



## **LOCAL FUNDING OPTIONS FOR TRANSPORTATION**

### **Envision Central Texas Work Group Report**

**February, 2009**

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## ***Key Envision Central Texas Principles***

**An efficient transportation system that “got ahead of the curve.”** While certainly the urgency to improve our regional transportation system was great in 2003 when ECT completed our Preferred Vision (which included strategic toll roads as well as urban rail and rapid bus transit), the current crisis in transportation funding requires further innovation and planning not only in what mobility choices we build, but also how we fund them.

**Region-wide understanding and the spirit that our fortunes are tied together.** Not all transportation options will be appropriate for all corners of our region, but not having the resources to invest in those options that can most improve mobility will burden the entire region. Enhanced planning and coordination of transportation modes will enhance actual transportation investments.

## ***Working Group Narrative***

Texas, along with the rest of the country, is facing a transportation funding crisis. According to the Capital Area Metropolitan Planning Organization (CAMPO), we have approximately \$23 billion dollars available between now and 2030 and that only funds 54 percent of our planned roadways. That funding gap represents only a single mode of transportation and also does not account for what is needed to improve mobility. The gap expands significantly<sup>1</sup> when you account for the resources needed to expand passenger rail<sup>2</sup> beyond our initial commuter line and further account for bicycle and pedestrian facilities<sup>3</sup> needed to maintain the quality of life all Central Texans desire<sup>4</sup>. This funding gap has been exacerbated in recent years by soaring costs of raw materials and construction.

There are a number of well-considered policy positions designed to address this funding crisis currently being advocated by the Central Texas Transportation Coalition, the North Central Texas Council of Governments and a number of other advocacy and political entities from around the state. That environmental, business and social service organizations have all come together on this single issue is indicative of its significance and urgency. ECT strongly urges all members of the Central Texas delegation to address this funding crisis at the state and local level during the 81st Texas Legislative Session and further address the other issues covered below. ECT specifically supports the following legislative proposals:

### **I. Statewide Efforts to Increase Transportation Funding**

**Proposition 12 General Obligation Bonds** – In 2007 Texas voters approved Proposition 12 which allows the Texas Department of Transportation to issue up to \$5 billion of general obligation bonds to provide funding for highway improvement projects. While ECT generally supports the passage of enabling legislation to allow for this much needed increase to funding

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<sup>1</sup> **Board feedback:** The actual size of the funding gap depends on many factors that are still unresolved.

<sup>2</sup> **Board feedback:** Emphasize public transit in general, not specific modes such as passenger rail.

<sup>3</sup> **Board feedback:** While many support bike and pedestrian facilities in concept, they may only have a minor, even negligible impact on improving regional mobility. Others believe that funding bike and pedestrian facilities should be increased in proportion of funding from current levels.

<sup>4</sup> **Board feedback:** Any effort to increase funding options in order to expand transportation system in Central Texas should also increase the regional coordination and planning of the transportation system, especially where the transportation project affects more than one jurisdiction, such as adjacent counties, where one has opted for a new tax and the other hasn't. Transportation projects funded from these kind of local sources should be connected, in a positive way, to local land use plans – and should reinforce the need for county growth management authority if a project is wholly outside a municipality.

transportation infrastructure, it hopes that issuing debt without an increase in underlying revenue will not become the state’s preferred method of funding infrastructure. ECT is concerned about the precedent this sets and the fact that it is not a long-term resolution of chronic funding shortfalls. Furthermore, ECT hopes that any general revenue funding used to service Prop 12 bonds will be replaced with new funding sources. This is to ensure that paying this debt service out of general revenue will not merely shift resources needed for other critical state needs away from those needs to transportation. This would not result in a net benefit to the state and its citizens. ECT hopes that because Prop 12 bonds can only be spent on “highway improvement projects,” any funds raised through Prop 12 debt will be used to free up other transportation funding for use on other modes of transportation<sup>5</sup>.

**Capitalize the Texas Rail Relocation and Improvement Fund** – In 2005 voters approved Proposition 1 creating the Rail Relocation and Improvement Fund. This fund allows the Texas Department of Transportation to issue debt from the fund for the sake of relocating railways out of urban areas and improving existing freight and passenger rail facilities. To date, no funds have been appropriated to capitalize the fund. ECT supports the capitalization of the Rail Relocation and Improvement Fund. This fund, if adequately capitalized, has the potential to provide much-needed funding for several important passenger and freight rail facilities, including, the Austin-San Antonio inter-municipal rail project. Similarly to our discussion of Proposition 12, any funding for the Rail Relocation and Improvement Fund coming from general revenue should be part of incremental transportation funding and not merely a reduction in the state’s existing general revenues. Lastly, ECT strongly supports a public and transparent process for relocating any railways should the fund be capitalized and projects implemented as a result<sup>6</sup>.

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<sup>5</sup> **Board feedback:** In several instances, some Board feedback encouraged a prioritization of any funds that become available to the region to go first to road projects, then to rail and other transit only after all road needs have been satisfied.

<sup>6</sup> **Board feedback:** Within Envision Central Texas’ service area, particular support, planning, and respect needs to be given to Bastrop County officials and residents if freight rail is relocated to new corridors east of SH 130.

## II. Texas Local Option Transportation Funding

Given the recent difficulty in securing a broad statewide or federal increase for transportation funding in spite of increasing demand on the current system, ECT is strongly supportive of the Legislature passing local option transportation funding legislation.

We are supportive of the general approach currently being advocated by the Central Texas Transportation Coalition, North Central Texas County of Governments and an affiliation of advocates from across the state which have joined in the cause of promoting local option funding. The common aspects of those approaches which ECT supports include<sup>7</sup>:

- A. **Provide locals a diverse choice of options and with the potential to provide substantial funding.** ECT advocates that the Legislature provide a diverse source of funding options leaving it to local communities to choose from among those which are the most appropriate given local circumstances. ECT also strongly advocates for the freedom to set local options at levels which can provide substantial funding<sup>8</sup>. The cost of current projects is so large that only funding capable of generating significant amounts of money can begin to impact Central Texas' current inability to fund needed projects. Some of the local funding options that could be included are in Details section, below. Again, ECT is not specifically advocating the implementation of any particular funding mechanisms at present; it is simply advocating that such options be made available to locals. The decision on which to implement will be made locally only after a duly called election on the matter. ECT does support in principle, however, funding sources that have the potential to reduce the number of vehicle miles traveled.
- B. **Use funds generated locally and on multiple modes of transportation projects.** ECT supports using the funds generated through a local option election only within the region

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<sup>7</sup> **Board feedback:** Promoting too many nuances and details may jeopardize the success of the general concept of enabling local option funding; ECT should support just the overall concept being passed at the state level and then pursue policy details later at the local level.

<sup>8</sup> **Board feedback:** If the amount of funding allowed to become available is insufficient to completely fund desired projects, then perhaps the legislation should not be supported at all – partial funding capacity may be worse for a local area than no funding at all over the long term.

where generated<sup>9</sup>. ECT also strongly advocates that any funds generated be spent on not just roadways but also passenger and freight rail projects as well as bicycle and pedestrian projects<sup>10</sup>. Reducing vehicle miles traveled in single occupancy vehicles is a key tenet of the ECT vision and offering travelers more than one viable means of transportation is a critical element to accomplishing that objective.

- C. **Do not create any new transportation providers.** ECT supports only existing jurisdictions or transportation entities having the ability to call an election for purposes of imposing a local option fee and developing a project as a result of imposing that fee<sup>11</sup>.
- D. **Transparency and public accountability in the voting process.** ECT urges any legislation containing local option funding to be implemented only through a voting process which adequately involves the public, clearly lists all fees or taxes to be imposed and transportation projects to be built<sup>12</sup>, and includes only projects approved by the MPO<sup>13</sup>.

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<sup>9</sup> **Board feedback:** The funding allocation must remain reasonably proximal to where funds were generated to remain equitable within a region – especially if the funds are generated through property based taxes such as impact fees or transfer of rights fees.

<sup>10</sup> **Board feedback:** Again, a strong sentiment exists among some that bike and pedestrian projects will have minimal to no measureable impact on reducing vehicle miles traveled or on overall regional mobility, therefore they should not be funded with money that could otherwise be used for roads.

<sup>11</sup> **Board feedback:** Whatever local provider or agency is given the authority to set and collect fees or taxes under this approach should have direct accountability to tax payers, i.e., entities such as the Central Texas Regional Mobility Authority should not be allowed to have additional authority to tax; such authority should stay with County Commissioners or CAMPO.

<sup>12</sup> **Board feedback:** The timing of when projects would be funded and built should also be included.

<sup>13</sup> **Board feedback:** Projects funded with local option taxes could be put on the ballot as line items, enabling people to target their support or opposition of specific projects; e.g., someone in support of roads, but not in support of bike lanes would not be forced by the ballot to support bike lanes.

## ***Detail Options***<sup>14</sup>

The overall concept of expanding funding options may find broad support where the specifics of any particular funding source or expense may be fiercely debated. The options listed here were discussed during by the Working Group:

- New resident impact fee imposed on vehicles previously registered out-of-state;
- Vehicle registration fees;
- Driver’s license issuance and renewal fees;
- Safety inspection fee;
- Congestion charges designed to reduce congestion in peak periods in certain areas;
- County or regional property taxes;
- Distance-based road user fee charging drivers for vehicle miles traveled;
- Motor vehicle sales tax within a county or a region;
- Property sales fee added to the sales price of residential and commercial properties;
- A motor fuels excise tax; and
- Vehicle purchase fee added to the sales price of motor vehicles.

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<sup>14</sup> **Board feedback:** Several Board members expressed support or opposition for specific funding options listed, but the inclusion of an option in this Report does not imply Envision Central Texas endorsement, just recognition of that option as part of the overall concept and conversation. A general concern also exists with the connection between who is paying the taxes and who benefits from the projects funded by the taxes, e.g., funding bike lanes with vehicle registration fees may cause vehicle owners who do not use bike lanes to feel there is no connection between the cost and the benefit. Another perspective is that the connection should follow the same community benefit logic as the historical funding of roads from general sources, regardless of direct benefit to an individual tax payer, e.g., the gas tax or county bonds may fund roads in areas where a vehicle owner may never travel, but the entire community benefits from the additional roads.

## ***References***

Central Texas Transportation Coalition letter to Senator Kirk Watson, dated Jan. 30, 2009  
North Central Texas Council of Governments Position Paper, 12/08