



May 20, 2009

Dear House Members:

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As you may be aware, Senate Bill 855, the local option transportation bill, is on Thursday's House Calendar. It is our understanding that supporters of this bill plan to amend it to include provisions from House Bill 9 – the indexing of the state gas tax. We encourage you to strongly consider the negative ramifications to Texas' economy from such a massive tax increase – potentially increasing the gas tax 125% from 20 cents per gallon to 45 cents, and costing taxpayers more than \$20 billion in the first 10 years.

Taxpayers are frustrated. They're either working hard, or looking hard for work, during the middle of one of the worst economic periods in recent memory. Their diligence should be matched by hard work from the Legislature and local officials to do everything possible to address transportation challenges without raising taxes. Just as each family must decide how they will afford something within their own budgets – and must shift priorities on occasion – their government should also make responsible decisions on priorities.

When addressing the taxpayer, what can the Legislature currently point to and say – during these rough economic times – tough decisions were made to avoid raising taxes; where programs were cut or existing funding was re-prioritized? For transportation, the answer could be that the problem was made worse. Not only are there more than a billion dollars in continued diversions within the next state budget, but the Legislature might take the easy way out, telling voters the only answer is for them to vote to raise their own taxes.

Local elected officials who are spending considerable time and taxpayer resources to lobby for this tax bill are abdicating their responsibilities and dumping their burden onto the Legislature. In the Dallas/Fort Worth region, most cities have chosen to use their local option sales tax for purposes other than transportation, while other cities have made transportation a priority by foregoing other sales tax uses. If transportation is in crisis, then shouldn't cities use their existing sales tax capacity for transportation? The excuse of existing debt obligations doesn't pass muster. Just as households have to pay off their debt before they make a new purchase, cities must do the same.

As evidenced in our attached research, The Existing Local Option for Transportation, we identified more than \$300 million that could be made available for transportation in the D/FW area – without raising taxes – if cities simply shifted their local option sales tax to transportation, and made this "crisis" a funding priority. Cities have this authority under legislation passed in a previous session.

One vocal supporter of this measure – the Arlington City Council – has had local option transportation taxes turned down by its voters three times. And as evidenced in the attached article from the May 18 Fort Worth Star-Telegram entitled “2 Arlington transit proposals shelved at city’s request,” is currently postponing the use of its existing sales tax capacity for transportation and instead waiting for the Legislature to pass this new tax bill. This is an act that should be condemned, not rewarded.

As outlined in our attached research, *The Effect of Higher Gas Taxes on Texas Motorists*, our current state gas tax rate of 20 cents per gallon places Texas in the middle of the pack with other states’ tax rates. This tax package would permit the rate to go as high as 45 cents per gallon. As you can see in the chart on page three of the report, no state maintains a tax rate anywhere near 45 cents per gallon. Texas – and this Legislature – should not seek such distinction.

We appreciate your consideration of our alternative for addressing Texas’ transportation challenges – ending funding diversions and redirecting local option sales taxes for transportation. While we know these are difficult to accomplish and require local elected officials to set their own priorities, it represents an extremely viable alternative that would avoid raising taxes.

Sincerely,



Justin Keener



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Enclosures:

- “2 Arlington transit proposals shelved at city’s request,” *Fort Worth Star-Telegram*, May 18, 2009
- *The Existing Local Option for Transportation*, Texas Public Policy Foundation, April 2009
- *The Effect of Higher Gas Taxes on Texas Motorists*, Texas Public Policy Foundation, May 2009
- *Indexing the Gas Tax*, Texas Public Policy Foundation, May 2009