May 13, 2009

Dear Representative:

The transportation tax package (HB 9, HJR 9, and SB 855) passed by the House Transportation Committee contains the wrong ideas at the worst possible time. For the sake of our state's economic recovery and long-term prosperity, we urge you to reject these measures and instead prioritize existing state and local resources toward transportation.

HB 9 would index the state's gasoline tax, while the House substitute to SB 855 would authorize a new 10¢/gallon "local option" gasoline tax for approval by voters in any of Texas' 25 metropolitan planning areas. Over the next decade, Texas motorists could go from paying 20¢/gallon in non-federal gasoline tax to paying as much as 45¢/gallon, a 125% increase. By our calculations, the combination of the state gas tax indexing plus the new local taxes could cost Texas motorists approximately $21 billion over the first 10 years if fully implemented. Last summer, the public's anger surged alongside gasoline prices. In recent weeks, those prices have crept back above $2/gallon.

The current state budget diverts $1.6 billion of our existing transportation taxes to non-transportation purposes. As a commitment to solving the stated crisis, the Texas Legislature should not wait until FY 2015 to return those revenues to the purpose for which they were originally created, but should reverse the diversions in the 2010-11 budget.

During the committee hearing on these measures, the Texas Public Policy Foundation presented research showing that many cities covered by this legislation do not currently use all available tools to generate revenue for transportation, but instead either use available taxing capacity for such things as economic development and fire protection, or still have available taxing capacity. In the D/FW area, the region could raise more than $300 million for transportation each year if cities that do not dedicate sales tax for transportation re-directed those taxes to transportation, as allowed under legislation adopted in previous sessions.

Additionally, while several cities and counties cite a shortfall of available revenue for transportation, our research indicated their budgets have consistently exceeded the rate of population plus inflation. During the committee hearing, it was suggested that cities shouldn't be held up against the standard of the consumer price index for inflation, but rather the rate of inflation for construction. We disagree, as that neglects the reality that a family's income—and ability to pay taxes—is much more closely tied to inflation of household goods.

Therefore, it can be reasonably demonstrated that while local communities cite a transportation funding crisis, it appears to be more of a *funding priority* crisis, as they have substantial ability to generate increased revenue for transportation—without legislative intervention—if transportation is in crisis.

Finally, the fact that these measures require final voter approval as they have been constructed, is not sufficient for you to merely pass these along. Your constituents expect proposals such as these to receive considerable scrutiny, especially those that are sent to them for a vote.

You have the ability to solve this problem without defaulting to the voters—asking them to place a greater tax burden on themselves at a time they can least afford this burden. Problem solving is not the art of "passing the tax."

For these and a litany of other reasons, we ask you to vote no on each of the three bills that can lead to significant increases in our motor fuel taxes.

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