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THE TEXAS TRIBUNE

Falling Oil Prices Leading to Drop in Texas Road Funding

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transportation than it originally expected — a difference of hundreds of millions of dollars, state Comptroller [Glenn Hegar](#) told lawmakers Wednesday.

But the Republican’s overarching message? Don’t panic.

For the 2016 budget year, which started in September, Texas is pouring \$1.1 billion in oil and gas severance taxes into the

Thanks to crashing oil prices, Texas will send far less of its money in the coming years to

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State Highway Fund. That was based on collections from the previous year.

But with oil prices plummeting, those transfers are expected to tumble to a total of \$594 million in fiscal 2017 before bobbing up to \$740 million the next year, Hegar told the House Select Committee on Transportation.

Such transfers are triggered by a proposition voters approved in 2014 that reroutes a portion of petroleum severance taxes from the state's [Rainy Day Fund](#) into the highway fund.



“There are a lot of people hyperventilating with concern. I thought about going around with brown paper bags,” Hegar told the committee.

On Wednesday, per-barrel prices of West Texas crude were hovering around \$26 — less than half its value when Hegar started his job a year ago and what seemed like a light-year away from early 2014’s days of \$100 oil.

Still, Hegar stuck to the sky-is-not-falling message that he has frequently pushed since being sworn into office.

This slowdown, he said, will look nothing like the 1980s, when banks shuttered and Texas bureaucrats literally scurried across the revenue-processing floor [in search of forgotten mailbags of cash](#).

“We’re a much more diverse economy than we were in the 1980s,” he said. “Texas is ranked across the board as one of the best places to do business.”

Of tapping the Rainy Day Fund to pay for transportation, Hegar said, “It’s not a guaranteed reliable source of funding. It’s going up. It’s going down.”

But long-term economic trends still look positive, he said.

Though the drilling downturn has eaten a chunk out of state sales tax collection, Hegar still expects the highway fund to get a boost from some of that revenue.

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In approving Proposition 7 last fall, Texans allowed officials to send a portion of state sales and use taxes to the highway fund, along with some motor vehicle sales and rental tax collections — but only if each meets a certain threshold.

On the sales and use side, any collections above \$28 billion would be routed to transportation — up to \$2.5 billion — beginning in 2017. On the motor vehicle side, 35 percent of those collections would flow to the fund beginning in 2015, once that revenue eclipses \$5 billion.

Texas is still on track to transfer \$2.5 billion in 2018, Hegar said. And he expects a \$375 million transfer from motor vehicle sales and rental taxes in 2020 — based on current data.

“Barring some global economic collapse, we’re going to hit those numbers,” he said.



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