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Going nowhere fast: Not much new money for transportation, state leaders say

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AUSTIN — -- State officials say they may slam the brakes on billions of dollars worth of road work statewide over the next several years, as lawmakers' efforts to find new funding to pay for the projects appear to be fizzling .

The 2013 legislative session began with many lawmakers saying transportation, education and water were their three highest priorities - and progress has been made on the latter two. But as the session draws closer to its May 27 adjournment, it has become clear to state officials, as well as elected leaders from both political parties, that while there is a greater awareness of the state's mobility needs there isn't widespread agreement on how to pay for them.

Texas Transportation Commission chairman Ted Houghton of El Paso said Wednesday that he has directed the Texas Department of Transportation staff to begin putting together lists of projects in each part of the state that have not been funded but will likely be postponed for years as money is poured into maintaining existing roads.

"We're going to start maintaining our roads adequately, which we haven't done in previous years. We're not going to have new projects," Houghton told the *Star-Telegram* in an interview. "It's doing to be a sad day. We're no longer going to rob Peter to pay Paul."

Houghton said his commission, which oversees the transportation department, would discuss the matter in Austin on May 30. Once the list of projects to cut is completed, the commission will vote on it at their next meeting June. 27, he said.

At the beginning of the legislative session, transportation department executive director Phil Wilson told lawmakers an additional \$4 billion annually was needed to maintain roads properly and continue with projects that are already planned for the next several years.

There are a handful of bills or proposals still pending in the Legislature could generate new revenue for roads. One measure, for example, would infuse \$500 million to cover the cost of repairs to roads damaged by trucks involved in natural gas drilling activity.

Another bill would dedicate a portion of future sales tax revenue generated from car sales to transportation. It would provide minimal funds initially, but potentially could pump in billions in future years. The measure would be phased in, providing \$373 million in 2016 - its first year in effect - but eventually providing \$5.38 billion by 2025, according to a Legislative Budget Board analysis. But since the state's sales tax normally goes into the general fund, spending that money on transportation would potentially leave a large gap in funding for other services.

Also, there is still hope the state's Rainy Day Fund can be tapped to infuse new dollars into an infrastructure bank, which local governments could use to leverage federal and other funds.

But even if all of the pending measures passed, several officials said it would only provide a fraction of Wilson's funding request.

Work already underway

For North Texas, the effect of any cuts wouldn't be felt for years.

About \$16 billion worth of road work is underway in Dallas-Fort Worth. Many of the biggest projects in the region are partnerships with privately-financed developers, including the LBJ Express in Dallas and the North Tarrant Express in the Fort Worth area.

Work recently began on expansion of Interstate 35W from Loop 820 to U.S. 287 in north Fort Worth - leaving motorists traveling from the fledgling Alliance area to downtown dealing with narrowed lanes and orange barrels. That work is part of an effort to rebuild existing lanes of I-35W from I-30 near downtown Fort Worth to north of U.S. 287, and to add two toll lanes in each direction. The job is expected to be complete by mid-2018.

It's the highway projects that aren't yet underway that will suffer, unless new state revenue sources are found, officials said.

Lawmakers agreed with Wilson that the state has unfunded transportation needs, but simply haven't had time to delve into the topic deeply enough to reach an agreement, lawmakers said.

"He (Wilson) came to the Legislature and he very candidly laid out that he needed \$4 billion, and so far he has ended up with nothing," said state Sen. Wendy Davis, D-Fort Worth.

Davis said transportation needs could be addressed in a special session. But first, she said, the governor and lieutenant governor's offices and the leadership of both houses must agree on a unified vision.

Model for the future

If anything, those projects involving partnerships between public and private entities - and often include a toll element - are likely a model for future road financing as the state has run out of options to pay for its tax-supported projects.

The state gas tax of 20 cents per gallon is unchanged since 1991, and the federal gas tax of 18.4 cents per gallon has been in place since 1990. For more than 12 years, officials have warned that those revenue sources can't generate what's needed to keep up in booming states such as Texas.

As an alternative, the Texas legislature, beginning 12 years ago, passed a series of laws allowing the state transportation department to issue bond-backed debt to cover unfunded needs. Now, all that debt capacity is nearly used up - the state expects to max out at \$17.916 billion in debt in 2015.

But the state's actual transportation debt is closer to \$23 billion, said state Sen. Robert Nichols, R- Jacksonville, when including state backed toll debt as well as money obligated through the state's "pass-through" program. Under that program, cities and counties pay for road projects upfront and get reimbursed by the state.

The transportation department is operating under a budget of about \$10 billion annually, but \$1.2 billion of that goes toward debt repayment, according to agency officials. Repaying that debt over 20 to 30 years will cost roughly \$32.4 billion, including interest, according to previously published estimates.

Once the debt payments are made, and the state completes its agreements with public-private partnerships such as North Tarrant Express, the remaining money must be dedicated to highway maintenance, Nichols said.

As a result, Lawmakers say they're not going to allow any more debt. Instead, it's time to snip the transportation department's proverbial credit cards, Nichols said.

"The traditional revenues are not even enough to fund the preservation of the system," said Nichols, who authored the bill to dedicate future car sales taxes to transportation.

Because transportation projects typically take four to eight years of planning and engineering, it may take a few years before state lawmakers realize Texas has a mobility crisis on its hands, said Vic Suhm, executive director of the Tarrant Regional Transportation Coalition.

"They operate effectively when they're in a crisis," Suhm said. "Right now, they know the problem is out there, but it's not staring them in the face."

Still a chance

State Rep. Giovanni Capriglione, R-Southlake, said there is still time in this session to add money for transportation projects, perhaps through the state's Rainy Day Fund. He said there is support for Nichols' bill that would dedicate a portion of future revenue from vehicle sales taxes to transportation projects.

Also, there is momentum in the final days of the session to offset the cost of repairing roads damaged by drilling operations.

But, it's not realistic to expect a boost amounting to \$4 billion a year, he said.

"There are projects that will not be funded, absolutely," Capriglione said. "At the end of the day, we decided to make other things a priority - education, water. Next time we want to have a conversation about transportation, we need to make transportation our beat drum. Otherwise, it doesn't get heard."

Houghton, who now has a decade of experience on the transportation commission, agrees. He said transportation is a tough sell in any legislative session.

"Transportation is not sexy, never has been," Houghton said. "It's kind of a taken-for-granted type deal. Education has a lot of emotion attached to it, because we're talking about kids getting ahead in life. And water, obviously the timing is good, because we're in the middle of a drought."

"But the point is, people see orange barrels across the state and say, 'What's the problem?' It's a hard thing for people to grasp there is a problem. But when they start hitting potholes, and pavement starts flaking up on them, then they'll know."

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