



LEGISLATIVE BUDGET BOARD

Overview of Transportation Funding and Revenue Sources

Summary of 2016-17 Appropriations, Selected Funds and Revenue Sources, Rail Transportation Funding, and Port Funding

**PRESENTED TO THE HOUSE APPROPRIATIONS COMMITTEE – SUBCOMMITTEE
ON ARTICLES VI, VII & VIII**

LEGISLATIVE BUDGET BOARD STAFF

JULY 2016

Statement of Interim Charge

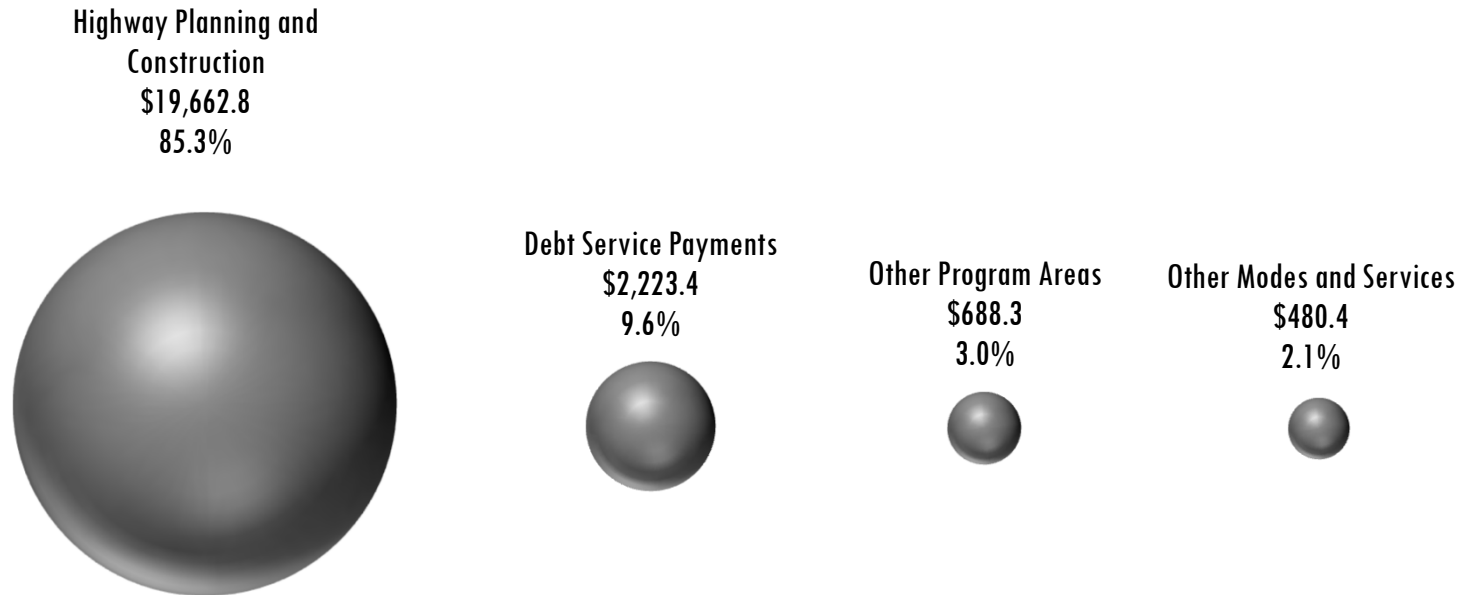
House Appropriations Committee Interim Charge #18: Study the various methods of funding the state's transportation network including recent legislative enactments such as Proposition 1 (83(3)) and Proposition 7 (84R). Review the current budget structure for the Texas Department of Transportation as it relates to transportation funding categories and make recommendations for future allocations to accurately address the transportation needs in the state.

1. Texas Department of Transportation (TxDOT) Appropriations for the 2016-17 Biennium
2. Overview of Transportation Funds and Selected Revenue Sources
 - State Highway Fund (including Proposition 1 and Proposition 7)
 - Federal Funds
 - Texas Mobility Fund
 - Bond Programs
3. Rail Transportation Funding
4. Maritime Port Funding

TxDOT Program Areas by Appropriation, 2016-17 Biennium

IN MILLIONS

TOTAL: \$23,054.9

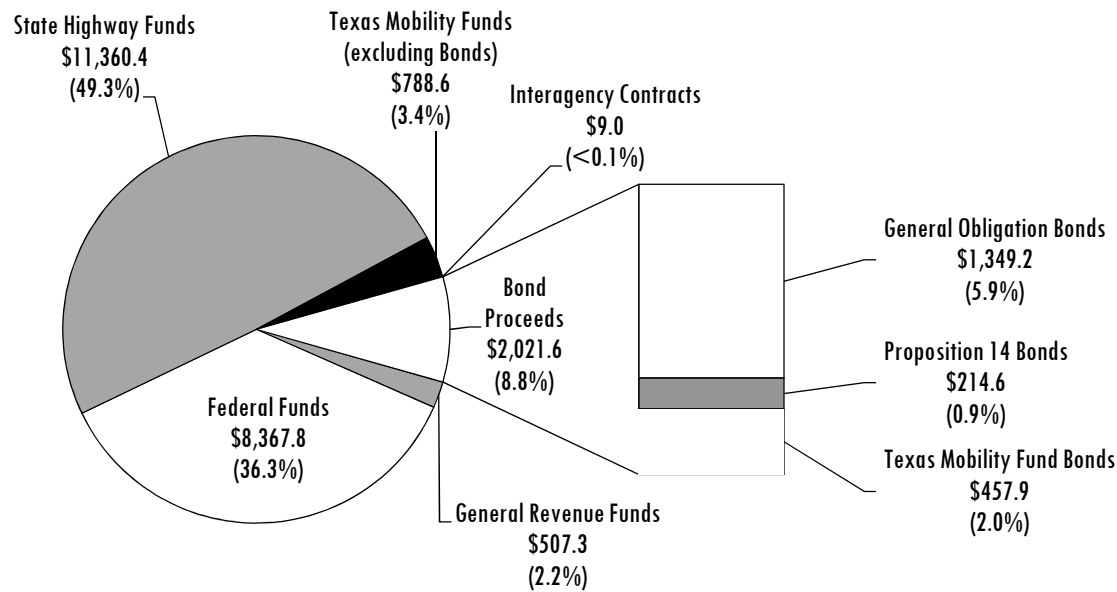


SOURCE: Legislative Budget Board

TxDOT Funding Sources, 2016-17 Biennium

IN MILLIONS

TOTAL = \$23,054.9



NOTE: State Highway Funds are estimated and include \$8.2 billion from traditional state tax and fee revenue sources, \$2.4 billion from Proposition 1 (2014) oil and natural gas tax-related transfers, and \$0.7 billion from regional toll project funds.

SOURCE: Legislative Budget Board

State Highway Fund

- The State Highway Fund (SHF) is not established or dedicated by the Texas Constitution, but some revenues deposited to the fund are constitutionally dedicated for public roadway purposes.
- The Texas Constitution dedicates the following revenue sources (net of authorized refunds and costs of collection) for acquiring rights-of-way; constructing, maintaining and policing public roadways; and administration of laws pertaining to the supervision of traffic and safety on public roadways:
 - Three-fourths of state motor fuels taxes (1/4 allocated to Available School Fund);
 - Vehicle registration fees; and
 - Motor fuel lubricants sales tax.
- Revenue received from the federal government as reimbursement for state expenditures of funds that are constitutionally dedicated for the public roadway purposes listed above are also constitutionally dedicated for those purposes.
- Other constitutionally dedicated SHF revenues include:
 - Oil and natural gas tax-related transfers (Proposition 1, 2014); and
 - State sales tax and motor vehicle sales and rental tax allocations (Proposition 7, 2015).

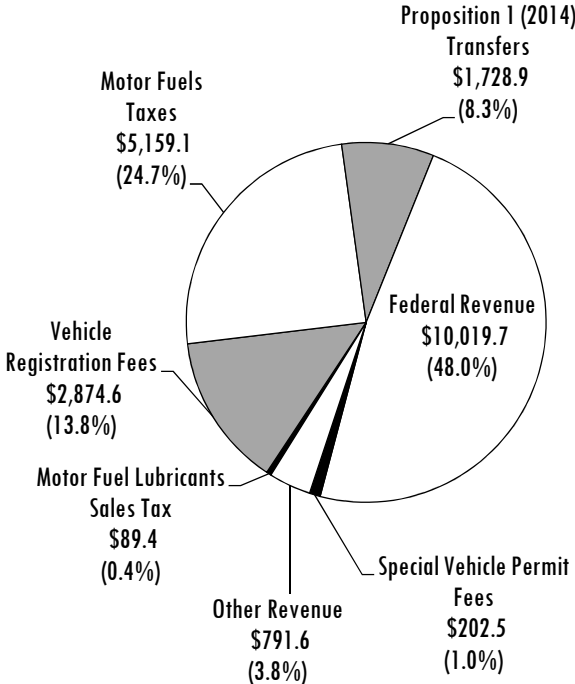
State Highway Fund (continued)

- Enactment of House Bill 20, 84th Legislature, 2015, repealed the statutory authorization to use money in the SHF that is constitutionally dedicated for public roadway purposes to police the state highway system and administer state traffic and safety laws on public roads.
- State revenues deposited to the SHF that are not dedicated by the Texas Constitution include special vehicle permit fees and various fees associated with administrative and regulatory functions carried out by TxDOT and other agencies.
- SHF money that is not required to be spent for public roadways by the Texas Constitution may be used for any function performed by TxDOT.
- Payments received by TxDOT under a comprehensive development agreement and surplus toll project or system revenue are held in subaccounts within the SHF for the benefit of the region in which the toll project or system is located.

State Highway Fund Revenue Sources, 2016-17 Biennium

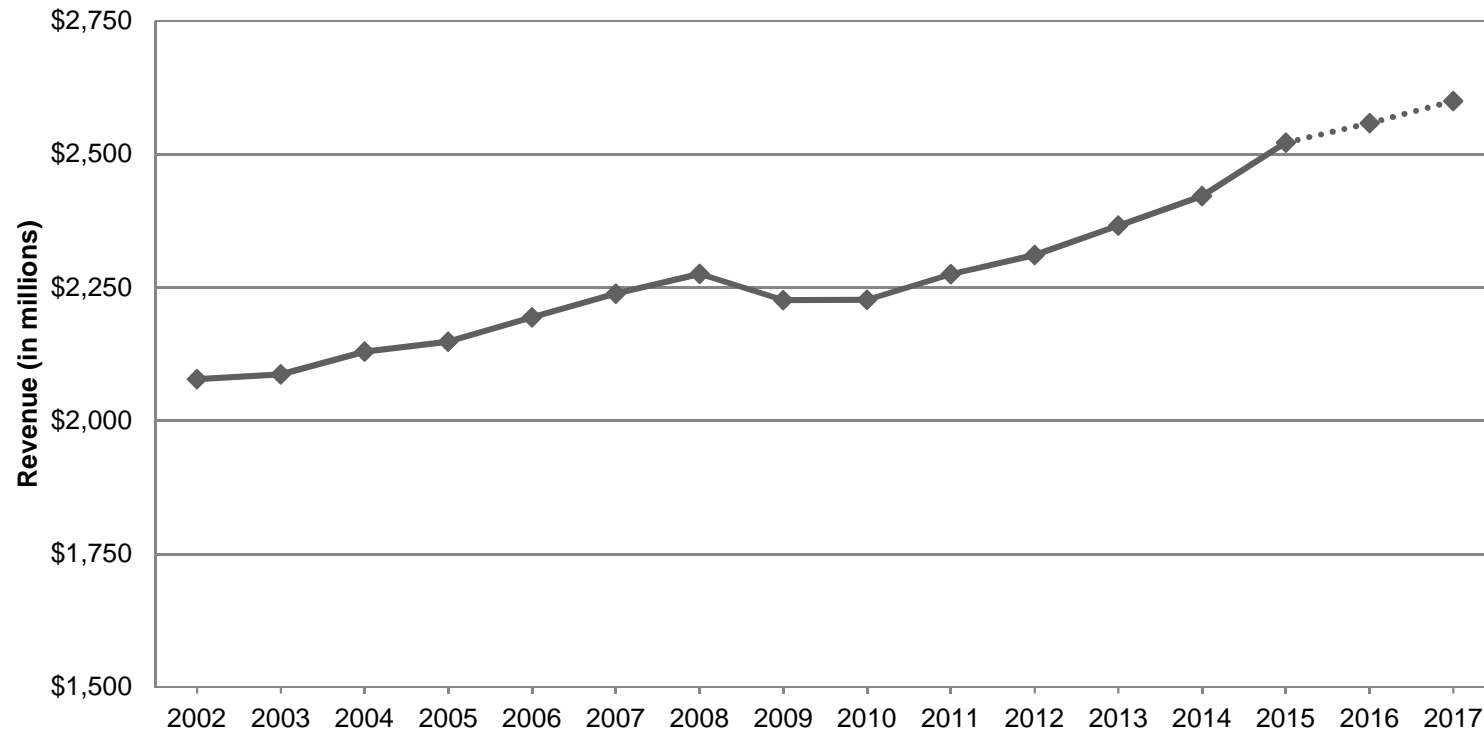
IN MILLIONS

TOTAL = \$20,865.7 MILLION



NOTE: Estimated.
 SOURCES: Comptroller of Public Accounts; Legislative Budget Board.

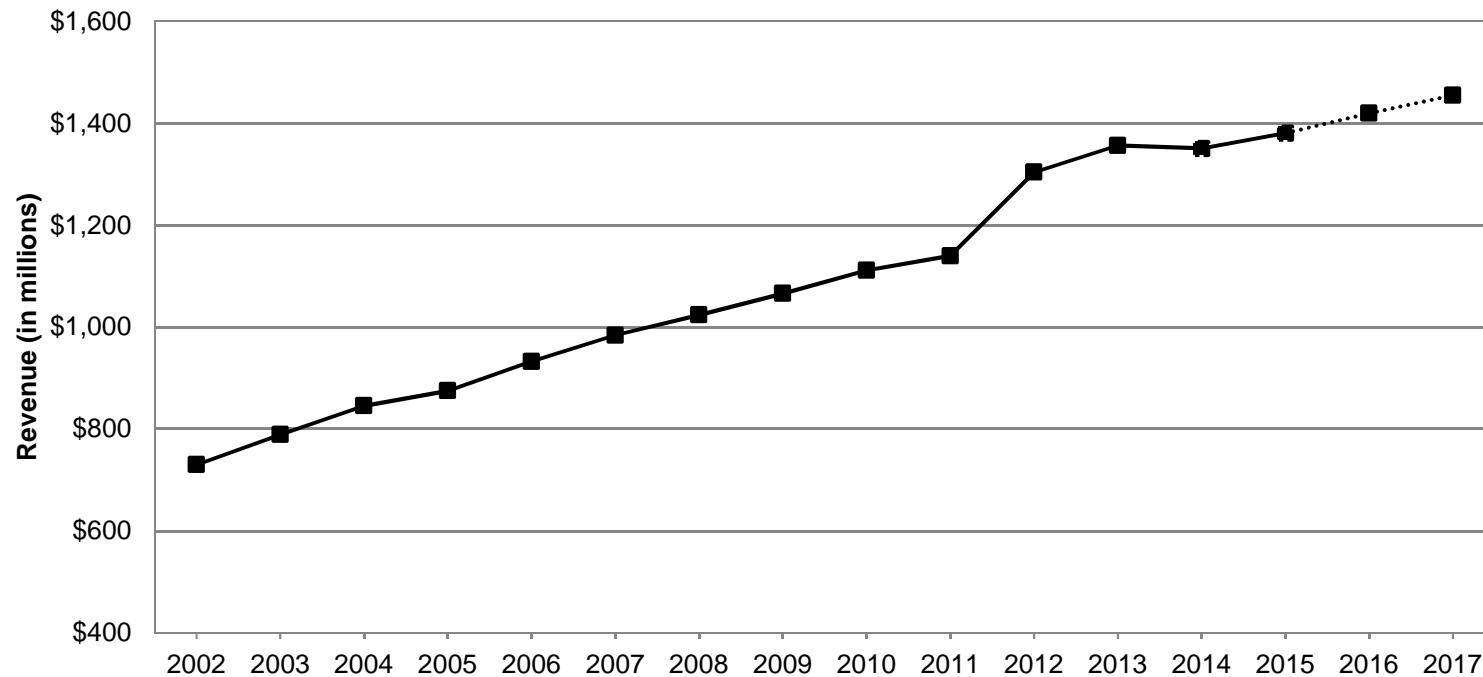
State Motor Fuels Tax Deposits to the State Highway Fund, Fiscal Years 2002 to 2017



NOTE: Fiscal years 2016 and 2017 are estimated. Includes allocations to the State Highway Fund from Gasoline Tax, Diesel Fuel Tax, and Liquefied Petroleum Gas and Compressed Natural Gas Tax.

SOURCE: Comptroller of Public Accounts

Vehicle Registration Fee Revenue to the State Highway Fund, Fiscal Years 2002 to 2017



NOTE: Fiscal years 2016 and 2017 are estimated. Amounts for each fiscal year include registration fees for all types of vehicles.

SOURCE: Comptroller of Public Accounts

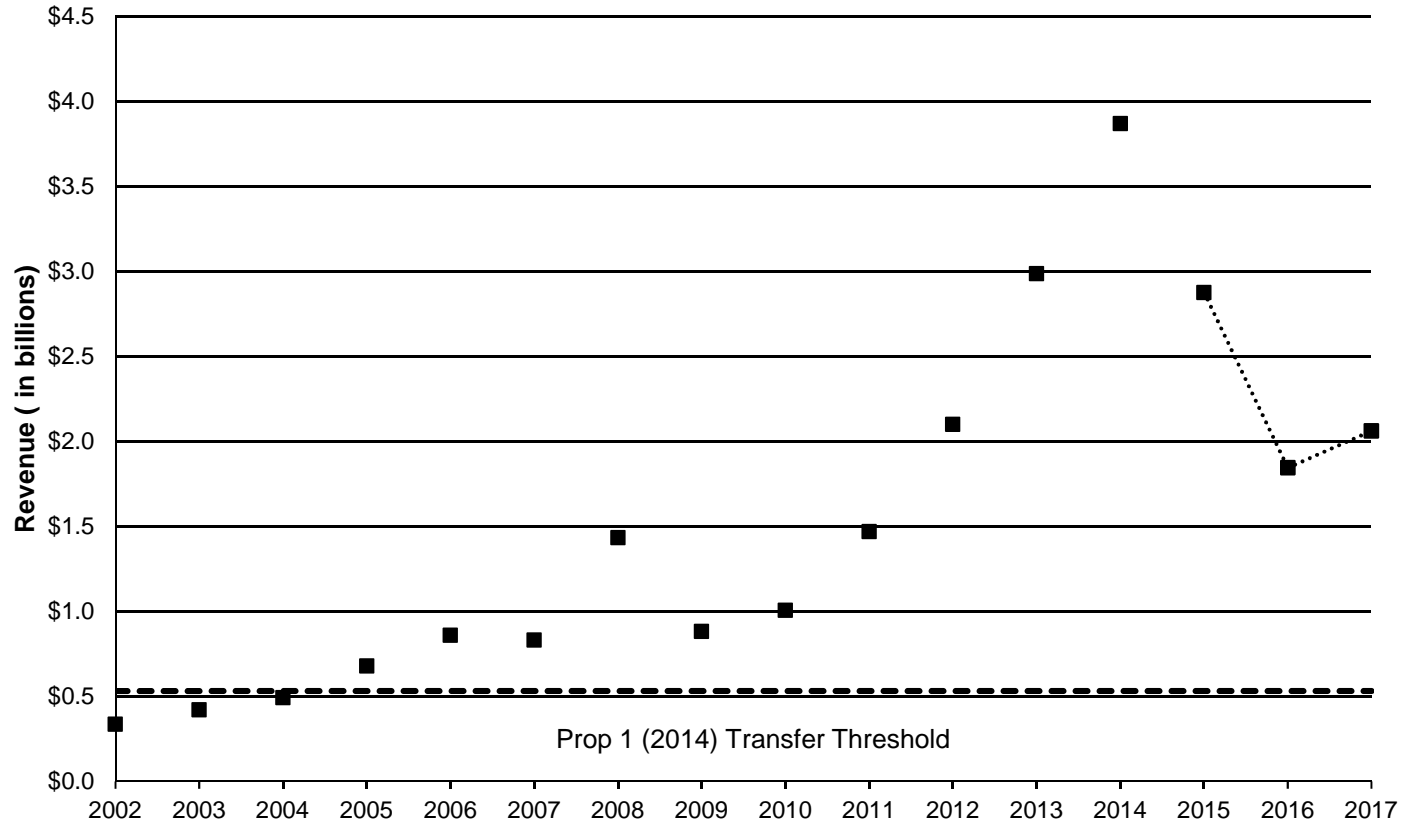
Proposition 1, 2014

- Proposition 1, approved by voters in November 2014, amended the Texas Constitution to direct the Comptroller, each fiscal year, to transfer to the SHF up to one-half of the amount of General Revenue previously allocated to the Economic Stabilization Fund (ESF).
- Transfers to the ESF and SHF are equal to 75 percent of the amount by which oil and natural tax production tax collections exceed the FY 1987 collection levels (\$532.0 million and \$600.0 million, respectively).
- Money transferred to the SHF may only be used for construction, maintenance, and acquisition of rights-of-way for non-tolled public roadways.
- The first Proposition 1 transfer to the SHF occurred in FY 2015.
- Total Proposition 1 transfers to the SHF through FY 2017 are estimated to be \$3.5 billion:
 - FY 2015: \$1,740.1 million (actual)
 - FY 2016: \$1,134.7 million (actual)
 - FY 2017: \$594.2 million (estimated)

Proposition 1, 2014 (continued)

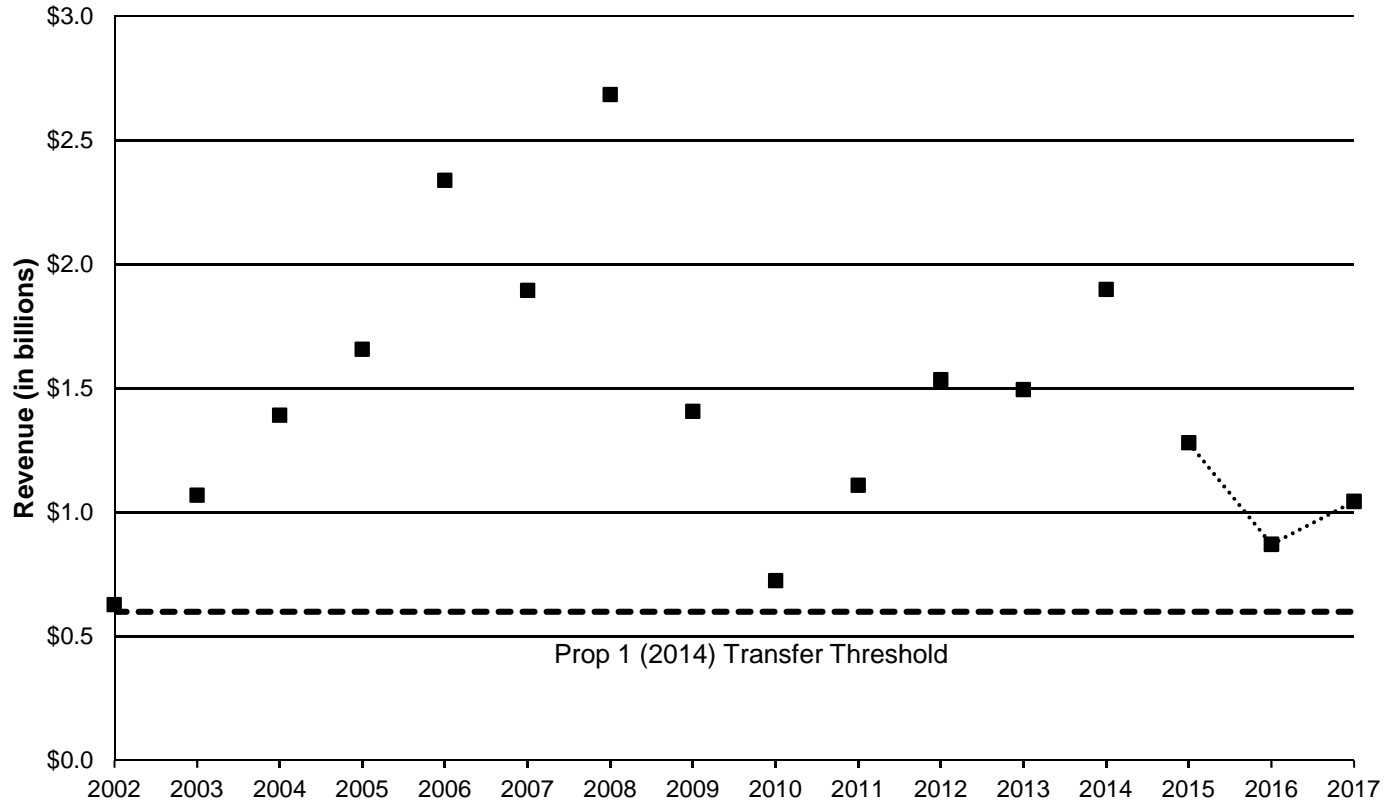
- TxDOT is appropriated \$2.4 billion from Proposition 1 proceeds for the 2016-17 biennium
- TxDOT Rider 44, Proposition 1 Appropriations, directs the agency to allocate these funds for the following purposes for the 2016-17 biennium:
 - 45.0 percent for mobility and added capacity projects to decrease congestion and improve safety in urban areas;
 - 25.0 percent for projects that improve regional connectivity along strategic corridors in rural areas;
 - 20.0 percent for statewide maintenance and preservation projects; and
 - 10.0 percent for roadway safety and maintenance projects in areas affected by increased oil and gas production activity.

Oil Production Tax Revenue, Fiscal Years 2002 to 2017



NOTE: Fiscal years 2016 and 2017 are estimated. Proposition 1 transfers to the SHF began in fiscal year 2015.
 SOURCE: Comptroller of Public Accounts

Natural Gas Production Tax Revenue, Fiscal Years 2002 to 2017



NOTE: Fiscal years 2016 and 2017 are estimated. Proposition 1 transfers to the SHF began in fiscal year 2015.
 SOURCE: Comptroller of Public Accounts

Proposition 7, 2015

- Proposition 7, approved by voters in November 2015, added Sec. 7-c to Article 8 of the Texas Constitution.
- Sec. 7-c directs the Comptroller to deposit the following to the SHF:
 - Beginning in FY 2018, \$2.5 billion of the net revenue derived from the state sales and use tax that exceeds the first \$28.0 billion collected in each fiscal year through FY 2032.
 - Beginning in FY 2020, 35 percent of the revenues collected from the state motor vehicle sales and rental taxes that exceed \$5.0 billion in each fiscal year through FY 2029.
- Revenue allocated to the SHF could only be used to:
 - Construct, maintain, or acquire rights-of-way for non-tolled public roadways; or
 - Repay principal and interest on Highway Improvement General Obligation bonds issued under Texas Constitution, Article 3, Sec. 49-p (Proposition 12).
- Sec. 7-c authorizes the Legislature to do the following by adoption of a resolution:
 - Reduce the SHF allocation from either revenue source by an amount or percentage not to exceed 50 percent of the amount that would have been allocated to the SHF from that source in the affected fiscal year; and
 - Extend the SHF allocations in 10 year increments.

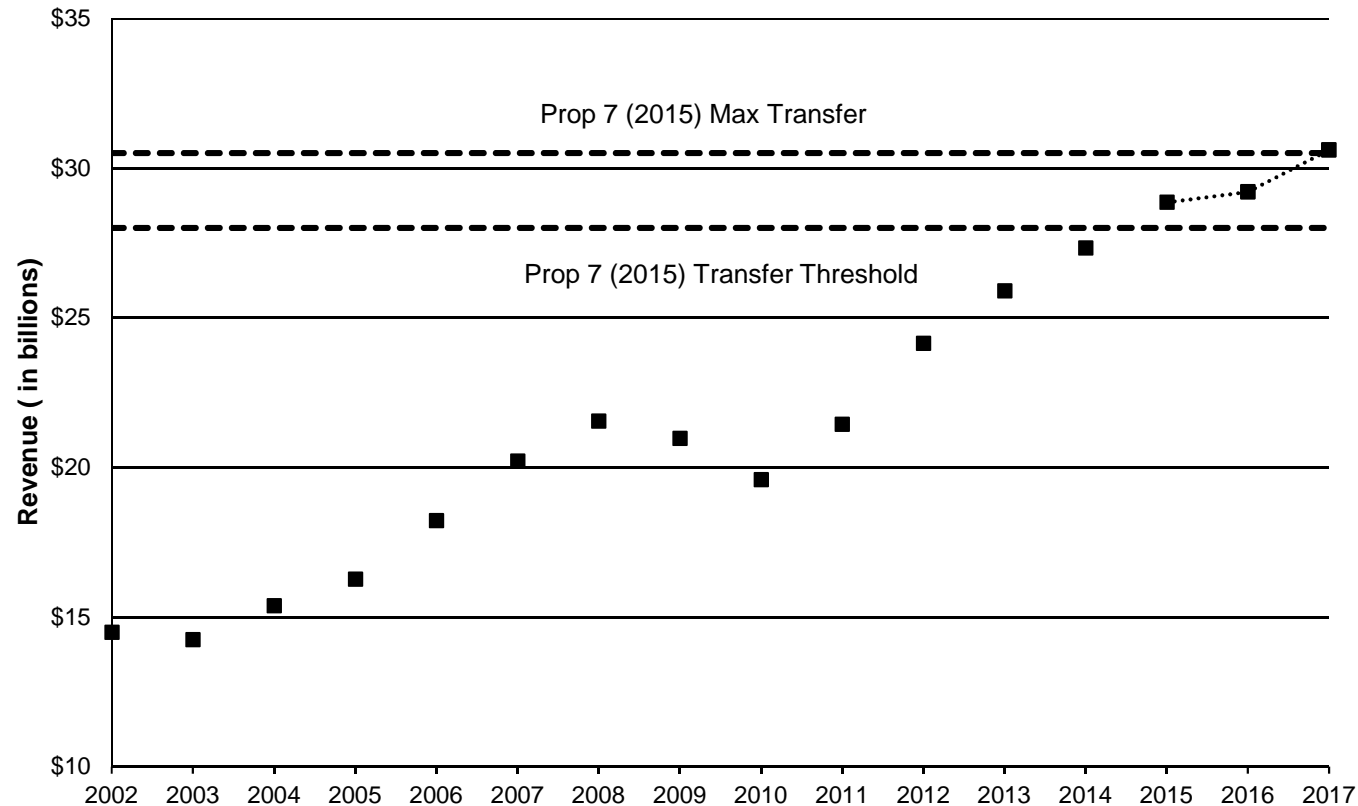
Proposition 7, 2015 (continued)

Estimated Proposition 7 Allocation to the State Highway Fund

Revenue Source (in Millions)	2016	2017	2018	2019	2020
Sales and Use Tax	\$0	\$0	\$2,500	\$2,500	\$2,500
Motor Vehicle Sales and Rental Tax	\$0	\$0	\$0	\$0	\$432.1
Total, Proposition 7 Allocations	\$0	\$0	\$2,500	\$2,500	\$2,932.1

SOURCES: Comptroller of Public Accounts; Legislative Budget Board.

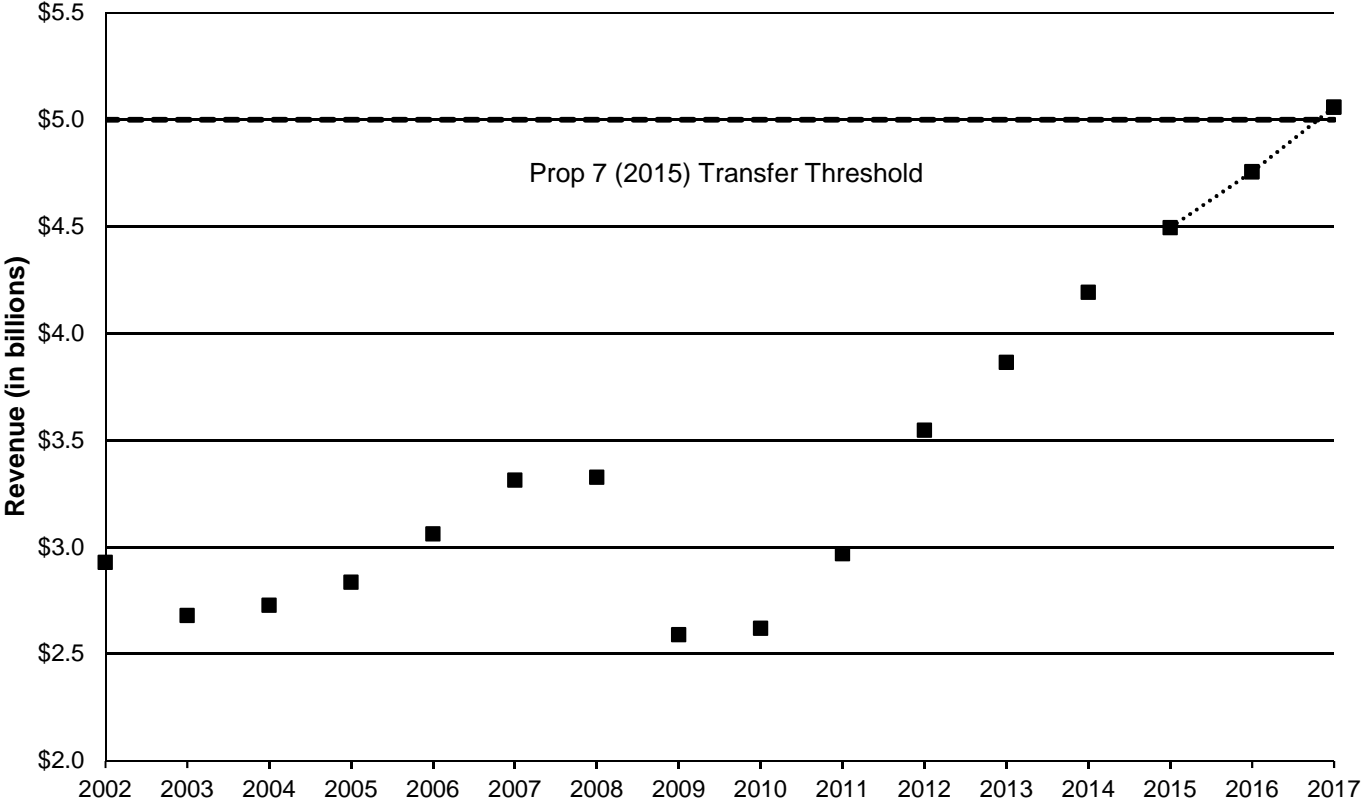
Texas Sales & Use Tax Revenue, Fiscal Years 2002 to 2017



NOTE: Fiscal years 2016 and 2017 are estimated. Proposition 7 state sales and use tax allocations to the SHF begin in fiscal year 2018 (up to \$2.5 billion of net revenue that exceeds the first \$28.0 billion collected in each fiscal year).

SOURCE: Comptroller of Public Accounts

Texas Motor Vehicle Sales & Rental Tax Revenue, Fiscal Years 2002 to 2017



NOTE: Fiscal years 2016 and 2017 are estimated. Proposition 7 motor vehicle sales and rental tax allocations to SHF begin in fiscal year 2020.

SOURCE: Comptroller of Public Accounts

Federal Funds

- Federal Funds for transportation are typically distributed to states in the form of reimbursements of state expenditures for eligible projects (shown as Federal Reimbursements in TxDOT's appropriations).
- Federal-state participation matching rate for highway projects is typically 80 percent federal and 20 percent state (non-federal) match.
- \$7.9 billion (or 94.4 percent) of TxDOT's Federal Funds appropriations for the 2016-17 biennium are for highway planning and construction.
- The remaining Federal Funds appropriations consist of funding for public transportation, general aviation, traffic safety programs, rail transportation studies and capital improvements, and debt service subsidies for bonds issued under the Build America Bonds program.

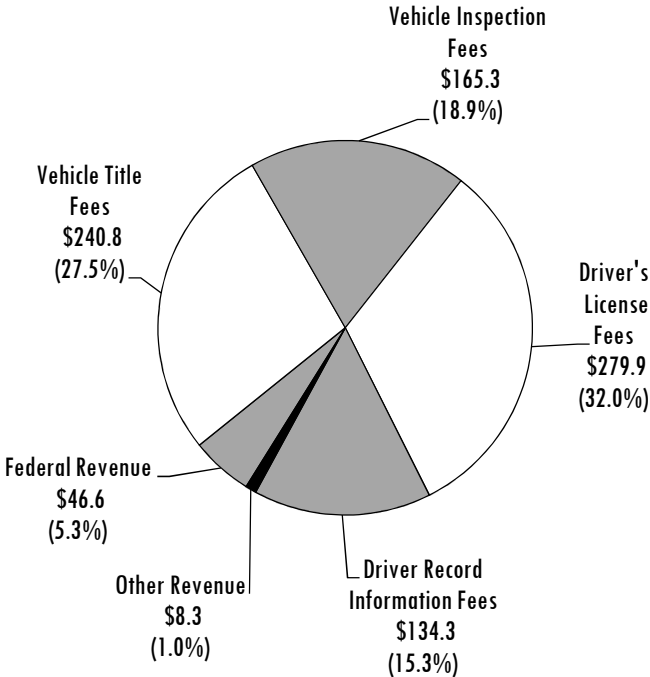
Texas Mobility Fund

- Sec. 49-k, Article 3 of the Texas Constitution (approved by voters in November 2001) created the Texas Mobility Fund (TMF) and established the Texas Transportation Commission (TTC) as the administrator of the fund.
- Sec. 49-k authorizes the TMF to be used for:
 - Financing costs for acquisition of right-of-way and the design, construction, reconstruction, acquisition, and expansion of state highways.
 - State participation in paying part of the costs of construction and providing publicly owned toll roads and other public transportation projects.
- The Legislature may dedicate to the TMF taxes and other revenues that are not otherwise dedicated by the Texas Constitution. (See page 20 for Texas Mobility Fund Revenue Sources.)
- TTC is authorized to issue and sell bonds and enter into credit agreements that are secured by and payable from money in the TMF.
- Enactment of House Bill 122, 84th Legislature, 2015, amended the Transportation Code to prohibit the issuance of new TMF bond obligations after January 1, 2015.
- Money in the TMF in excess of the amounts required to be retained under bond obligations and credit agreements may be used for any purpose for which bonds may be issued other than toll roads.

Texas Mobility Fund Revenue Sources, 2016-17 Biennium

IN MILLIONS

TOTAL = \$875.2 MILLION



NOTE: Estimated.

SOURCES: Comptroller of Public Accounts; Legislative Budget Board.

TxDOT Bond Program Summary

PROGRAM	YEAR AUTHORIZED	TOTAL AUTHORIZATION	USED	REMAINING	REPAYMENT FUND
Texas Mobility Fund	2001	\$7,390.6	\$7,390.6	\$0.0	TMF
Proposition 14	2003	\$6,000.0	\$5,299.9	\$700.1	SHF
Proposition 12 GO	2009	\$5,000.0	\$4,303.0	\$697.0	GR

NOTES:

- (1) Dollar amounts represent total authorized debt, authorization used, and authorization remaining as of July 1, 2016.
- (2) TMF bond authority is not limited to a specific cap but is limited by statutory debt service coverage requirements based on the Comptroller's certified estimate of TMF revenue.

SOURCES: Legislative Budget Board; Department of Transportation.

IN MILLIONS

Rail Transportation Funding

- \$42.0 million in All Funds is appropriated for rail transportation for the 2016-17 biennium, including:
 - \$30.2 million in Federal Funds;
 - \$9.4 million in State Highway Funds (non-constitutionally dedicated revenue); and
 - \$2.4 million in General Revenue Funds (Rail Safety Program fee revenue-supported funding)
- TxDOT is also appropriated any unexpended balances of appropriations remaining from prior biennia for certain rail projects, including:
 - Austin-San Antonio Passenger Rail (Lone Star Rail)
 - South Orient Rail Line (state-owned facility)
- New TxDOT Rider 43, Appropriation of Rail Receipts from Car Load Fees, also appropriates revenue from contractual car load fees paid to TxDOT on the Texas Pacifico rail line (South Orient Rail Line) to be used for rail construction projects.

Texas Rail Relocation and Improvement Fund (TRRIF)

- TRRIF is a constitutional fund approved by the voters in November 2005 under Texas Constitution, Article 3, Section 49-o (House Joint Resolution 54, 79th Legislature, 2005).
- TRRIF is to be administered by the TTC to provide a method of financing for the relocation and improvement of privately and publicly owned passenger and freight rail facilities.
- The Legislature may dedicate to the TRRIF one or more specific sources or portions, or a specific amount, of the revenue, including taxes, and other money of the state that are not otherwise dedicated by the Texas Constitution.
- TTC may issue and sell bonds and enter into credit agreements that are secured by and payable from money in the TRRIF.
- No revenue source has been dedicated to the TRRIF.

Maritime Port Funding

- Chapter 55, Transportation Code, establishes a Port Access Account Fund (PAAF) and requires TxDOT to use the money in the PAAF to fund:
 - Port security, transportation, or facility projects; and
 - Maritime port studies.
- The PAAF has not been excluded from state funds consolidation, and no state revenue source is dedicated to maritime ports.
- Port projects eligible for funding under Chapter 55 include, but are not limited to:
 - Construction or improvement of port and port security facilities or transportation facilities within the jurisdiction of a maritime port;
 - Acquisition of container cranes or other equipment used in the movement of cargo or passengers; and
 - Dredging or deepening of waterways.
- The 83rd Legislature, Third Called Session, 2013, amended Chapter 55 to authorize TTC to use money from the TMF to provide funding for a port security or transportation project or other project eligible for funding from the PAAF.
- TxDOT Rider 48, Port Capital Improvements, requires TxDOT to allocate an amount not to exceed \$20.0 million from the TMF for port capital improvement projects.
- TTC has approved the use of Rider 48 TMF funds for roadway and bridge improvement projects near the ports.



LEGISLATIVE BUDGET BOARD

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