Commerce; James Hernandez, Harris County, Harris County Toll Road Authority; Donna Warndof, Harris County; Ray Sullivan, HNTB; Chris Shields, San Antonio Chamber of Commerce; Victor Boyer, San Antonio Mobility Coalition, Inc.; Mark Mendez, Tarrant County Commissioners Court; Vic Suhm, Tarrant Regional Transportation Coalition; Richard A. (Tony) Bennett, Texas Association of Manufacturers; Bill Hammond, Texas Association of Business; Steven Garza, and Daniel Gonzalez, Texas Association of REALTORS; Justin Yancy, Texas Business Leadership Council; Donald Lee, Texas Conference of Urban Counties; Lawrence Olsen, Texas Good Roads Association; Shanna Igo, Texas Municipal League; Jennifer McEwan, Texas Transportation Alliance; Les Findeisen, Texas Trucking Association; Deece Eckstein and Conrad John, Travis County Commissioners Court; Tara Snowden, Zachry Corporation; Don

Durden; James McCarley)

Against — Dick Lavine, Center for Public Policy Priorities; Dennis Borel, Coalition of Texans with Disabilities; (*Registered, but did not testify*: John Patrick, Texas AFL-CIO; Ted Melina Raab, Texas American Federation of Teachers; Maxie Gallardo, Workers Defense Project)

On — Duane Gordy; Cyrus Reed, Lone Star Chapter Sierra Club; Michael Morris, NCTCOG; Terri Hall, Texas TURF, Texans for Toll-Free Highways; (*Registered, but did not testify*: John Barton, James Bass, and Joe Weber, Texas Department of Transportation; Ronald Hufford, Texas Forestry Association; Victor Vandergriff, Texas Transportation Commission)

DIGEST:

CSHJR 13 would require the comptroller to deposit to the state highway fund \$3 billion of net sales tax revenue in each fiscal year. This provision would take effect September 1, 2017.

The joint resolution also would require the comptroller in each fiscal year to deposit to the state highway fund 2 percent of the net revenue derived from the state sales and use tax that was not deposited as part of the \$3 billion. This provision would take effect September 1, 2016.

CSHJR 13 would provide that these funds could be appropriated only to:

- construct, maintain, or acquire rights-of-way for public roadways other than toll roads; or
- repay the principal of and interest on certain bonds and other public securities, bond enhancement agreements, and general obligation bonds.

These provisions would expire September 1, 2026.

The proposal would be presented to the voters at an election on November 3, 2015. The ballot proposal would read: “The constitutional amendment temporarily dedicating a portion of state sales and use tax

revenue to increase transportation funding.”

**SUPPORTERS  
SAY:**

CSHJR 13 would provide a steady, consistent funding source for transportation projects across the state by dedicating a portion of the sales and use tax to the state highway fund.

Transit costs are a significant drag on the economy when the transportation system does not work properly. The Texas A&M Transportation Institute found that delays and fuel costs as a result of congestion cost the state \$10.1 billion and more than 472 million hours of travel time. TRIP, a national transportation research group, found that an inadequate transportation system costs Texas more than \$23 billion, which includes costs from congestion, vehicle maintenance, and public safety .

CSHJR 13 not only would increase current capacity and address current needs, but it would provide for funding growth with the growth of the economy. Because CSHJR 13 would deposit a percentage of sales tax revenue to the state highway fund, this revenue would increase when consumption increased and economic growth occurred.

The current haphazard and variable funding system has caused a variety of consequences. Debt service costs TxDOT more than a billion dollars. Last biennium, the department paid more in debt service than it did to finance new construction. This was necessitated by variable appropriations in conjunction with payments for various projects coming due. Because transportation projects often cost a substantial amount and take several years to complete, it is not practical to disburse the entire cost of the project in one year or one biennium. If an expected appropriation is not received, then the department may have to delay an important project to finish out a previous one.

One-time appropriations of money also are likely to be less effectively spent. Because there is no guarantee that funding will be maintained for the next biennium, the increase in funding often goes toward shovel-ready or short-term projects in areas that might not yield the greatest return on investment.

Additionally, the variable nature of the funding means that it is harder for contractors to keep a trained workforce. After a project is finished, there is no guarantee there will be another one available, which can lead to layoffs. CSHJR 13 would provide a baseline of funding so that projects could continue as they were needed to facilitate economic activity.

Specifics of the transportation planning process contribute to the need for a steady funding source. Metropolitan Planning Organizations are required by federal law to develop a short-term Transportation Improvement Program (TIP). TIPs are fiscally restrained, meaning that they can include projects in the plan only for which there is money in the bank. Projects cannot be included in TIPs if funding for them is unreliable.

The Legislature does not need extensive discretion in the budgetary process, particularly where such a vital state priority is concerned. Dedicating money to transportation not only would provide a consistent funding source for highway construction, it would contribute to an effort to make the budgetary process simpler and more efficient.

Although a hike in the gas tax would help fund transportation temporarily, it would not be effective in the long run. Thanks to more fuel-efficient vehicles, revenues from the gas tax are declining even as the number of miles driven, and the corresponding road maintenance costs, are rising. This problem will only get worse as more people opt to drive electric vehicles and hybrids. Allocating surplus revenue would not adequately fund transportation either. In fact, it probably would exacerbate the variability problem because the Legislature cannot expect surplus revenue during every budget period.

**OPPONENTS  
SAY:**

While funding transportation is an important priority, there are better alternatives to CSHJR 13. The proposed resolution would tie the hands of the state in future years by constitutionally dedicating more than \$7 billion in funds every biennium. The Legislature already has discretion over only 17 percent of the state budget. This means that in tight fiscal times critical

state services like public education and health and human services could see bigger cuts.

The Legislature could raise the gas tax, of which more than 50 percent of the proceeds are dedicated to the state highway fund. The state also has a substantial amount of surplus revenue that it could allocate. There is no reason to handicap the state's ability to respond to future budget crises.

**NOTES:**

According to the Legislative Budget Board's fiscal note, CSHJR 13 would have an estimated negative net impact to general revenue of about \$633 million through fiscal 2016-17. The fiscal note also states that the negative impact to general revenue would increase to about \$7.3 billion in fiscal 2018-19.

CSHB 13 by Pickett is set for second-reading consideration on today's calendar.