



Transportation Funding in Texas: Past, Present and Future

Testimony before the Senate Select
Committee on Transportation Funding,
Expenditures and Finance

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Introduction

The Texas Department of Transportation's (TxDOT) mission is to work with others to provide safe and reliable transportation solutions for Texas. TxDOT achieves our goals of maintaining a safe system, addressing congestion, and connecting Texas communities when we can rely on transparent, long-term funding sources.

Fiscally Constrained Budget and Forecasting System

Texas and other states across the nation are facing serious challenges with respect to transportation finance including:

- Decreasing purchasing power of highway funds,
- Rising fuel efficiency and
- Increasing uncertainty of federal funding

TxDOT has been aware of the declining purchasing power of traditional funding sources for some time. It is also aware of the challenges in raising motor fuel taxes. TxDOT, therefore, has been utilizing new funding mechanisms created by the Legislature which have allowed TxDOT to respond quickly to recent population growth.

To better understand the need for reliable funding sources we must first explain how construction projects are funded. Payments on construction projects typically occur over the course of 2-5 years, the length of time it takes to build, rehabilitate or expand a new road. TxDOT's financial forecasters and planners carefully consider future funding when they estimate transportation projects that can be awarded now and in the future. A reliable and sustainable funding source allows for certainty in the planning process allows TxDOT to effectively work with its partners on developing projects.

In addition to serving as a resource as the Legislature works to find transportation funding solutions, TxDOT has undergone departmental reorganization. TxDOT's commitment to operational savings and efficiencies represents an ongoing initiative that will take many forms. Some initiatives are long-term and the associated savings will not be realized until future biennia. Others will allow TxDOT to save money or realize revenue in the near-term to comply with the requirements of HB 1, 83rd Legislature, 3rd Called Session.

We would like to thank the Legislature for beginning the process of finding new, reliable revenue streams in the months prior to the 84th Legislative Session. The Senate Select Committee on Transportation Funding, Expenditures and Finance, along with its companion in the House, will serve an essential role in supporting the transportation infrastructure required to keep Texas economically competitive in the years to come.

Past Funding Methods

It is important to understand TxDOT's budget and payment systems to understand why the need for reliable and sustainable revenue is so vital. Some state DOTs operate on a pay-go, encumbrance-based method of funding road projects, which requires their DOTs to have all of the cash on hand necessary for specified projects before they begin building or repairing roads. As soon as payments for these contracted projects become due, these state DOTs will draw from the projects' specific accounts and use their cash on hand to make payments on incoming invoices.

Although TxDOT operates under a pay-go system, its payments have always been distributed based on a cash flow system, rather than the encumbrance-based method. As mentioned earlier, a \$30 million contract award will typically take 2-5 years to pay out. So TxDOT will not have \$30 million in cash for a project when it is awarded, but rather will forecast the monthly payments needed for this project, along with all other active and planned projects, to see if the projected revenues will cover the projected payments. Knowing the amount of revenue that will be available in the future allows us to start the maximum amount of projects today.

State Tax on Motor Fuel

State and federal motor fuel taxes represent the most robust and reliable funding sources for transportation projects. Unlike transportation bonds, revenue generated from motor fuel taxes is likely to be available for years to come. Texas began taxing motor fuel in 1923, almost 10 years prior to the federal collection of fuel tax. Three-fourths of the collected revenue was deposited into the State Highway Fund (SHF) and the remaining amount was placed in the Available School Fund. In 1946, this practice was codified in Article VII, Section 7-a of the *Texas Constitution*. For many years, state and federal motor fuel taxes provided sufficient revenue for the construction and maintenance of transportation projects. Increased demand for roads, inflation, stagnant tax rates and rising fuel efficiency have all greatly contributed to the necessity of finding new, reliable revenue sources, cost saving measures and innovative leveraging practices in order to maintain project output levels.

Significant Changes in State Motor Fuel Tax			
(amounts listed in cents per gallon)			
Year	Gasoline	Diesel	Liquefied Gas
1923	\$0.01	N/A	N/A
1927	\$0.03	N/A	N/A
1929	\$0.04	N/A	N/A
1941	\$0.04	\$0.08	\$0.04
1951	\$0.04	\$0.06	\$0.04
1955	\$0.05	\$0.07	\$0.05
1984	\$0.10	\$0.10	\$0.10
1987	\$0.15	\$0.15	\$0.15
1989	\$0.15	\$0.15	\$0.15
1991	\$0.20	\$0.20	\$0.15

Increasing Fuel Efficiency

Rising fuel efficiency in vehicles has a major impact on motor fuels tax revenue. A flat \$0.20 state fuel tax is levied on each gallon sold. It does not rise or fall with the price of fuel. As fuel efficiency increases, less fuel is purchased on a per-vehicle mile basis and therefore less revenue is collected per vehicle mile. More vehicle miles driven on Texas roadways contribute to congestion and degradation of the network but do not generate a proportionate increase in revenue.

Inflation

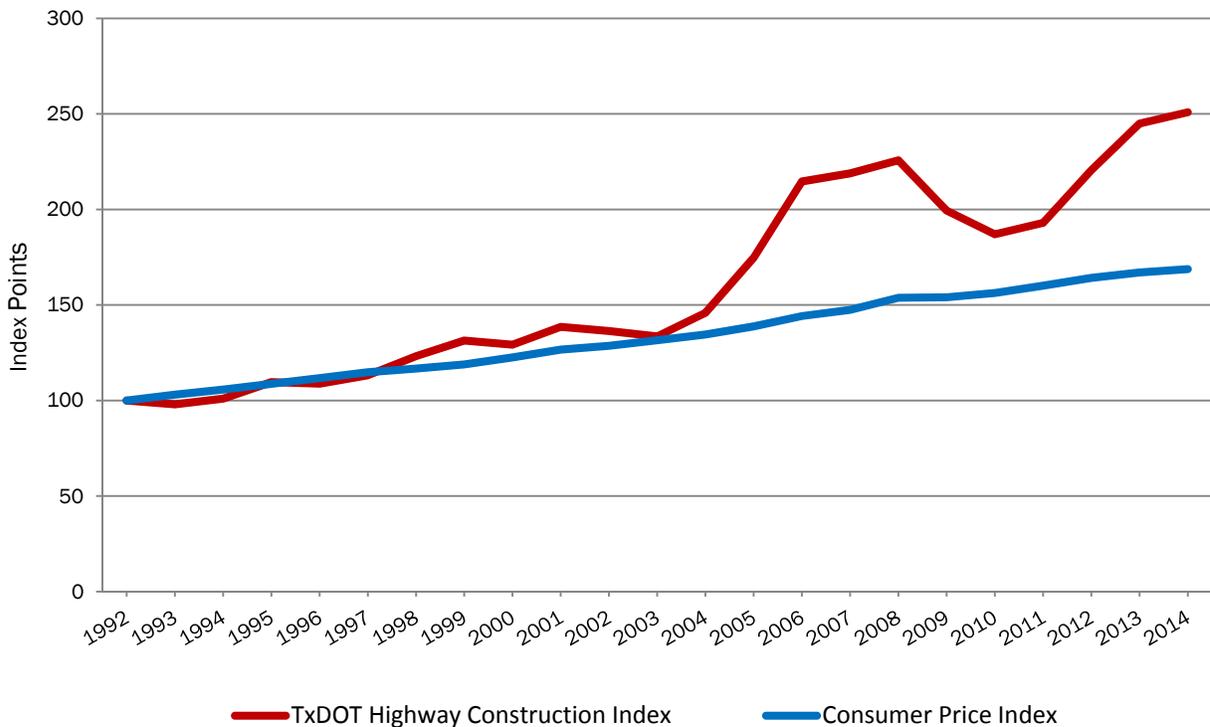
One of the most significant challenges we face is the declining purchasing power of the SHF. In Texas, construction inflation has increased 150 percent since the state motor fuel tax was last increased in 1991. Federal fuel tax rates have not been raised since 1993. The bottom line is that while motor fuel tax revenue has generally risen over the years as more people move to and drive in Texas, highway construction costs have risen to the point that current motor fuel tax revenue buys far less than it did when the state tax rates were last adjusted.

In 2013, the State Highway Fund received deposits of state motor fuel tax totaling \$2,366,071,688. If state motor fuel taxes been indexed to inflation in 1991, those revenues would have increased by \$1.6 billion to total \$3,951,339,719. If state motor fuel taxes had been indexed to construction inflation rates, that amount would be \$5,796,875,636, or represent a \$3.4 billion increase.

Motor vehicle registration fees are another regular source of revenue to the SHF. These fees brought in \$1,347,719,381 in 2013. If motor vehicle registration fees had been indexed to inflation, the total would be \$2,250,691,366. Had the fees been indexed to highway construction inflation, those amounts would be even higher at \$3,301,912,483.

The figure below illustrates the 67 percent rise in consumer inflation over the last two-and-a-half decades. Construction inflation rates are clearly less smooth over time. The costs of transportation materials such as steel and concrete play a large role in our ability to maximize our funding dollars. The rise in the global demand for transportation construction materials in Texas has increased department costs by 150 percent.

Inflation vs. Construction Inflation

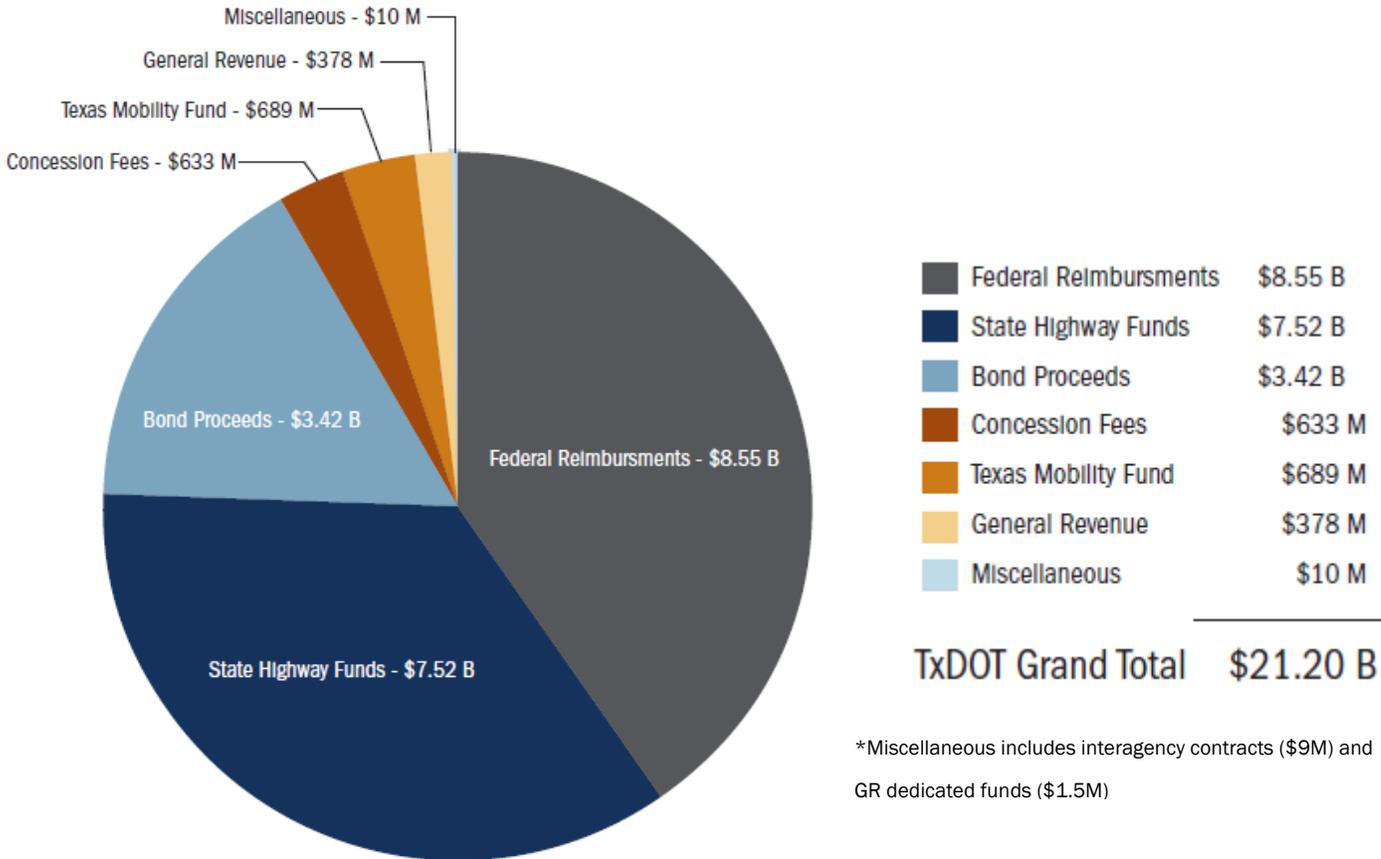


Present funding methods

The Texas Legislature has offered TxDOT an array of funding sources, as illustrated by the charts below. Federal reimbursements, funded by the federal gas tax and a transfer of federal general funds, make up the largest percentage of TxDOT’s budget. SHF funds from state motor fuel tax, motor vehicle registration fees, among other, smaller fees. Bond proceeds have contributed to almost 20 percent of TxDOT’s current, biennial budget. This percentage becomes important as we begin to discuss new, reliable funding sources.

Texas Department of Transportation Method of Finance

Fiscal Years 2014-2015



*Miscellaneous includes interagency contracts (\$9M) and GR dedicated funds (\$1.5M)

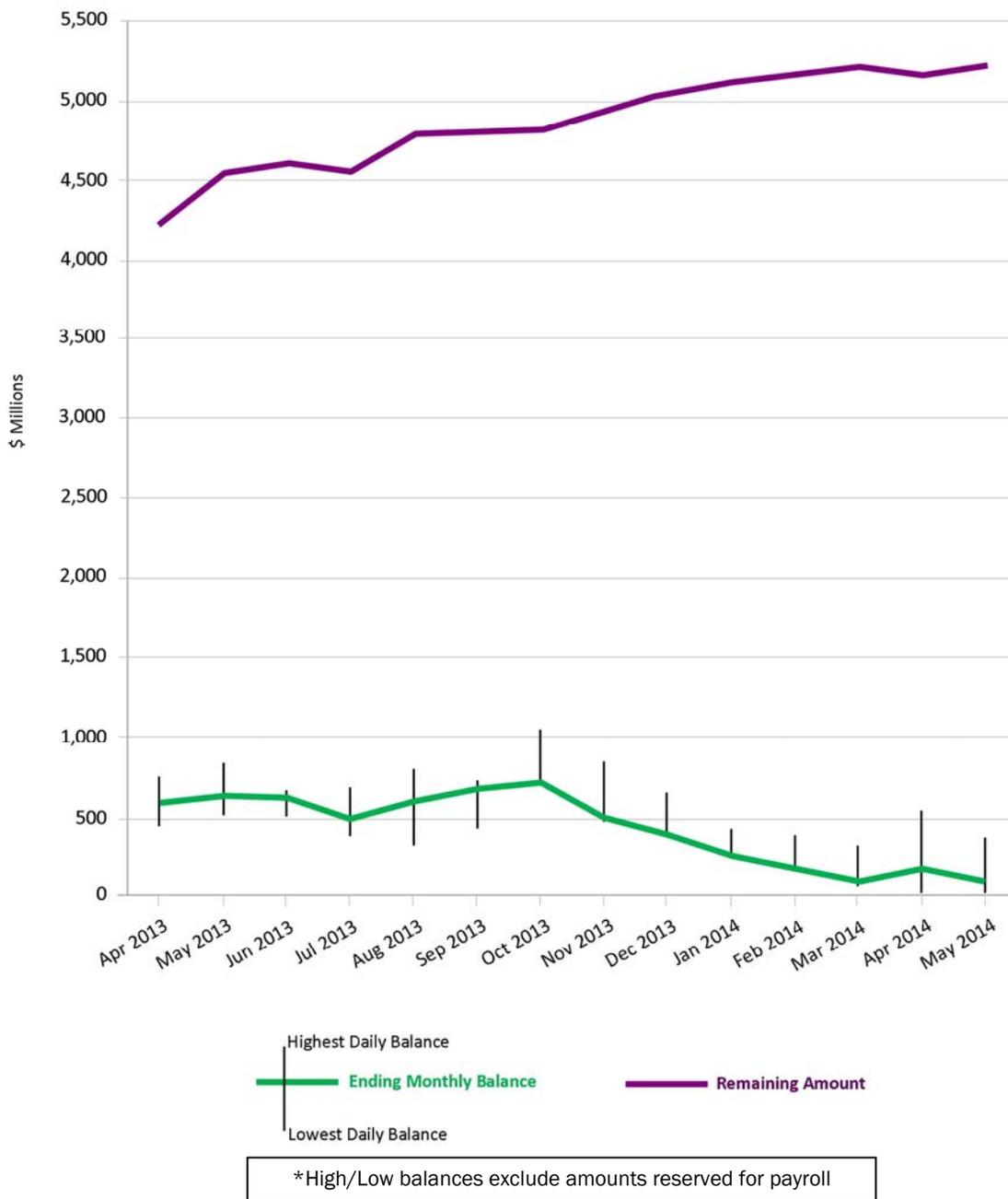
State Highway Fund Balances

The figure on the following page illustrates the wide range of fluctuations that exist in SHF balances from month to month over the course of the last 12 months. These balances represent monthly transfers of motor fuel tax revenues, and daily deposits of vehicle registration fees, federal reimbursements and other fees. They also reflect contractor payments on construction and maintenance projects, right of way expenditures and many other department and other agency disbursements. Revenue and expenditures from SHF subaccounts, including regional toll funds, State Infrastructure Bank funds and bonds are excluded from the SHF balances below.

The variation in fund balances on the low end of the spectrum again highlights the importance of reliable funding sources. As bond funds dwindle over time and contractor payments rely more heavily on SHF revenue, attention to the timing of these payments and incoming revenues becomes more crucial.

Delays in federal reimbursements or in the appropriation of revenues like motor vehicle registration fees affect the schedule and the total amount of contracts TxDOT can award. The purple line in the graph below shows the remaining obligations of contractor payments projected to be paid out of the SHF. Although TxDOT operates with a fiscally constrained approach to forecasting, trust in reliable funding transfers from month to month is essential.

Operating Balance of the State Highway Fund



Federal Funding

Approximately 40 percent of TxDOT’s budget is comprised of federal funds. The Federal-Aid Highway Program is a reimbursement system with states receiving the ability to obligate federal funds for projects based on the amount of federal motor fuel tax each state contributed to the Highway Trust Fund (HTF). Once the federal funds are obligated they are received as reimbursements on project expenditures over time. For decades, federal

assistance for highways was adequately supported by federal motor fuel tax and fee revenue deposited to the HTF. Since the beginning of the Federal-Aid Highway Program, Congress approved HTF spending, which was in line with or below the overall revenue collected. For a time, revenue collections exceeded expenditures and the HTF was able to accumulate unspent balances. In 2005, Congress made the decision to increase funding to states in an effort to spend down the excess funds in the HTF. However, at that same time cars were becoming more fuel efficient and people were driving less, which brought in less motor fuel tax revenue into the account.

Funding levels to the states were not brought back into line with actual revenue coming into the HTF, and therefore, a shortfall in available funding to states occurred. Congress chose to respond to the shortfall by transferring federal general funds. According to the Federal Highway Administration (FHWA), Congress has already transferred \$9.7 billion in general revenue to the HTF in FY 2014. In total, Congress has transferred approximately \$55 billion in federal general funds to the HTF. In August 2014, the FHWA projects that the HTF will need an additional infusion of funds to be able to reimburse states at the currently authorized levels. This means that absent another transfer of federal general funds from Congress, many state DOTs would receive reimbursements at a slower pace or at a lower amount until the HTF is replenished from current fuel taxes. The Texas Legislature has provided TxDOT with the tools to handle short-term funding shortages for this exact type of situation. TxDOT has the ability to borrow funds needed to pay our contractors for work on a timely basis and therefore we are not expected to stop or delay any active projects because of an HTF shortfall.

Adding further uncertainty to the federal funding picture is the fact that the current surface transportation authorization act, Moving Ahead for Progress in the 21st Century (MAP-21), is set to expire on September 30, 2014 at the end of the federal fiscal year. If history is to be our guide, it is likely that Congress will pass multiple extensions of the authorization legislation until a new piece of legislation can be agreed upon. Because these extensions will be short-term in nature, Texas will not know the outcome of its full, yearly authorized spending levels. Therefore, TxDOT will only program and forecast funds in the amount of revenue directly tied to the motor fuels taxes estimated to be contributed to the HTF. TxDOT will not estimate any transfer of general funds or new transportation revenue that has not been authorized by Congress. TxDOT's Legislative Appropriations Request for FY 2016-2017 will include a fiscally constrained projection in the federal funds method of finance. As the schedules for the specific projects selected by our local partners to utilize this funding become more definite, it is likely that the projected payout will need to be updated during the biennium.

Debt Financing

Bond issuance grew more prominent as a transportation funding tool in the early 21st century. This was due to a number of factors, including low interest rates and a perceived lack of support for motor fuel tax and registration fee increases. Bonding allowed TxDOT to award large mobility projects aimed at addressing congestion sooner rather than later. This came at a time when Texas first began to experience its enduring population boom. It is rarely mentioned, but bonding also has the benefit of directing all proceeds to maintaining and replacing the roads we have now and building new capacity for the increased demand on our infrastructure.

TxDOT has a variety of borrowing programs available to advance the construction of transportation projects. Some programs are payable from future deposits to the SHF. Others are payable from general revenue and other dedicated revenues. Because a significant portion of TxDOT's current budget is comprised of borrowed funds and debt service, the following provides an overview of each program.

State Highway Fund Revenue Bonds (Proposition 14)

The Texas Transportation Commission is authorized by law to issue \$6 billion in bonds for highway improvements projects, with no more than \$1.5 billion issued in any one year and with a maximum maturity of 20 years. Debt service payments are secured by all revenues of the SHF. Projected debt service may not exceed 10 percent of the prior year's deposits to the fund. Current credit ratings are Aaa by Moody's and AAA by S&P. All \$6 billion has been allocated to projects.

Texas Mobility Fund (TMF)

The Texas Mobility Fund was authorized by voters in 2001 and the Legislature identified revenues to be dedicated to the fund in 2003 to advance transportation projects. The maximum maturity is 30 years.

Debt service payments are secured by revenues of the fund and are further backed by the full faith and credit of the state. There is a requirement that the projected revenues in any year must be forecast by the Comptroller to be at least 110 percent of the debt service.

Ninety-eight percent of the revenue deposited to the fund comes from motor vehicle inspection fees, driver's license fees, driver's license information fees, and certificate of title fees. The bond proceeds can be used for state highways, publicly owned toll roads, and other public transportation projects. Current credit ratings are AAA by Fitch, Aaa by Moody's, and AAA by S&P.

Rail Relocation and Improvement Fund

The Rail Relocation and Improvement Fund is designed similarly to the Texas Mobility Fund. The legislature has yet to dedicate a revenue source to the fund and therefore no debt has been issued. Once a revenue source is identified, the program issuance limitation will be based on a certified revenue estimate from the Comptroller.

Highway Improvement General Obligation Bonds (Proposition 12)

In 2007 Texas voters approved a constitutional amendment to allow the legislature to authorize the Texas Transportation Commission to issue up to \$5 billion in general obligation debt. The bonds are payable from the general revenues of the state. The amount that can currently be issued, up to an aggregate amount of \$5 billion, is subject to appropriation. SB 1, 81st Texas Legislature, 1st Called Session authorized the issuance of general obligation bonds to pay all or part of the costs of highway improvement projects. Current credit ratings are AAA by Fitch, Aaa by Moody's, and AAA by S&P.

Short-Term Borrowing Capability

Transportation Code Section 201.115 authorizes the Commission to borrow money to carry out TxDOT's functions. The term of short-term borrowing is limited to two years and may not exceed an amount that is two times the average monthly revenue deposits to the SHF in the last 12 months. The Commission has authorized TxDOT to enter into short-term lending agreements to facilitate efficient, uninterrupted cash management operations. Circumstances, primarily related to the timing of deposits into and expenditures out of the SHF, may lead to fluctuations in the cash balance of the fund. Pursuant to the authorization of short-term borrowing, TxDOT entered into note purchase agreements with Wells Fargo Bank and Citibank to obtain direct loans in the combined aggregate principal amount of up to \$750 million. This program replaced a commercial paper program and reduced on-going facility fees. In May, TxDOT borrowed \$100 million from the program due to a very low SHF balance as a result of delayed federal reimbursements caused by FHWA's system conversion.

The chart below shows TxDOT's total bonding capacity for TMF bonds, SHF bonds (Proposition 14) and Highway Improvement General Obligation bonds (Proposition 12) to be \$17.9 billion. This is the maximum amount of bonds TxDOT may issue. To date, TxDOT has issued \$13.7 billion of the \$17.9 billion. Although the full capacity of bond issuance has not been reached at this time, TxDOT has awarded contracts and allocated the full capacity of these bonds to projects. As progress payments on these obligations become due, TxDOT will issue the remaining available amounts. Once TxDOT issues all bonds, the repayments on the bonds will total \$31.5 billion and will be paid over the next 30 years.

TxDOT Bond Program Summary

As of May 1, 2014

Total Bonding Capacity				
	TMF	Prop 14	Prop 12	Total
Par + Premium	\$6,916,209,369	\$6,000,000,000	\$5,000,000,000	\$17,916,209,369
Total Repayments	\$14,055,000,000	\$9,000,000,000	\$8,400,000,000	\$31,455,000,000
Projected MADS	\$535,500,000	\$398,000,000	\$352,950,000	
Bond Capacity Used				
	TMF	Prop 14	Prop 12	Total
Par + Premium	\$6,316,209,369*	\$5,299,851,213	\$2,098,640,047	\$13,714,700,629
Total Repayments	\$12,520,100,000	\$8,061,000,000	\$3,243,731,716	\$23,823,831,716
WAC	4.26%	3.67%	2.97%	

*TMF is a perpetual fund with no statutory or constitutional limit on total debt issuance; capacity is determined by the amount of revenues dedicated by the Legislature and Comptroller's revenue certification

Notes:

- Figures reflect net debt service for those bonds issued as Build America Bonds.
- TMF and Prop 12 are limited to a maximum maturity of 30 years; Prop 14 is limited to 20 years.
- MADS = maximum annual debt service
- WAC = weighted average cost
- Future debt issuances have assumed interest rates; actuals will vary.

Texas Department of Transportation Funding Uses

Fiscal Years 2014-2015

TxDOT's budget illustrates our commitment to maintain and build new capacity in our transportation system. Administrative costs are kept extremely low relative to the tremendous output of TxDOT's multi-billion agency. Maintaining the quality of the state's

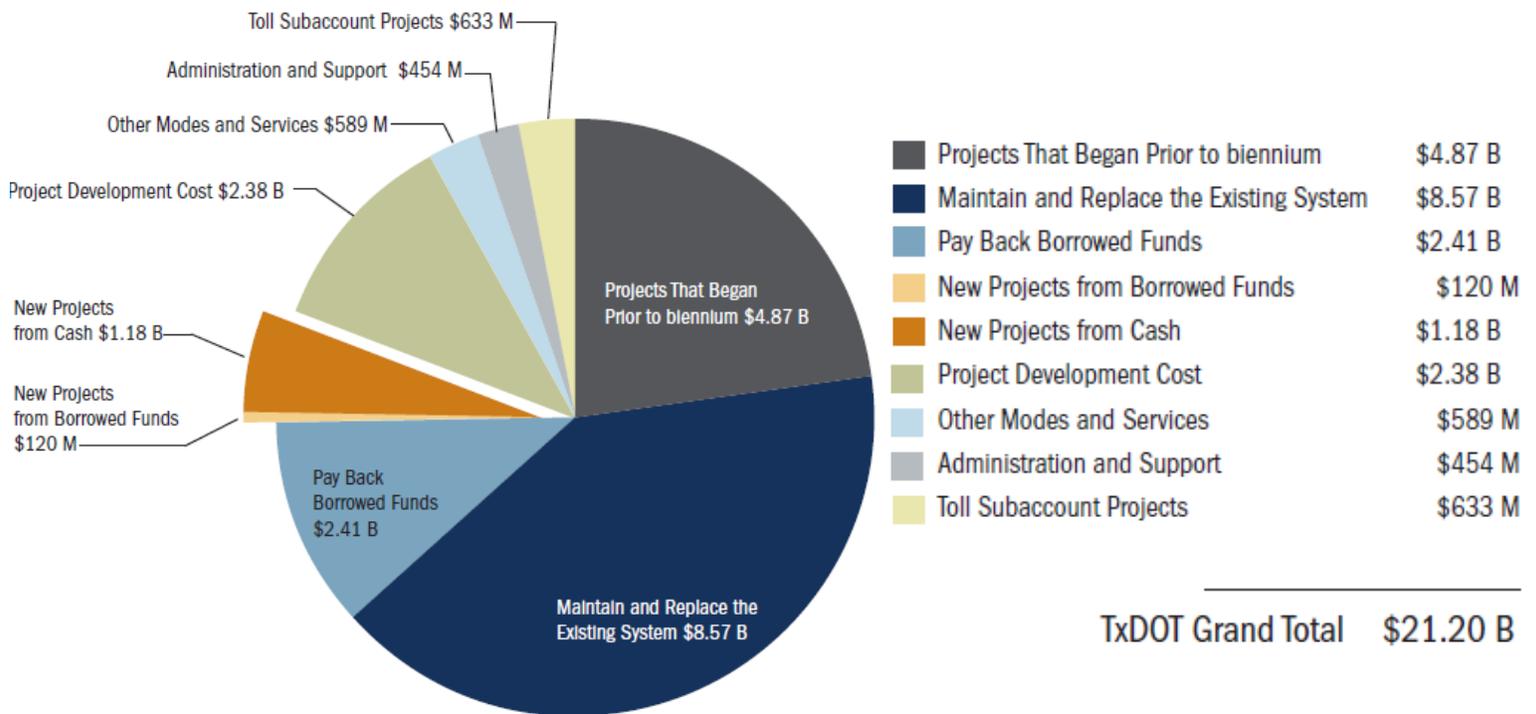


existing 195,000 miles on the transportation system is understandably the greatest expense for TxDOT. When totaled together, construction costs make up 29.6 percent of TxDOT's budget.

Letting Projections

Starting in 2001 the Texas Legislature provided several valuable tools that have allowed TxDOT to accelerate and finance projects. The Texas Mobility Fund, SHF Revenue Bonds, Highway Improvement General Obligation Bonds, comprehensive development agreements, and pass-through financing helped get projects to construction more quickly than what would have otherwise been possible.

After 2015, when bond funds and toll-project subaccount funding will be substantially lower, lettings are projected to drop to levels not seen since before the innovative financing tools took effect ten years ago. The state is rapidly approaching the end of what was a temporary spike in our contracting levels. The state's transportation program is settling back upon its reliance on fuel tax revenues and vehicle registration fees. More information about the future reliability of funding and the need for increased transportation funding will be discussed in the next section.



*Other Modes and Services includes aviation, public transportation, traffic safety, travel information and rail

Future Reliability of Funding

Throughout this testimony we have discussed the decreased purchasing power of our funds, the uncertainty of future funding for new roads and the increased strain on our existing transportation infrastructure. This section will explore cost saving measures both achieved and planned for TxDOT in the years to come. It will also explain some of the methodology behind TxDOT's need for permanent funding solutions in its goal of maintaining the road system at 2010 standards.

Stewardship of Taxpayer Dollars

The Texas Transportation Commission and TxDOT have anticipated the current funding challenges discussed below for many years. In response, TxDOT has made every effort to reduce operating costs before reducing any transportation programs. As TxDOT's work program has been expected to ramp down in coming years, so have our staffing levels. In 2011 the full-time equivalent (FTE) employee cap was 14,067. TxDOT requested a lower level for the FY 2012 - 2013 biennium, and the 2014 - 2015 version of the General Appropriations Act maintains that cap of 12,087 total FTEs. The 2016 - 2017 draft LAR is under development and will likely include another downward adjustment in FTE levels.

Additionally, the department has instituted a more rigorous process to capture costs savings. TxDOT recognizes that savings opportunities are identified not only at the top, but also by front-line employees, by researching best practices from similar entities and by consistently revisiting and understanding our customer requirements. With this perspective in mind, TxDOT employees at all levels can unearth opportunities for cost savings. Leadership within TxDOT's administration is currently gathering data on each district, division and office's operating efficiencies. Efficiencies have been attained with the sale of a large portion of TxDOT's fleet operations. Not only will cost savings be realized over time in maintenance cost reductions, but also revenue will be gained with the sale of the underutilized portion of the existing fleet. The sale of surplus real estate in Houston garnered \$24 million of revenue and will also eliminate maintenance costs previously paid on the property. TxDOT has plans to sell other properties in the near future.

TxDOT has undergone a deliberate effort to consolidate and streamline department functions, contract when necessary and centralize overlapping operations. One exciting change will be the launch of the Enterprise Resource Planning system. This new software will overhaul our current financial system by centralizing many functions that currently operate on multiple systems. Efficiencies will be gained as a result of staff being able to log into one central system, employ simple searches for readily accessible data, reduce errors and eliminate the time spent reconciling multiple tracking systems. Training on this system will be streamlined and simplified, which will drastically reduce the high learning curve now demanded of new TxDOT employees to learn our antiquated system. TxDOT will not experience direct cost savings for this project in the current biennium but the measures will have a visible impact in the coming years. Combined cost saving efforts reflect the work of knowledgeable and collaborative professionals determined to solve our state's toughest transportation challenges and be good stewards of taxpayer money.

The \$5 Billion Funding Gap

TxDOT's past chairman, Deidre Delisi, appointed a committee of business leaders, local elected officials and transportation experts to assess the state's transportation needs from 2009 to 2030. The 2030 Committee, with the assistance of the Texas A&M University System, The Center for Transportation Research at the University of Texas at Austin and the University of Texas at San Antonio, published two reports, the latest in 2011.

The 2011 report by the 2030 Committee, entitled *It's about Time: Investing in Transportation to Keep Texas Economically Competitive*, assessed the state's transportation needs through the year 2035. According to the 2030 Committee, in order to maintain roads and keep capacity at 2010 levels with a B-rating, TxDOT's funding needs total \$270 billion over the next 25 years or \$10.8 billion per year.

This estimate addresses the concrete, the man-power, the right of way and the other direct expenses related to building and maintaining roads and bridges. The figure does not include all of the daily business operations that go into overseeing contracts, payment processing, human resources and other functions. It does not account for debt service or certain divisions like Aviation. It does, however, account for the majority of TxDOT's overall budget.

One of the reasons our estimate assumes a B-rating is to ensure that rural roads are adequately supported. You can see from the figure below that an F-rating includes zero funding for rural roads. While this is the highest estimate given by the 2030 Committee, this amount preserves the current transportation system and reduces future costs of replacing our past investments.

Over 25 years, \$270 billion amounts to a need of \$10.8 billion in highway investment per year. Current appropriation levels set aside for construction and maintenance costs—excluding bond funding and toll project subaccounts—amount to approximately \$6.2 billion. This brings the current transportation infrastructure funding gap to just over \$4 billion a year.

2030 Committee Assessment of Transportation Needs¹

Period	System Element	Scenarios			
		F Unacceptable Conditions	D Worst Acceptable Conditions	C Minimum Competitive Conditions	B Continue 2010 Conditions
2011 to 2015	Pavement	\$5.8	\$10.6	\$10.8	\$14.5
	Bridge	\$2.3	\$2.7	\$2.7	\$2.9
	Mobility	\$18.1	\$16.5	\$32.4	\$30.6
	Rural	\$0.0	\$0.8	\$1.5	\$1.6
	Total	\$26.2	\$30.6	\$47.4	\$49.6
2016 to 2019	Pavement	\$5.1	\$10.1	\$10.3	\$13.6
	Bridge	\$1.8	\$2.2	\$2.2	\$2.4
	Mobility	\$13.7	\$15.3	\$17.3	\$27.5
	Rural	\$0.0	\$0.7	\$1.2	\$1.3
	Total	\$20.6	\$28.3	\$31.0	\$44.8
2020 to 2035	Pavement	\$9.9	\$39.5	\$40.3	\$46.8
	Bridge	\$7.3	\$8.6	\$8.6	\$9.4
	Mobility	\$36.0	\$64.2	\$85.5	\$114.5
	Rural	\$0.0	\$2.7	\$4.7	\$5.1
	Total	\$53.2	\$115.0	\$139.1	\$175.8
2011 to 2035	Grand Total	\$100	\$174	\$217	\$270

¹ It's About Time: Investing in Transportation to Keep Texas Economically Competitive. 2030 Committee. 2011.

Energy-Related Activity

Since the 2030 Committee issued the report in 2011, the \$4 billion need has increased to \$5 billion per year in order to accommodate the safety and maintenance demands brought about by the booming energy sector. Energy production from wind, oil, and natural gas has increased significantly in recent years and is expected to continue growing. Although these activities greatly contribute to the economic vitality of the state, increased road use is having a tremendous impact on our transportation infrastructure. The production of oil, gas, and wind energy requires large numbers of heavy trucks, including many classified as oversize and/or overweight vehicles. Over time, large volumes of heavy truck traffic damage roads and bridges and reduce their service-life. The problem is particularly acute on highways, roads and bridges that are not designed or constructed to accommodate heavy loads or oversize vehicles. A great deal of the exploration and production occurs in rural areas where most of the roads and bridges were designed for lower traffic volumes.

The Texas A&M Transportation Institute (TTI) has concluded that because of impacts on the transportation system, the cost to provide quality road repair and maintenance to FM and state highway systems is approximately \$1 billion per year. To investigate and address the impacts of energy exploration and development-related activities on Texas' transportation infrastructure, TxDOT formed the Task Force on Texas' Energy Sector Roadway Needs. Through partnerships with TTI and the University of Texas Center for Transportation Research, TxDOT coordinated several research projects to quantify these impacts. The task force which includes representatives from the Department of Public Safety, the Department of Motor Vehicles, the Railroad Commission, the Texas Commission on Environmental Quality, local governments and the energy and trucking industries has examined ideas to address infrastructure concerns and long-term funding strategies. While the economic activity associated with energy-development activities is a substantial benefit to the state, TxDOT and local governments must ensure that the roads are well-maintained and safe.

Supplemental Information Requested by the Committee

State Highway Fund (SHF)

The SHF currently holds \$426 million in unappropriated funds that TxDOT could use toward additional projects. Rider 18 in the TxDOT bill pattern of the 2014-2015 General Appropriations Act requires the agency to formally request written approval from the Governor's office and the Legislative Budget Board for the expenditure of any additional appropriations above the estimated amounts outlined in the Act.

	Amount
HB 1025, 83rd Legislature, Regular Session	FY 2013
Reduction of unencumbered FY 2012-2013 Biennium appropriations to DPS from Fund 006 and replacement with equal amount of appropriation to DPS from the general fund	\$134,750,000
Net Revenue	Amount
Motor Vehicle Registration Fee Revenue Above Estimates	
FY 2012 Comptroller's Projected Revenue Estimate in January 2011 BRE vs. Actual Revenues in Annual Cash Report 2012 (difference)	\$125,189,421
FY 2013 Comptroller's Projected Revenue Estimate in January 2011 BRE vs. Actual Revenues in the Annual Cash Report 2013 (difference)	\$142,246,060
Total Net Revenues Available for Appropriation	\$267,435,481
Other	
Sale of Houston District Property (October 2013, so not included in FY 2013 Fund balance as of Sept 30, 2013)	\$24,200,000
Total Available for Additional Appropriation (above 2014-2015 Biennium appropriation estimates)	\$426,385,481

Sale of Surplus Equipment

Revenue from the sale of surplus property is first deposited into the state's General Revenue Fund. Rider 27 of the 2014-2015 General Appropriations Act appropriates proceeds from the sale of surplus property to TxDOT to spend on carrying out the functions of the department, including the implementation of Chapter 91 of the Transportation Code. TxDOT may spend no more than \$500,000 per fiscal year on passenger rail with these funds.

Pass-Through Financing

Pass-through financing is a tool the state created as an innovative option to extend the use of limited highway tax dollars and allow local communities to fund and be reimbursed upfront costs for designing, constructing, maintaining and/or operating a road project.

Local public entities and private developers may submit proposals to TxDOT for funding transportation projects in their communities. Pass-through financing is a way to obtain a needed transportation project funded and built more quickly than the traditional state program.

Pass Through Toll Obligations			
Description	Number	Without 10%	With 10%
Executed Agreements	41	\$1,767,244,998	\$1,801,396,682
Pending Agreements	5	\$90,508,000	\$90,508,000
10% on Pending Agreements	0	\$0	\$6,827,600
Total Agreements (Executed and Pending)		\$1,857,752,998	\$1,898,732,282
LTD Expenditures		(\$244,866,049)	(\$244,866,049)
Remaining Pass Through Toll Funding Obligations	46	\$1,612,886,949	\$1,653,866,232

Toll Roads

There are at least 25 toll facilities in Texas that include a combination of traditional toll roads, open road tolling, all electronic tolling and video tolling on main lanes and managed lanes. Toll facilities can be owned and operated by TxDOT; regional mobility authorities, (RMAs); regional toll authorities such as North Texas Tollway Authority; county toll authorities such as Harris County Toll Road Authority (HCTRA) and Fort Bend County Toll Road Authority (FBCTRA); and managed lane toll projects operated by transit authorities, such as METRO in Houston.

TxDOT owns and/or operates SH 45 North, SH 130 Segments 1-4 and SH 45 Southeast in Central Texas; the Camino Colombia (SH 255) in Laredo. Tolls collected on facilities not owned and/or operated by TxDOT reside with the agency that is responsible for the operations of the roadway.

Available information was collected on the toll revenues and operational expenditures for seven public entities operating toll facilities. In addition to TxDOT, those entities include three RMAs: North East Texas RMA; Camino Real RMA; Cameron County RMA; the regional toll authority, NTTA; and two county toll authorities, HCTRA and FBCTRA. Although the information listed on the following page is not the total amount of revenues collected from toll authorities in Texas, it provides some information on the extent to which toll roads have assisted in the funding of transportation programs.

Toll Gross Revenue

Toll Entity	# of Facilities	FY 2012	FY 2013
TxDOT ⁽¹⁾	7	\$82,920,942	\$106,861,192
Cameron County RMA	1	\$207,478	\$170,749
Camino Real RMA ⁽²⁾	1	\$0.00	\$0.00
Central Texas RMA ⁽³⁾	2	\$23,603,505	\$32,159,157
North East Texas RMA ⁽⁴⁾	1	\$0.00	\$2,580,146
Fort Bend County Toll Road Authority	2	\$19,325,050	\$21,853,536
Fort Bend Grand Parkway Toll Road Authority ⁽⁵⁾	1	\$0.00	\$0.00
Harris County Toll Road Authority	4	\$519,297,000	\$560,079,182
North Texas Tollway Authority ⁽⁶⁾	8	\$491,929,853	\$549,889,178
	27	\$1,137,076,530	\$1,273,422,391

⁽¹⁾ The number of toll facilities listed for TxDOT includes SH 130, LBJ Express and the North Tarrant Express, which are privately operated. LBJ and NTE are newly opened. Toll revenues from these facilities are not included in the gross revenues.

⁽²⁾ Camino Real RMA opened its first motorist paid toll facility, Cesar Chavez Express Toll Lanes, in January 2014. It received \$31,300,000 in FY 2012 and FY 2013 in pass through toll revenues from TxDOT for the Inner Loop Project. Grand Parkway Toll Road, operated by Fort Bend Grand Parkway TRA, opened this year as well.

⁽³⁾ CTRMA has two facilities: SH 183A and the Manor Express (290 Toll), which just opened on May 17, 2014.

⁽⁴⁾ NETRMA revenue information does not include fees. The addition of fees increases total revenues to \$3,176,079.

⁽⁵⁾ Fort Bend Grand Parkway Toll Road Authority began collecting revenue in FY 2014.

⁽⁶⁾ NTTA gross revenues include those in the NTTA System and the Special Projects System (excluding Chisolm Trail, which opened May 11, 2014) and is not audited for FY 2013.

Toll Operations Expenditures

Toll Entity	FY 2012	FY 2013	Outstanding Debt Service
TxDOT	\$135,540,089	\$120,055,889	
Cameron County RMA	\$1,183,350	\$4,703,015	\$72,159,762
Camino Real RMA	\$564,150	\$815,831	\$243,331,661
Central Texas RMA	\$17,057,564	\$24,818,251	\$472,409,654
North East Texas RMA	\$669,415	\$2,571,661	\$109,011,526
Fort Bend County TRA	\$10,388,658	13,928,200	151,580,000
Fort Bend Grand Parkway TRA	\$1,743,403	\$7,461,732	\$155,085,000
Harris County TRA	\$368,627,153	\$386,047,272	\$2,584,876,879
North Texas Tollway Authority ⁽¹⁾	\$106,236,324	\$116,268,908	\$340,823,045
	\$640,826,756	\$658,039,544	\$3,750,442,765

⁽¹⁾ NTTA FY 2013 includes budgeted amounts, not actuals and debt service is based on the 2013 Financial Report.