

THE FUNDING CHALLENGE...UNDERSTANDING THE STATE ROAD AND HIGHWAY FUNDING IN TEXAS

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The Texas transportation system faces challenges like never before. Demand on the system is outpacing available revenue, and factors like inflation, a growing population, an aging infrastructure and more fuel-efficient vehicles are pushing current funding sources to their limits.

A healthy and reliable transportation system is critical for Texas, now and in the future. However, solving the state's current funding problems will require a multi-level approach, with all Texans involved in the planning process.

TRANSPORTATION NEEDS AND COSTS

In 2008, the Texas Transportation Commission appointed a 12-member committee of Texas business, academic and civic leaders to determine independently the state's transportation needs through 2030. According to the committee, Texas needs to invest \$315 billion between now and 2030 to maintain the existing infrastructure, prevent - not improve - worsening traffic congestion in urban areas, and ensure rural mobility and safety. That's \$315 billion if state and local partners could make those improvements today. Current state revenue projections show less than half of that amount will be available over the next two decades. Since the initial report was released, the Texas Transportation Institute (TTI) has updated the transportation needs figure to the year 2035. According to TTI, total statewide needs are now about \$370 billion. With inflation, and adding in the Texas Department of Transportation's (TxDOT) other state responsibilities—like ferry service on the Gulf Coast, engineering and planning—that amount increases to more than \$480 billion over the next 20-plus years. Although filling that funding gap is a daunting prospect, exploring funding solutions for our most critical transportation needs is a realistic starting point. As state leaders explore those long-term financial solutions, TxDOT will continue working to balance the needs with available resources.

CHALLENGES...WHAT ARE THEY?

Traditional transportation funding sources – primarily motor fuels taxes and registration fees – have remained static for many years and have not kept pace with mounting transportation demands. Since the early 1990s, Texans have continued to pay 38.4 cents per gallon in state and federal motor fuel taxes while the state's population has grown by more than 6 million, and vehicle miles traveled have increased by more than 50 percent. Population growth is projected to continue, and although more Texans should mean more money in transportation coffers, there are some factors to keep in mind:

Fuel efficiency. By 2030, Texans will likely be driving passenger cars and trucks that could average about 34 miles per gallon. And fewer gallons purchased translate into fewer available dollars for transportation.

Inflation. In Texas, construction inflation increased 65 percent between 2002 and 2008. Since the downturn in the national economy, prices have dipped. But as the economy improves, it is likely that prices will continue their upward trend.

Federal funding issues. Texas is a donor state. For every federal motor fuel tax dollar Texans send to Washington, D.C., the state gets back about 70 cents for highways and 8 cents for transit. Additionally, federal funding is increasingly unreliable, making it difficult to plan for future transportation needs.

Aging infrastructure. Many Texas roads and bridges have exceeded their intended lifespan and require extensive rehabilitation.

Other uses. A portion of state transportation funds supports other important functions of government. In the 2010 to 2011 biennium, \$1.15 billion in state highway fund revenues were allocated to other programs.

SO WHAT'S THE DISCUSSION?

The search for acceptable solutions is challenging, and no single action is likely to address all of the state's transportation needs. Several proposals* are part of the public dialogue. The presentation will elaborate on some of these; including strategies to:

- **Maximize traditional sources**
- **Create new capital**
- **Continue/expand programs**

NOTE: TxDOT does not advocate any particular solution. Final decisions about transportation funding options belong to state legislators and members of Congress.