



# Testimony

## Testimony to the Senate Transportation and Homeland Security Committee on SB 855 and SB 942

### Local Option Transportation Legislation

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 & Communications

The Texas Public Policy Foundation recognizes the difficult challenge faced by the Texas Legislature in attempting to address our state's transportation needs. Traffic congestion and deteriorating roads have highlighted a growing problem that requires action at all levels of government.

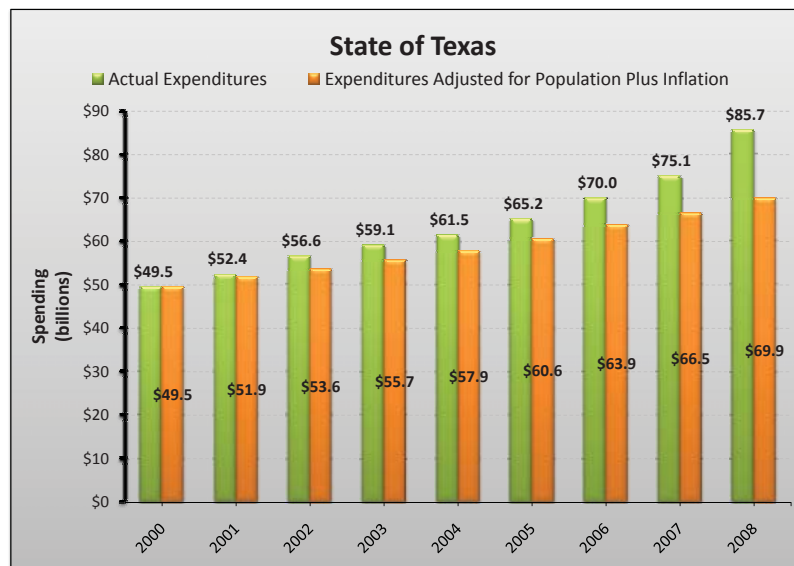
We are extremely supportive of the ongoing leadership by Chairman Carona and other mobility advocates to end funding diversions from transportation revenue. Taxpayers expect that their fuel tax dollars are being spent to improve transportation infrastructure, but that is clearly not always the case, as more than \$1 billion is diverted each year to non-transportation purposes.

While there is near unanimity in recognizing the problem our state faces in transportation, we are in fundamental disagreement on the next course of action. The Foundation is against any mechanism that would create an additional burden on the taxpayer for several reasons—most notably because we cannot look at this issue in a vacuum. We must recognize that it is part of a much larger discussion of how much revenue government should take in

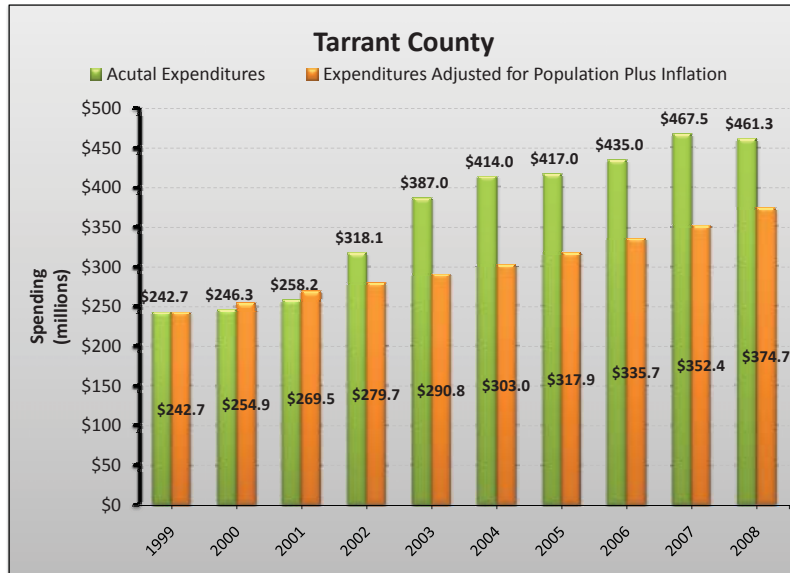
order to perform its functions, and to what extent those taxes impede or damage our economic recovery and return to economic prosperity.

While this position has been characterized as not recognizing the need for a pragmatic solution, we believe it is precisely the guiding principle that should lead any discussion of taxation—whether for transportation, education, public safety, or any other issue.

At Sen. Carona's request, we participated in a conference call between him and our board. Attached to this testimony is our letter to him following that conversation. Our greatest concern, as we related to him on why we cannot support any tax increase at this time, is that while there are calls from cities and counties to address the transportation "crisis" by increasing the amount of revenue generated from taxpayers, we think there should be a more comprehensive review of current spending priorities. For the past several years, state and local governments have spent at a rate that exceeds their actual growth: this is a trend that should be restrained, not magnified.



For more information on the state's budget, please visit <http://www.lbb.state.tx.us/>



Financial statements prior to FY 1999 were not available at the time of publication. For more information, please visit <http://www.tarrantcounty.com/eBudget/site/default.asp>

Between 2000 and 2008, the state’s total budget grew by 73.1 percent from \$49.5 billion to \$85.7 billion, while the sum of population plus inflation only increased by 41.3 percent over the same period. The discrepancy between spending and the population plus inflation measure is even more distinct at the local level.

From fiscal year 1999 to fiscal year 2008, Tarrant County’s budget nearly doubled from \$242.7 million to \$461.3 million, a 90.1 percent difference in just seven years. Yet, population plus inflation over the same period grew by only 54.4 percent.

In Dallas, the city’s 2003 budget shows a total adopted budget figure of \$1.7 billion. By 2008, the city’s budget had grown to \$2.7 billion—an increase of 54.5 percent. Perhaps this could be justified if the city needed the extra funds to maintain essential services for a rapidly growing population, but the data indicates that was not the case. From 2003 to 2008, the sum of population plus inflation increased by only 25 percent.

This is further exacerbated by the destructive trend of government expansion at the federal level. Between 1983 and 2000, the federal government’s spending relative to GDP fell from 23.5 percent to 18.4 percent. It increased to 20.9 percent last year, and could reach 28 percent this year. According to some reports, total federal government spending in 2010 may approach 40 percent of GDP.

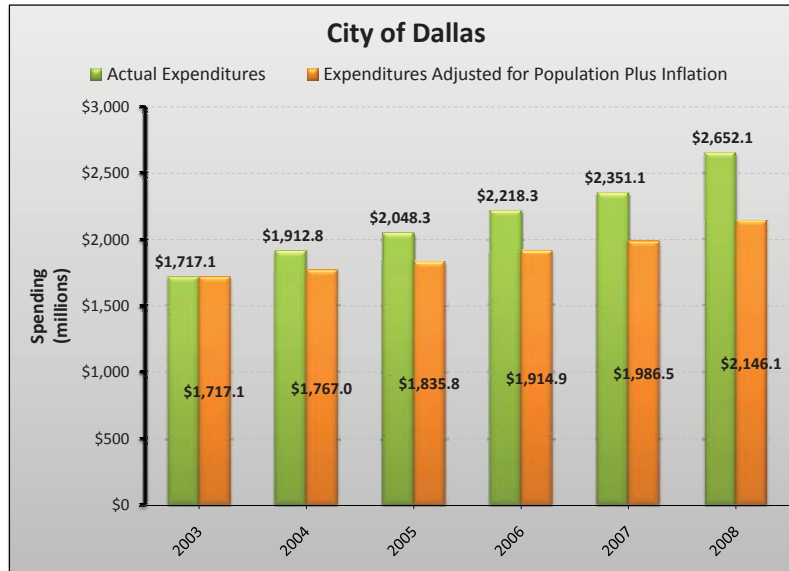
Local, state, and federal spending are clearly excessive—growing at a rate faster than justified and becoming a tremendous anchor to our economy. We respectfully submit that taxpayers

deserve for this information to be taken into consideration when listening to calls for tax increases. This excessive spending highlights a need for all governments to consider prioritizing their current available revenue, rather than opting to increase existing tax burdens.

Many local communities maintain options to address transportation, and have chosen to not make it a priority for their community. State law currently provides that cities can levy up to 1 cent of local sales tax for transportation. Yet within the DFW Metroplex, only 20 out of 225 cities, representing approximately 55 percent of the population, are members of DART, The T, or DCTA. The other 220 cities choose to fund (or not fund) priorities such as economic development.

For those cities and counties that do not levy this fee, they also have the option of funding transportation from their traditional revenue sources. When looking at the data above, it is clear many have chosen to significantly expand government expenditures—potentially at the expense of transportation.

Making prudent taxing and spending decisions is critical to our state’s economic condition. Last fall, the Texas Public Policy Foundation commissioned internationally renowned economist Dr. Arthur Laffer to identify which factors contributed to Texas’ economic dominance over other states. His finding: states that pursue pro-growth economic policies—low taxes, appropriate regulations, and disciplined spending—experience higher income and population growth, lower unemployment, and rising housing values.



Adopted budget information prior to FY 2002-03 was not available at the time of publication. For more information, please visit [http://www.dallascityhall.com/Budget/budget\\_0708.html](http://www.dallascityhall.com/Budget/budget_0708.html)

Raising taxes on top of government spending that is growing faster than our needs will not lead to prosperity. As *The Wall Street Journal* noted in its March 3, 2009 editorial, “And every risk taker and investor now knows that another tax increase will slam the economy in 2011.” While this editorial was in reference to federal spending, the effect to the taxpayer and the market is the same—that the Texas Legislature is considering a decision that could make it more costly to move to, live in, and work in, our state.

Beyond these general issues, there are several other matters particular to this legislation that deserve further attention. These include: no minimum election turnout requirement; no mechanism to provide relief if excess funds are collected; no ban on use of these funds for lobbying; no ban on use of these funds for advocacy on ballot initiatives; no authority specifically given to the comptroller and state auditor to audit

any entity receiving these funds; no meaningful transparency mechanisms such as posting check registers online—as the state, Dallas ISD and Collin County currently provide; and of significant concern is the apparent lack of a separate vote required to authorize the indefinite collection of a new tax for maintenance and operations.

Our understanding is that a future version of the bill will remove the indexing feature from the gasoline tax and add a sunset provision.

As we committed in our letter to Chairman Carona, we stand ready to work with him and with this committee to perform a sweeping analysis of current transportation funding sources in order to provide a more permanent solution that addresses our transportation needs without creating excessive tax burdens that do further harm to our economy. ★

Enclosures:

- March 12, 2009 letter from TPPF President Brooke Rollins to Chairman Carona
- March 6, 2009 letter from TPPF Vice President Justin Keener to legislative leadership

## About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute guided by the core principles of individual liberty, personal responsibility, private property rights, free markets, and limited government.

The Foundation's mission is to lead the nation in public policy issues by using Texas as a model for reform. We seek to improve Texas by generating academically sound research and data on state issues, and recommending the findings to policymakers, opinion leaders, the media, and general public.

The work of the Foundation is primarily conducted by staff analysts under the auspices of issue-based policy centers. Their work is supplemented by academics from across Texas and the nation.

Funded by hundreds of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

