


Resolution of the Board of Directors in Support of Increasing and Indexing Motor Vehicle Registration Fees and Correcting Deficiencies in the Current Revenue Distribution Formula

The Greater Houston Partnership's Board of Directors supports methods of increasing funding for Texas roadways, including increasing and indexing motor vehicle registration fees in the State of Texas and correcting deficiencies in the current revenue distribution formula.

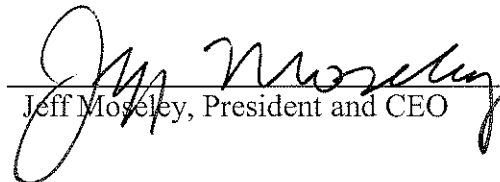
To provide sufficient funding to TxDOT for maintenance and expansion of the state highway system and to compensate for the effects of inflation over the past quarter-century, motor vehicle registration fees should be increased by approximately 105% or the amount necessary to restore the value of such fees to the inflation-adjusted level of funding that they provided in 1984 (the last time motor vehicle registration fees were increased by the Texas Legislature).

Motor vehicle registration fees should be indexed to the highway construction cost index so that the level of funding provided by such fees is not eroded in the future by the effects of inflation.

The statutory clause that limits the percentage of motor vehicle registration fees that are rebated to urban counties with large numbers of vehicles should be repealed.



Daniel J. Wolterman, Chairman



Jeff Moseley, President and CEO



Daniel G. Bellow, Secretary

MEMORANDUM

DATE: August 6, 2008

TO: Greater Houston Partnership Board of Directors

FROM: Jim Dannenbaum, Chairman
Transportation and Infrastructure Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of Increasing and Indexing Motor Vehicle Registration Fees and Correcting Deficiencies in the Current Revenue Distribution Formula

RECOMMENDATION

The Greater Houston Partnership's Board of Directors supports methods of increasing funding for Texas roadways, including increasing and indexing motor vehicle registration fees in the State of Texas and correcting deficiencies in the current revenue distribution formula.

To provide sufficient funding to Texas Department of Transportation (TxDOT) for maintenance and expansion of the state highway system and to compensate for the effects of inflation over the past quarter-century, motor vehicle registration fees should be increased by approximately 105% or the amount necessary to restore the value of such fees to the inflation-adjusted level of funding that they provided in 1984 (the last time motor vehicle registration fees were increased by the Texas Legislature).

Motor vehicle registration fees should be indexed to the highway construction cost index so that the level of funding provided by such fees is not eroded in the future by the effects of inflation.

The statutory clause that limits the percentage of motor vehicle registration fees that are rebated to urban counties with large numbers of vehicles should be repealed so that all counties receive the same percentage of registration fee rebates.

BACKGROUND

The Texas Department of Transportation is responsible for maintenance and expansion of the state highway system. A safe and well maintained highway system that is expanded as necessary to maintain mobility is important to the economic vitality of the State of Texas in general and the greater Houston area in particular.

The population of Texas is increasing rapidly, and significant additions to and expansions of the state highway system are necessary, particularly in the state's fast-growing urban areas, to maintain the current level of mobility.

According to Stephen Klineberg's 2008 Houston Area Survey, a widely recognized survey that measures the attitudes and concerns of Houston area residents, traffic is the number one concern of people living in the Houston area. Expansion of and improvements to the state highway system in the Houston area is imperative to relieve traffic congestion, improve mobility, and encourage continued economic development in the region.

The cost of maintaining the state's existing highway infrastructure has been rising rapidly. TxDOT projects that, if additional funding is not provided, it will soon need to devote 100% of its annual budget to road and highway maintenance and repair, leaving no funding available for additions to or expansions of the state highway system.

TxDOT has already begun to cut back on expenditures related to expansions of the state highway system, in order to conserve funds for maintenance of existing roadways, by reducing employee headcount and by reducing fiscal 2008 expenditures for consultant engineering work by \$250 million and for right-of-way purchases by \$250 million.

If highway construction costs continue to rise and TxDOT is not provided with additional funding, TxDOT will soon have insufficient funds to maintain its existing highway system and the current level of service will decay at an accelerating rate; additional funding will be required just to maintain the existing highway system with gradually deteriorating levels of service, and substantial additional funding will be required for expansions needed to maintain the current level of mobility as the state's population grows.

Recent increases in the average fuel economy of motor vehicles and substantial future increases in fuel economy that will occur under recently adopted comprehensive federal energy legislation will reduce the amount of motor fuel consumed per vehicle mile traveled. They will also reduce or eliminate future growth in motor fuel tax revenues, thereby further curtailing TxDOT's ability to maintain and expand the state highway system.

Almost one-third of motor vehicle registration fees collected state-wide are rebated to counties to fund county road projects but the portion of motor vehicle registration fees rebated to urban counties with large numbers of vehicles is limited by a complex formula that curtails the percentage of registration fees rebated to such counties below the percentage that is rebated to counties with fewer vehicles. There is no good reason why counties with more vehicles should receive a smaller percentage of registration fees than counties with fewer vehicles.

It is not desirable for the motor vehicle registration fee to remain constant for 25 years while inflation erodes the value of the fee in relation to motor vehicle purchase prices and the costs of constructing and maintaining the state highway system and county road systems.

FISCAL IMPACT

Motor vehicle registration fees currently generate almost \$1 billion per year in revenue for TxDOT's state highway fund and almost \$450 million per year for county road projects

throughout Texas, but state-wide motor vehicle registration fees have not been increased since 1984.

To compensate for the effects of inflation since 1984, motor vehicle registration fees should be increased by approximately 105%, which would generate more than \$1 billion in additional revenue per year for TxDOT's state highway fund and approximately \$450 million per year for county road projects, thereby providing TxDOT and counties with substantial additional revenue to address the severe funding shortfalls described above.

If no action is taken, the effects of inflation will further erode the level of funding available to TxDOT and counties and TxDOT will be unable to maintain the state's highway system. Counties will experience increasing difficulty in maintaining their road systems, and the resulting decay in mobility will produce severe adverse impacts to the economy of Texas; but if motor vehicle registration fees are increased to compensate for the effects of inflation since 1984, the overall increase in motor vehicle registration fee would be approximately 17¢ per vehicle per day – an amount that would not have an adverse impact on the economy of Texas.

IMPLEMENTATION

Partnership staff will communicate the Partnership's concerns regarding the level of funding available for maintenance and expansion of the state highway system and county road systems. Staff will also communicate the Partnership's recommendations for increasing motor vehicle registration fees to members of the Texas Legislature to seek to persuade them to increase the level of funding provided for mobility so that the Houston region's economic vitality may be maintained.

RESOURCES REQUIRED

This recommendation can be implemented with available Greater Houston Partnership staff and within the current operating budget.