

SUBJECT: Elimination of TxDOT's toll equity spending limit

COMMITTEE: Transportation — favorable, without amendment

VOTE: 8 ayes — Krusee, Phillips, Callegari, Casteel, Deshotel, Flores, Hamric, Hill

0 nays

1 absent — West

WITNESSES: None

BACKGROUND: SB 342 and SJR 16 by Shapiro, adopted in 2001, established the concept of "toll equity," which allows the Texas Department of Transportation (TxDOT) to loan or spend funds from any source on public toll road projects without reimbursement.

In addition, SB 342 limited TxDOT's annual toll equity spending to 30 percent of federal highway funds. This changed during the 78th legislative session in 2003 by the enactment of HB 3588 by Krusee, which increased the annual toll equity spending limit from 30 percent of federal funds to \$800 million. The current \$800 million cap on toll equity spending does not include funds that are required to be repaid.

DIGEST: HB 649 would repeal Transportation Code, sec. 222.103(h), eliminating TxDOT's \$800 million toll equity spending limit.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

SUPPORTERS SAY: The existing toll equity spending limit severely limits TxDOT's ability to leverage limited state highway funding by financing toll projects. Individual toll projects are extremely expensive, and the \$800 million annual cap is not sufficient to finance plans for the construction of new toll projects around the state. In a five-year period, TxDOT contributed a total of \$700 million in toll equity to the Central Texas Turnpike Project

(CTTP) alone. Given the costly nature of such projects, it is important that the \$800 million cap on toll equity be removed.

Citizens often complain about how long it takes to complete highway construction and maintenance projects, which this bill would help reduce. Eliminating the cap on toll equity would allow for faster completion of much-needed toll road projects around the state. TxDOT estimates that toll leveraging could cut project start times in half — from 12 to six years — for a majority of planned urban congestion relief projects.

HB 649 would free up state highway funds for other highway improvements around the state by increasing the amount that TxDOT could apply toward toll projects. The state's share of spending on toll projects is substantially less than if the state were to finance the entire project without tolls. Eliminating the cap on toll equity spending could result in larger overall spending in certain areas when the value of toll projects is combined with conventional spending methods.

There are no “free” roads; there are only “tax roads” and toll roads. Motorists must pay for roads either way, and toll roads have the advantage of collecting money only from those who actually drive on them, not from the motoring public at large, making tolls truly user fees. Toll roads will never entirely replace non-toll roads. Free alternative routes always will exist.

Toll roads represent a better solution to the state's congestion problems than would an increase in the motor fuel tax or other proposed alternatives. TxDOT estimates that the motor fuel tax, currently 20 cents per gallon, would have to be increased by \$1 per gallon in order to meet the state's transportation needs. While increased use of mass transit, high-occupancy vehicle lanes, and other such measures could be part of the solution, no method other than toll-related financing could fund the number of transportation projects that the state must complete quickly.

**OPPONENTS
SAY:**

Lifting the cap on toll equity spending would not free up enough revenue to fund the many transportation projects the state needs in order to solve the current congestion crisis. Highway congestion has reached unprecedented levels in Texas largely due to population growth and increased traffic since the signing of the North American Free Trade Agreement. The colossal size of the state's congestion problem requires a solution more complex than merely repealing the toll equity spending cap.

HB 649 would promote the further proliferation of toll roads around the state at the expense of motorists who essentially pay a double tax — once at the pump and again at the tollbooth — yet have experienced scant relief from traffic congestion. Despite assurances that free roads will always exist as alternatives to toll roads, it is becoming clear that the state has little interest in exploring alternatives, such as raising the motor fuel tax, promoting mass transit, or dedicating other transportation-related taxes and fees. Indeed, the line between tolls as a source of financing and tolls as a source of revenue becomes more blurred with each toll-related proposal.

NOTES:

The companion bill, SB 323 by Staples, has been referred to the Senate Transportation and Homeland Security Committee.