



## 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

### Transportation Funding Enhancements

#### LEGISLATIVE PRIORITY:

- 1) Support legislation to require owners of non-gas, non-diesel powered vehicles to contribute to the cost of road construction and maintenance through an appropriate fee;
- 2) Support legislation to index the motor fuels tax (gasoline and diesel) to avoid further deterioration in the value of these revenue sources for road construction and maintenance;
- 3) Support any bill, appropriation, or rider that increases dedicated transportation revenue for TxDOT, counties, city governments, and/or transit.

**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 priority 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.

One option to provide additional revenue and to protect existing revenues from inflation is to both raise and index the state's gasoline and diesel taxes to an appropriate inflation index such as the Consumer Price Index or TxDOT's Highway Construction Cost Index.

Since the last adjustment in these taxes in 1991 – considered by many to be appropriate user fees - the actual purchasing power of the twenty-cents per gallon gas tax (including the portion allocated to public education) has declined to about 6 cents as a result of inflation. Increased fuel economy has also taken a toll on motor fuels tax collections.

Rep. Ray Lopez (D-125) has introduced HB 207 that would increase the existing gasoline and diesel taxes from 20 to 22 cents per gallon to then be indexed annually to the rate of inflation (Consumer Price Index). The initial adjustment would increase collections from the motor fuels tax by 10 percent and then protect future revenues from further inflationary degradation.

An additional option to consider is the rapid growth of electric and other alternatively-powered vehicles that either do not pay these taxes or pay a very small percentage. While currently only a relative small percentage of the state's 24 million registered vehicles are estimated to be all-electric, it may be appropriate to identify an alternative fee or tax for these types of vehicles before they comprise a significant percentage (30 percent or more) of the total vehicle fleet as some industry experts project. In addition, there is a matter of fairness to address with other roadway users who contribute to the roadway network through their gasoline and diesel taxes.

Rep. King of Hemphill has introduced HB 427 that would establish a \$200 annual registration fee for electric vehicles and \$200 for hybrid vehicles. Other bills and other approaches for capturing this revenue – a fee on electric batteries, a fee on electric utilities, or an additional fee at time of vehicle purchase – are likely to emerge during the session. In addition, an inter-agency study of the various options is likely to be completed prior to any legislative hearings on this issue.

There likely will be other bills, appropriations, or riders introduced during the 2021 legislative session would provide additional dedicated transportation revenue for TxDOT, counties, city governments, and/or transit. In concept, are generally support of such initiatives.

**RECOMMENDATIONS:** Support transportation funding enhancements including a fee in lieu of the gas tax for non-gas, non-diesel powered vehicles; raising and index the current gasoline and diesel taxes, and consider other potential revenue enhancements for TxDOT, county and city governments, and transit.

**CONTACT:**

Stephanie Reyes

VP Public Policy

San Antonio Chamber of Commerce

O. 210.229.2162

sreyes@sachamber.org