

SUBJECT: Removing statutory spending limit on toll projects exclusive to TxDOT

COMMITTEE: Transportation — committee substitute recommended

VOTE: 6 ayes — Krusee, Phillips, Hamric, Garza, Harper-Brown, Hill

0 nays

3 absent — Edwards, Laney, Mercer

WITNESSES: For — None

Against — Vic Suhm, North Texas Commission

BACKGROUND: In 2001, Texas voters approved an amendment removing the constitutional prohibition against unreimbursed spending of state revenue on toll road projects (SJR 16 by Shapiro, et al.). The so-called “toll equity” approach authorizes the Texas Department of Transportation (TxDOT) to spend money from any available source to buy, build, maintain, or operate public or private toll facilities under terms and conditions set by the Texas Transportation Commission (TTC) (Transportation Code, sec. 222.103). State money spent on public toll projects may be repaid, whereas money spent on private projects must be repaid. Annual all-funds spending on toll projects is limited to the equivalent of 30 percent of the state’s annual allocation of federal highway funds.

DIGEST: CSHB 3413 would remove the statutory cap on spending for toll projects from which TxDOT receives all toll revenue collected.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

SUPPORTERS SAY: CSHB 3413 would remove the arbitrary ceiling on TxDOT’s spending on toll projects, making available more money that could be leveraged to generate revenue and giving TxDOT greater flexibility to respond to the state’s transportation challenges.

Texas' transportation crisis continues unabated. Although toll equity is one of several innovative approaches on which Texas has embarked, the current fiscal situation and ongoing mobility needs require continuous retooling and more options.

Lifting the toll cap on TxDOT projects would benefit the state's two existing regional toll authorities (in Dallas and Houston) and new regional mobility authorities. No longer would these entities have to compete with TxDOT toll projects for funds under the spending cap. Although the cap still would apply to them, they would be dividing the same amount of money among fewer entities. All of the revenue generated by toll projects not subject to the cap would be returned to TxDOT, which still could team up with other entities on joint toll projects.

The gradual pace of implementation of toll equity projects to date should make it clear that the TTC is not about to rush headlong into a spending spree on toll projects. On the other hand, Texas motorists and business interests have no time to waste on incrementalism. Procrastination and delay are major reasons why Texas has fallen behind in road building. For the past several years, TxDOT has been able to build only about one-third of needed projects, each of which can take 10 to 20 years to reach the construction phase. Toll projects can help speed up this process, which has lagged behind population and traffic growth over the past two decades.

Tolls are self-imposed roadway user fees that make sense to overtaxed motorists and truckers. Tolls are among the fairest methods of paying for a public good: those who do not use toll roads do not pay, as long as toll-free alternate routes are available.

Gov. Perry's Trans-Texas Corridor concept envisions toll roads, both regional and state-run, as an integral part of the solution to Texas' long-term transportation problems. Planning for the state's future modes of travel and freight need not mean sacrificing intracity mobility. However, Texas cannot continue to rely solely on highways like the overdeveloped and dangerous Interstate Highway 35 to move people and goods across vast distances. The state must continue the process of innovation, and lifting the cap on TxDOT toll projects would be another important step.

OPPONENTS
SAY:

Eliminating the spending limit on state toll projects would remove an important fiscal safeguard for federal highway funds. All interested parties viewed the 30 percent cap as a reasonable ceiling during the transition from “pay as you go” to toll equity. This transition was supposed to be measured and deliberate. CSHB 3413, however, would accelerate the process such that, in theory, the TTC could spend the state’s entire annual highway construction budget on toll projects controlled by and benefitting TxDOT. This shift in policy would give the TTC too much discretion at a time when federal highway funding, now being renegotiated in Congress for the next six-year authorization cycle, is most uncertain.

Only two regional toll authorities are in operation, and TxDOT has only one “in-house” toll project under way, the multiphase Central Texas Turnpike Project. Most of its \$3.6 billion cost (including bond issuance) is being financed through toll revenue bonds, the first ever issued by the state. All the self-supporting toll projects already have been built; any toll roads outside the major metropolitan areas will require huge subsidies to be financially viable.

CSHB 3413 is intended to help pay for the proposed Trans-Texas Corridor. Gov. Perry’s ambitious statewide network of 1,200-foot-wide corridors linking major urban centers would combine highways, railroads, pipelines, and telecommunications pathways at an estimated cost of at least \$150 billion. Whether the public-private partnerships needed to make the corridor network happen will materialize is an open question. In any case, mitigation of urban congestion must take priority over intercity transportation routes. Most Texans live in urban areas. It does them little good to enhance their ability to crisscross the state when they barely can make it across their own hometowns.

Virtually unlimited toll-road spending authority could jeopardize precious funds needed to alleviate traffic congestion. TxDOT estimates that Texas’ most populous cities have more than \$16.7 billion in added-capacity projects in various stages of development, awaiting only funding to proceed. CSHB 3413 would not channel more money to these projects, nor would it generate new money for any other projects. Texas should expand its existing capacity before embarking on a grandiose scheme predicated on state-funded toll roads of dubious feasibility.

OTHER

Instead of lifting the cap on TxDOT toll-project spending altogether, it would

OPPONENTS SAY: be more prudent to raise the cap, either to 50 percent or in increments over a specific time frame. Such a graduated approach would make more funds available and allow TxDOT to plan more toll initiatives while preserving much-needed funds for nontoll roads and other transportation priorities in a time of fiscal constraint and unpredictable economic conditions.

NOTES: The committee substitute changed “limitation” to “subsection” and would specify that revenue means collections.

The federal government authorized Texas to spend almost \$2.1 billion on transportation (mostly highway construction) in fiscal 2003, according to TxDOT. That would put the current spending cap for toll projects at roughly \$623 million.