



LEGISLATIVE BUDGET BOARD

Transportation Funding

Highlights of Funding in House Bill 1 and Overview of Motor Vehicle Sales and Use Tax

PRESENTED TO THE HOUSE APPROPRIATIONS COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

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Overview

Funding Highlights in House Bill 1

- 2016-17 All Funds Recommendations for the Department of Transportation
- State Highway Fund Allocations
- Proposition 1, 2014 – Oil and Natural Gas Tax-related Transfers to the State Highway Fund

Motor Vehicle Sales and Use Tax

- 2016-17 Revenue Estimates and Allocations

Preview: LBB Staff Report – *Transportation Funding Options*

Transportation Funding in HB 1

\$23.7 billion in All Funds provided for the Texas Department of Transportation (TxDOT), includes the following:

- \$8.5 billion from “traditional” State Highway Funds (SHF), including \$1.3 billion from the discontinuation of SHF appropriations to agencies other than TxDOT;
- \$8.4 billion in Federal Funds;
- \$2.6 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014);
- \$2.0 billion from bond proceeds for transportation improvement projects; and
- \$2.2 billion from other SHF, Texas Mobility Fund, and debt service-related allocations

State Highway Fund Allocations in HB 1

- 100% of available SHF revenue allocated to TxDOT, including:
 - \$8.5 billion in direct appropriations
 - \$603 million for TxDOT employee benefits (appropriated elsewhere in HB 1)

- SHF replaced with \$1.3 billion from other funding sources (primarily General Revenue Funds) for all other agencies that received SHF appropriations in the 2014-15 biennium:
 - Office of the Attorney General
 - Texas A&M Transportation Institute
 - Department of Public Safety
 - Department of Motor Vehicles
 - State Office of Administrative Hearings
 - Department of Insurance

Proposition 1, 2014

- Amendment to Article III, Section 49-g, Texas Constitution, approved by the voters in November 2014
- Allocates to the SHF as much as half of the oil and natural gas tax-related transfers previously allocated to the Economic Stabilization Fund (ESF)
- Allocations to ESF and SHF based on 75% of oil and natural gas tax collections above the fiscal year 1987 levels (\$1.1 billion) each fiscal year
- Revenue transferred to the State Highway Fund may only be used for constructing, maintaining, and acquiring rights-of-way for non-tolled public roadways.
- \$1.74 billion transferred to SHF in December 2014 (fiscal year 2015)
- Proposition 1 funding amounts in HB 1 are estimated to be \$2.6 billion for the 2016-17 biennium.

Motor Vehicle Sales and Use Tax

- Motor Vehicle Sales and Use Tax Allocations¹
 - General Revenue receipts estimated to be \$9.4 billion in 2016-17:
 - \$4.6 billion in fiscal year 2016
 - \$4.9 billion in fiscal year 2017
 - Other allocations include:
 - Property Tax Relief Fund - \$50 million in 2016-17
 - Texas Emissions Reduction Plan Fund - \$31 million
- General Revenue receipts are available for general state spending.
- HB 1 does not include an allocation of Motor Vehicle Sales and Use Tax to the SHF or TxDOT.

¹SOURCE: Comptroller of Public Accounts, January 2015 Biennial Revenue Estimate.

Transportation Funding Options

A forthcoming LBB staff report entitled *Transportation Funding Options* will include options to increase revenue available for transportation infrastructure and to fund energy sector transportation repairs. The types of options include:

- Cost avoidance;
- Redirect existing revenue;
- Increase existing revenue; and
- Develop new revenue sources.

Options to increase revenue available for transportation infrastructure relate to five categories – revenue sources not currently used for transportation, motor fuels taxes, registration fees, alternatively-powered vehicles, and other.

Options to increase revenue available to fund energy sector transportation repairs relate to three categories – energy industry agreements, fees and taxes, and other.



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