



TEXAS PUBLIC POLICY FOUNDATION  
LEGISLATORS' GUIDE TO THE ISSUES

## Financing Transportation

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### THE ISSUE

Last year, Texas' 2030 Committee—a commission of 12 community leaders charged with providing “an independent, authoritative assessment of the state’s transportation infrastructure”—revealed that the state would be required to invest an additional \$315 billion over the next 20 years in order to adequately meet the state’s mobility needs.

While the outcome of wish lists such as this—that call for exorbitant increases in government spending—should never go without scrutiny, everyone can agree that traffic congestion must be addressed as soon as possible. However, the need for quick action does not justify abandoning the need for conservative solutions that address a long-term need, without simply throwing money at the problem.

The quick and easy—and fiscally reckless—answer is to just create new taxes and fees and pass the buck to voters, requiring no heavy lifting or hard work to fix a broken system. New taxes and fees would almost certainly slow economic growth and may also damage the economy and undermine job creation.

The Foundation has developed five high priority recommendations to increase funding for transportation, which are summarized here:

**End Diversions.** During the last legislative session, the Legislature diverted \$1.2 billion out of the State Highway Fund to pay for non-transportation-related projects, continuing a long-standing trend.

**Re-direct State Government Resources.** Identify areas in the budget where state spending has exceeded reasonable growth limits—as determined by the sum of population plus inflation or the growth in personal income, whichever is less—and re-direct those funds to transportation. This requires a long-term approach. Just as this transportation crisis wasn’t created in one legislative session, it won’t be fixed in one legislative session.

**Re-prioritize Existing Local Sales Tax Options.** Local communities already have the tools necessary to generate funding for transportation. Encourage both urban and rural communities to re-purpose their local sales tax option for transportation needs, rather than other priorities such as economic development, fire, law enforcement, or health services. Local communities can let their citizens decide on the priority of their sales tax, rather than hoisting a new tax on top of existing taxes.

**Allocate Transportation Funds Based on Ability to Reduce Congestion.** Strive to ensure that transportation spending is tied to a measurable outcome, such as congestion relief.

**Implement Transparency Reforms.** Require transit authorities to adopt basic transparency measures—such as posting budgets and check registers online—to help root out waste, fraud, and abuse in the system.

These five high priority recommendations, while not politically expedient in every case, offer the Legislature an alternative approach to simply raising taxes and fees on motorists, while still helping to meet the state’s transportation needs.

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## THE FACTS

- ★ Research has clearly shown that creating new taxes and fees and/or raising existing taxes and fees will damage the state's economy.
- ★ A better, more fiscally responsible approach to reducing congestion relies on re-directing, re-examining, and re-prioritizing existing funds.

## RECOMMENDATIONS

- ★ The Legislature should end the practice of diverting monies out of the State Highway Fund to pay for non-transportation projects.
- ★ The Legislature should re-direct funds in the state budget to transportation from program and agency budgets that have grown beyond a reasonable level—as determined by the sum of population plus inflation or the growth in personal income, whichever is less.
- ★ Local communities should not be allowed to create new taxes, and should instead be encouraged to set priorities, allowing their citizens to vote to re-purpose their existing local sales tax option for the purposes of transportation.
- ★ State and local transportation entities should tie spending to a measurable outcome, such as congestion relief.

- ★ The Legislature should require transit authorities to adopt basic transparency measures, such as posting budgets and check registers on their website, in order to help root out waste, fraud, and abuse in the system.
- ★ Resist calls to increase the state motor fuels tax.

## RESOURCES

*Moving Texas in the Right Direction: Transportation Funding Alternatives* by The Honorable Talmadge Heflin, Texas Public Policy Foundation (Jan. 2010) <http://www.texaspolicy.com/pdf/2010-CFP-transportationtaxPPT-th-notes.pdf>.

*Testimony before the House Select Committee on Transportation Funding, Subcommittee on Funding* by Justin Keener, Texas Public Policy Foundation (May 2010) <http://www.texaspolicy.com/pdf/2010-05-testimony-transportation-jk.pdf>.

*Legislature Should End Transportation Funding Diversions* by The Honorable Talmadge Heflin (May 2009) <http://www.texaspolicy.com/pdf/2009-05-PB15-Diversions-th.pdf>. ★

