

Texas House Rejects New Taxes, Fees on Motorists

By Justin Keener

Despite furious lobbying for higher taxes and fees on motorists in Texas, the legislative session ended with defeats for the tax hikers and victories for taxpayers and motorists.

One bill in particular, the Texas Local Option Transportation Act (TLOTA), was aggressively marketed as the most workable solution to meet the state's need for transportation infrastructure.

The proposal would have allowed larger counties to call elections to increase local gas and diesel taxes by up to 10 cents per gallon and indexing the rate to inflation; double the driver's license renewal fee from \$24 to \$48; add \$60 each to motor vehicle registration and vehicle emissions fees; establish an hourly parking fee; and create a \$250 "new resident" fee for anyone moving into the Dallas/Fort Worth metroplex.

The measure eventually was pared down to the gas tax increase (non-indexed), driver's license fee, and vehicle registration fee. It passed the state Senate twice, once as a standalone bill and once as an amendment to sunset legislation for the state's transportation agency, but the conference committee stripped out the amendment before approving the conference report in May on the next-to-last day of the session.

Recession Worries

Many legislators expressed concerns about increasing taxes during a recession, as well as the potential for a "Swiss cheese" effect if some counties had the ability to raise taxes and fees while others did not.

State Sen. Dan Patrick (R-Houston) said during floor debate, "Transportation funding should be a statewide issue, not a patchwork quilt of taxes that vary from county to county. In addition, this bill could cost the average Texas driver nearly \$200 a year with no guarantee the money would actually go to roads; the money could all be directed to rail under this bill."

The failure of TLOTA came as a blow to many state and local leaders who had hoped for billions in new revenue to help expand transportation infrastructure and



Supreme Court Green-Lights Chrysler Sale

The sale of automaker Chrysler was delayed but not derailed in June, as the U.S. Supreme Court declined to hear a challenge to the constitutionality of the sale.

The Court's June 9 decision did not rule on the merits of claims by Indiana State Treasurer Richard Mourdock, who objected on behalf of state pension funds that had invested in Chrysler bonds.

Judges on the Second Circuit U.S. Court of Appeals had stayed the federal government-engineered bankruptcy sale of most Chrysler assets to Italian automaker Fiat. Fiat will own about 20 percent of the company, with the pos-

sibility of owning up to 35 percent.

The Obama administration had publicly vilified Chrysler bondholders who objected to accepting 29 cents for every dollar the company owed them. As senior secured lenders, they should have been entitled to a far larger return. Most lifted their objections under the intense White House pressure.

Indiana held firm, however.

"Hoosier retirees and taxpayers are being deprived of millions of dollars in their funds while a foreign corporation receives a windfall at no cost; this is not equitable," Mourdock said in a press statement.

Mourdock also argued the government's use of Troubled Asset Relief Program (TARP) money to help Chrysler is illegal.

"The TARP statutes clearly provide federal bailout money for 'financial institutions.' Chrysler is not a financial institution, and therefore the use of federal TARP funds to leverage its sale to the government's preferred unsecured creditors is illegal. I cannot stand by while the federal government treats our state police officers, teachers, and taxpayers in such a manner."

— Steve Stanek

alleviate congestion. But as some groups are pointing out, local governments can still increase transportation spending.

"Local communities have the ability to pay for additional transportation infrastructure now," noted Talmadge Heflin, director of the Texas Public Policy Foundation's Center for Fiscal Policy. "All they need to do to generate these additional funds is redirect existing sales tax capacity that was originally intended for mobility and/or reexamine their communities' expenditures and root out the waste to

apply a portion of that to transportation."

\$300 Million Available

Heflin, a former chairman of the Texas House Appropriations Committee, performed a detailed analysis of local government taxing capacity and spending, in which he identified more than \$300 million that could be generated annually for transportation within the Dallas/Fort Worth metroplex without raising taxes. The money would be freed up by prioritizing existing spending currently dedicated to areas other than transportation.

Ironically, Texas's strong economic performance relative to most states sparked the calls to raise taxes and fees for transportation. Texas continues to attract nearly 1,000 new residents a day, prompting many state and local officials to worry the influx threatens to overwhelm the state's

transportation infrastructure.

In a recent *Dallas Morning News* interview, Dallas Mayor Tom Leppert said without additional funding for roads and rail, "What could be a bright future is going to turn gloomy."

Tax Hikers Vow to Persist

Some state lawmakers had made it their top priority this past session to enact legislation allowing local communities to raise more money for transportation through increased taxes and fees.

Local leaders already have indicated they are preparing their strategy and campaign to continue the fight to raise taxes in the 2011 legislative session, if an opportunity does not present itself sooner.

Justin Keener (jkeener@texaspolicy.com) is vice president of policy and communications for the Texas Public Policy Foundation.



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DAN PATRICK
STATE SENATOR, HOUSTON, TEXAS