



TRANSPORTATION TEAM ISSUE PAPER

San Antonio Chamber of Commerce
San Antonio Hispanic Chamber of Commerce
North San Antonio Chamber of Commerce
South San Antonio Chamber of Commerce
West San Antonio Chamber of Commerce
San Antonio Mobility Coalition

Protect Existing Transportation Funding Framework

LEGISLATIVE PRIORITY: Support continuation of the current funding framework for the State Highway Fund (SHF) including:

- 1) Full funding and implementation of Propositions 1 and 7;
- 2) Continued policy of non-diversion of revenue from the SHF to non-transportation programs; and
- 3) Continued availability of tolling for the delivery of major added capacity projects in regions of the state that have insufficient revenue from traditional sources.

BACKGROUND: Transportation funding remains a critical element of our state's economic recovery and future economic growth. With Texas' total population expected to grow from 29 million in 2020 to 47 million in 2050 and with highway freight tonnage anticipated to grow from \$1.2 billion tons in 2016 to \$2.5 billion tons in 2045, it is essential that the legislature provide adequate and sustainable funding for critical transportation projects. In addition to providing physical projects that enhance mobility, connectivity, and safety – investment in our transportation infrastructure provides an economic return on investment seven times greater than cost with an accompanying positive impact on job creation.

A recent update of the *2030 Commission Report* - detailed in both an October 2020 ACEC Texas Report and the December 2020 *House Transportation Committee Interim Report* - estimates that between 2019 and 2030, Texas will underfund transportation infrastructure by \$111 billion, an average of \$9.3 billion per year. This estimate does not consider the potential negative impact of COVID-19 on existing revenue streams, the positive impact of about \$3.7 billion/year from Propositions 1 and 7 (detailed below), and the offsetting negative impact of at least \$2 billion/year from the addition of at least ten "megaprojects" totaling \$23.19 billion that - at the time of the original 2030 Commission Report - were to have been funded primarily with toll revenue.

In 2014 and 2015 Texas voters overwhelmingly approved Propositions 1 and 7 both of which dedicate additional funding for the State Highway Fund (SHF).

Proposition 1, which passed with 80 percent voter approval, allocates a portion of oil and gas severance taxes to non-toll highway projects. This funding previously was allocated to the State's Economic Stabilization Fund. Annual funding from Proposition 1 has averaged about \$1.2 billion per year with a high level of volatility as it is tied to oil and gas production levels.

Proposition 7, which passed with 83 percent voter approval, allocates up to \$2.5 billion in annual general sales tax revenue to the SHF. At some point in the future Proposition 7 will provide additional revenue from the motor vehicle sales and rental tax whenever the annual amount collected exceeds a \$5 billion threshold.

The two propositions now comprise about 29 percent of TxDOT funding (2020-2021 biennium), and are a key funding component of TxDOT's 10 year plan (Unified Transportation Plan). Largely as a result of these two relatively-new funding sources, TxDOT's ten-year project plan (Unified Transportation Program – UTP) has grown from \$34.46 billion in 2015 to \$74.65 for 2021.

This increase in funding has helped all regions of the state move priority highway projects forward in the planning process – in particular many congestion relief projects that had stalled for decades while awaiting a funding source. However, these same projects would be subject to delay or even cancelation if Proposition 1 or 7 revenue are reduced for any reason. For example, Proposition 7 funding can be reduced by up to 50 percent by a two-thirds vote of both the House and Senate, and Proposition 1 can be eliminated for any year in which the State's Economic Stabilization Fund falls below a set threshold. An additional concern for Proposition 1 revenue stems from reductions in oil and gas production revenue as a result of COVID-19, economic downturn, and related factors.

Another potential risk to the State Highway Fund is legislative diversions from the State Highway Fund to non-transportation programs, a practice that legislative leadership discontinued eight years ago after more than \$20 billion was lost to the State Highway Fund over a 20 year period. While a return to such a practice may be tempting during times of fiscal restraint, the potential negative impact on project delivery, congestion relief, connectivity, and the economy should not be underestimated.

Finally, continuing to provide a toll option for those communities that so desire to pursue that approach will help accelerate major project delivery and provide a means for future system expansion and maintenance beyond those resources provided by the legislature to TxDOT. While there currently are no toll projects planned for the San Antonio Region, we support the continued availability of tolling as a way to provide additional projects for other regions of the state and to lessen pressures on the relatively limited pool of traditional funding available to the State Highway Fund.

RECOMMENDATION: Support continuation of the current funding framework for the State Highway Funding, including full funding or Propositions 1 and 7, no diversions from the State Highway Fund, and the continued availability of a toll option.

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