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Texas legislators try to rescue state roads from a river of red ink

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AUSTIN -- Twelve years and nearly \$18 billion worth of debt later, state lawmakers say they're ready to snip the Texas Department of Transportation's credit cards.

House and Senate members now agree that they have allowed the department to go too far into debt since 2001 to build roads that Texas couldn't have afforded with cash.

During the three months left in the legislative session, they will seek ways to reduce the red ink -- which according to department estimates will max out at \$17.9 billion by 2015.

The looming crisis even led one renowned fiscal conservative, Sen. Kevin Eltife, R-Tyler, to call for a 10-cent-per-gallon gas tax increase and an expansion of the sales tax to include auto repairs.

Eltife argued that raising taxes to pay off the balance is a more conservative option than retiring the debt over 20 to 30 years -- which will cost \$32.4 billion, including interest, according to a Transportation Department estimate.

When asked during a panel discussion at the annual Texas Transportation Forum whether supporting a tax increase would cost him re-election, Eltife said: "It is what it is. I was fine before I had this job. If they kick me out of office, I'll be fine.

"The reason we're at a crisis point is, we've maxed out the credit card," he said.

"It would have been better if we had gone with cash. There are times when [raising] taxes is the conservative thing to do."

Other lawmakers chimed in, saying they wouldn't support increasing the state's motor fuels tax, which has been 20 cents a gallon since 1991.

But they did show a willingness to consider tax and fee options previously pooh-pooed, including an increase in annual vehicle registration fees of perhaps \$50, even in a legislative session featuring dozens of newly elected Tea Party conservatives.

There's even talk of tapping the state's rainy-day fund for a \$2 billion infusion of highway dollars.

In a break from previous years, lawmakers now blame themselves -- rather than Transportation Department executives -- for failing to adopt a more sustainable way to build a road system that kept up with the state's tremendous job and population growth.

"I don't think the problem is TxDOT competency," said Sen. Chuy Hinojosa, D-McAllen. "I just think we need the money. We're pretty much at the end of the rope in terms of relying on bonds and debt. They're really costing us a lot more money than if we paid in cash for transportation needs. It's placing an inordinate amount of debt on future generations."

But Rep. Larry Phillips, R-Sherman, chairman of the House Transportation Committee, said one way to look at the debt is as a necessary tool to help the state through its job and population growth in the 2000s.

That was also an era when the Transportation Department was under fire from many lawmakers over accusations of fiscal mismanagement and pursuit of unpopular toll road projects such as the Trans-Texas Corridor.

The debt includes the Texas Mobility Fund and Proposition 14, which were created by voters statewide in 2001 and 2003, respectively. Those funds allow bonds to be repaid with future highway funds -- known as Fund 6 -- which mostly come from gas taxes and vehicle registration fees.

A third fund, Proposition 12, was approved by voters in 2007 and allows bonds to be repaid by the state's general fund.

A total of \$13.019 billion has been borrowed from the three forms of debt. The state will max out at \$17.916 billion by 2015, including funds contractually obligated but not yet borrowed.

That will require \$1.2 billion per year of debt financing for years to come -- roughly 12 percent of the department's \$10 billion annual budget.

The debt doesn't include toll-backed bonds issued by the Central Texas Turnpike Authority, which builds and operates Austin-area toll roads. It also doesn't include the rail relocation fund, which was approved by voters in 2005 but hasn't received startup funding from the Legislature.

Phil Wilson, who was named executive director of the Transportation Department in late 2011, warned lawmakers that a permanent funding source for his agency must be identified.

"The transportation funding outlook has been erratic over the last few years," Wilson testified before a Senate committee last week.

"While traditional sources of funding remain stagnant, a number of funding initiatives have been approved by both the Texas Legislature and the U.S. Congress. However, transportation funding that is provided in fits and starts does not substitute for a stable, long-term financing source."

Wilson's agency is asking for an additional \$4 billion per year -- \$3 billion for new work and \$1 billion for maintenance -- and legislators say they'll do what they can to at least partly meet that request.

The agency has regained the confidence of the Legislature, Phillips said, with an external audit and management shake-up during the past three years.

The financial picture is bleak at the federal level.

Members of Congress say there's little appetite for passing a long-term transportation funding bill that would help give states reliable tools.

Federal officials do feel a responsibility to help states maintain interstates and U.S. highways but don't want them to count on Washington for massive doses of funding for new projects, members of Congress said during the forum.

Late last year, Congress approved a transportation bill that funds highway, transit and other projects through September 2014 but is in no mood to provide a longer-term fix.

Before last year, Congress had traditionally aimed to approve funds for about six years at a time, giving states enough time to plan and build projects.

Naming rights?

Members of Congress may instead look at more unusual ways to raise revenue on U.S. roads, U.S. Rep. Roger Williams, R-Austin, said during the transportation forum in Austin.

One quirky option might be selling naming rights on highways.

Another, he said, would be to allow drilling on federal land and use the proceeds to replenish the highway fund.

But the most likely solution is for state governments to partner with private-sector companies that can bring investment dollars and other resources to a project.

"At the end of the day," Williams said, "it's going to be the private sector taking the lead on this."

Meanwhile, Wilson is searching for places to cut his budget to prove to Tea Party conservatives in the Legislature that his agency is spending wisely -- with the hope that those lawmakers will agree to a revenue boost for the Transportation Department.

For example, the agency refinanced Central Texas Turnpike toll bonds for an estimated \$200 million savings and switched electricity providers to save \$6 million.

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