
Resolution of the Board of Directors in Support of Increasing Funding for Texas Roadways

The Greater Houston Partnership's Board of Directors supports methods of increasing funding for Texas roadways, including increasing and indexing the motor fuels tax, reducing diversions of funds to programs unrelated to transportation and developing new funding sources to pay for maintenance and expansion of the highway system.

Maintenance and expansion of the state highway system in the greater Houston area and throughout the State of Texas is an important governmental function that should be adequately funded, and failure to provide adequate funding could have a severe adverse impact on the economy of our region and the welfare of its people.

Increasing the Motor Fuels Tax

To provide sufficient funding to TxDOT for maintenance of the state highway system, the motor fuels tax in Texas should be increased from 20 cents to 30 cents per gallon. The Partnership notes that a 10 cent per gallon increase would restore some, but not all, of the purchasing power of the motor fuels tax that has been lost due to the effects of inflation, as the state motor fuels tax would need to be raised to 28 cents per gallon to achieve the same level of funding (adjusted for inflation) that was available to TxDOT in 1991. The Partnership also notes that if the Texas motor fuels tax is increased to 30 cents per gallon, the Texas tax rate will still be substantially below the national average.

Indexing the Motor Fuels Tax

The Texas motor fuel tax rate should be indexed to the highway construction cost index, which is rising at a faster rate than the Consumer Price Index, so that the level of funding provided by the tax is not eroded in the future by the effects of inflation.

Reducing Diversions

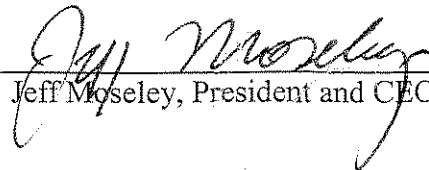
All diversions of state motor fuel tax revenue to non-TxDOT programs that are not directly associated with the maintenance and expansion of the state highway system, except for the 25 percent diversion to education required by the Texas Constitution, should be discontinued.

Developing New Funding Sources

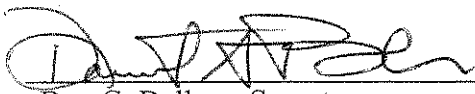
Since an increase in the state motor fuels tax from 20 cents to 30 cents per gallon will not restore the motor fuels tax to 100 percent of the level of funding it provided in 1991, and since the increasing fuel efficiency of motor vehicles will result in a gradual decline in motor fuel tax revenue per vehicle mile traveled, the Partnership urges the Texas Legislature to develop additional sources of funding for TxDOT, so that TxDOT will have approximately the same level of funding that it had in 1991, as well as the additional funds that are and will be necessary to accommodate the state's growing population.



Daniel J. Wolterman, Chairman



Jeff Moseley, President and CEO



Dan G. Bellow, Secretary



MEMORANDUM

DATE: March 5, 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 Funding for Texas Roadways

RECOMMENDATION

The Greater Houston Partnership's Board of Directors supports methods of increasing funding for Texas roadways, including increasing and indexing the motor fuels tax, reducing diversions of funds to programs unrelated to transportation and developing new funding sources to pay for maintenance and expansion of the highway system.

Maintenance and expansion of the state highway system in the greater Houston area and throughout the State of Texas is an important governmental function that should be adequately funded, and failure to provide adequate funding could have a severe adverse impact on the economy of our region and the welfare of its people.

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Indexing the Motor Fuels Tax

The Texas motor fuel tax rate should be indexed to the highway construction cost index (HCI), which is rising at a faster rate than the Consumer Price Index, so that the level of funding provided by the tax is not eroded in the future by the effects of inflation.

Reducing Diversions

All diversions of state motor fuel tax revenue to non-TxDOT programs that are not directly associated with the maintenance and expansion of the state highway system, except for the 25 percent diversion to education required by the Texas Constitution, should be discontinued.

Developing New Funding Sources

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BACKGROUND

Texas Department of Transportation (TxDOT) 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 and the greater Houston area.

TxDOT has reported a statewide transportation funding shortfall of \$86 billion. Considering inflation and recent federal rescissions of highway funds, the shortfall is approximately \$100 billion. This past year, Texas rescinded \$660 million in transportation funding. Additional rescissions of \$285 million are expected in 2008.

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. Approximately 90 percent of the state's population growth will occur in the urban areas.

The cost of maintaining the state's existing highway infrastructure has been rising rapidly, and TxDOT projects that, if additional funding is not provided, it will soon need to devote 100 percent 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.

If highway construction costs continue to rise and TxDOT is not provided with additional funding, TxDOT will in a few years have insufficient funds to maintain its existing highway system at the current level of service. Texas Transportation Institute reports an average annual increase to the highway cost index of approximately three percent between the years of 2007 and 2030.

Many other states have experienced similar constraints on revenues available for maintenance and expansion of their state highway systems and have, as a result, recently increased their motor fuel taxes, resulting in the Texas motor fuels tax being almost 10 cents per gallon lower than the national average.

The level of funding produced by the much-lower-than-average motor fuels tax in Texas is further reduced by a provision of the Texas Constitution that requires 25 percent of motor fuel tax revenues to be spent on education and by other diversions of motor fuel tax revenue

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by the Texas Legislature to non-TxDOT programs, thereby putting Texas among the three states with the lowest motor fuels tax devoted to funding maintenance and expansion of its state highway system.

If no action is taken, the effects of inflation will further erode the level of funding available to TxDOT and TxDOT will be unable to maintain the state's highway system, resulting in severe adverse impacts to the economy of Texas.

In 2004 and in 2006, the Partnership formally endorsed increasing and indexing the state motor fuels tax to the rate of the Highway Cost Index as priorities in their legislative agendas. The Partnership has also supported reducing diversion of highway funds not directly related to transportation.

FISCAL IMPACT

TxDOT derives the vast majority of its state-supplied funding from a tax on roadway vehicle motor fuels, and the Texas Legislature increased the state motor fuels tax rate from 15 cents to 20 cents per gallon in 1991, but the tax rate has remained unchanged since that time. Due to the effects of inflation over the past 16 years, the current value of the state motor fuels tax (in constant 1991 dollars) is now less than 14 cents per gallon and dropping.

IMPLEMENTATION

Partnership staff will communicate the Partnership's concerns regarding the level of funding available for road, highway and transportation construction and maintenance and the Partnership's recommendations for increasing the level of funding available to TxDOT for such purposes to members of the Texas Legislature and to seek to persuade them to increase the level of funding so that the Houston region's transportation mobility and economic vitality may be maintained.

RESOURCES REQUIRED

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