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On Roads, Legislature Backed More Tolls, Debt Over Cash

by [Aman Batheja](#) | May 30, 2013 | [1 Comment](#)

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Texas political leaders entered this legislative session hopeful they might transform the state's approach to funding transportation. After a decade of relying largely on borrowed money and tolls to expand the state's highways, finding new revenue made economic sense, many lawmakers said.

But when the regular session ended Monday, the Texas Department of Transportation wound up with a fraction of the additional funding it requested. And legislators passed measures advancing toll projects and making it easier for communities to pay for road work on credit.

"I'm frustrated, but we are not ending this discussion," said state Rep. [Drew Darby](#), R-San Angelo, who [rallied unsuccessfully](#) for increased vehicle registration fees to help fund roads. "This discussion is going to last until our constituents demand that we act."

TxDOT officials told lawmakers at the start of the session that the agency needed an additional \$4 billion in revenue each year just to maintain current congestion. They requested another \$1.6 billion to address roads [torn up by truck activity](#) in South and West Texas counties in the midst of an oil drilling boom.

Budget writers ultimately found only \$850 million extra for TxDOT, with \$450 million of that dedicated to counties affected by energy development.

World Changers Shaped Here



“That’s like putting a water balloon on a forest fire,” said Duane Gordy, a Beaumont-based transportation-financing consultant.

Senate Finance Chairman [Tommy Williams](#), R-The Woodlands, helped work out a budget deal this session that included about \$4 billion more for schools and \$2 billion for water projects. He described transportation funding as his biggest disappointment of the session.

“The truth is we don’t have enough money to really add capacity to the existing system,” Williams told senators last week. “We barely have enough money to maintain the existing state highway system.”

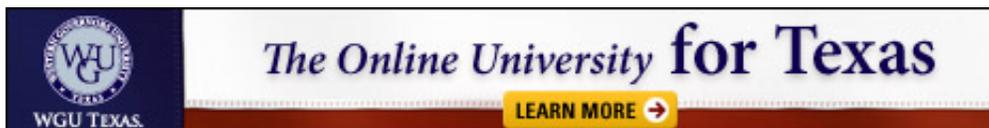
Williams and Senate Transportation Chairman [Robert Nichols](#), R-Jacksonville, are [asking](#) Gov. [Rick Perry](#) to consider adding their latest idea for boosting TxDOT's budget to the agenda of the special legislative session that began this week. The pair hopes to convince lawmakers to divert some revenue that currently goes into the state’s Rainy Day Fund to the highway fund.

While road funding came up short this session, other bills related to financing transportation projects made it to Perry’s desk. The measures are expected to spur road projects in the next two-year budget cycle, though the methods of payment will be traditional ones that many lawmakers have criticized.

Several years ago, as Texans grew concerned that TxDOT was moving too fast on new toll projects with private companies, the Legislature instituted a moratorium on such projects. It then began a new tradition of passing a bill each session that authorizes certain “comprehensive development agreements” to move forward. This session’s CDA bill, [Senate Bill 1730](#), includes about a dozen road projects, most around Dallas-Fort Worth and Houston, that TxDOT can now develop with private entities. Toll roads or toll lanes are expected to be a feature of most of the projects.

Separately, Perry has already signed [SB 1849](#), which will make it easier for [regional mobility authorities](#) — quasi-public agencies that often spearhead toll projects — to work on such projects with cities and counties just outside their jurisdiction.

Lawmakers also passed several new laws easing the way for communities to make better use of a financing tool called [Transportation Reinvestment Zones](#), or TRZs. When a city or county establishes an area as a TRZ, it can borrow money to fund a transportation project with plans to pay the loan back from the additional tax revenue the project is expected to attract.



Earlier this month, Perry signed [SB 1110](#), by Nichols, which removed limits on the use of sales tax revenue in TRZ financing. Many potential TRZ projects have sputtered because state law only allowed communities to factor property tax revenue growth, said Gordy, the transportation financing

expert.

“Sales tax is the first dollars that show up when new growth happens,” he said. “So if you need initial capitol in paying debt service, that would be the first place it would come from. Then the [property tax revenue] would kick in as growth goes forward.”

Earlier this month, when it was clear that TxDOT would not receive the level of funding it was requesting, House Transportation Chairman [Larry Phillips](#), R-Sherman, pointed to the financing measures that did pass as the bright side of a session that fell short on roads.

“There has to be local solutions, and communities that want to fix their congestion problems will,” Phillips said. “They have tools to do that today. Not as much as they would probably like, but they do.”

While helpful, Darby said the financing tweaks lawmakers passed this session continue an approach to transportation funding that is unwise for the state in the long run.

“What I want to get away from is the idea that we have to have local municipalities and local regional planning groups borrow money to mortgage their future so that they can put the project in today,” Darby said. “I want to get back to a pay-as-you-go system.”

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