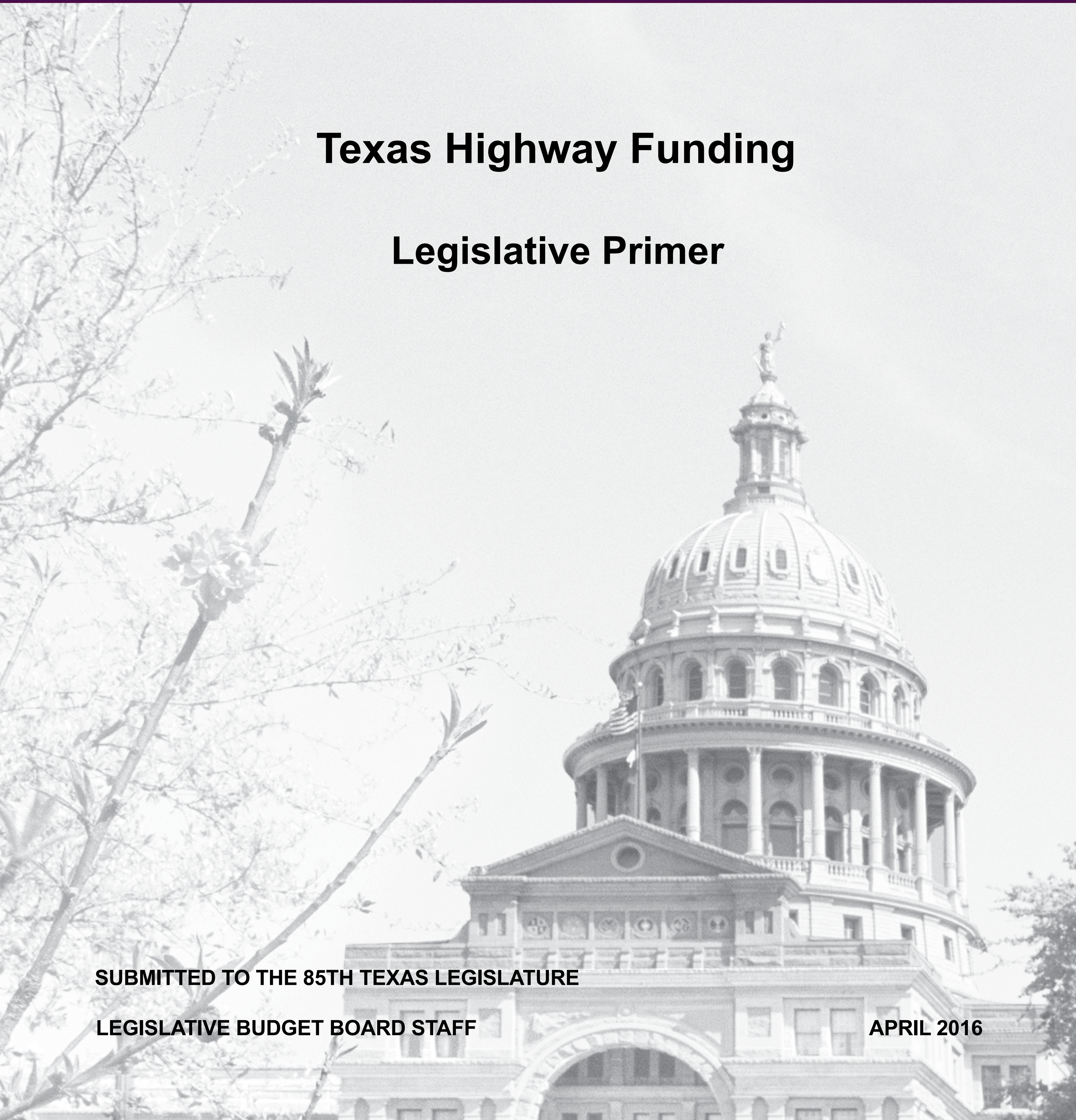
LEGISLATIVE BUDGET BOARD

Texas Highway Funding

Legislative Primer



SUBMITTED TO THE 85TH TEXAS LEGISLATURE

LEGISLATIVE BUDGET BOARD STAFF APRIL 2016

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EXECUTIVE SUMMARY

Texas has traditionally used a pay-as-you-go financing system for road construction in which roads are built as funding becomes available. Funding for the pay-as-you-go system in Texas is generated from user fees (i.e., motor fuels tax revenues and registration fees) and Federal Funds. However, as the cost of constructing and maintaining transportation corridors has increased, the purchasing power of the traditional pay-as-you-go system has been reduced. As a result, the Legislature has authorized the issuance of debt and provided limited use of public-private partnerships to generate additional revenue to fund the construction and maintenance of highways.

This report provides an overview of the financing mechanisms available to the Texas Department of Transportation (TxDOT) to construct and maintain highways. Additionally, the constitutional and statutory requirements, historical expenditures, and trends of these revenue sources are discussed. The majority of revenue sources for highway construction and maintenance are deposited into either the State Highway Fund or the Texas Mobility Fund.

STATE HIGHWAY FUND

The State Highway Fund has been used for highway construction and maintenance, acquisition of rights-of-way, and the policing of public roads. The major revenue sources deposited directly to the fund include motor vehicle registration fees, Federal Funds (primarily federal-aid highway reimbursements), and sales tax on motor lubricants. Motor fuel tax revenue is deposited to the General Revenue Fund, and a significant portion is allocated to the State Highway Fund.

Approximately 75 percent of motor fuel tax revenues are dedicated for the construction, maintenance, and policing of public roads. Most of the remaining 25 percent of collections is dedicated to public education. Net revenue collections from motor fuels taxes and vehicle registration fees are the primary sources of state revenue deposited to the State Highway Fund. These revenue sources, along with sales taxes on motor fuel lubricants deposited to the fund, are dedicated by the Texas Constitution for acquiring rights-of-way; constructing, maintaining, and policing public roadways; and for the administration of laws pertaining to the supervision of traffic and safety on public roadways. Other statutory fees deposited to the State Highway Fund that are not dedicated by the constitution include special vehicle permit fees, commercial transportation fees, and other fees primarily associated with administrative and regulatory functions that are carried out by the Texas Department of Motor Vehicles (DMV) and TxDOT. Federal transportation receipts, bond proceeds, and receipts from certain toll facility agreements are also deposited to the State Highway Fund. State Highway Fund revenue from sources not dedicated by the constitution is available for any function TxDOT performs. **Figure 1** shows total revenues from and the rates of major state sources of revenue deposited to the State Highway Fund.

In November 2014, voters approved a constitutional amendment (Proposition 1) allowing for the transfer of General Revenue Funds, which would have been deposited to the Economic Stabilization Fund (ESF), to the State Highway Fund. As a result of approval of this amendment, House Bill 1, Eighty-third Legislature, Third Called Session, 2013, took immediate effect. House Bill 1 established a process to preserve a sufficient balance in the ESF and determine how much revenue should be allocated to the State Highway Fund. A legislative committee is required to determine the sufficient balance of the ESF, which is used to determine the maximum transfer to the State Highway Fund. In fiscal year 2015, a committee determined the minimum balance needed for the ESF is $7.0 billion; resulting in a transfer of $1.7 billion to the State Highway Fund, rather than the ESF, in accordance with this provision. Additional funds will be deposited from a portion of revenue generated from state sales tax and motor vehicle sales and rental taxes.

As a result of voter approval of Proposition 7, 2015, the Texas Constitution was amended to allocate to the State Highway Fund revenue from the first $2.5 billion of state sales tax collected in excess of $28.0 billion in a fiscal year and 35.0 percent of motor vehicle sales and rental taxes collected in excess of $5.0 billion in a fiscal year, beginning in fiscal year 2018 and 2020, respectively.

FIGURE 1
MAJOR STATE SOURCES OF REVENUE DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEAR 2015

SOURCE	TOTAL REVENUE (IN MILLIONS)	AMOUNT DEPOSITED TO STATE HIGHWAY FUND (IN MILLIONS)	RATE	YEAR FEE WAS SET
Motor Fuel Tax	$3,382.9	$2,521.9	Gasoline: $0.20/gallon	1991
			Diesel: $0.20/gallon	1991
			LNG/CNG: $0.15/gallon	1986
General Revenue Funds Transfer (Proposition 1, 2014)	(1)	$1,740.1	N/A	N/A
Vehicle Registration Fees	$1,461.4	$1,380.8	$50.75 for most passenger vehicles	1985
Special Vehicle Registration Fees	$189.7	$118.8	From $0 not to exceed $9,000	Varies, most 1997
Sales Tax on Lubricants	$44.5	$44.5	6.25%	1990
Toll Fees	$5.5	$5.5	Varies	Varies

Notes:
(1) The amount of General Revenue Funds transferred to the State Highway Fund is based on a portion of the previous year's oil and natural gas production tax collections. Total 2014 collections from these two taxes were $5,771.9 million.
(2) LNG = Liquefied Natural Gas; CNG = Compressed Natural Gas.
Sources: Texas Comptroller of Public Accounts; Texas Department of Motor Vehicles.

TEXAS MOBILITY FUND

The Texas Constitution Article 3, Section 49-k (Proposition 15), was added by amendment in November 2001, establishing the Texas Mobility Fund (TMF). The fund is a revolving fund in the state Treasury and is administered by the Texas Transportation Commission (TTC) and TxDOT for the design, construction, reconstruction, acquisition, and expansion of state highways. The TMF can also be used in the construction of publicly owned toll roads and other public transportation projects.

The Texas Legislature may dedicate any taxes or other revenues to the TMF that otherwise are not dedicated by the constitution (i.e., motor fuel taxes, lubricant sales taxes, and motor vehicle registration fees). Deposits to TMF include portions of fees for the titling and inspection of motor vehicles, driver record information and driver license fees, and fees from motor carrier act penalties. **Figure 2** shows total revenue from these sources and the rates at which these fees are set.

BOND REVENUES

With the enactment of legislation passed by the Seventy-eighth Legislature, Regular Session, 2003, and voter approval of an amendment to the Texas Constitution, Article 3, Sections 49-m and 49-n (Proposition 14, 2003), the TTC was authorized to issue bonds secured by a pledge of and payable from revenue deposited to the credit of the State Highway Fund. TTC is authorized to issue State Highway Fund Revenue Bonds and other public securities in an aggregate principal amount not to exceed $6.0 billion, with no more than $1.5 billion to be issued each year to finance state highway improvement and safety projects.

In 2003, TTC was authorized by the constitution and statute to issue bonds secured by a pledge of money on deposit in the TMF to construct highways, toll roads, or other transportation projects. These obligations are guaranteed with a pledge of the state's full faith and credit if the TMF balance is insufficient to pay outstanding obligations. The proceeds of debt issuances are to be deposited in the TMF, and fund proceeds are pledged to the payment of any outstanding obligations or credit agreements. The passage of legislation by the Eighty-fourth Legislature, 2015, prohibits the issuance of new TMF bond obligations after January 1, 2015.

With voter approval of an amendment to the Texas Constitution, Article 3, section 49-p (Proposition 12, 2007), and the enactment of House Bill 1, Eighty-first Legislature, First Called Session, 2009, TTC is authorized to issue Proposition 12 General Obligation bonds in an aggregate amount not to exceed $5.0 billion to provide funding for highway improvement projects. These authorized projects include the acquisition of a highway, construction, reconstruction, major maintenance, design, and the acquisition of right-of-way. **Figure 3** shows the amounts authorized and remaining capacity for each of these bond programs.

FIGURE 2
MAJOR STATE SOURCES OF REVENUE DEPOSITED TO THE TEXAS MOBILITY FUND, FISCAL YEAR 2015

SOURCE	TOTAL REVENUE (IN MILLIONS)	AMOUNT DEPOSITED TO TEXAS MOBILITY FUND (IN MILLIONS)	RATE	YEAR FEE WAS SET
Vehicle Inspection Fees	$120.4	$60.5	$12.50 to $25.50	1999, 2001
Motor Carrier Act Penalties	$5.1	$2.9	Varies	1997
Driver License Fees	$137.0	$135.9	$5 to $125	Varies, most set between 1995 and 2007
Driver Record Information Fees	$66.9	$65.7	$4 to $2,000	Varies
Certificate of Title Fees	$203.4	$102.6	$28, $33	2001

Sources: Texas Comptroller of Public Accounts, Texas Department of Public Safety.

FIGURE 3
TRANSPORTATION BOND PROGRAMS, NOVEMBER 1, 2015

(IN MILLIONS)

PROGRAM	AUTHORIZED	USED	REMAINING
State Highway Fund Revenue Bonds (Proposition 14, 2003)	$6,000.0	$5,299.9	$700.1
Texas Mobility Fund Bonds (Proposition 15, 2001)	$7,390.6	$7,390.6	$0.0
General Obligation Bonds (Proposition 12, 2007)	$5,000.0	$3,558.0	$1,442.0

Note: Authorization used and remaining capacity represent the status of the program as of November 2015.
Source: Texas Department of Transportation.

DISCUSSION

The Texas Department of Transportation (TxDOT) maintains approximately 80,000 centerline miles of road, which make up 25.7 percent of roads in the state. Almost 74 percent of the annual vehicle miles traveled in Texas is on state-maintained roads. For the 2016–17 biennium, TxDOT received an All Funds appropriation of $23.1 billion. This amount includes $14.2 billion in Other Funds (61.5 percent of total funding), including $1.3 billion made available from the discontinuation of State Highway Fund (SHF) appropriations to agencies other than TxDOT and $2.4 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014).

Out of total appropriations in the 2016–17 biennium, TxDOT received $2.6 billion for transportation planning and development, $9.7 billion for highway construction and preservation, and $2.9 billion for routine transportation system maintenance. Also, TxDOT was appropriated $2.4 billion, due to Proposition 1 (2014), which is discussed in a subsequent section. **Figure 4** shows the expenditures on highway construction and maintenance in Texas from fiscal years 2009 to 2015 compared to total state expenditures.

FIGURE 4
NET EXPENDITURES ON HIGHWAY CONSTRUCTION AND MAINTENANCE, FISCAL YEARS 2009 TO 2015

(IN MILLIONS)

FISCAL YEAR	HIGHWAY CONSTRUCTION AND MAINTENANCE	EXPENDITURES EXCLUDING TRUST (STATEWIDE)
2009	$4,252.9	$88,575.6
2010	$3,353.5	$90,434.1
2011	$3,774.0	$95,458.8
2012	$4,186.5	$94,256.9
2013	$4,491.6	$93,567.0
2014	$5,305.2	$99,655.1
2015	$5,192.8	$106,365.6

Source: Texas Comptroller of Public Accounts.

The State Highway Department was established by the Thirty-fifth Legislature, 1917, to distribute monetary aid to counties for the purpose of highway construction and maintenance and to undertake road construction projects. In 1921, the Federal Aid to Roads Act was amended, requiring states to take responsibility for road design, construction, and maintenance after 1925. In 1924, the State Highway Department also took responsibility for all state highway maintenance, which had previously been the responsibility of counties. During the late 1920s, the Legislature adopted the pay-as-you-go system of highway financing. The Forty-second Legislature, 1932, provided that highway financing was a state responsibility and limited counties' contributions to providing right-of-way. TxDOT was established in 1991, taking the responsibilities of the Department of Aviation, Motor Vehicle Commission, the State Department of Highways and Public Transportation, and later the Texas Turnpike Authority.

Texas' pay-as-you-go system required that project funding be available prior to the maintenance and construction of highway capacity. Traditionally, road financing was generated through motor vehicle registration fees, taxes on motor fuels and lubricants, and federal funding. In recent years, transportation funding has not kept pace with the state's road maintenance and construction needs. The cost of construction materials decreased between 2008 and 2010; however, by 2014, prices had returned to levels experienced in 2007. Gasoline is taxed at $0.20 per gallon, a rate last changed in 1991. Because gasoline is taxed according to volume rather than price, inflation and improved vehicle fuel economy has decreased the purchasing power of gasoline tax revenue. Adjusting for inflation using the Consumer Price Index, the tax rate would need to be $0.35 per gallon in calendar year 2015 to have the same purchasing power it did in 1991.

As the state's population, economy, and vehicle miles traveled have increased, the cost of materials for road construction has also increased. From 2002 to 2007, the highway construction cost index increased at an abnormally fast rate, increasing by 62.0 percent. As of fiscal year 2012, the Texas state highway system includes 193,334 lane miles of roads. From fiscal years 2001 to 2012, the number of national highway system lane miles in Texas increased by approximately

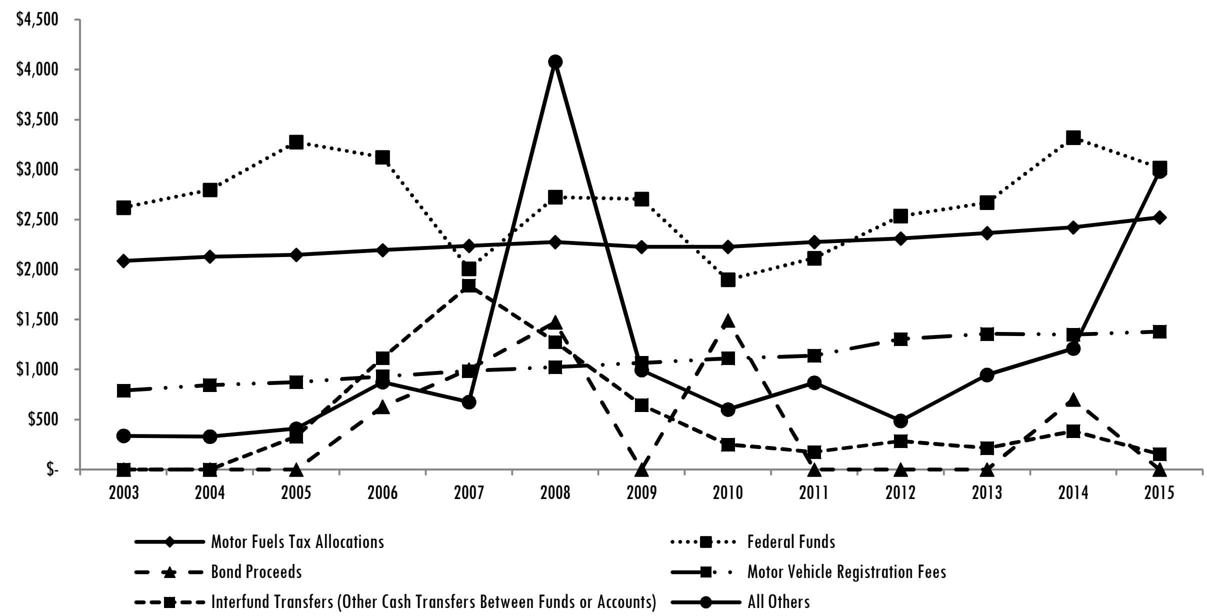
2.8 percent. During this period, the state's population increased by almost 18.4 percent, and the number of vehicle miles traveled increased by 11.4 percent. Much of this growth has been in the state's urban areas, which are some of the most congested cities in the country. In the 2015 Urban Mobility Report, the Texas Transportation Institute ranked the Houston area eighth in the country for annual hours of delay per traveler. The Dallas-Fort Worth-Arlington area ranked 11th, Austin ranked 12th, and San Antonio ranked 33rd.

New financing tools have been made available to TxDOT, because the pay-as-you-go system no longer sustains the state highway system's needs. New financing methods include the use of bond proceeds and some comprehensive development agreements (CDA). These revenues are deposited to either the State Highway Fund or the Texas Mobility Fund. **Figures 5** and **6** show the primary sources of revenue deposited into each fund during the past 10 fiscal years. **Figure 7** shows TxDOT appropriations by funding source for the 2016–17 biennium, of which the largest is the State Highway Fund.

STATE HIGHWAY FUND

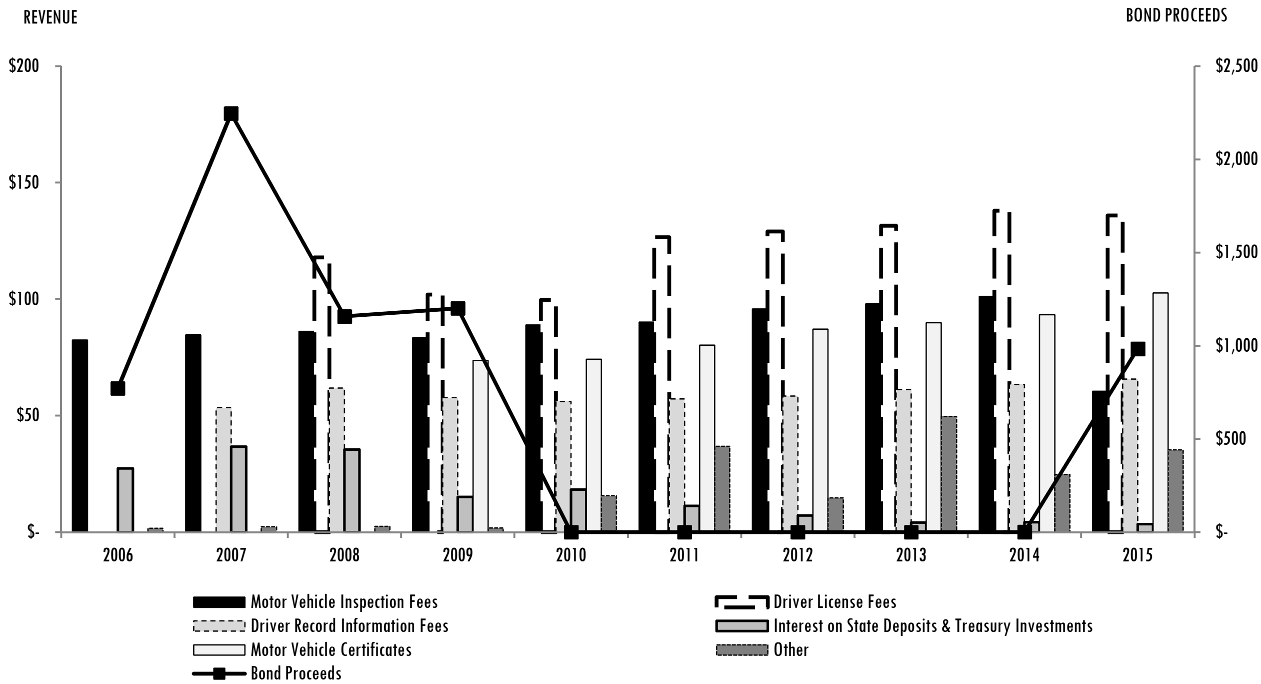
The State Highway Fund consists of revenues generated by a variety of sources; as **Figure 8** shows, the state motor fuels tax and Federal Funds are the fund's two largest sources of revenue. Over time, however, the percentage of revenue deposited to the State Highway Fund generated by other revenue sources has increased. In fiscal year 2003, the combined total of revenue generated from sources other than the state motor fuels tax and Federal Funds made up 19.3 percent of the State Highway Fund. In fiscal year 2008, this percentage had increased to a high of 61.4 percent as a result of new financing mechanisms such as bonds, tolls, and concession agreements. In fiscal year 2015, other revenue sources accounted for 44.9 percent of State Highway Fund revenue.

FIGURE 5
STATE HIGHWAY FUND MAJOR REVENUE TRENDS, FISCAL YEARS 2006 TO 2015



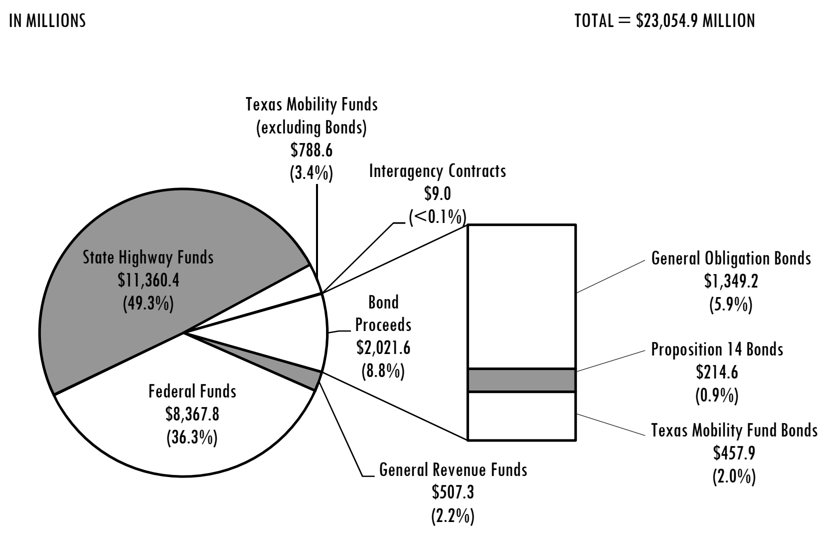
NOTES:
(1) Interfund transfers are reimbursements to the State Highway Fund from the Texas Mobility Fund.
(2) Other revenues include, but are not limited to, special vehicle registration fees, toll revenues, motor vehicle registration fees, and public and private concession fees.
(3) As discussed on page 13, much of Federal Funds are provided to states as a reimbursement for expenditures the state has made on transportation projects, which could affect the amounts received in a given year.
(4) All other revenue peaked in 2008 due to a payment from the North Texas Tollway Authority of $3.2 billion. The increase in 2015 was largely due to the Proposition 1 transfer of $1.74 billion. For more information, see page 20.
(5) Interfund transfers increased in 2007 to reflect the Texas Mobility Fund reimbursing the State Highway Fund for expenditures.
SOURCE: Legislative Budget Board.

FIGURE 6
TEXAS MOBILITY FUND MAJOR REVENUE TRENDS, FISCAL YEARS 2006 TO 2015



Source: Legislative Budget Board.

FIGURE 7
TEXAS DEPARTMENT OF TRANSPORTATION FUNDING SOURCES, 2016–17 BIENNIUM



Note: State Highway Funds are estimated and exclude Federal Funds and bond proceeds deposited to the credit of the State Highway Fund.
Source: Legislative Budget Board.

FIGURE 8
REVENUE DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	TOTAL REVENUES	STATE MOTOR FUELS TAX	FEDERAL FUNDS	ALL OTHER REVENUE SOURCES
2006	$8,868.6	$2,194.2	$3,123.8	$3,550.6
2007	$8,745.3	$2,238.2	$2,007.1	$4,500.0
2008	$12,855.0	$2,275.9	$2,725.0	$7,854.0
2009	$7,640.2	$2,226.6	$2,705.9	$2,707.7
2010	$7,578.6	$2,227.0	$1,899.5	$3,452.1
2011	$6,571.3	$2,275.3	$2,114.1	$2,181.9
2012	$6,922.6	$2,310.9	$2,536.4	$2,075.3
2013	$7,554.1	$2,366.1	$2,670.5	$2,517.5
2014	$9,388.6	$2,421.7	$3,319.9	$3,647.0
2015	$10,057.1	$2,521.9	$3,036.8	$2,963.2

NOTES:
(1) Federal Funds do not include pass-through grants.
(2) Other revenue includes sources such as bond proceeds, motor vehicle registration fees, special vehicle permits, comprehensive toll development agreements, surplus toll agreement receipts, and the Proposition 1 transfer.
SOURCE: Texas Comptroller of Public Accounts.

The Texas Transportation Code, Chapter 222, provides that revenue required to be used for public roads by either the Texas Constitution or federal law and that is deposited to the State Highway Fund be used solely:

- to improve the state highway system; or
- to mitigate adverse environmental effects resulting from state highway construction or maintenance.

All other funds in the State Highway Fund are statutorily authorized to be used for any function TxDOT performs. One of the largest expenditures from the State Highway Fund is for highway construction. Historically, the primary uses of revenue from the fund for purposes other than highway construction have been for salaries and wages, employee benefits, highway repairs and maintenance, and professional service and fees. **Figure 9** shows State Highway Fund expenditures used for these purposes.

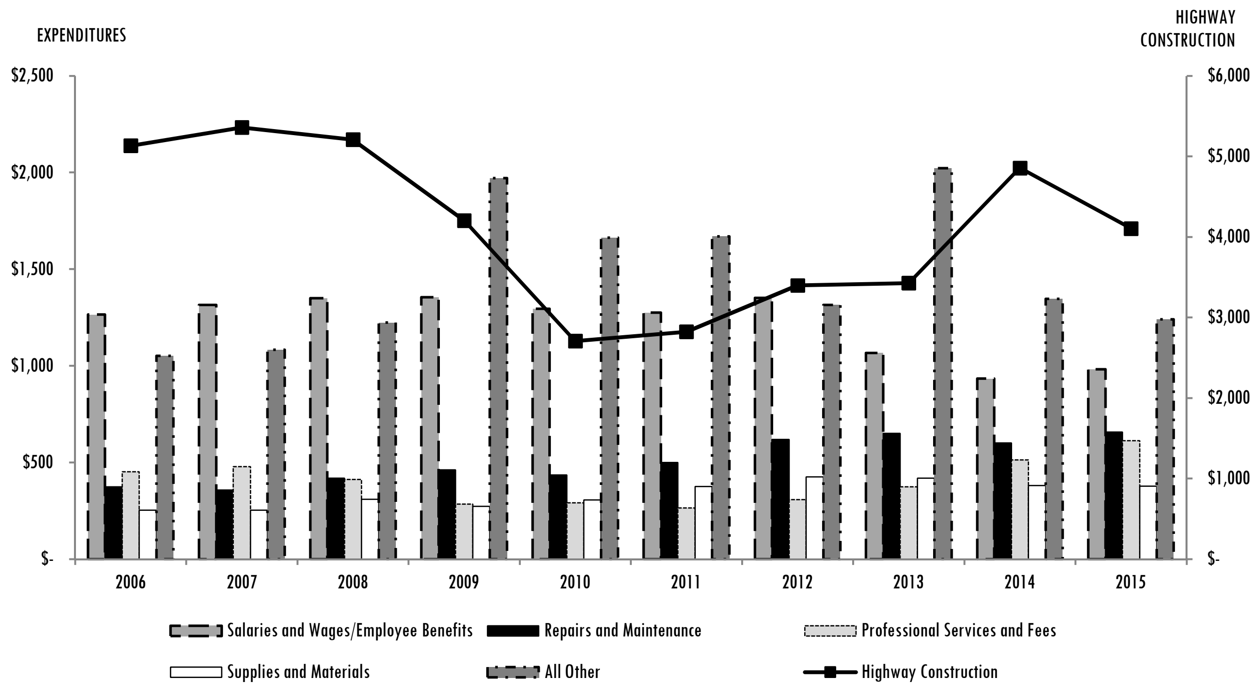
STATE MOTOR FUELS TAX

The motor fuels tax is applied to the sale of gasoline, diesel fuel, and liquefied gas. The gasoline tax was initiated at the rate of $0.01 per gallon in 1923. Three-fourths of the revenue was deposited to the State Highway Fund, and the remaining one-fourth was deposited to the Available School Fund. In 1941, a $0.08 per gallon tax was applied to the purchase of diesel fuel, and a $0.04 per gallon tax was applied to the sale of liquefied gas. These tax rates have all been increased multiple times, as shown in **Figure 10**.

The Texas Constitution Article VIII, Section 7-a, added in 1946, requires three-fourths of all net revenue generated by motor fuels taxes to be used only for acquiring rights-of-way; constructing, maintaining, and policing public roadways; or for the payment of principal and interest on certain road district bonds or warrants. The constitution dedicates the remaining one-fourth of the motor fuels tax to the Available School Fund. This amendment legally formalized the practice that had been in place since the state gasoline tax was instituted.

The Texas Tax Code, Chapter 162, Subchapters B and C, contain provisions relating to the state's gasoline and diesel taxes. Gasoline and diesel taxes are paid by suppliers. Suppliers receive reimbursement for the gasoline tax from distributors and importers. Terminal operators then pay the tax to distributors and importers, and consumers pay terminal operators at the point of sale. Suppliers, terminal operators, and licensed distributors file monthly reports, including payment for the amount of tax reported due with the Comptroller of Public Accounts (CPA). Licensed distributors and importers that remit gasoline taxes in a timely manner are authorized to retain 1.75 percent of total taxes paid to suppliers and distributors for administrative expenses. Suppliers are authorized to retain 2.0 percent of the tax collected if timely payment to the state is made. Refunds are authorized for certain vehicles not propelled on public roadways, and transit companies are authorized a refund of $0.01 per gallon for gasoline and diesel fuel used in transit

FIGURE 9
PRIMARY EXPENDITURES FROM THE STATE HIGHWAY FUND, FISCAL YEARS 2006 TO 2015



Source: Legislative Budget Board.

FIGURE 10
CHANGES IN MOTOR FUELS TAX RATES, FISCAL YEARS 1923 TO 2015

LEGISLATURE	GASOLINE TAX	DIESEL TAX	LIQUEFIED AND COMPRESSED NATURAL GAS TAX
Thirty-eighth (1923)	$0.01 per gallon	N/A	N/A
Forty-seventh(1941)	$0.04 per gallon	$0.08 per gallon	$0.04 per gallon
Forty-eighth (1943)	No Change	$0.06 per gallon	No Change
Fifty-fourth (1955)	$0.05 per gallon	$0.065 per gallon	$0.05 per gallon
Sixty-seventh (1981)	$0.01 rate reduction (certain groups only)	$0.005 rate reduction (certain groups only)	No Change
Sixty-eighth (1984)	$0.10 per gallon	$0.10 per gallon	$0.10 per gallon
Sixty-ninth (1986)	$0.15 per gallon	$0.15 per gallon	$0.15 per gallon
Seventieth (1987)	$0.15 per gallon	$0.15 per gallon	$0.15 per gallon
Seventy-second (1991)	$0.20 per gallon	$0.20 per gallon	No Change

Note: The Seventieth Legislature, Second Called Session, 1987, passed House Bill 62 to authorize a permanent tax increases that had been passed as a temporary measure by the Sixty-ninth Legislature, Third Called Session, 1986.
Source: Texas Comptroller of Public Accounts.

vehicles. Exemptions from gasoline and diesel taxes are allowed for:

- the federal government;
- public school districts;
- commercial transportation companies or metropolitan rapid transit authorities providing public school transportation services;
- certain gasoline exporters and movements between terminals, and fuel used for aviation;

- electric and telephone cooperatives organized pursuant to the Texas Utilities Code;
- certain purchases of dyed diesel fuel and kerosene are exempt from the diesel fuel tax; and
- the volume of water, fuel ethanol, renewable diesel, biodiesel, or mixtures thereof that are blended with taxable diesel fuel.

The value of these exemptions, refunds, and discounts from the gasoline tax since fiscal year 2007 is shown in **Figure 11**.

FIGURE 11
VALUE OF GASOLINE TAX EXEMPTIONS, REFUNDS, AND DISCOUNTS, FISCAL YEARS 2007 TO 2015

(IN MILLIONS)

FISCAL YEAR	VALUE OF EXEMPTIONS AND REFUNDS	VALUE OF DISCOUNTS FOR TAX COLLECTION
2007	$78.0	$46.1
2008	$79.3	$46.9
2009	$78.9	$47.6
2010	$80.2	$47.8
2011	$64.5	$48.4
2012	$65.6	$49.1
2013	$75.0	$49.2
2014	$76.0	$49.8
2015	$73.1	$52.7

Note: All amounts estimated.
Source: Texas Comptroller of Public Accounts.

The Texas Tax Code, Chapter 162, Subchapter D, regulates the state liquefied and compressed natural gas tax. This tax applies to the use of liquefied gas for powering motor vehicles on state highways. Before fiscal year 2014, the tax was prepaid annually to the CPA by the operator of a liquefied gas-powered vehicle. Certain motor vehicle dealers and interstate truckers were required to pay the tax to a licensed dealer when purchasing liquefied fuel. Dealers report and remit taxes due to the CPA quarterly. The Eighty-third Legislature, Regular Session, 2013, imposed the tax on the delivery of CNG or LNG into the fuel supply tank of a vehicle. Licensed CNG and LNG dealers report and remit taxes due to the CPA monthly. Licensed dealers selling liquefied gas receive 1.0 percent of the tax they collect as reimbursement for administrative expenses and remitting taxes in a timely manner. Interstate truckers purchasing liquefied gas receive 0.5 percent of the tax they pay to cover reporting requirements and for timely remittance of taxes. Exemptions or refunds are allowed for public school districts and counties, certain commercial transportation companies, and metropolitan rapid transit authorities providing public school transportation.

The Texas Tax Code, Chapter 162, authorizes the CPA to retain up to 1.0 percent of all motor fuels taxes for administration and enforcement. Deductions for refunds and administration are made from the motor fuels tax monthly. After deductions, one-fourth of the net tax is deposited to the Available School Fund, and one-half is deposited to the State Highway Fund for the state road system. The remaining one-fourth is deposited to the County and Road District Highway Fund until a total of $7.3 million is deposited during a fiscal year, at which point the remainder of the one-fourth of net collections is deposited to the State Highway Fund. Diesel and liquefied gas taxes are allocated in a different manner. Deductions are also made from diesel and liquefied gas taxes for refunds and administrative purposes. After deductions, one-fourth of diesel and liquefied gas taxes are deposited to the Available School Fund. The remaining three-fourths of the taxes are deposited to the State Highway Fund. **Figure 12** shows the allocation of gasoline tax revenues, and **Figure 13** shows an overview of motor fuels tax revenues from fiscal years 2006 to 2015.

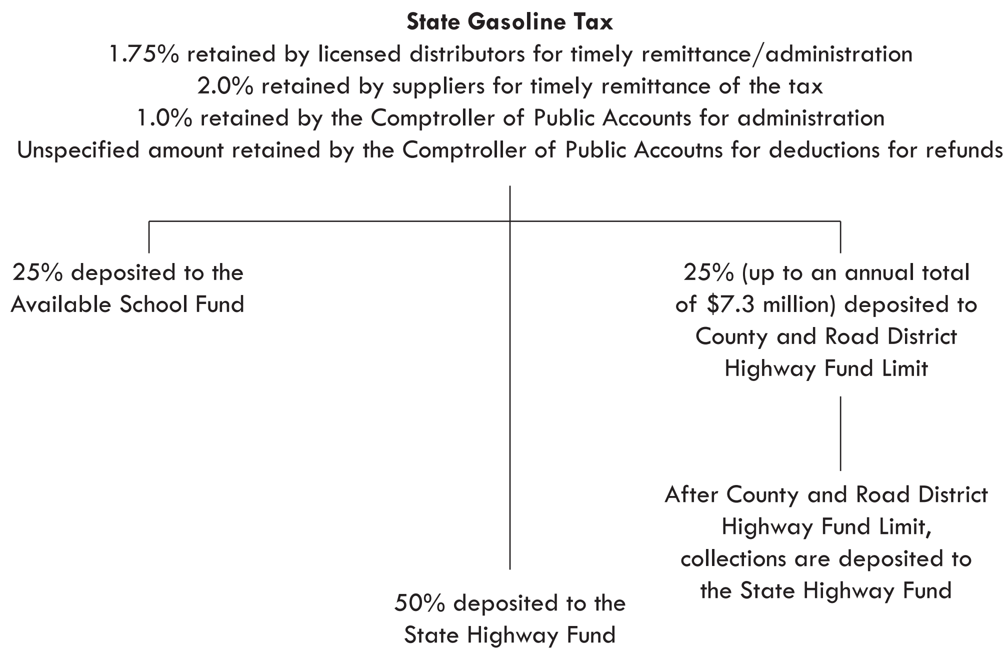
The state's gasoline tax of $0.20 per gallon is lower than the national average, which is $0.3029 per gallon as of October 2015. When adjusted for inflation using the Consumer Price Index, the rate of gasoline and diesel fuel tax would need to be set at $0.35 per gallon to have the same purchasing power it did when it was set in 1991. Historically, most growth in motor fuels tax revenue is the result of legislative rate increases, population growth, and increased fuel consumption.

Although motor fuels tax revenues in Texas are increasing, they are doing so at a decreasing rate. The nominal growth of motor fuels tax revenues since the last increase went into effect in 1991 has largely been the result of increases in the number of drivers and vehicle miles traveled in the state. **Figure 14** shows that, when adjusted for population and vehicle miles traveled, the growth rates appear smaller and even negative during some years.

FEDERAL FUNDS

Federal transportation funding is primarily allocated from the Federal Highway Trust Fund, which is capitalized from federal gasoline and diesel taxes; truck, bus, and trailer taxes; tire taxes; heavy vehicle usage fees; and taxes on alternative

FIGURE 12
ANNUAL STATE GASOLINE TAX FUND ALLOCATION, FISCAL YEAR 2015



Source: Legislative Budget Board.

FIGURE 13
STATE MOTOR FUELS TAX REVENUES BY TYPE OF MOTOR FUEL, FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

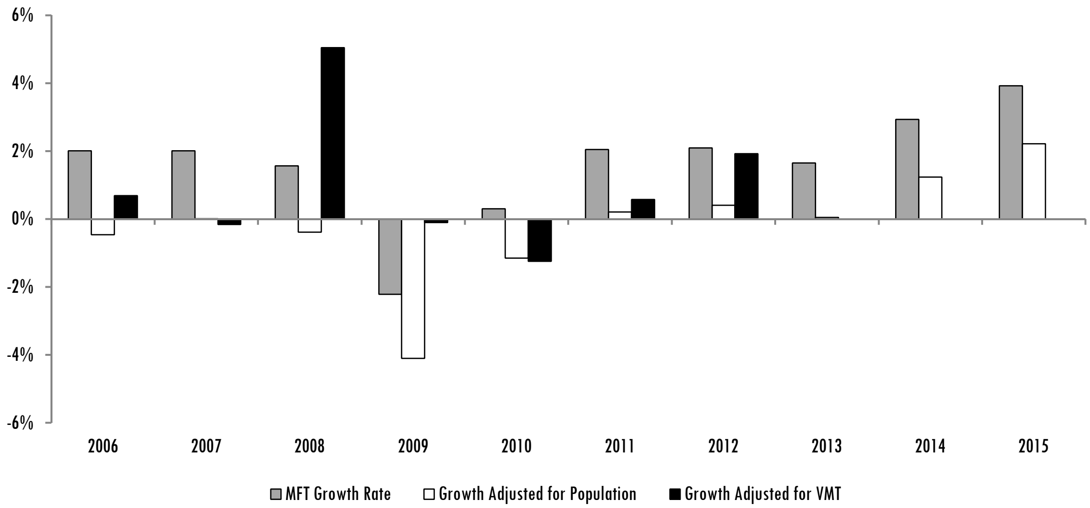
FISCAL YEAR	STATE MOTOR FUELS TAX REVENUE DEPOSITED TO STATE HIGHWAY FUND	STATE MOTOR FUELS TAX REVENUE	GASOLINE TAX REVENUE	DIESEL TAX REVENUE	LIQUEFIED TAX REVENUE	LIQUEFIED AND COMPRESSED NATURAL GAS TAX REVENUE
2006	$2,194.2	$2,993.6	$2,257.1	$735.0	$1.5	N/A
2007	$2,238.2	$3,053.7	$2,300.9	$751.6	$1.2	N/A
2008	$2,276.0	$3,101.5	$2,315.5	$784.9	$1.1	N/A
2009	$2,226.6	$3,032.7	$2,326.1	$705.5	$1.1	N/A
2010	$2,227.0	$3,041.9	$2,341.6	$699.3	$1.0	N/A
2011	$2,275.3	$3,104.1	$2,361.1	$742.0	$1.0	N/A
2012	$2,310.9	$3,169.2	$2,387.7	$780.5	$1.0	N/A
2013	$2,366.1	$3,221.5	$2,418.1	$801.2	$2.2	N/A
2014	$2,421.7	$3,313.6	$2,480.2	$833.0	$0.3	$2.4
2015	$2,521.9	$3,446.2	$2,580.2	$860.9	$0.8	$4.3

Note: Totals may not sum due to rounding.
Source: Texas Comptroller of Public Accounts.

fuels. Revenue from the Leaking Underground Storage Tank Trust Fund has also been used for the Federal Highway Trust Fund. Texas is considered a donor state, meaning more money is deposited to the Federal Highway Trust Fund from the collection of federal taxes and fees in Texas than is returned to the state in Federal Funds for highways.

All Federal Funds allocated to Texas for transportation are statutorily required to be administered by TxDOT. **Figure 15** shows the distribution of matched and unmatched

FIGURE 14
GROWTH RATE OF MOTOR FUELS TAX COLLECTIONS, FISCAL YEARS 2006 TO 2015



Notes:
(1) MFT = motor fuels tax; VMT = vehicle miles traveled.
(2) VMT statistics are typically released by FHWA on a two year lag, therefore, VMT adjusted growth is not available for 2014 and 2015.
Source: Legislative Budget Board.

FIGURE 15
FEDERAL FUNDS FOR TRANSPORTATION PROGRAMS DEPOSITED TO THE STATE HIGHWAY FUND FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	TOTAL FEDERAL FUNDS	MATCHED FEDERAL FUNDS	UNMATCHED FEDERAL FUNDS	FEDERAL PASS-THROUGH REVENUE
2006	$3,174.7	$3,090.6	$33.2	$50.9
2007	$2,072.3	$1,974.3	$32.8	$65.2
2008	$2,775.5	$2,690.1	$34.9	$50.5
2009	$2,710.4	$2,666.6	$39.3	$4.5
2010	$1,922.8	$1,868.2	$31.3	$23.3
2011	$2,124.5	$2,080.0	$34.1	$10.4
2012	$2,545.2	$2,511.7	$24.7	$8.8
2013	$2,674.5	$2,625.9	$44.6	$4.0
2014	$3,321.7	$3,285.6	$34.3	$1.8
2015	$3,038.0	$3,015.0	$21.8	$1.1

Note: As discussed on page 13, much of Federal Funds are provided to states as a reimbursement for expenditures the state has made on transportation projects. The variation in funding over the years shown is in part due to the timing of projects by the state.
Source: Texas Comptroller of Public Accounts.

Federal Funds to the State Highway Fund and funds that pass through the State Highway Fund before being allocated to other entities from fiscal years 2006 to 2015.

The majority of federal transportation funding appropriated to TxDOT is for highway planning and construction ($7.9 billion or 94.4 percent of Federal Funds in the 2016–17 biennium). All Federal Funds dedicated to roads are deposited into the State Highway Fund. Starting in 2012, federal funding allocations were set forth in the federal Moving Ahead for Progress in the 21st Century Act (MAP-21). MAP-21 became effective October 1, 2012, and authorized federal funding for federal fiscal years 2013 and

2014. The authorization for MAP-21 was set to expire September 30, 2014, but the U.S. Congress extended the authorization until December 2015. MAP-21 guaranteed that states received at least 95.0 percent of the federal motor fuel excise tax payments attributable to each state. Congress also supplemented shortfalls in the Federal Highway Trust Fund, which is supported with federal motor fuel excise taxes, by transferring federal General Funds and other funds.

On December 4, 2015, the President signed the Fixing America's Surface Transportation (FAST) Act, a five-year transportation funding bill. The bill:

- converts the Surface Transportation Program (STP) into a block grant, giving state and local government more flexibility, and moves the Transportation Alternatives Program into the STP;
- establishes two programs for freight projects: the National Highway Freight Program, which is formula-funded, and the Nationally Significant Freight and Highway Projects Program, which is competitive;
- increases how much states can spend on traditional safety programs using National Priority Safety Program funds;
- consolidates rail grant programs for passenger, freight, and other rail; and
- ensures the Highway Trust Fund is authorized to meet its obligations throughout the life of the bill.

Nationally, the bill provides approximately $300.0 billion in funding for roads, bridges, transit, rail, and safety programs. According to the Federal Highway Administration (FHWA), within five years, Texas is estimated to be apportioned :

- $10.4 billion for national highways;
- $5.2 billion for surface transportation;
- $1.0 billion for highway safety;
- $853.9 million for congestion and air quality mitigation;
- $551.3 million for national freight;
- $95.3 million for the Railway–Highway Crossings Program; and
- $127.1 million for the Metropolitan Planning Program.

On average, Texas is estimated to have a yearly apportionment of $3.7 billion for FHWA programs from 2016 to 2020. The 2015 apportionment was $3.3 billion.

Many of the Federal Funds provided for highways are grant programs that require the state to provide matching funds. In rare instances, funds are provided for events such as natural disasters that do not require a match. **Figure 16** shows the federal aid programs that are the primary sources of federal highway funding for Texas.

FIGURE 16
MAJOR FEDERAL FUNDING SOURCES FOR HIGHWAY PLANNING AND CONSTRUCTION, FEDERAL FISCAL YEAR 2015

(IN MILLIONS)

PROGRAM	ALLOCATION	AUTHORIZED USES
National Highway and Performance Program	$2,002.3	Funds may be used for construction, reconstruction, resurfacing, restoration, rehabilitation, preservation, or operational improvement of segments of the National Highway System. Projects may include tunnels and bridges, construction of certain transit facilities, bikeways, pedestrian walkways, truck parking facilities, ferry boats, and ferry terminals. The federal share ranges from 80 percent to 100 percent.
Surface Transportation Program	$921.0	Funds may be used for the construction, reconstruction, rehabilitation, resurfacing, restoration, preservation, maintenance, and operational improvements of federal-aid highways. Funds may also be used for certain capital transit costs and capital and operating costs for traffic monitoring and management. The federal share ranges from 80 percent to 100 percent.
Highway Safety Improvement Program	$202.5	Funds may be used for any highway safety improvement project, activity, or strategy that is consistent with the state's Strategic Highway Safety Plan. Eligible projects and activities must correct or improve highways, safety problems, and hazardous roads. The federal share ranges from 90 percent to 100 percent.
Congestion Mitigation and Air Quality Improvement	$164.5	Funds may be used to establish traffic monitoring, management, and control facilities that contribute to attainment of an air quality standard and projects to improve traffic flow. The purchase of interoperable emergency communications equipment and retrofits for electric- or natural gas-fueled vehicles are also eligible. The federal share ranges from 80 percent to 100 percent.

FIGURE 16 (CONTINUED)
MAJOR FEDERAL FUNDING SOURCES FOR HIGHWAY PLANNING AND CONSTRUCTION, FEDERAL FISCAL YEAR 2015

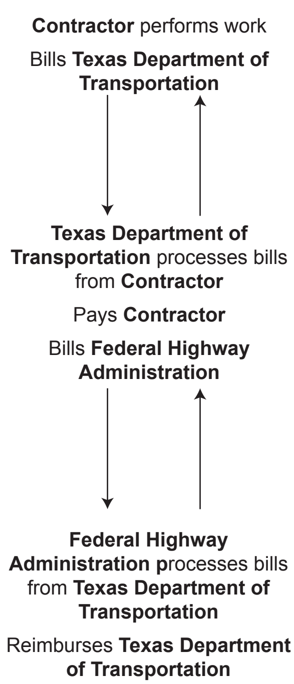
(IN MILLIONS)

PROGRAM	ALLOCATION	AUTHORIZED USES
Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants	$20.8	Projects must be relevant to the surface transportation needs of the state, local, or other public entity. Allowable surface transportation-related infrastructure projects include but are not limited to certain highway and bridge projects; public transportation projects; passenger and freight rail transportation projects; and port infrastructure investments. The federal share is 80 percent.
Metropolitan Planning Highways	$23.7	States are required to transfer funds to Metropolitan Planning Organizations. Funds may be used for the development of metropolitan area transportation plans and studies related to transportation management, operations, capital requirements, and economic feasibility. The federal share is 80 percent to 100 percent.
Railway-Highway Crossings Program	$17.5	One-half of funds must be used for the installation of protective devices at railway-highway crossings. The remainder may be used for any hazard elimination project. The federal share is 90 percent.

Note: Funding allocations only reflect federal transportation funds directed to Texas state agencies and do not include federal funds distributed directly to local entities. In some instances, a portion of funds for a particular program may be transferred to another program, pending approval by the Federal Highway Administration.
Source: Legislative Budget Board.

Federal Funds are typically provided to states as a reimbursement for expenditures the state has made on transportation projects. **Figure 17** shows that, on federally approved projects, a contractor performs road construction or maintenance and is paid by TxDOT for the work. TxDOT then bills the Federal Highway Administration for the federal share of the project and is reimbursed. After Federal Funds are obligated, the reimbursement process continues for the length of the project which can take several years. Therefore, funds may be obligated based only on amounts authorized by the U.S. Congress and Federal Highway Administration. Additionally, Federal Fund amounts presented in TxDOT's appropriations represent projected reimbursements from existing and future obligations.

FIGURE 17
REIMBURSEMENT PROCESS FROM FEDERAL HIGHWAY ADMINISTRATION



Source: Legislative Budget Board.

The Texas Constitution was amended in 1988 to include Article VIII, Section 7-b. This provision requires federal reimbursements for state funds dedicated by the state constitution for and spent to acquire rights-of-way, to construct and maintain public roads, and to police public roads are constitutionally dedicated to those purposes. The Texas Transportation Code, Chapter 222, Subchapter B, gives statutory guidance for the use of Federal Funds for transportation. This chapter requires that all federal funding appropriated to Texas for public road construction be spent by or supervised by TxDOT. The Texas Transportation Commission (TTC) is required to distribute federal aid for transportation by selecting highway projects that meet requirements established by federal formulas. During fiscal year 2015, $1.1 million in Federal Funds for transportation-related projects passed through TxDOT that were ultimately provided to other entities such as the Texas Department of Public Safety (DPS) and local governments.

The federal government has also established several financing mechanisms that states may use to more quickly generate funds for highway construction and maintenance. Any federally funded surface transportation project may use private activity bonds issued through a public entity after the federal government has approved a public-private agreement and the issuance of bonds between a private and state entity. Private activity bonds are intended to incentivize the private sector to participate in financing projects by providing a tax exemption on interest earned from bond proceeds.

The federal government established the State Infrastructure Bank (SIB) program in 1995, and Texas was chosen as one of 10 states in which to test the program. The establishment of Texas' SIB program was authorized during the Seventy-fifth Legislature, 1997. TTC oversees the SIB program, which operates as a revolving loan program in the State Highway Fund and provides lower interest rates to local entities that are constructing federally approved surface transportation projects. At the end of fiscal year 2015, TTC had approved SIB loans totaling approximately $500.7 million. TxDOT estimates that these loans have leveraged almost $3.8 billion for Texas transportation projects.

The federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) authorized the U.S. Department of Transportation to provide secured loans, loan guarantees, and lines of credit to major surface transportation projects. These forms of credit are intended to generate private and nonfederal coinvestment in projects that improve the surface transportation system. As of August 31, 2015, nine projects in Texas had been submitted for TIFIA assistance. The FAST Act reduced TIFIA funding nationally from $1.0 billion in fiscal year 2015 to an annual average of $287.0 million from fiscal years 2016 to 2020.

Congress passed the American Recovery and Reinvestment Act (ARRA) in February 2009. In accordance with ARRA, Texas was allocated $2.25 billion in federal highway and bridge construction funds for certain projects. The federal ARRA legislation also provided funds for the Build America Bond (BAB) program, which authorizes state and local governmental entities to issue taxable bonds to finance capital projects and provides federal subsidies to offset the entities' borrowing costs. The BAB program provides a direct federal subsidy in an amount equal to 35.0 percent of the total interest payments made to investors throughout the term of the debt. TTC has used the BAB program to issue Texas Mobility Fund bonds, State Highway Fund bonds, and Proposition 12 General Obligation (GO) bonds. Through fiscal year 2015, TxDOT expended $2.2 billion in ARRA funds for highway and bridge construction. The total federal subsidy during the life of the agency's BAB bond obligations is estimated to be $1.4 billion during 30 years, including $125.8 million in the 2016–17 biennium.

STATE HIGHWAY FUND REVENUE BONDS AND SHORT-TERM NOTES

In 2003, the Texas Constitution (Proposition 14) and the Texas Transportation Code were amended to authorize TTC to issue bonds and public securities, and to enter into credit agreements secured by a pledge and payable from revenues in the State Highway Fund. The Texas Transportation Code was amended again in 2007 to set the maximum aggregate principal amount of State Highway Fund Revenue Bonds that may be issued at $6.0 billion. Of this $6.0 billion, $1.2 billion of the principal amount of State Highway Fund Revenue Bonds was set aside for projects that reduce accidents or improve hazardous locations on the state highway system; and the principal amount of State Highway Fund Revenue Bonds that may be issued is limited to $1.5 billion per fiscal year. These bonds are secured by revenues in the State Highway Fund; therefore, they do not count toward the state's constitutional debt limit. State Highway Fund Revenue Bonds must:

- mature within 20 years of their dates of issuance, subject to any refundings or renewals; and
- have a principal amount or terms that do not cause annual expenditures relating to State Highway Fund Revenue Bonds to exceed 10.0 percent of the amount deposited to the State Highway Fund in the immediately preceding year.

Figure 18 shows revenues deposited to the State Highway Fund from the issuance of bonds. **Figure 19** shows State Highway Fund Bond issuances through fiscal year 2015. At the end of fiscal year 2015, $5.3 billion in State Highway Fund bond authorization had been used. Therefore, $700.1 million in State Highway Fund Bonds may still be issued before reaching the statutory cap. TxDOT has committed the entire authorized amount to projects and has indicated that it plans to issue $0.7 billion in State Highway Fund Bonds to make progress payments on projects. Additionally, all of the $1.2 billion in State Highway Fund Bonds set aside for safety projects has been allocated. For the 2016–17 biennium, $849.8 million in All Funds was appropriated for State Highway Fund bond debt service, as shown in **Figure 20**.

Two short-term borrowing options are also available to TxDOT to provide funds for deposit into the State Highway Fund. Highway Tax and Revenue Anticipation Notes

FIGURE 18
REVENUES DEPOSITED TO THE STATE HIGHWAY FUND FROM THE ISSUANCE OF BONDS FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2006	$628.2
2007	$1,000.6
2008	$1,473.0
2009	$0.0
2010	$1,492.0
2011	$0.0
2012	$0.0
2013	$0.0
2014	$701.0
2015	$0.7

Source: Texas Comptroller of Public Accounts.

FIGURE 19
STATE HIGHWAY FUND REVENUE BOND ISSUANCES, CALENDAR YEARS 2006 TO 2015

(IN MILLIONS)

BOND	AMOUNT	DATE ISSUED
Series 2006	$600.0	May 3, 2006
Series 2006B	$100.0	November 8, 2006
Series 2006A	$852.6	November 21, 2006
Series 2007	$1,241.8	October 25, 2007
Series 2008	$163.0	August 19, 2008
Series 2010	$1,500.0	July 27, 2010
Series 2014A	$1,157.8	April 2, 2014
Series 2014B	$300.0	April 2, 2014
Series 2015	$781.1	July 22, 2015

Note: Some of the issuances were for refunding or cash defeasance. Refunding issuances do not count against the statutory limit regarding the amount of State Highway Fund bonds that may be issued, nor are they counted as revenue to the State Highway Fund.
Source: Texas Department of Transportation.

(TRANs) were authorized in 2003. TTC is authorized to issue these if a temporary cash flow shortfall in the State Highway Fund is anticipated. A Cash Management Committee including the Governor, Lieutenant Governor, Speaker of the House, and Comptroller of Public Accounts must approve the issuance of any TRANs, based on TTC forecasts of a State Highway Fund cash flow shortfall. The maximum amount of TRANs that can be issued is the maximum cash flow shortfall forecasted. TRANs are required to mature during the biennium in which they are issued, and proceeds must be placed into a special fund in the state Treasury and transferred as necessary to the State Highway Fund. TRANs and related credit agreements may be repaid from the State Highway Fund. To date, no TRANs have been requested or issued.

FIGURE 20
STATE HIGHWAY FUND REVENUE BOND DEBT SERVICE EXPENDITURES, FISCAL YEARS 2008 TO 2015

(IN MILLIONS)

FISCAL YEAR	STATE HIGHWAY FUND	FEDERAL SUBSIDY	GENERAL REVENUE
2007	$65.6	$0.0	$0.0
2008	$37.9	$0.0	$112.5
2009	$229.7	$0.0	$0.0
2010	$221.8	$0.0	$15.7
2011	$270.5	$17.7	$0.0
2012	$287.9	$27.0	$0.0
2013	$289.1	$25.9	$0.0
2014	$290.4	$24.9	$0.0
2015	$318.5	$25.1	$0.0

Note: The federal subsidy refers to the Build America Bonds interest subsidy used for the 2010 issuance.
Source: Texas Department of Transportation.

In 2003, the Texas Constitution (Proposition 14) and the Texas Transportation Code were amended to authorize TTC to enable TxDOT to borrow money from any source to carry out its functions. The intended purpose is to facilitate efficient cash management operations in the State Highway Fund, due to fluctuations caused by the cyclical nature and timing of deposits and payments. This loan may be an agreement, note, contract, or other form, and the term of the loan is prohibited from exceeding two years. The total amount of loans issued and outstanding cannot exceed twice the average monthly revenue deposited to the State Highway Fund during the 12 months preceding the loan. The loan may be repaid from legislative appropriations deposited to the State Highway Fund, and notes must be reviewed and approved by the Bond Review Board before issuance. These amendments authorized TTC to establish a commercial paper program in 2005 and to authorize TxDOT to issue a maximum of $500 million in notes. The first issuance of commercial paper was during fiscal year 2006, as shown in **Figure 21**. At the end of fiscal year 2015, $350.0 million in principal for short-term borrowing was outstanding.

FIGURE 21
REVENUES DEPOSITED TO THE STATE HIGHWAY FUND FROM THE ISSUANCE OF COMMERCIAL PAPER FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2006	$300.0
2007	$170.0
2008	$270.0
2009	$445.0
2010	$60.0
2011	$0.0
2012	$0.0
2013	$0.0
2014	$250.0
2015	$725.0

SOURCE: Texas Comptroller of Public Accounts.

MOTOR VEHICLE REGISTRATION FEES

Motor vehicle registration fees were established by the Thirty-fifth Legislature, 1917, at the rate of $0.35 per horsepower with a minimum fee of $7.50. Numerous rate and base changes have occurred since 1917. Motor vehicle registration fee rates were based on the type, age, or weight of a motor vehicle. The Eighty-first Legislature, Regular Session, 2009, passed House Bill 2553 to amend motor vehicle registration fees, effective September 1, 2011. Pursuant to this legislation, the fee for most passenger vehicles became $50.75. State residents are required to register their vehicles and pay the motor vehicle registration fee annually. **Figure 22** shows the amount of motor vehicle registration fees deposited to the State Highway Fund and the number of motor vehicles registered in Texas during the past 10 fiscal years.

FIGURE 22
MOTOR VEHICLE REGISTRATION FEE REVENUES DEPOSITED TO THE STATE HIGHWAY FUND FISCAL YEARS 2005 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUES	REGISTERED MOTOR VEHICLES
2005	$875.1	19.1
2006	$932.7	20.1
2007	$984.2	20.9
2008	$1,024.0	21.2
2009	$1,066.2	21.4
2010	$1,111.3	21.6
2011	$1,139.8	21.9
2012	$1,304.2	22.6
2013	$1,356.6	23.2
2014	$1,350.9	23.9
2015	$1,380.8	23.8

SOURCES: Texas Comptroller of Accounts; Texas Department of Motor Vehicles.

Different categories of registration fees ranging from $0 to $10,000 apply to vehicles not classified as passenger cars or for certain activities that occur at the time of registration, such as the verification of financial responsibility. Additional fees also apply for specialty plates and souvenir plates. Most fees from specialty and souvenir plates are deposited to the General Revenue Fund, while most fees from nonpersonalized license plates are deposited to the State Highway Fund.

The Texas Transportation Code, Chapter 502, provides the manner in which all required motor vehicle registration fees (excluding specialty and souvenir plates) are divided weekly (**Figure 23**). County tax assessor-collectors also collect motor vehicle sales taxes. Before 1992, counties retained 5.0 percent of the motor vehicle sales taxes they collected. Beginning in 1992, counties no longer retained motor vehicle sales tax. Instead, they retained an additional amount of motor vehicle registration fees equal to 5.0 percent of the motor vehicle sales tax collected by the county. The Seventy-eighth Legislature, Regular Session 2003, passed legislation that phased in a reversal of this revenue exchange. The reversal started in fiscal year 2004 and was completed in fiscal year 2015; counties again retain 5.0 percent of the motor vehicle sales tax they collect.

County tax assessor-collectors are statutorily authorized to deposit all motor vehicle registration fees collected into an interest-bearing account or certificate in the county depository for approximately one month upon collection. County tax assessor-collectors are then required to remit the fees to TxDOT but may retain the interest earned on these fees while they are in the county depository. TTC and TxDOT are required to deposit all revenue received from motor vehicle registration fees to the State Highway Fund, pursuant to the Texas Transportation Code, Section 502.051.

In 1946, the Texas Constitution was amended to add Article VIII, Section 7-a. This provision requires that motor vehicle registration fees may not be less than the maximum amount that counties are allowed to retain in accordance with the legal rate during 1945. The provision also requires net revenues collected from motor vehicle registration fees to be

FIGURE 23
WEEKLY MOTOR VEHICLE REGISTRATION FEE ALLOCATION, FISCAL YEAR 2006 TO 2015

Motor Vehicle Registration Fees
($50.75 for vehicles that weigh 6,000 lbs. or less)
collected by County Tax Assessor-Collector

County Road and Bridge Fund
($350 for each mile of county road maintained not to exceed 500 miles; amounts retained for administration until a combined total of $60,000 is reached.)

County Road and Bridge Fund
50% of net collections untilthe amount credited for the calendar year equals $125,000)

After County Road and Bridge Fund Limit--TxDOT (State Highway Fund)

TxDOT
50% of net collections; deposited to the State Highway Fund

Source: Legislative Budget Board.

used solely for acquiring rights-of-way, constructing, maintaining, and policing public roadways, and for administration of traffic and safety laws on public roadways.

MOTOR VEHICLE REGISTRATION FEES FOR SPECIAL VEHICLES

Motor vehicle registration fees for special vehicles are applied to oversized and overweight motor vehicles and manufactured housing. These fees were first implemented by the Forty-first Legislature, 1929. The rates vary by vehicle type, weight, dimension, and trip. Many of these fees were amended by the Eighty-first Legislature, Regular Session, 2009, through House Bill 2553 and the new fees went into effect September 1, 2011. **Figure 24** shows the motor vehicle registration fees for special vehicles. Allocations of revenue generated by special motor vehicle registration fees vary depending on the permit, and the revenue is deposited into either the General Revenue Fund or the State Highway Fund, as shown in **Figure 25**.

SALES TAX ON LUBRICANTS

The state's first sales tax was passed by the Fifty-seventh Legislature, First Called Session, 1961, and included motor fuel lubricants among taxable items. The sales tax on motor fuel lubricants is regulated by the Texas Tax Code, Section 151.801. All revenues generated from the sale, storage, or use of lubricating and motor oils used for motor vehicles on public roadways are statutorily required to be deposited to the State Highway Fund. The CPA is required to use available statistical data to estimate the consumption or sales of motor fuel lubricants and determine the amount of the state sales tax that should be deposited to the State Highway Fund from motor fuel lubricants based on this estimation. **Figure 26** shows the amount of revenue deposited to the State Highway Fund from taxes on motor fuel lubricants since fiscal year 2006.

The Texas Constitution, Article VIII, Section 7-a, requires that all revenues generated from taxes on motor fuel lubricants used to propel motor vehicles on public roadways be used solely for acquiring rights-of-way; constructing, maintaining, and policing public roadways; and the administration of traffic and safety on public roadways.

TOLL REVENUES

Toll roads are regulated pursuant to the Texas Transportation Code, Chapter 222, Subchapter E. TxDOT is authorized to expend funds from any source (except for Proposition 1, 2014, and Proposition 7, 2015) for the construction, maintenance, and operation of the toll road of a public or private entity. TTC may require repayment of funds that TxDOT uses on a toll road of a public entity, and TTC is statutorily required to receive repayment of funds spent on a toll road of a private entity. TxDOT is prohibited from

FIGURE 24
MOTOR VEHICLE REGISTRATION FEES FOR SPECIAL VEHICLES, FISCAL YEAR 2015

CATEGORY	FEE AMOUNT	ALLOCATION OF REVENUE
Cotton or Cotton-related Equipment	$0 (previous fee of $8)	None (previously State Highway Fund)
Excess Weight	Base fee of $90 and an additional $175 to $1,000 based on the number of counties designated	$50 of each base fee deposited to the county road and bridge fund, and the remainder of the base fee deposited to the General Revenue Fund; the additional fee is split between the General Revenue Fund (some of which is distributed to counties) and the State Highway Fund, but the split varies depending upon the number of counties designated
Ferry Sticker	$0 (previous fees from $150 to $800 applied)	State Highway Fund
Forestry Vehicles	$0 (previous fee of $8)	None (previously State Highway Fund)
Hay Transports	$10	General Revenue Fund
Manufactured Housing (single trip)	$40	$19.70 to General Revenue Fund; $18.27 to State Highway Fund; $2.03 to TxDMV Fund (redirected to the General Revenue Fund)
Manufactured Housing (annual permit)	Not to exceed $3,000, set by DMV at $1,500	Escrow account for the payment of permit fees
Overlength Vehicle for Electrical Poles	$120	State Highway Fund
Oversize and Overweight Motor Vehicle	$60 to $960	50% to General Revenue Fund; 45% to State Highway Fund; 5% to TxDMV Fund (redirected to the General Revenue Fund)
Highway Maintenance Fee	$150 to $375	90% to State Highway Fund; 10% to General Revenue Fund
Super Heavy or Oversize Equipment	Not to exceed $7,000	First $1,000 to General Revenue Fund; of the remainder, 90% to State Highway Fund and 10% to General Revenue Fund
Certain Port Authorities and Chambers County Fee	Not to exceed $80	Port authority may retain up to 15%; the remainder is deposited to the State Highway Fund for use on selected state highway corridors
Victoria County Navigation District Fee	$100	Port authority may retain up to 15%; the remainder is deposited to the State Highway Fund for use on selected state highway corridors
Hidalgo County Regional Mobility Authority (HCRMA) Permit Fee	Not to exceed $80 (can be adjusted annually for inflation)	HCRMA may retain up to 15 percent; remainder is deposited to the State Highway Fund for use on selected state highway corridors
Oversize and Overweight for Oil Well Servicing	Minimum of $31, fee varies based on size, weight, and distance traveled	90% to State Highway Fund; 10% to TxDMV Fund (redirected to the General Revenue Fund)
Oversize Portable Buildings	$15	$7.50 to General Revenue Fund; $6.75 to State Highway Fund; $0.90 to TxDMV Fund (redirected to the General Revenue Fund)
Unladen Lift Equipment (single trip)	Minimum of $31; fee varies based on size, weight, number of axles, and distance traveled	90% to State Highway Fund; 10% to General Revenue Fund
Unladen Lift Equipment (annual permit)	$100	50% to General Revenue Fund; 40% to State Highway Fund; 10% to TxDMV Fund (redirected to the General Revenue Fund)
Ready-Mixed Concrete Truck	Base permit fee of $1,000	50% to State Highway Fund (redirected to General Revenue Fund); remainder to counties designated in the permit application
Unrefined Timber, Wood Chips, or Biomass	$900-$1,500	50% to State Highway Fund (redirected to General Revenue Fund); remainder divided equally between all counties designated on the permit application

FIGURE 24 (CONTINUED)
MOTOR VEHICLE REGISTRATION FEES FOR SPECIAL VEHICLES, FISCAL YEAR 2015

CATEGORY	FEE AMOUNT	ALLOCATION OF REVENUE
Delivery of Relief Supplies	$5	State Highway Fund

NOTES:
(1) The Department of Motor Vehicles Fund (TxDMV Fund) was exempted in the funds consolidation bill passed by the Eighty-third Legislature, Regular Session, 2013, and not established. As a result, revenue allocated to that fund is instead deposited to the General Revenue Fund. The Eighty-fourth Legislature, 2015, passed Senate Bill 1512 to reestablish the TxDMV Fund as a fund inside the state Treasury, outside the General Revenue Fund, and to require revenue from certain fees collected by or on behalf of DMV that previously were deposited to the General Revenue Fund to be deposited to the TxDMV Fund beginning in fiscal year 2017.
(2) Legislation by the Eighty-third Legislature, Regular Session, 2013, that established the Ready-Mixed Concrete Truck and Unrefined Timber, Wood Chips, or Biomass permits was not exempted in the funds consolidation bill. Therefore, revenue from those permit fees allocated to the State Highway Fund is instead deposited to the General Revenue Fund. Fees for permits to carry timber were changed in June 2015 from $1,500 to $900.
SOURCE: Legislative Budget Board.

FIGURE 25
SPECIAL VEHICLE REGISTRATION FEES DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	FEES
2006	$20.4
2007	$23.4
2008	$55.9
2009	$70.3
2010	$61.7
2011	$81.7
2012	$101.8
2013	$116.2
2014	$113.5
2015	$118.8

SOURCE: Texas Comptroller of Public Accounts.

FIGURE 26
SALES TAX ON LUBRICANTS REVENUES DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2006	$34.9
2007	$36.8
2008	$38.9
2009	$39.6
2010	$40.4
2011	$41.0
2012	$41.8
2013	$42.5
2014	$43.3
2015	$44.5

SOURCE: Texas Comptroller of Public Accounts.

providing grants for the cost of a toll road of a public entity in amounts greater than an annual average of $2.0 billion during a period of five fiscal years. The calculation of these expenditures does not include funds that are required to be repaid, including those subject to a legally binding agreement with a public entity. The Eighty-first Legislature, Regular Session, 2009, passed legislation to prohibit money in the State Highway Fund from being encumbered to guarantee a loan or insure bonds associated with a toll road of a public or private entity.

The first toll road operated by TxDOT was the Camino Columbia toll road in Webb County, which was opened by a private operator in October 2000 and was acquired by TxDOT in June 2004 . TxDOT since has begun operating additional toll roads, some of which have been built using comprehensive development agreements (CDA) that were authorized by the Legislature in 2003. **Figure 27** shows the toll revenues generated by toll roads for the State Highway Fund.

FIGURE 27
TOLL REVENUES DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2007 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2007	$4.7
2008	$9.4
2009	$1.6
2010	$3.4
2011	$6.6
2012	$8.8
2013	$4.4
2014	$2.2
2015	$5.5

SOURCE: Texas Comptroller of Public Accounts.

COMPREHENSIVE DEVELOPMENT AGREEMENTS

A CDA is an agreement with a private entity that typically provides for the design and construction of certain transportation projects but may also provide for the financing, acquisition, maintenance, and operation of transportation projects. Statute requires TxDOT to use a competitive bidding process that provides the best value for the department for any CDA into which it enters. In accordance with statute, any highway that is the subject of a CDA with a private entity is public property and owned by TxDOT. Statute prohibits TxDOT from incurring a financial obligation for a private entity involved in a CDA project and sets additional terms for private participation in a project. These terms include requirements that CDAs must include provisions for TxDOT to purchase the interest of a private entity participating in a CDA, including highway facilities, and governing a private participant's right to operate and collect revenue from a project. Private entities collecting tolls in accordance with a CDA are required to receive TxDOT approval for the methodology used to set and increase tolls and the method of toll collection, including charges related to late payments. No CDA that allows for the collection of tolls by a private participant may be for a period exceeding a total term of 52 years. The Eighty-second Legislature, Regular Session, 2011, amended statute to prohibit TxDOT from entering into CDAs with private entities after August 31, 2011. However, Senate Bill 1420, Eighty-second Legislature, Regular Session and Senate Bill 1730, Eighty-third Legislature, Regular Session, both authorized TxDOT to enter into CDAs for certain projects.

TxDOT uses two types of CDAs. A design-build contract allows for property acquisition, design, and construction but does not include financing mechanisms for a project. In a public-private partnership agreement, a private-sector entity participates in some or all of the development, financing, operations, and maintenance of a road for a set period. In these agreements, the developer may be required to make an up-front payment to TxDOT. The developer may receive all or split with TxDOT any revenue resulting from the construction of the roadway, such as toll revenue. The type of public-private partnerships that TxDOT has entered into are known as concession contracts because the developer assumes all risk in the case that projected revenues do not cover the costs of the project or debt service.

In 2006, portions of the Central Texas Turnpike System were opened with the completion of certain segments of State Highways (SH) 45 and SH 130 in the greater Austin area. TxDOT pledged $700.0 million toward the payment of construction costs for the Central Texas Turnpike System. This pledge covered 19.0 percent of the projected $3.7 billion needed for the project. Segments five and six of the SH 130 project were contracted for in 2008 through a CDA. This CDA authorized the SH 130 Concession Company to design, build, finance, and operate the road for a term of 50 years after the service commencement date. The company provided all of the necessary funding to build sections five and six of SH 130, including the costs of right-of-way, and provided a $25.0 million concession payment to the state. The estimated cost for constructing sections five and six of SH 130 was $1.35 billion. The company will also operate the road and collect tolls until the end of its contract in 2058. During this period, the company will retain a percentage of the tolls collected. The state will also receive a share of the tolls collected, which will increase proportionately with toll revenues until the state reaches an equal 50.0 percent share of revenues. Design-build agreements previously had been used to construct roads in Texas, but SH 130 was the first Texas highway to be developed through a design-build-finance-operate agreement.

The Legislature has amended statute to authorize certain regional entities, such as Regional Mobility Authorities, to enter into CDAs. This began with Senate Bill 792, Eightieth Legislature, 2007, which expanded the financing options available to local authorities for the financing of transportation projects. As a result of this legislation, certain counties and local toll project entities were given the first option to develop, finance, construct, and operate a toll project. The legislation also established a process to conduct a market valuation of a project and required local entities to pay TxDOT for the value of the project or construct other transportation projects in the region worth an equal amount.

In September 2008, the North Texas Tollway Authority (NTTA) became responsible for toll roads that TxDOT had opened as part of an expansion of SH 121, which became the Sam Rayburn Tollway. In exchange for control of the 121 Tollway, NTTA paid TxDOT $3.2 billion. In fiscal year 2011, TxDOT entered into another toll road agreement with NTTA for the development of the State Highway 161 toll project. In accordance with the agreement, NTTA made an up-front payment to the state of $458.0 million for the right to develop, finance, design, construct, operate, and maintain the SH 161 toll project from Interstate 20 to SH 183 in Dallas County for a term of 52 years.

The market valuation process that was established pursuant to Senate Bill 792, Eightieth Legislature, 2007, expired at the end of fiscal year 2011. The Eighty-second Legislature, Regular Session, 2011, passed Senate Bill 19 which established a more permanent process to determine the entity that will develop, finance, and construct a toll project located in the territory of a local toll entity. These entities include a regional mobility authority, regional tollway authority, or a county toll road authority. Pursuant to statute, a local toll project entity has the first option to develop, finance, and construct a toll project within its territory. Statute includes requirements for notification by the local toll project entity of its intent to exercise its option and timelines within which the entity must exercise the option after notification. If the local toll project entity fails to or declines to exercise the option, TxDOT has the option to manage the toll project.

Figure 28 shows the amount of revenue generated from public and private toll road agreements for the State Highway Fund.

FIGURE 28
REVENUES FROM PUBLIC AND PRIVATE TOLL ROAD AGREEMENTS DEPOSITED TO THE STATE HIGHWAY FUND FISCAL YEARS 2008 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2008	$3,222.9
2009	$0.0
2010	$0.0
2011	$458.0
2012	$18.1
2013	$108.3
2014	$5.6
2015	$18.1

Source: Legislative Budget Board.

PASS-THROUGH TOLLING

The Pass-Through Tolling Program, commonly known as the Pass-Through Financing Program, was authorized when the Seventy-ninth Legislature, Regular Session, 2005, amended the Texas Transportation Code, Section 222.104. In accordance with a pass-through financing agreement, a local government or private entity funds the up-front cost for constructing a state highway project. When the project opens to traffic, TxDOT begins reimbursing the up-front costs based on the number of vehicles that use the highway each year. The amount of reimbursement is subject to rates for vehicle usage (per vehicle or vehicle miles traveled) and annual minimum and maximum reimbursement amounts specified in each agreement. All funds available to TxDOT, except for funds generated by Texas Mobility Fund bonds, are authorized for the purpose of making a pass-through toll payment.

The first pass-through toll agreement was executed between TxDOT and Montgomery County. This agreement was approved in 2005 and authorized transportation improvements to certain farm roads and state highways in that county. As of October 2015, 41 pass-through financing agreements had been executed, with a maximum total repayment obligation of approximately $1.8 billion. An additional five projects with a pass-through financing amount of $90.5 million are pending TTC's approval.

HIGHWAY BEAUTIFICATION FEES

Highway Beautification fees were authorized by the Sixty-second Legislature, Second Called Session, 1972, and the Texas Highway Beautification Account was established as a dedicated account in the General Revenue Fund by the Seventy-fifth Legislature, 1997. The Eighty-second Legislature, Regular Session, 2011, passed Senate Bill 1420 which abolished the Texas Highway Beautification Account in the General Revenue Fund and required TxDOT to deposit all outdoor advertising fees into the State Highway Fund.

These fees are statutorily required to be used to regulate the erection and maintenance of outdoor advertising and develop right-of-way and other lands within view of highways in compliance with 23 U.S. Code 131, the federal Highway Beautification Act of 1965. Persons erecting or maintaining signs or advertising within 660 feet of an interstate highway are required to pay Highway Beautification fees. The TTC sets the fees at an amount that is reasonable to cover administration. Persons applying for a license to erect or maintain signs for advertising are also required to pay a surety bond of $2,500 for each county in which outdoor advertising will be maintained, up to $10,000. This bond is used to reimburse the costs of removing unlawfully erected or maintained signs. Nonprofit organizations that erect and maintain a sign in a municipality or its extraterritorial jurisdiction cannot be charged a fee exceeding $10 for the combined cost of licenses and permits to comply with Highway Beautification fees.

Highway Beautification fees are used to monitor and control the use of outdoor advertising adjacent to interstate and primary highways. The majority of these funds are used in conjunction with maintenance and construction of the state highway system. **Figure 29** shows the amount of Highway Beautification fee revenues since fiscal year 2006.

FIGURE 29
REVENUES FROM HIGHWAY BEAUTIFICATION FEES
FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2006	$0.77
2007	$0.63
2008	$0.72
2009	$0.83
2010	$0.61
2011	$0.65
2012	$1.20
2013	$1.29
2014	$1.25
2015	$1.26

Source: Texas Comptroller of Public Accounts.

GENERAL REVENUE FUND TRANSFERS TO THE ESF REDIRECTED TO THE STATE HIGHWAY FUND (PROPOSITION 1, 2014)

Senate Joint Resolution 1, Eighty-third Legislature, Third Called Session, proposed an amendment to the Texas Constitution to change the method by which dollars are transferred from the General Revenue Fund to the Economic Stabilization Fund (ESF). Before this amendment was passed, the CPA calculated the amount at the end of each fiscal year by which both oil and natural gas tax collections exceed the fiscal year 1987 collection levels ($532.0 million and $600.0 million, respectively) and then transferred an amount of General Revenue Funds equal to 75.0 percent of this excess to the ESF. Senate Joint Resolution 1 required the CPA to transfer half of this amount to the ESF and the other half to the State Highway Fund. Revenue transferred to the State Highway Fund as a result of the amendment can be used only for constructing, maintaining, and acquiring rights-of-way for public roadways other than toll roads. The amendment also required the Legislature by general law to establish a procedure by which transfers to the ESF could be greater than the allocation provided by the amendment. The amendment, Proposition 1, was approved by voters in November 2014. Appropriations for highway planning and construction for the 2016–17 biennium include $2.4 billion from the resulting oil and natural gas tax-related transfers to the SHF, pursuant to Proposition 1, 2014. The constitution specifies that these funds may be used only for constructing, maintaining, and acquiring rights-of-way for nontolled public roadways.

House Bill 1, Eighty-third Legislature, Third Called Session, 2013 was companion legislation to Senate Joint Resolution 1, Eighty-third Legislature, Third Called Session, and took immediate effect when the amendment proposed by Senate Joint Resolution 1 was approved. This legislation established a process to preserve a sufficient balance in the ESF and determine whether the allocation of General Revenue Funds to the ESF should be greater than and the allocation to the State Highway Fund should be less than the amount prescribed by the amendment. A temporary provision governs the transfers in fiscal years 2015, 2016, and 2017. In fiscal year 2015, the committee tasked with determining the sufficient balance of the ESF had 30 days after final canvass of the election to adopt the sufficient balance. Pursuant to the temporary provision, the select committee set the sufficient balances for fiscal year 2015 and the 2016–17 biennium. The select committee met on December 11, 2014 and set the sufficient balance for the ESF at $7.0 billion for fiscal year 2015 and $7.0 billion for the 2016–17 biennium, thus allowing the maximum transfer to the SHF in fiscal year 2015. The CPA made $3.5 billion in oil and natural gas tax-related transfers to the ESF in November 2014. As required by a temporary provision in the constitution, after the committee acted, CPA transferred $3.5 billion from the ESF back to the General Revenue Fund. The CPA then transferred $1.7 billion from the General Revenue Fund each to the ESF and SHF. In fiscal year 2016, $1.1 billion was transferred from the General Revenue Fund each to the ESF and SHF.

STATE SALES TAX AND MOTOR VEHICLE SALES TAX (PROPOSITION 7, 2015)

The approval of Senate Joint Resolution 5 by voters on November 3, 2015, (Proposition 7) will result in revenue from the first $2.5 billion of state sales tax collected in excess of $28.0 billion in a fiscal year and 35.0 percent of motor vehicle sales and rental taxes collected in excess of $5.0 billion in a fiscal year to be deposited into the SHF beginning in fiscal years 2018 and 2020, respectively. Funds deposited to the SHF pursuant to these provisions may only be appropriated to construct, maintain, or acquire rights-of-way for nontolled public roadways or to repay principal and interest on certain General Obligation debt issued by TxDOT. Senate Joint Resolution 5, Eighty-fourth Legislature, 2015, proposed several amendments to the Texas Constitution, Article VIII, that were approved by voters in

November 2015. Beginning in fiscal year 2018, the first $2.5 billion of state sales tax collected in excess of $28.0 billion in a fiscal year will be constitutionally dedicated to the SHF. Beginning in fiscal year 2020, 35.0 percent of motor vehicle sales and rental taxes collected in excess of $5.0 billion in a fiscal year will be constitutionally dedicated to the SHF. Before these constitutional amendments, such amounts were deposited into the General Revenue Fund. The Legislature may reduce the allocations to the SHF by up to 50.0 percent with a resolution approved by a two-thirds' vote of the members of each house. The allocation of sales tax revenue expires at the end of fiscal year 2032, and the allocation of motor vehicle sales and rental taxes expires at the end of fiscal year 2029. The Legislature may extend, in 10-year increments, either allocation with a resolution approved by a majority vote of the members of each house.

OTHER SOURCES OF REVENUE

Certificate of title fees became effective in 1939 to address ownership disputes due to auto theft. Some revenue from motor vehicle certificate of title fees was deposited to the State Highway Fund; however, this allocation was altered beginning in fiscal year 2009. Further details regarding the relationship between revenues generated by motor vehicle certificate of title fees for the State Highway Fund, Texas Mobility Fund, and Texas Emissions Reduction Plan are discussed in a subsequent section. **Figure 30** shows the amount of vehicle certificate fee revenue deposited to the State Highway Fund from fiscal years 2005 to 2013. The allocation of certificate of title fees to the State Highway Fund ended in fiscal year 2013 as a result of House Bill 2202, Eighty-third Legislature, Regular Session. This legislation reallocated that portion of certificate of title fees that was previously deposited to the State Highway Fund to the Department of Motor Vehicles Fund (TxDMV Fund). However, the new fund was not exempted from funds consolidation; therefore, this revenue is instead deposited to the General Revenue Fund. The enactment of Senate Bill 1512, Eighty-fourth Legislature, 2015, reestablishes TxDMV Fund as a fund inside the state Treasury, outside the General Revenue Fund, and requires revenue from certain fees collected by or on behalf of the Texas Department of Motor Vehicles (DMV) that were previously deposited to the General Revenue Fund, including certificate of title fees, to be deposited to the TxDMV Fund beginning in fiscal year 2017.

The Sixty-second Legislature, Regular Session, 1971, provided that each motor vehicle manufacturer, distributor, dealer, and representative operating in Texas must apply for a motor vehicle business license. The fees for these licenses range from $20 to $900, depending on the occupation of the person applying for the license. Fees are also assessed for complaints or protests filed with DMV against a person with a motor vehicle business license, and for amendments to or duplicate licenses. All revenues from motor vehicle business licenses are deposited to the State Highway Fund, and revenues from motor vehicle business licenses and related complaints or protests are the only category of commercial transportation fees deposited to the State Highway Fund. **Figure 31** shows information regarding the revenue generated for the State Highway Fund from commercial transportation fees from fiscal years 2005 to 2013. As a result of House Bill 2202, Eighty-third Legislature, Regular Session, 2013, this fee was reallocated and is no longer deposited to the State Highway Fund as of the 2014–15 biennium.

FIGURE 30
VEHICLE CERTIFICATE FEES DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2005 TO 2013

(IN MILLIONS)

FISCAL YEAR	FEES
2005	$24.4
2006	$25.9
2007	$25.8
2008	$26.6
2009	$25.8
2010	$25.7
2011	$26.4
2012	$28.1
2013	$39.8

SOURCE: Texas Comptroller of Public Accounts.

FIGURE 31
COMMERCIAL TRANSPORTATION FEES DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2005 TO 2013

(IN MILLIONS)

FISCAL YEAR	FEES
2005	$8.8
2006	$8.8
2007	$8.9
2008	$8.7
2009	$11.6
2010	$7.9
2011	$8.2
2012	$4.3
2013	$6.9

SOURCE: Comptroller of Public Accounts.

TEXAS MOBILITY FUND

The Texas Mobility Fund (TMF) was established by the Texas Constitution, Article III, Section 49-k, with the voter approval of Proposition 15, 2001. The TMF may be used to finance the acquisition, construction, maintenance, reconstruction, and expansion of state highways, including costs of design and right-of-way acquisition. The establishment of the TMF was a deviation from the pay-as-you-go system and authorized TTC to borrow money for construction and maintenance of the highway system for the first time. Additionally, the passage of Proposition 15 overturned a constitutional provision passed in 1954 that prohibited the use of state funds or credit to build or maintain toll roads unless the road could be self-financed through money generated from the tolls levied.

Proposition 15, 2001, authorized the Legislature to dedicate a source of revenue to the fund, although it did not specify any sources of dedicated revenue. The amendment prohibited changing a dedication of revenue to the fund while bonds are outstanding, unless an alternative dedication of equal or greater value is made. The Texas Constitution prohibits the Legislature from devoting revenue to the TMF from the collection of motor vehicle registration fees and taxes on motor fuels and lubricants that is constitutionally dedicated for acquiring rights-of-way and constructing, maintaining, and policing public roadways. However, the constitution authorizes the Legislature to dedicate other sources of revenue allocated for the same purposes to the Mobility Fund. Additionally, the amendment removed a requirement that any funds used from the State Highway Fund on toll roads, toll bridges, or turnpikes be repaid by the Texas Turnpike Authority. The amendment also authorized TxDOT to use state funds for the acquisition, construction, maintenance, or operation of toll projects.

Senate Bill 4, Seventy-seventh Legislature, 2001, authorized TTC to issue bonds and to pledge the state's full faith and credit to guarantee payment of obligations issued in accordance with the TMF if certain requirements surrounding the bonds are adhered to.

ISSUANCE AND SALE OF OBLIGATIONS

In 2003, TTC was authorized by the Texas Constitution (Proposition 14) and the Texas Transportation Code to issue and sell obligations and enter into related credit agreements payable from and secured by a pledge of money on deposit in the TMF. The Texas Transportation Code authorizes the bonds to be used for any of the following purposes:

- the cost of constructing, reconstructing, acquiring, and expanding state highways that will have an expected useful life of no less than 10 years;
- for participation in the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation projects considered to improve mobility;
- to establish debt service reserve accounts;
- to pay interest on obligations for no more than two years;
- to refund or cancel outstanding obligations; and
- to pay for the cost of issuance.

Bonds secured by the TMF are prohibited from having a maturity exceeding 30 years, and during each year the obligations are scheduled to be outstanding, estimated available revenue (as determined by the CPA), must be at least 110 percent of the requirements to pay debt service on the proposed obligations for the year. The issuance of obligations is prohibited until a strategic plan outlining proposed expenditures and the benefits of projects using funds from the TMF is prepared.

TMF bonds are self-supporting General Obligation bonds; therefore, they are not considered in calculating the state's constitutional debt limit. As of the end of fiscal year 2015, the Bond Review Board (BRB) had authorized the issuance of $7.4 billion in TMF bonds. TTC has issued all of the authorized TMF bonds. Twelve series of obligations secured by the Mobility Fund have been issued, as shown in **Figure 32**. **Figure 33** shows the amount of revenue deposited to the TMF from the issuance of bonds. During the 2014–15 biennium, approximately $735.9 million in All Funds was appropriated for TMF bond debt service. At the end of fiscal year 2015, all authorized debt had been issued. **Figure 34** shows the amount expended on TMF bond debt service for the past 10 fiscal years.

The enactment of House Bill 122, Eighty-fourth Legislature, 2015, prohibits the issuance of new TMF bond obligations after January 1, 2015. The legislation authorizes TTC to issue obligations to refund outstanding TMF obligations to provide savings to the state and to renew or replace credit agreements related to variable rate obligations. Additionally, the legislation specifies that money deposited to the TMF that is in excess of amounts required to meet bond obligations may be used for any purpose for which obligations may be issued other than for toll roads.

FIGURE 32
TEXAS MOBILITY FUND BOND ISSUANCES, CALENDAR YEARS 2005 TO 2015

(IN MILLIONS)

BOND	AMOUNT	DATE ISSUED
Series 2005–A	$900.0	June 8, 2005
Series 2005–B (Variable Rate Bonds)	$100.0	June 8, 2005
Series 2006	$750.0	June 8, 2006
Series 2006–A	$1,040.3	October 31, 2006
Series 2006–B	$150.0	December 13, 2006
Series 2007	$1,006.3	June 21, 2007
Series 2008	$1,100.0	February 28, 2008
Series 2009–A	$1,208.5	August 26, 2009
Series 2014	$973.8	July 2, 2014
Series 2014-A	$1,580.2	December 18, 2014
Series 2014-B	$250.0	December 18, 2014
Series 2015-A	$911.4	September 30, 2015

NOTE: Some of the issuances were for refunding or cash defeasance. Refunding issuances do not count against the statutory limit regarding the amount of State Highway Fund bonds that may be issued, nor are they counted as revenue to the State Highway Fund.
SOURCE: Texas Department of Transportation.

FIGURE 33
REVENUE DEPOSITED TO THE TEXAS MOBILITY FUND FROM THE ISSUANCE OF OBLIGATIONS FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2006	$771.1
2007	$2,245.2
2008	$1,157.0
2009	$1,200.7
2010	$0.0
2011	$0.0
2012	$0.0
2013	$0.0
2014	$0.8
2015	$983.7

SOURCE: Texas Comptroller of Public Accounts.

FIGURE 34
TEXAS MOBILITY FUND BOND DEBT SERVICE EXPENDITURES, FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	TEXAS MOBILITY FUND DEBT SERVICE EXPENDITURES	FEDERAL SUBSIDY
2006	$63.4	$0.0
2007	$137.2	$0.0
2008	$209.5	$0.0
2009	$266.0	$0.0
2010	$288.6	$13.9
2011	$309.7	$23.3
2012	$314.6	$23.3
2013	$319.2	$22.3
2014	$324.7	$21.5
2015	$308.9	$21.6

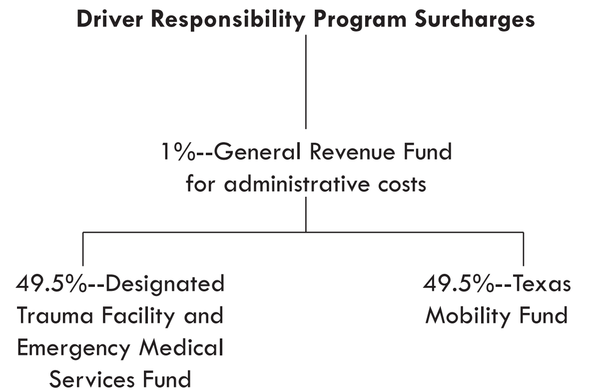
NOTE: The federal subsidy refers to the Build America Bonds interest subsidy used for the 2009–A series bond issuance.
SOURCE: Texas Department of Transportation.

DRIVER RESPONSIBILITY PROGRAM FINES AND STATE TRAFFIC FINES

The Seventy-eighth Legislature, Regular Session, 2003, added Chapter 708 to the Texas Transportation Code to establish the Driver Responsibility Program (DRP). DRP assesses surcharges on drivers convicted of accumulating six or more points from certain moving violations, driving while intoxicated, driving with an invalid license or no insurance, or driving with no license. A driver convicted of any of these offenses pays an annual surcharge for three years following conviction. The program took effect September 1, 2003, and is administered by DPS. During fiscal years 2004 and 2005, 1.0 percent of revenue collected in accordance with DRP was deposited to the General Revenue Fund for administrative costs. Of the remaining 99.0 percent, 49.5 percent was deposited to the Designated Trauma Facility and EMS Fund, and 49.5 percent was deposited to the credit of the TMF. During this period, approximately $18.2 million was deposited into the TMF from fines assessed in accordance with DRP. **Figure 35** shows this allocation of revenues from the Driver Responsibility Program.

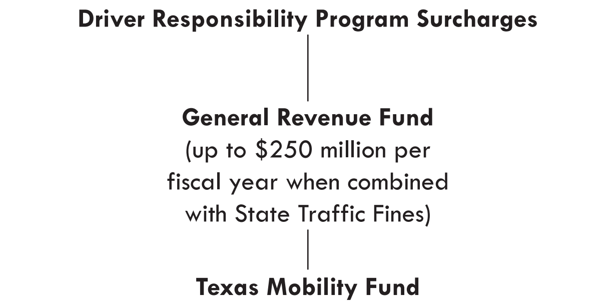
Legislation passed by the Seventy-eighth Legislature, Third Called Session, 2003, amended the division of revenue generated by fines in accordance with DRP. Since fiscal year 2005, surcharges collected in accordance with DRP have been deposited to the General Revenue Fund. If the total amount of these surcharges, combined with revenues from

FIGURE 35
ALLOCATION OF REVENUE GENERATED BY THE DRIVER RESPONSIBILITY PROGRAM, FISCAL YEARS 2004 TO 2005



Source: Legislative Budget Board.

FIGURE 36
ALLOCATION OF REVENUE GENERATED BY THE DRIVER RESPONSIBILITY PROGRAM, AS OF FISCAL YEAR 2006

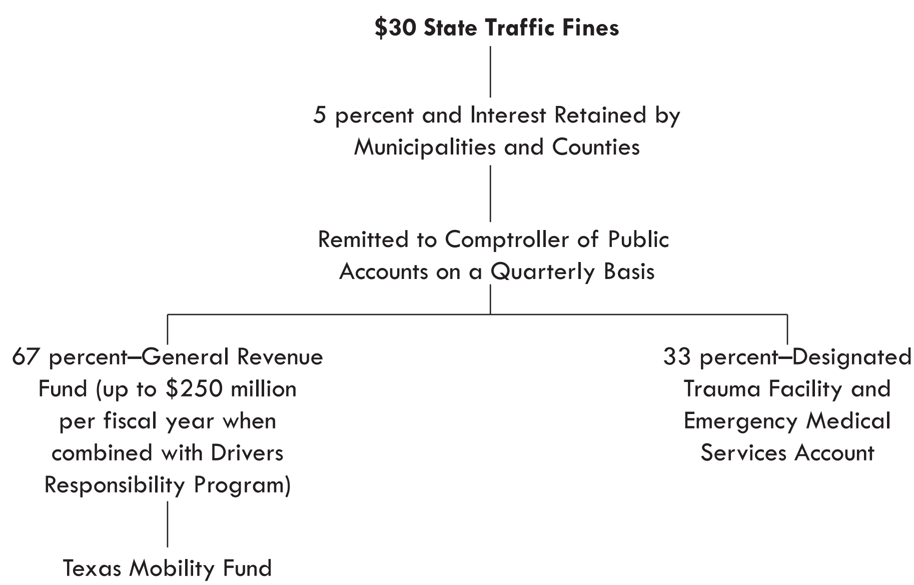


Source: Legislative Budget Board.

state traffic fines, equals $250.0 million during each fiscal year, remaining amounts are required to be deposited in the TMF. The allocation of revenue from DRP since fiscal year 2005 is shown in **Figure 36**. Since this provision went into effect in fiscal year 2006, the combined revenue generated by DRP surcharges and state traffic fines has not exceeded $250.0 million per year. Therefore, the TMF has not received any funds from DRP surcharges since fiscal year 2005.

The Seventy-eighth Legislature, Regular Session, 2003, added Texas Transportation Code, Section 542.4031, to require a person found guilty of committing a traffic violation to pay a $30 state traffic fine in addition to any other sentence imposed for committing the violation. These fines were originally deposited to the TMF, but the allocation was altered during the Seventy-eighth Legislature, Third Called Session, 2003. **Figure 37** shows how revenues from state traffic fines are allocated. A municipality or county retains 5.0 percent of this fine and any interest that is accrued on the fine. Each quarter, revenue generated by the state traffic fine is remitted to the CPA. CPA deposits 67.0 percent of the revenue it receives to the General Revenue Fund, and the remaining 33.0 percent is deposited to the Designated Trauma Facility and Emergency Medical Services Account. If the amount of revenue deposited to the General Revenue Fund from fees accrued from the Driver Responsibility

FIGURE 37
ALLOCATION OF REVENUES FROM STATE TRAFFIC FINES, AS OF FISCAL YEAR 2015



Source: Legislative Budget Board.

Program and state traffic fines exceeds $250.0 million in a fiscal year, the remainder is required to be deposited to the TMF. This excess has not accrued as of the end of fiscal year 2015 ; therefore, no revenue generated from state traffic fines has been deposited to the TMF since 2005 before the alternative method of allocation went into effect. During fiscal year 2005, $59.6 million was deposited to TMF from court fines.

CERTAIN FEES COLLECTED BY THE DEPARTMENT OF PUBLIC SAFETY

Driver license fees, driver record information fees, motor carrier act fines, and motor vehicle inspection fees are collected by DPS and deposited into the TMF, as shown in **Figure 38**.

Motor vehicle inspection fees were established by the Fifty-third Legislature, Regular Session, 1953, at the rate of $1 per annual inspection sticker. The fees have been amended multiple times since they were established. A $12.50 fee is now required for an annual sticker, a $21.75 fee for a two-year sticker, and a $50.00 fee is applied to commercial vehicle annual stickers; $3.50 of the annual fee, $10.75 of the two-year fee, and $10.00 of the commercial vehicle fee are deposited to the TMF. Additional fees apply for emissions testing of vehicles inspected in certain counties. In these instances, $3.50 of the emissions testing fee is deposited to the credit of the TMF.

The Seventy-fifth Legislature, 1997, authorized DPS to impose an administrative penalty against a person violating commercial motor vehicle safety standards or the administrative enforcement of these standards. Penalties levied for the violation of commercial motor vehicle safety standards are prohibited from exceeding the maximum penalty for violation of similar federal safety regulations. The amount of a penalty is determined by DPS. All revenues collected from administrative penalties for violations of commercial motor vehicle safety standards are statutorily required to be deposited to the TMF.

Each operator of a motor vehicle in Texas is required to obtain a driver license issued by DPS. The first Texas license was initiated by the Thirty-fifth Legislature, 1917, and was known as a chauffeurs license. The Forty-fourth Legislature, 1935, established additional licenses for operators of passenger and commercial motor vehicles. Fees are also generated for reinstatement of or issuance of a new license and for providing certain driver record information. Revenues generated by these fees are deposited to the TMF. These fees range from $4 to $125, depending upon the type and expiration date of the license being issued or the record information being provided. The Seventy-ninth Legislature, Regular Session, 2005, temporarily postponed the allocation

FIGURE 38
REVENUES DEPOSITED TO THE TEXAS MOBILITY FUND FROM CERTAIN FEES COLLECTED BY THE DEPARTMENT OF PUBLIC SAFETY, FISCAL YEARS 2006 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUES FROM MOTOR VEHICLE INSPECTION FEES	REVENUES FROM MOTOR CARRIER ACT PENALTIES	REVENUES FROM DRIVER LICENSE FEES	REVENUES FROM DRIVER RECORD INFORMATION FEES
2006	$82.5	$1.8	–	–
2007	$84.6	$2.1	–	$53.5
2008	$86.2	$2.1	$117.9	$61.8
2009	$83.4	$2.1	$102.0	$57.7
2010	$88.9	$1.7	$99.6	$56.0
2011	$90.1	$1.8	$126.5	$57.1
2012	$95.8	$2.6	$129.0	$58.4
2013	$98.0	$2.9	$131.5	$61.1
2014	$101.1	$3.7	$137.9	$63.4
2015	$60.5	$2.9	$135.9	$65.7

NOTE: According to the Comptroller of Public Accounts the decrease in fiscal year 2015 vehicle inspection revenue results from several factors. A one-time decrease occurred as a result of the implementation of the single-sticker program for vehicle registration and inspection which allows for a one-year period to synchronize inspection and registration cycles. A permanent reduction in revenue is anticipated as a result of fewer people completing the registration process, including paying the state's portion of the inspection fee, since the implementation of the single-sticker program and a reduction in commercial truck inspections due to reduced natural gas drilling activity.
SOURCE: Texas Comptroller of Public Accounts.

of revenue from fees generated by the issuance of commercial driver licenses, the reinstatement of or issuance of a new license, and providing certain driver record information to the TMF. This provision expired September 1, 2007, at which time the fees began to be deposited to the TMF.

Driver record information fees were established by the Sixty-first Legislature, 1969. Revenue from driver record information fees was deposited to the General Revenue Fund through fiscal year 2005 and is now deposited to the TMF. The Fifty-sixth Legislature, 1959, also established driver record information fees for the provision of information relating to individual licenses and traffic records. DPS retains this information and assesses a fee of $2.50 to $2,000, depending on the information requested and the number of license holders for whom information is requested. These fees are deposited to the TMF. This revenue category also includes motor vehicle accident reports, in which certain persons may request a copy of information regarding a motor vehicle accident from TxDOT for a fee of $6. Additionally, a $2 fee is charged to have TxDOT certify the copy, and a $6 fee is charged for TxDOT to certify that no such report is on file.

CERTIFICATE OF TITLE FEES

Motor vehicle certificate of title fees were established by the Forty-sixth Legislature, 1939, at the rate of $0.25 per certificate of title. The rates have increased five times since 1939, as shown in **Figure 39,** and are set at $33 in federally designated nonattainment counties and $28 in all other counties. Additionally, an $8 application fee applies for nonrepairable vehicle title or salvage vehicle titles and a $65 rebuilder fee is charged to applications for regular certificates of title for a salvage vehicle. In fiscal year 2012, the DMV issued approximately 6.2 million titles, excluding nonrepairable vehicles and salvage titles.

FIGURE 39
RATE AND BASE CHANGES OF MOTOR VEHICLE CERTIFICATE OF TITLE FEES, FISCAL YEARS 1939 TO 2015

LEGISLATURE	FEE
Forty-sixth (1939)	$0.25
Fifty-fourth (1955)	$0.75
Sixty-fifth (1977)	$3.00
Sixty-eighth (1983)	$10.00
Seventy-second (1991)	$13.00
Seventy-eighth (2003)	$28; $33 in nonattainment counties; additional application fees for nonrepairable and salvage vehicle titles were established

Source: Comptroller of Public Accounts.

An amount equivalent to the revenue deposited to the Texas Mobility Fund from Certificate of Title fees is allocated from the State Highway Fund to the Texas Emissions Reduction Plan, as shown in **Figure 40**. **Figure 41** shows the amount of Certificate of Title fee Revenue deposited to the Texas Mobility Fund since fiscal year 2009.

GENERAL REVENUE FUND

During the past 10 fiscal years, TxDOT has received appropriations from the General Revenue Fund and the Texas Highway Beautification Account, which was previously a General Revenue–Dedicated Fund account. Appropriations from the General Revenue Fund can be expended by TxDOT for any purpose authorized by statute. Little of the revenue appropriated from the General Revenue Fund to TxDOT is used for highway construction and maintenance. Beginning in fiscal year 2010, TxDOT received additional General Revenue Funds to pay debt service associated with Proposition 12 GO bonds.

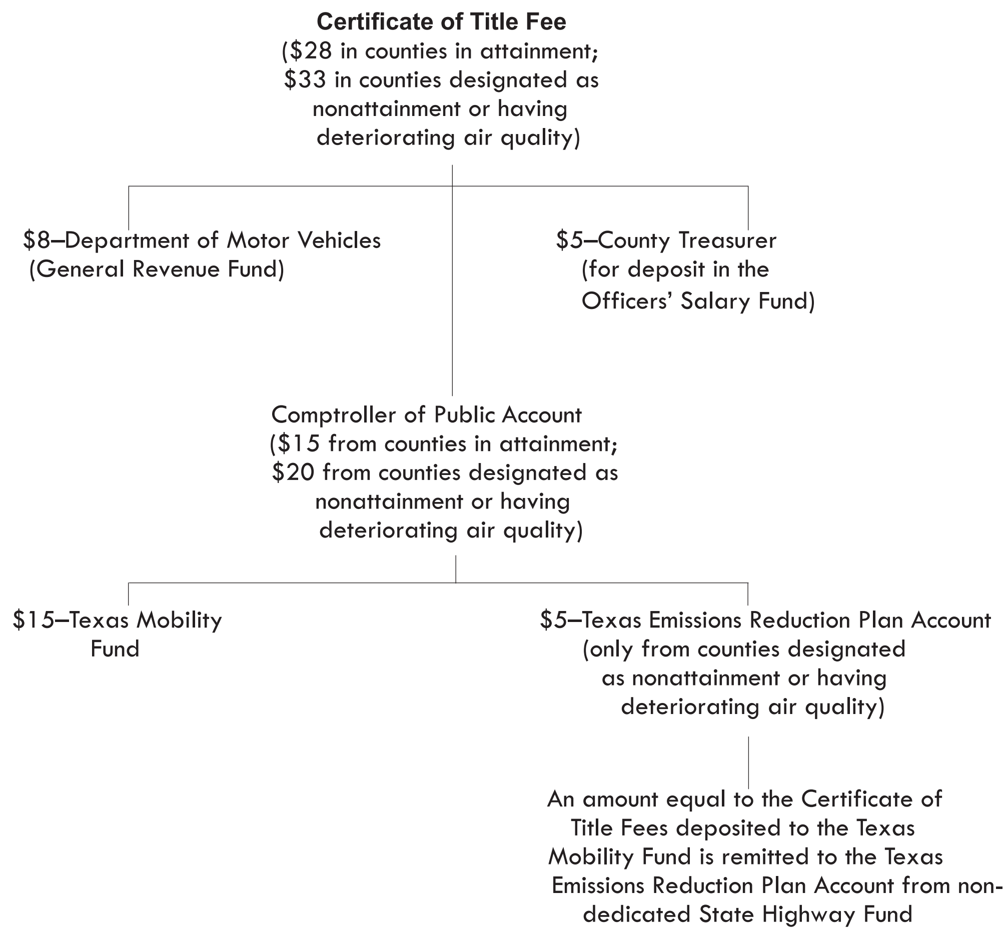
GENERAL OBLIGATION BONDS

Proposition 12, 2007, resulted from Senate Joint Resolution 64, Eightieth Legislature, 2007, and was approved by voters in November 2007. This resolution authorized the Legislature to authorize TTC to issue GO bonds, which count toward the state's constitutional debt limit.

The Eighty-first Legislature, First Called Session, 2009, House Bill 1 to create Texas Transportation Code, Section 222.004. This section authorizes TTC to issue up to $5.0 billion in Proposition 12 GO bonds, pursuant to the Texas Constitution, Article III, Section 49-p. TTC is authorized to use the bonds to pay the cost of highway improvement projects and administering authorized projects, the cost or expense of the issuance of the bonds, or a payment owed in accordance with a credit agreement. Any Proposition 12 GO bonds issued are statutorily required to mature no later than 30 years after their issuance. These bond proceeds are prohibited from being expended unless appropriated by the Legislature.

TxDOT was appropriated $1.0 billion in Proposition 12 GO bond proceeds for the 2010–11 biennium, and the first of these bonds were issued in fiscal year 2011. TxDOT's 2016–17 biennial appropriations included $1.3 billion in Proposition 12 GO bond proceeds for transportation planning and design, right-of-way acquisition, construction, and highway maintenance and rehabilitation projects. This amount includes appropriations for the completion of

FIGURE 40
ANNUAL CERTIFICATE OF TITLE FEE ALLOCATION, FISCAL YEAR 2015



Source: Legislative Budget Board.

FIGURE 41
VEHICLE CERTIFICATE FEES DEPOSITED TO THE TEXAS MOBILITY FUND, FISCAL YEARS 2009 TO 2015

(IN MILLIONS)

FISCAL YEAR	REVENUE
2009	$73.7
2010	$74.2
2011	$80.3
2012	$87.1
2013	$89.9
2014	$93.3
2015	$102.6

Source: Texas Comptroller of Public Accounts.

highway improvement projects initiated during previous biennia.

Figure 42 shows issuances of Proposition 12 GO bonds since the program began. At the end of fiscal year 2014, $3.6 billion in Proposition 12 GO bond authorization had been used. Therefore, $1.4 billion in Proposition 12 GO bond authorization remains before reaching the cap. Projects have been selected and are being let to contract from the remainder of the bond proceeds. TxDOT projects the remaining bonds will be issued as cash is needed to make progress payments.

During the 2016–17 biennium, TxDOT was appropriated $525.0 million in All Funds for General Obligation bond debt service payments. Expenditures for Proposition 12 GO bond debt service payments are shown in **Figure 43**.

FIGURE 42
PROPOSITION 12 GENERAL OBLIGATION BOND ISSUANCES, CALENDAR YEARS 2009 TO 2015

(IN MILLIONS)

BOND	AMOUNT	DATE ISSUED
Series 2010A	$815.4	September 29, 2010
Series 2010B	$162.4	September 29, 2010
Series 2012A	$818.6	December 18, 2012
Series 2012B	$99.6	December 18, 2012
Series 2014	$1,260.0	October 2, 2014

SOURCE: Texas Department of Transportation.

FIGURE 43
PROPOSITION 12 GENERAL OBLIGATION BOND DEBT SERVICE EXPENDITURES, FISCAL YEARS 2011 TO 2015

(IN MILLIONS)

FISCAL YEAR	GENERAL REVENUE FUND EXPENDITURES	FEDERAL SUBSIDY
2011	$15.6	$6.3
2012	$51.0	$12.5
2013	$63.0	$12.5
2014	$111.9	$11.5
2015	$180.8	$12.5

NOTE: The federal subsidy refers to the Build America Bond interest subsidy used for the Series 2010A issuance.
SOURCE: Texas Department of Transportation.

TRANSPORTATION INFRASTRUCTURE FUND

The Legislature established a new Transportation Infrastructure Fund as a dedicated fund in the state Treasury, outside of the General Revenue Fund, with the enactment of Senate Bill 1747, Eighty-third Legislature, Regular Session, 2013. This fund consists of any Federal Funds received by the state that are deposited to the credit of the fund, and any required state matching funds, money appropriated to the credit of the fund by the Legislature, fees paid into the fund, or other revenue or returns from the investment of money in the fund. TxDOT is required to make grants to counties for transportation infrastructure projects located in areas of the state affected by increased oil and gas production. Money in the fund may only be appropriated to TxDOT for grants and administration of the grant program. To be eligible for a grant, a county is required to provide matching funds in an amount equal to at least 20.0 percent of the grant amount. A county that TxDOT determines is economically disadvantaged is required to provide at least 10.0 percent matching funds. The Legislature appropriated $225.0 million in General Revenue Funds to the new fund for the 2014–15 biennium. No additional funds were appropriated by the Eighty-fourth Legislature, 2015. House Bill 2, Eighty-fourth Legislature, 2015, provided an unexpended balance appropriation for any unexpended or unencumbered amounts remaining from the original $225.0 million appropriation.

APPENDIX A: TIMELINE OF MAJOR CHANGES TO STATE REVENUE SOURCES FOR STATE HIGHWAYS

2001 – Voters approve Proposition 15, establishing the Texas Mobility Fund in the Texas Constitution and authorizing the Texas Transportation Commission to borrow money for construction and maintenance of the highway system for the first time.

2003 – Voters approve Proposition 14, authorizing the Texas Transportation Commission to issue bonds secured by revenues in the State Highway Fund.

2005 – Statute amended to establish the Pass-Through Financing Program.

2005 – The first Texas Mobility Fund bonds are issued.

2006 – The first Proposition 14 State Highway Fund bonds are issued.

2007 – Statute amended to set the maximum amount of Proposition 14 bonds that could be issued at $6.0 billion.

2007 – Voters approve a resolution authorizing the Legislature to authorize the Texas Transportation Commission to issue General Obligation bonds.

2008 – The North Texas Tollway Authority takes responsibility for State Highway 121 in exchange for a $3.2 billion public toll facility agreement.

2009 – Statute amended to authorize the Texas Transportation Commission to issue up to $5.0 billion in General Obligation bonds.

2010 – The first Proposition 12 General Obligation Bonds are issued.

2014 – Voters approve Proposition 1, 2014, a constitutional amendment to allow a portion of revenue that would have been transferred from the General Revenue Fund to the Economic Stabilization Fund to instead be deposited the State Highway Fund.

2015 – The first transfer of revenue that would have been deposited to the Economic Stabilization Fund was made to the State Highway Fund in the amount of $1.7 billion.

2015 – Voters approve Proposition 7, 2015, a constitutional amendment to deposit into the State Highway Fund revenue from the first $2.5 billion of state sales tax collected in excess of $28.0 billion in a fiscal year and 35.0 percent of motor vehicle sales and rental taxes collected in excess of $5.0 billion in a fiscal year, beginning in fiscal year 2018 and 2020, respectively.