

# **Texas Highway Funding**

## **Legislative Primer**



**SUBMITTED TO THE 82ND TEXAS LEGISLATURE**

**MARCH 2011**

**LEGISLATIVE BUDGET BOARD STAFF**

**SECOND EDITION**

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# OVERVIEW OF FINANCING MECHANISMS AVAILABLE TO THE TEXAS DEPARTMENT OF TRANSPORTATION FOR HIGHWAY NEEDS

## INTRODUCTION

Texas has traditionally used a pay-as-you-go financing system 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, recent circumstances have increased the cost of constructing and maintaining transportation corridors and reduced the capacity of the traditional pay-as-you-go system. The Texas Department of Transportation has been given the statutory authority to issue debt and enter into public-private partnerships. The agency’s ability to use these financing tools was diminished in 2007 when the Eightieth Legislature enacted legislation that restricted the use of public-private partnerships.

This report provides an overview of the financing mechanisms available to the Texas Department of Transportation to construct and maintain highways. Additionally, the constitutional and statutory requirements and 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.

## DISCUSSION

The Texas Department of Transportation (TxDOT) estimates that \$11 billion per year is spent on transportation in Texas by local, state, and federal governments. The majority of these expenditures are applied to highway and other road projects; TxDOT is the largest contributor to transportation expenditures in the state. During the 2010–11 biennium, TxDOT had an All Funds budget of \$18.6 billion. Appropriations to TxDOT for transportation planning, right-of-way acquisition, and construction accounted for

\$8.2 billion, or 48.4 percent, of the agency’s budget. An additional \$5.9 billion, or 34.6 percent of TxDOT’s budget, was included in the General Appropriations Act for maintenance and preservation of the state’s transportation system. Another \$1.59 billion in highway and bridge construction funds was provided under the American Recovery and Reinvestment Act (ARRA) for “ready to go” projects in the 2010–11 biennium. During the 2010–11 biennium spending on highway construction and maintenance accounted for 4.2 percent of the state’s net expenditures. **Figure 1** shows the net expenditures on highway construction and maintenance in Texas from fiscal years 2005 to 2010 compared to the total state budget.

TxDOT was established as the State Highway Department in 1917 by the Thirty-fifth Legislature. It was created to distribute monetary aid to counties for the purpose of highway construction and maintenance but also undertook road construction projects. In 1921 the Federal Aid to Roads Act was amended, requiring states to take over responsibility for road design, construction, and maintenance after 1925. In 1924, the State Highway Department also took over responsibility for all state highway maintenance, which had previously been left to 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 over responsibilities of the Department of Aviation, Motor Vehicle Commission, and State Department of Highways and Public Transportation.

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

**FIGURE 1**  
**NET EXPENDITURES ON HIGHWAY CONSTRUCTION AND MAINTENANCE, FISCAL YEARS 2005–2010**

	2005 (IN MILLIONS)	2006 (IN MILLIONS)	2007 (IN MILLIONS)	2008 (IN MILLIONS)	2009 (IN MILLIONS)	2010 (IN MILLIONS)
Highway Construction and Maintenance	\$4,630.4	\$5,132.8	\$5,359.4	\$5,208.6	\$4,252.9	\$3,353.5
Net Expenditures Excluding Trust (Statewide)	\$64,693.0	\$68,833.2	\$74,500.8	\$81,935.8	\$88,575.6	\$90,434.1

SOURCE: Comptroller of Public Accounts.

through motor vehicle registration fees, taxes on motor fuels and lubricants, and Federal Funds. In recent years transportation funding has not kept pace with the state’s road maintenance and construction needs. From 2002 to 2007, the highway construction cost index increased at an abnormally fast rate, rising by 62 percent. The gasoline tax that went into effect in 1991 was set at \$0.20 per gallon and is worth \$0.12 today when adjusted for inflation using the Consumer Price Index.

As the state’s population, economy, and vehicle miles traveled have increased, the cost of materials for road construction has also increased. The value of the gasoline tax has eroded due to inflation and improvements in vehicle fuel economy. The Texas state highway system now has over 80,000 centerline miles and 192,000 lane miles of roads. From 1995 to 2008, the number of national highway system lane miles in Texas grew by approximately 11.7 percent. During this same time the state’s population increased by almost 30 percent and the number of vehicle miles traveled increased more than 50 percent. Much of this growth has been in the

state’s urban areas, which are some of the most congested cities in the country. The Texas Transportation Institute ranked the Houston area fourth in the country for annual hours of delay per traveler in 2009. The Dallas-Fort Worth-Arlington area ranked seventh, Austin ranked 15th, and San Antonio ranked 35th.

With the pay-as-you-go system no longer able to sustain the needs of the state’s highway system, new financing tools have been made available to TxDOT. Traditional methods of financing for highway construction and maintenance include revenues from state motor fuel taxes, oversize/overweight permits, motor vehicle sales and use tax, and motor vehicle registration fees. New financing methods include the use of bond proceeds and comprehensive development agreements (CDAs). These revenues are deposited to either the State Highway Fund or the Texas Mobility Fund. **Figure 2** and **Figure 3** show the primary sources of revenue deposited into each fund.

**FIGURE 2**  
**SOURCES OF REVENUE DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

COMPTROLLER OF PUBLIC ACCOUNTS' REVENUE CODE	REVENUE SOURCE	REVENUE GENERATED (IN MILLIONS)
3901	Motor Fuels Tax Allocations	\$21,627.2
3001	Federal Receipts Matched – Transportation Programs	\$19,638.8
3701	Federal Receipts – Not Matched – Other	\$249.1
3880	Bond Proceeds	\$4,593.7
3018	Special Vehicle Registration Fees	\$300.9
3046	Toll Revenues	\$19.0
3010	Motor Lubricants Sales Tax	\$315.1
3012	Motor Vehicle Title Certificates	\$232.6
3014	Motor Vehicle Registration Fees	\$9,110.5
3851	Interest on State Deposits	\$399.3
3047	Comprehensive Toll Development Agreement Receipts (Concessions – Private)	\$25.8
3048	Surplus Toll Agreement Receipts (Concessions – Public)	\$3,197.1

SOURCE: Legislative Budget Board.

**FIGURE 3**  
**SOURCES OF REVENUE DEPOSITED TO THE TEXAS MOBILITY FUND, FISCAL YEARS 2003 TO 2010**

COMPTROLLER OF PUBLIC ACCOUNTS' OBJECT CODE	REVENUE SOURCE	REVENUE GENERATED (IN MILLIONS)
3020	Motor Vehicle Inspection Fees	\$425.6
3024	Driver License Point Surcharges	\$18.2
3025	Driver License Fees	\$319.6
3027	Driver Record Information Fees	\$229.0
3710	Court Fines	\$98.8
3851	Inter State Deposits & Treasury Investments – General Non-Program	\$138.3

SOURCE: Legislative Budget Board.



**STATE HIGHWAY FUND**

The State Highway Fund consists of revenues generated by a variety of sources; as **Figure 4** 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 increased. In fiscal year 1999, the combined total of revenue generated from sources other than the state motor fuels tax and Federal Funds made up 24 percent of the State Highway Fund. In fiscal year 2008, this percentage had increased to a high of 61 percent as a result of new financing mechanisms such as bonds, tolls, and concession agreements.

Chapter 222 of the Texas Transportation Code 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 for the following purposes:

- to improve the state highway system;
- to mitigate adverse environmental effects resulting from state highway construction or maintenance; or
- policing and administration of state traffic and safety laws by the Texas Department of Public Safety (DPS) on state highways.

All other funds in the State Highway Fund are statutorily authorized to be used for any function that the Texas Department of Transportation performs.

The largest expenditure from the State Highway Fund is for highway construction. During the 2010–11 biennium,

construction and construction-related activities made up 48.4 percent of all State Highway Fund expenditures. 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 5** shows more detail regarding 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 first imposed at the rate of \$.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 6**.

Article VIII, Section 7-a, was added to the Texas Constitution in 1946, requiring 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 Texas 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.

Texas Tax Code, Chapter 162, Subchapters B and C, contain provisions relating to the state’s gasoline and diesel taxes.

**FIGURE 4**  
**STATE HIGHWAY FUND SOURCES OF REVENUE, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	TOTAL REVENUES (IN MILLIONS)	STATE MOTOR FUELS TAX (IN MILLIONS)	FEDERAL FUNDS (IN MILLIONS)	ALL OTHER REVENUE SOURCES (IN MILLIONS)
2001	\$4,940.2	\$2,021.8	\$1,808.8	\$1,109.6
2002	\$5,905.2	\$2,078.1	\$2,320.0	\$1,507.1
2003	\$5,834.2	\$2,087.0	\$2,604.1	\$1,143.1
2004	\$6,102.4	\$2,130.0	\$2,776.4	\$1,196.0
2005	\$7,037.4	\$2,148.3	\$3,250.4	\$1,638.7
2006	\$8,868.6	\$2,194.2	\$3,090.6	\$3,643.8
2007	\$8,745.3	\$2,238.2	\$1,974.3	\$4,532.8
2008	\$12,855.0	\$2,276.0	\$2,690.1	\$7,888.9
2009	\$7,640.2	\$2,226.6	\$2,666.6	\$2,747.0
2010	\$7,578.6	\$2,227.0	\$1,868.2	\$3,483.4

SOURCE: Comptroller of Public Accounts.



**FIGURE 5  
PRIMARY EXPENDITURES FROM THE STATE HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	HIGHWAY CONSTRUCTION* (IN MILLIONS)	SALARIES AND WAGES/EMPLOYEE BENEFITS** (IN MILLIONS)	REPAIRS AND MAINTENANCE* (IN MILLIONS)	PROFESSIONAL SERVICES AND FEES (IN MILLIONS)
2001	\$2,978.8	\$947.1	–	\$278.1
2002	\$3,344.2	\$1,035.5	\$247.9	\$280.9
2003	\$3,287.7	\$1,062.6	\$308.6	\$240.5
2004	\$3,492.9	\$1,142.0	\$334.6	\$286.3
2005	\$4,630.4	\$1,152.9	\$334.1	\$383.7
2006	\$5,132.8	\$1,265.1	\$374.5	\$452.4
2007	\$5,359.4	\$1,314.2	\$357.8	\$478.8
2008	\$5,208.6	\$1,013.4	\$418.5	\$412.2
2009	\$4,204.2	\$1,354.7	\$462.1	\$284.8
2010	\$2,708.1	\$1,295.5	\$435.6	\$291.8

\*From 1999 to 2001, highway construction and maintenance expenditures were combined as one category.

\*\*Salaries and wages/employee benefits includes some expenses for employees outside of TxDOT.

SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

**FIGURE 6  
CHANGES IN MOTOR FUELS TAX RATES**

LEGISLATURE	GASOLINE TAX	DIESEL TAX	LIQUEFIED GAS
Forty-seventh(1941)	\$0.04 per gallon	No Change	No Change
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-first (1989)	No Change	No Change	Adjusted decal rate schedule
Seventy-second (1991)	\$0.20 per gallon	\$0.20 per gallon	No Change

SOURCE: Comptroller of Public Accounts.

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 finally pay terminal operators at the point of sale. Suppliers, terminal operators, and licensed distributors file a monthly report, 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 percent of the tax collected if timely payment to the state is made. In addition to refunds authorized for certain vehicles not

propelled on public roadways, 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;

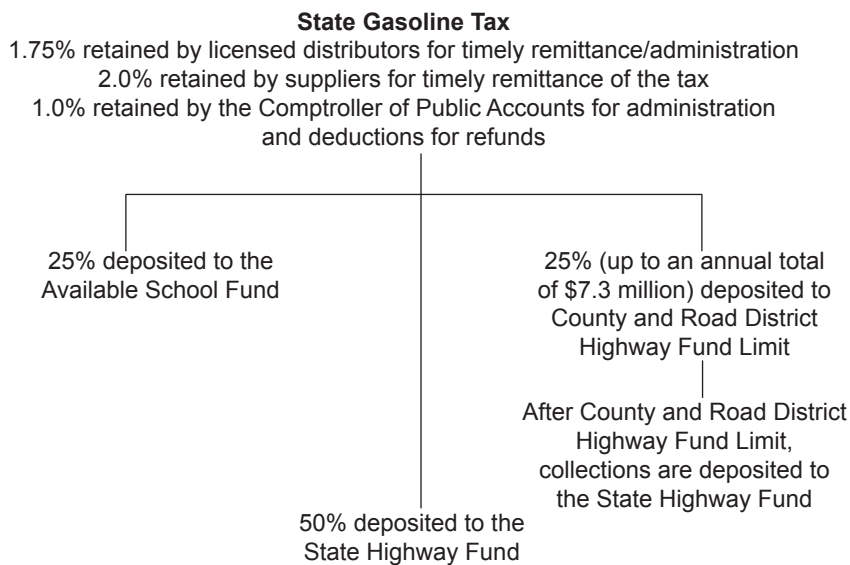
- transit companies are authorized a refund of one cent per gallon for gasoline and diesel fuel used in transit vehicles;
- certain purchases of dyed diesel fuel and kerosene are exempt from the diesel fuel tax; and
- the volume of water, fuel ethanol, renewable diesel, biodiesel, or mixtures thereof that are blended with taxable diesel fuel.

Texas Tax Code, Chapter 162, Subchapter D, regulates the state liquefied gas tax. This tax applies to the use of liquefied gas for powering motor vehicles on state highways. The tax is annually pre-paid to the CPA by the operator of a liquefied gas-powered vehicle. Certain motor vehicle dealer's and interstate truckers are required to pay the tax to a licensed dealer when purchasing liquefied fuel. Dealers report and remit taxes due to the CPA on a quarterly basis. Licensed dealers selling liquefied gas receive 1 percent of the tax they collect as reimbursement for administrative expenses and remitting taxes in a timely manner. Interstate truckers purchasing liquefied gas receive ½ a percent of the tax they pay to cover reporting requirements and for timely remitting the taxes due. Exemptions from the tax are applied to public school districts and counties, certain commercial transportation companies, and metropolitan rapid transit authorities providing public school transportation.

Texas Tax Code, Chapter 162, authorizes the CPA to retain up to 1 percent of all motor fuels taxes for administration and enforcement of the taxes. Deductions for refunds and administration are made from the motor fuels tax on a monthly basis. 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 slightly 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 7** shows the allocation of gasoline tax revenues, and **Figure 8** shows an overview of motor fuels tax revenues from fiscal years 2001 to 2010.

The state's gasoline tax of \$0.20 per gallon is lower than the national average, which is \$0.297 per gallon. When adjusted for inflation using the Consumer Price Index, the rate of gasoline and diesel fuel tax as set in 1991 is equivalent to \$0.12 today. Historically, most growth in motor fuels tax revenue is the result of legislative rate increases, population growth, and increased fuel consumption. **Figure 9** shows

**FIGURE 7  
ANNUAL STATE GASOLINE TAX FUND ALLOCATION**



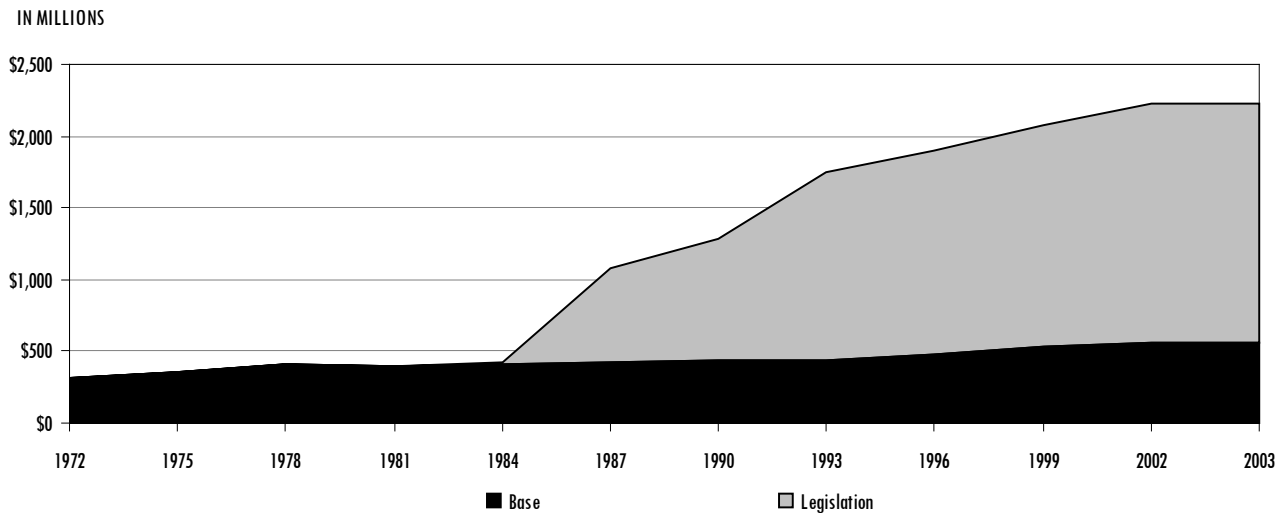
SOURCE: Legislative Budget Board.

**FIGURE 8**  
**STATE MOTOR FUELS TAX REVENUES BY TYPE OF MOTOR FUEL, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	TOTAL STATE MOTOR FUELS TAX REVENUE DEPOSITED TO STATE HIGHWAY FUND (IN MILLIONS)	TOTAL GASOLINE TAX REVENUES (IN MILLIONS)	TOTAL DIESEL TAX REVENUES (IN MILLIONS)	TOTAL LIQUEFIED TAX REVENUES (IN MILLIONS)
2001	\$2,021.8	\$2,152.3	\$611.4	\$1.9
2002	\$2,078.1	\$2,225.0	\$606.8	\$1.9
2003	\$2,087.0	\$2,226.6	\$610.6	\$1.6
2004	\$2,130.0	\$2,272.3	\$643.9	\$1.6
2005	\$2,148.3	\$2,259.6	\$673.4	\$1.5
2006	\$2,194.2	\$2,257.1	\$735.0	\$1.5
2007	\$2,238.2	\$2,300.9	\$751.6	\$1.2
2008	\$2,276.0	\$2,315.5	\$784.9	\$1.1
2009	\$2,226.6	\$2,326.1	\$705.5	\$1.1
2010	\$2,227.0	\$2,341.6	\$699.3	\$1.0

SOURCE: Comptroller of Public Accounts.

**FIGURE 9**  
**MOTOR FUELS TAX COLLECTIONS – BASE COLLECTIONS AND LEGISLATIVE INCREASES, FISCAL YEARS 1972 TO 2003**



SOURCE: Texas Comptroller of Public Accounts

what motor fuels tax collections would have been if the base rate did not change and what collections have been with legislative rate increases.

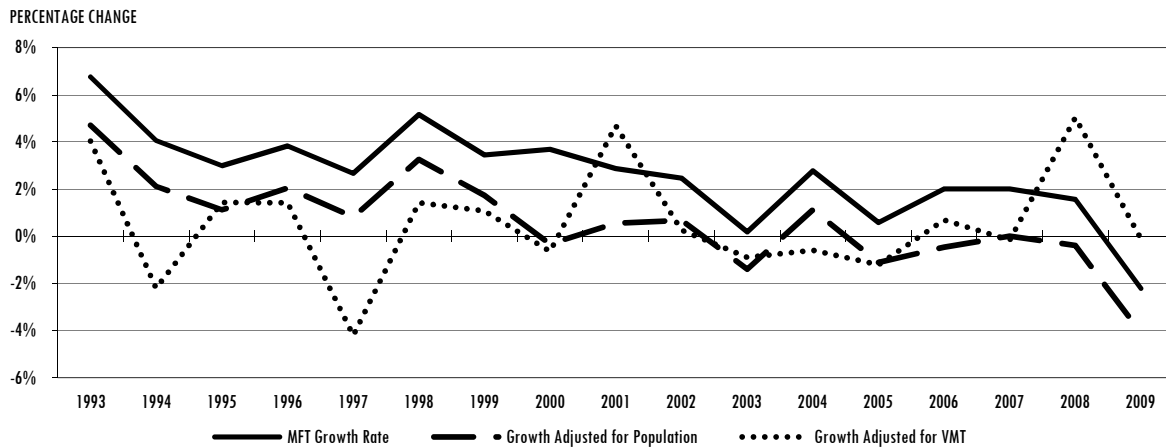
Furthermore, while motor fuels tax revenues in Texas are increasing, they are doing so at a decreasing rate. The nominal growth of motor fuels tax revenues since the last increase went into effect in 1991 has largely been the result of increases in the number of drivers and vehicle miles traveled in the state. **Figure 10** 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 fuels. 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 11** shows the distribution of matched and unmatched

**FIGURE 10**  
**GROWTH RATE OF MOTOR FUELS TAX COLLECTIONS, FISCAL YEARS 1993 TO 2009**



SOURCE: Legislative Budget Board.

**FIGURE 11**  
**MATCHED AND UNMATCHED FEDERAL FUNDS FOR TRANSPORTATION PROGRAMS DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	TOTAL FEDERAL FUNDS (IN MILLIONS)	FEDERAL FUNDS – MATCHED (IN MILLIONS)	FEDERAL FUNDS – UNMATCHED (IN MILLIONS)	FEDERAL PASS-THROUGH REVENUE (IN MILLIONS)
2001	\$1,813.7	\$1,808.8	\$4.9	–
2002	\$2,329.9	\$2,320.0	\$9.9	–
2003	\$2,625.3	\$2,604.1	\$16.9	\$4.3
2004	\$2,177.0	\$2,776.4	\$20.9	\$26.1
2005	\$3,321.3	\$3,250.4	\$25.0	\$45.9
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

SOURCE: Comptroller of Public Accounts.

Federal Funds to the State Highway Fund as well as funds that pass-through the State Highway Fund before being allocated to other entities from fiscal years 2001 to 2010.

The majority of federal transportation funding provided to TxDOT is for highway planning and construction; all Federal Funds dedicated to roads are deposited into the State Highway Fund. Current federal funding allocations were set forth in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This was set to expire in 2009, but was extended by Congress for 18 months. Authorizations for

Texas were increased by 38 percent in SAFETEA-LU over the previous authorization. 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 12** shows the federal aid programs that are the primary sources of federal highway funding for Texas.

Prior to the enactment of SAFETEA-LU, few rescissions from transportation funding had been made. In 2005 the Federal Highway Administration estimated that \$705

**FIGURE 12  
FEDERAL FUNDING SOURCES FOR TRANSPORTATION, FEDERAL FISCAL YEAR 2010**

PROGRAM NAME	FEDERAL FUNDS ALLOCATED FOR FISCAL YEAR 2010 (IN MILLIONS)	AUTHORIZED USES
Transportation Equity Bonus	\$1,204.0	Ensures that Texas does not receive less than 92 percent (during 2008) of its relative rate of return.* The federal share allocated to specific projects ranges from 80 percent to 100 percent depending on the program.
Surface Transportation Program	\$596.7	For use on any federal-aid highway, funds are available for four years, federal share ranges from 80 percent to 100 percent.
National Highway System	\$562.0	Funds for improving urban and rural roads, funds are available for four years, federal share ranges from 80 percent to 90 percent.
Interstate Maintenance	\$445.8	Funds for certain activities on the Interstate System, funds are available for four years, federal share is 90 percent.
Bridge Rehabilitation and Replacement Program	\$146.2	Funds for certain activities relating to highway bridges and bridges on public roads, federal share is 80 percent.
High Priority Transportation Projects	\$136.0	Earmarks identified for Texas projects in SAFETEA-LU, apply to specified road projects, federal share is 80 percent.
Congestion Mitigation and Air Quality Improvement	\$112.9	Projects must be in air-quality nonattainment and maintenance areas for ozone, carbon monoxide, and small particulate matter, federal share is 80 percent to 90 percent.
Highway Safety Improvement Program	\$93.5	Applies to public roads, publicly owned bicycle and pedestrian paths, rail crossings, and certain rural roads, federal share is 90 percent to 100 percent.
Coordinated Border Infrastructure Program	\$55.8	Applies to roads used to move motor vehicles at or across the border between the U.S. and Mexico, federal share is 80 percent to 100 percent.
Metropolitan Planning	\$22.3	For distribution to Metropolitan Planning Organizations to develop transportation plans and improvement programs, federal share is 80 percent.
State and Community Highway Safety Grants	\$18.0	Must be used only for highway safety purposes, federal share is 80 percent during fiscal year 2008. TxDOT received 87.8 percent of these funds while other state agencies received the remaining 12.2 percent.
Railway-Highway Crossings Program	\$17.0	Funds must be used to install and upgrade protective devices at rail crossings, federal share is 90 percent.
Safe Routes to Schools Program	\$15.2	Funds are to be used for planning, developing, and implementing projects improving safety and reducing congestion near schools, funds are provided directly to communities.

NOTE: Rescissions from Congress have offset these returns.  
SOURCE: Legislative Budget Board.

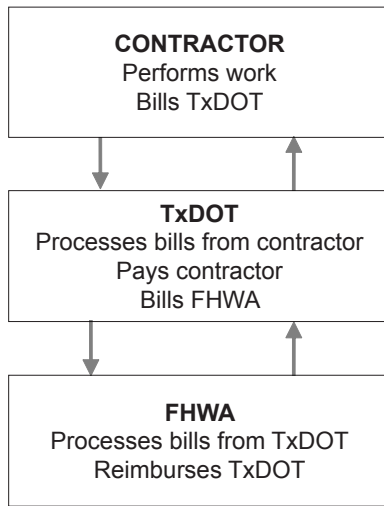
million would be rescinded from appropriations to Texas under SAFETEA-LU, meaning Texas’ estimated net apportionments were scheduled to be \$13.8 billion. From January 2005 through August 2010, ten federal rescissions were made from amounts appropriated under SAFETEA-LU. Texas’ share of these rescissions totaled \$2,232.5 million and has primarily been taken from unobligated apportionments. Prior to these rescissions, Texas was scheduled to receive a minimum of \$14.5 billion under SAFETEA-LU (2005–2009) in Federal Funds for transportation. However, after rescissions Texas is expected to receive approximately \$12.3 billion in Federal Funds.

Federal Funds are typically provided to states as a reimbursement for expenditures the state has already made

on transportation projects. **Figure 13** 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. Once 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 in SAFETEA-LU. Additionally, Federal Fund amounts presented in TxDOT’s budget represent projected reimbursements from existing and future obligations.

The Texas Constitution was amended in 1988 to include Section 7-b, Article VIII. This provision provides that federal reimbursements for state funds dedicated by the state

**FIGURE 13**  
**REIMBURSEMENT PROCESS FROM FEDERAL**  
**HIGHWAY ADMINISTRATION (FHWA)**



SOURCE: Legislative Budget Board.

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. 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 under the supervision of TxDOT. The Texas Transportation Commission (TTC) is required to distribute federal aid for transportation through selecting highway projects that meet requirements established by federal formulas. During fiscal year 2010, \$23.3 million in Federal Funds for transportation-related projects other than road construction passed through TxDOT, ultimately being provided to other entities such as 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 created the State Infrastructure Bank (SIB) as a pilot program in 1995, and Texas was chosen as one of 10 states in which to test the program. The creation of Texas' SIB was authorized during the Seventy-fifth

Legislature, 1997. The SIB is overseen by TTC and operates as a revolving loan program in the State Highway Fund which provides lower interest rates to local entities constructing federally approved surface transportation projects. Since the SIB's creation, TTC has approved 90 SIB loans totaling approximately \$382 million. TxDOT estimates that these loans have leveraged over \$3.5 billion for Texas transportation projects. The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) was created in 1998 and allowed the U.S. Department of Transportation to provide secured loans, loan guarantees, and standby lines of credit to major surface transportation projects. These forms of credit are intended to generate private and non-federal co-investment in projects improving the surface transportation system. The Central Texas Turnpike System (Loop 1, SH 45N, and SH 130 Segments 1-4), US 183-A, and SH 130 Segments 5 and 6 received TIFIA assistance.

Congress passed the American Recovery and Reinvestment Act (ARRA) in February 2009. Under ARRA, Texas was allocated \$2.25 billion in federal highway and bridge construction funds for "ready to go" projects. TxDOT's total Federal Funds appropriations for the 2010-11 biennium included an estimated \$1.6 billion in ARRA funds for highway and bridge construction. 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. TTC has used the BAB program to issue Texas Mobility Fund bonds, State Highway Fund bonds, and Proposition 12 bonds.

**STATE HIGHWAY FUND REVENUE BONDS AND SHORT-TERM NOTES**

In 2003, both the Texas Constitution and the Texas Transportation Code were amended to allow TTC to issue bonds, public securities, and 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 is 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. Because these bonds are secured by revenues in the State



Highway Fund, 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;
- have a principal amount or terms that do not cause annual expenditures relating to State Highway Fund Revenue Bonds to exceed 10 percent of the amount deposited to the State Highway Fund in the immediately preceding year; and
- not be used on facilities of the Trans-Texas Corridor.

Figure 14 shows revenues deposited to the State Highway Fund from the issuance of bonds. Figure 15 provides more information on State Highway Fund Bond issuances through fiscal year 2010. At the end of fiscal year 2010, \$4,599.3 million in State Highway Fund bonds had been issued. Therefore, \$1,400.7 million in State Highway Fund Bonds may still be issued under the statutory cap. TxDOT has indicated it plans to issue \$1.4 billion in State Highway Fund Bonds during 2011. Additionally, of the \$1.2 billion in State Highway Fund Bonds set aside for safety projects, all but \$25 million had been allocated to projects at the end of fiscal year 2010. For the 2010–11 biennium, \$1.2 billion in State Highway Fund bonds were appropriated and \$847.5 million in All Funds was appropriated for debt service.

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 (TRANs) were authorized in 2003, which TTC is allowed to issue if a temporary cash flow shortfall in the State Highway Fund is anticipated. A Cash Management Committee comprised of the Governor, Lieutenant Governor, Speaker of the House, and Comptroller of Public Accounts must

**FIGURE 14**  
**REVENUES DEPOSITED TO THE STATE HIGHWAY FUND FROM THE ISSUANCE OF BONDS, FISCAL YEARS 2006 TO 2010**

FISCAL YEAR	REVENUES FROM THE SALE OF GENERAL OBLIGATION/REVENUE BONDS (IN MILLIONS)
2006	\$628.2
2007	\$1,000.6
2008	\$1,473.0
2009	\$0.0
2010	\$1,492.0

SOURCE: Comptroller of Public Accounts.

**FIGURE 15**  
**STATE HIGHWAY FUND REVENUE BOND ISSUANCES, CALENDAR YEARS 2006 TO 2010**

TYPE OF BOND	AMOUNT (IN MILLIONS)	DATE DELIVERED
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

\*A federal subsidy of \$54.1 million will be received from the federal government for the 2012–13 biennium through Build American Bond program in association with this issuance. This subsidy is being applied to interest accumulated on these bonds.

SOURCE: Texas Department of Transportation.

approve the issuance of any TRANs based on a State Highway Fund cash flow shortfall forecasts created by TTC. The maximum amount of TRANs that can be issued at any given time 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 in 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.

In 2003, the Texas Constitution and Texas Transportation Code were amended to allow TTC to authorize TxDOT to borrow money from any source to carry out its functions. The purpose of this program 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 allowed TTC to establish a commercial paper program in 2005 and 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 16. At the end of fiscal year 2010, \$65 million in principal for short-term borrowing was outstanding. The unborrowed capacity of



**FIGURE 16**  
**REVENUES DEPOSITED TO THE STATE HIGHWAY FUND**  
**FROM THE ISSUANCE OF COMMERCIAL PAPER,**  
**FISCAL YEARS 2006 TO 2010**

FISCAL YEAR	REVENUES FROM THE ISSUANCE OF COMMERCIAL PAPER (IN MILLIONS)
2006	\$300.0
2007	\$170.0
2008	\$270.0
2009	\$445.0
2010	\$60.0

SOURCE: Comptroller of Public Accounts.

commercial paper that remained at the end of fiscal year 2010 was \$435 million.

**MOTOR VEHICLE REGISTRATION FEES**

Motor vehicle registration fees were established by the Thirty-fifth Legislature, 1917, at the rate of \$.35 per horsepower with a minimum fee of \$7.50. Numerous rate and base changes have occurred since 1917. The Eighty-first Legislature, Regular Session, 2009, passed House Bill 2553 to amend motor vehicle registration fees, effective September 1, 2011. Motor vehicle registration fee rates are currently based on the type, age, or weight of a motor vehicle. The fee for passenger cars weighing less than 6,000 pounds is based on a vehicle's age and ranges from \$40.50 to \$58.50. Additional fees apply for specialty plates and souvenir plates. Under House Bill 2553 the fee for passenger vehicles will be \$50.75 as of September 1, 2011.

Most fees from specialty and souvenir plates are deposited to the General Revenue Fund, while most fees from non-personalized license plates are deposited to the State Highway Fund. State residents are required to register their vehicles and pay the motor vehicle registration fee on an annual basis. **Figure 17** 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.

Texas Transportation Code, Section 502.102, provides the manner in which all required motor vehicle registration fees (excluding specialty and souvenir plates) are divided on a weekly basis. This is shown in **Figure 18**. County tax assessor-collectors also collect motor vehicle sales taxes. Prior to 1992, counties retained 5 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

**FIGURE 17**  
**MOTOR VEHICLE REGISTRATION FEE REVENUES DEPOSITED**  
**TO THE STATE HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	MOTOR VEHICLE REGISTRATION FEE REVENUES (IN MILLIONS)	NUMBER OF MOTOR VEHICLES REGISTERED IN TEXAS (IN MILLIONS)
2001	\$752.0	17.5
2002	\$730.0	18.2
2003	\$789.1	18.1
2004	\$845.8	18.5
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

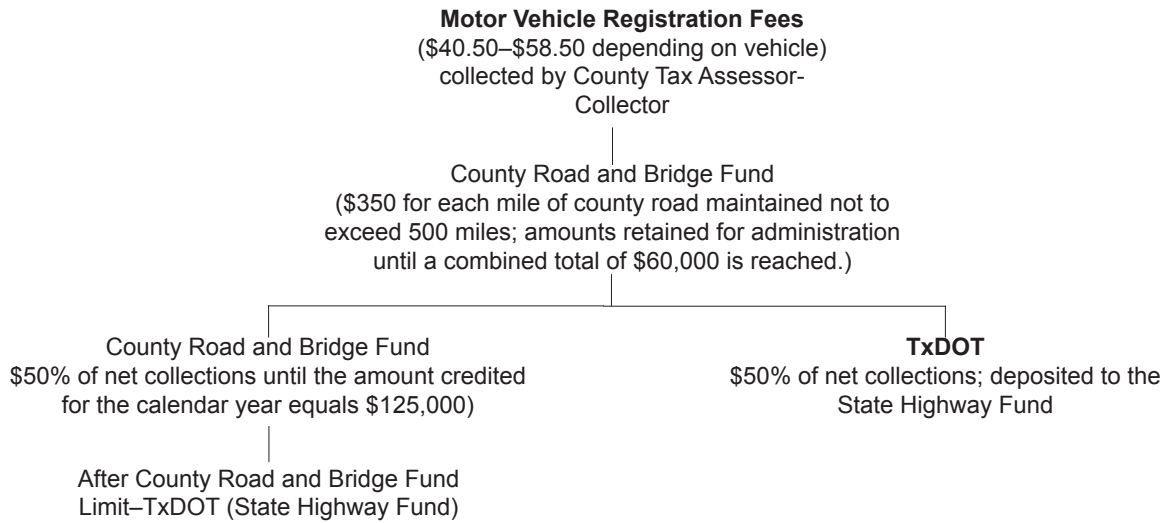
SOURCE: Comptroller of Public Accounts.

5 percent of the motor vehicle sales tax collected by the county. The Seventy-eighth Legislature, 2003, enacted legislation that phased in a reversal of this revenue exchange. The reversal started in 2004 and will be completed in 2015, when the counties will again retain 5 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 under Texas Transportation Code, Section 502.051.

In 1946 the Texas Constitution was amended to add Article VIII, Section 7-a. This requires that motor vehicle registration fees may not be less than the maximum amount counties are allowed to retain under the legal rate during 1945. It also requires net revenues collected from motor vehicle registration fees to be used solely for acquiring rights-of-way, constructing, maintaining, and policing public roadways, and administration of traffic and safety laws on public roadways.

**FIGURE 18**  
**WEEKLY MOTOR VEHICLE REGISTRATION FEE ALLOCATION, FISCAL YEAR 2006 TO THE PRESENT**



SOURCE: Legislative Budget Board.

**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, and most of the current permit fees were set by the Eightieth Legislature, 2007. Many of these fees were amended by the Eighty-first Legislature, 2009, through House Bill 2553 and the new fees will go into effect on September 1, 2011. **Figure 19** shows an overview of the current motor vehicle registration fees for special vehicles. Allocations of revenues generated by special motor vehicle registration fees vary depending on the permit; however, revenue is deposited into either the General Revenue Fund or State Highway Fund, as shown in **Figure 20**.

**SALES TAX ON LUBRICANTS**

The state’s first sales tax was passed by the Fifty-seventh Legislature, 1961, and included motor fuel lubricants among taxable items. The sales tax on motor fuel lubricants is regulated by 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 21** shows the amount of revenue deposited to the State Highway Fund from taxes on motor fuel lubricants since fiscal year 2001.

Article VIII, Section 7-a of the Texas Constitution requires that all revenues generated from taxes on motor fuel lubricants used to propel motor vehicles over 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 AND COMPREHENSIVE DEVELOPMENT AGREEMENTS**

The Texas Turnpike Authority was created by the Fifty-third Legislature, 1953, to plan, finance, build, and operate toll facilities. From 1954 to 1957, construction occurred on the Dallas-Fort Worth Turnpike by a private entity. When the road opened, tolls were collected and the road was paid for in 17 years. When the state took over the Dallas-Fort Worth Turnpike, the road was debt-free and the road became Interstate 30. The Seventy-fifth Legislature, 1997, merged the Texas Turnpike Authority with TxDOT, and it became TxDOT’s Texas Turnpike Authority Division. **Figure 22** shows the Texas Turnpike Authority Fund Account’s revenues and expenditures. The Texas Turnpike Authority board was continued and included six members and the Texas Transportation Commission chair as an ex-officio member. The Harris County Toll Road Authority was created in 1983, and the North Texas Tollway Authority was created in 1997 when the Texas Turnpike Authority was abolished as an

**FIGURE 19  
MOTOR VEHICLE REGISTRATION FEES FOR SPECIAL VEHICLES, 2010**

REGISTRATION CATEGORY	FEE AMOUNT	ALLOCATION OF REVENUE
Cotton or Cotton-related Equipment	\$8	State Highway Fund
Excess Weight	Base fee of \$75 plus an additional \$175–\$1,000 based on the number of counties designated	General Revenue Fund and State Highway Fund
Ferry Sticker	\$0 (previous fees from \$150–\$800 applied)	State Highway Fund
Forestry Vehicles	\$8	State Highway Fund
Hay Transports	\$10	State Highway Fund
Manufactured Housing (single trip)	\$40	\$19.70 to General Revenue Fund; \$20.30 to State Highway Fund
Manufactured Housing (annual permit)	\$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–\$270	½ to General Revenue Fund; ½ to State Highway Fund
Highway Maintenance Fee	\$150–\$375	State Highway Fund
Super Heavy or Oversize Equipment	Not to exceed \$7,000	First \$1,000 to General Revenue Fund; remainder to State Highway Fund
Port Authorities	Not to exceed \$80	Port authority may retain up to 10 percent
Victoria County Navigation District Fee	\$80	General Revenue Fund
Chambers County Fee	Not to exceed \$80	State Highway Fund
Oversize and Overweight for Oil Well Servicing	\$52 per axle	State Highway Fund
Oversize Portable Buildings	\$15	½ to General Revenue Fund; ½ to State Highway Fund
Unladen Lift Equipment	\$100	½ to General Revenue Fund; ½ to State Highway Fund

\*Statute prohibits this from exceeding \$3,000; TTC has set the current fee at \$1,500.  
SOURCE: Legislative Budget Board.

**FIGURE 20  
SPECIAL VEHICLE REGISTRATION FEES DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	SPECIAL VEHICLE REGISTRATION FEES (IN MILLIONS)
2001	\$9.4
2002	\$15.3
2003	\$13.4
2004	\$14.4
2005	\$16.7
2006	\$20.4
2007	\$23.4
2008	\$55.9
2009	\$70.3
2010	\$61.7

SOURCE: Comptroller of Public Accounts.

**FIGURE 21  
SALES TAX ON LUBRICANTS REVENUES DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	SALES TAX ON LUBRICANTS REVENUES (IN MILLIONS)
2001	\$28.8
2002	\$30.2
2003	\$30.9
2004	\$31.7
2005	\$33.0
2006	\$34.9
2007	\$36.8
2008	\$38.9
2009	\$39.6
2010	\$40.4

SOURCE: Comptroller of Public Accounts.

**FIGURE 22**  
**REVENUES AND EXPENDITURES FROM THE TEXAS DEPARTMENT OF TRANSPORTATION TURNPIKE AUTHORITY**  
**FUND ACCOUNT DEPOSITED TO THE STATE HIGHWAY FUND, FISCAL YEARS 1999 TO 2002**

FISCAL YEAR	TXDOT TURNPIKE AUTHORITY FUND ACCOUNT REVENUES (IN MILLIONS)	TXDOT TURNPIKE AUTHORITY FUND ACCOUNT BEGINNING BALANCES (IN MILLIONS)	TXDOT TURNPIKE AUTHORITY FUND ACCOUNT EXPENDITURES (IN MILLIONS)
1999	\$5.3	\$6.4	\$3.7
2000	\$5.3	\$8.0	\$9.8
2001	–	\$3.6	\$3.4
2002	–	\$0.1	\$1.1

SOURCE: Comptroller of Public Accounts.

independent agency. These entities operate toll roads within the Dallas/Fort Worth and Houston metropolitan regions.

Toll facilities are regulated in Texas Transportation Code, Chapter 222, Subchapter E. TxDOT is authorized to expend funds from any source for the construction, maintenance, and operation of the toll facility of a public or private entity. TTC may require repayment of funds TxDOT uses on a toll facility of a public entity, and TTC is statutorily required to receive repayment of funds spent on a toll facility of a private entity. TxDOT is prohibited from providing grants for the cost of a toll facility of a public entity in amounts greater than an annual average of \$2 billion over 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 Senate Bill 883 to prohibit money in the State Highway Fund from being encumbered to guarantee a loan or insure bonds associated with a toll facility of a public or private entity.

The first toll road operated by TxDOT was the Camino Columbia toll road in Webb County. This toll road was opened in October 2000 by a private operator and after three years was foreclosed upon. The road was auctioned for \$12 million in 2004 and later purchased by TxDOT from the John Hancock Insurance Company for approximately \$20 million. **Figure 23** shows the toll revenues generated by toll roads for the State Highway Fund.

TxDOT opened toll roads in the north Dallas metropolitan area during 2006 that were an expansion of State Highway (SH) 121. In September 2008, the North Texas Tollway Authority took over SH 121, which became the 121 Tollway. This tollway is continuing to be expanded and is expected to be completed in early 2012. In exchange for control over the

**FIGURE 23**  
**TOLL REVENUES DEPOSITED TO THE STATE HIGHWAY FUND,**  
**FISCAL YEARS 2006 TO 2010**

FISCAL YEAR	TOLL REVENUE (IN MILLIONS)
2006	–
2007	\$4.7
2008	\$9.4
2009	\$1.6
2010	\$3.4

SOURCE: Comptroller of Public Accounts.

121 Tollway, NTTA paid TxDOT an agreed upon amount of \$3.2 billion.

The agreement between TxDOT and NTTA was the result of changes authorized by the Eightieth Legislature, 2007. Prior to the Eightieth Legislature, local transportation entities such as the Harris County Toll Road Authority and the North Texas Tollway Authority were not authorized to use all the financing mechanisms available to TxDOT to finance and construct transportation projects. Senate Bill 792 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 now have the first option to develop, finance, construct, and operate a toll project. If a county or local toll project entity chooses to develop a toll project, TxDOT and the local entity conduct a market valuation project, and the local entity then has six months to elect to develop the project. The local entity is also required to enter into a contract for the financing, construction, and operation of the project within two years of the completion of environmental and legal reviews. At this time the local entity must make a payment equal to the value of the toll project as agreed upon during the market valuation process or agree to construct other transportation projects in the local region that have an estimated value equal to the agreed upon value of the toll

project. If a local entity chooses not to pursue the project, TxDOT is then authorized to pursue the project itself. If TxDOT undertakes the toll project, it is required to either make a payment equal to the agreed upon market value of the project into a regional sub-account or construct transportation projects of equal value in the region.

In 2006, portions of the Central Texas Turnpike System were opened with the completion of certain segments of SH 45 and SH 130 in the greater Austin area. TxDOT pledged \$700 million toward the payment of construction costs for the Central Texas Turnpike System. This pledge covered 19 percent of the projected \$3.7 billion needed for the project.

Sections five and six of the SH 130 project were contracted for in 2008 through a CDA. 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. In the case of SH 130, sections five and six, the SH 130 Concession Company (Company) has a contract 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 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 time 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 a 50-50 split in revenues. Design-build agreements have previously been used to construct roads in Texas, but SH 130 was the first Texas highway to be developed under a design-build-finance-operate agreement. Senate Bill 792, enacted by the Eightieth Legislature, 2007, requires revenues received by TTC or TxDOT from a CDA to be distributed within the region in which the CDA is located for transportation or air quality projects, and prohibits TxDOT from entering into any CDAs after fiscal year 2011.

**PASS-THROUGH TOLLING**

The Pass-Through Tolling Program, also commonly known as the Pass-Through Financing Program, was authorized with the passage of House Bill 2702 by the Seventy-ninth Legislature, Regular Session, 2005. Texas Transportation Code, Section 222.104, authorizes TxDOT to enter into an

agreement with a public or private entity in which that entity designs, develops, finances, constructs, maintains, or operates a toll or nontoll facility on the state highway system and is then reimbursed for a portion of the project by TxDOT. The reimbursement is known as a pass-through toll and is a periodic payment made by TxDOT to the developer based on the number of vehicles using or vehicle miles traveled on a highway. 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 was approved in 2005 and allowed for transportation improvements to certain farm roads and state highways in Montgomery County. Between 2005 and the end of fiscal year 2010, a total of 18 pass-through financing agreements were executed, valued at approximately \$1.4 billion. Additional projects have been approved by TTC, however agreements for these projects had not been executed at the end of fiscal year 2010.

**OTHER SOURCES OF REVENUE**

Certificate of title fees became effective on October 1, 1939 to address auto theft ownership disputes. 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 later. **Figure 24** shows the amount of vehicle certificate fee revenue deposited to the State Highway Fund since fiscal year 2001.

**FIGURE 24  
VEHICLE CERTIFICATE FEES DEPOSITED TO THE STATE  
HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	VEHICLE CERTIFICATE FEES (IN MILLIONS)
2001	\$18.2
2002	\$18.7
2003	\$18.1
2004	\$23.5
2005	\$24.4
2006	\$25.9
2007	\$25.8
2008	\$26.6
2009	\$25.8
2010	\$25.7

SOURCE: Comptroller of Public Accounts.



The Sixty-second Legislature, 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 the Department of Motor Vehicles 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 25** shows information regarding the revenue generated for the State Highway Fund from commercial transportation fees from fiscal years 2001 to 2010.

**FIGURE 25  
COMMERCIAL TRANSPORTATION FEES DEPOSITED TO THE  
STATE HIGHWAY FUND, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	COMMERCIAL TRANSPORTATION FEES (IN MILLIONS)
2001	\$8.8
2002	\$9.1
2003	\$8.8
2004	\$8.7
2005	\$8.8
2006	\$8.8
2007	\$8.9
2008	\$8.7
2009	\$11.6
2010	\$7.9

SOURCE: Comptroller of Public Accounts.

**TEXAS MOBILITY FUND**

The Texas Mobility Fund (TMF) was created during 2001 when voters approved Proposition 15, adding Article III, section 49-k to the Texas Constitution, to be administered by TTC as a revolving fund. 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 creation of TMF was a deviation from the pay-as-you-go system and allowed 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. Prior to the enactment of Proposition 15, transportation was the only capital project that the state did not allow bonding for.

The fund may also be used to finance public toll roads and public transportation projects. TTC can use TMF as leverage for the issuance of bonds to be repaid from the Fund. These bonds can be used for refunding obligations and related credit agreements of TMF, creating reserves in TMF, and paying issuance costs and interest on bonds issued from funds in TMF. The constitutional amendment authorized the Legislature to dedicate a source of revenue to the Fund; although it did not specify any revenue sources to be dedicated to TMF. However, the constitutional amendment does prohibit changing a dedication of revenue to the fund while bonds are outstanding unless an alternative dedication of equal or greater value is made. Finally, 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 and authorized TxDOT to use state money for the acquisition, construction, maintenance, or operation of toll projects. The Texas Constitution prohibits the Legislature from devoting revenue 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 to TMF. However, the Legislature is authorized by the Texas Constitution to dedicate other sources of revenue allocated for the same purposes to the Mobility Fund.

Two pieces of enabling legislation were enacted in conjunction with the creation of Texas Mobility Fund. 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 under TMF as long as certain requirements surrounding the bonds are adhered to. Senate Bill 342, Seventy-seventh Legislature, 2001, authorized TxDOT to use as much as 30 percent of its annual federal highway spending authority for toll projects. The bill also authorized TTC to create regional mobility authorities (RMAs) to build and oversee turnpike projects. Surplus revenue from any turnpike projects could be transferred by RMAs to the Texas Mobility Fund. Lastly, the board of directors of the Texas Turnpike Authority was abolished and all unspent, unobligated, and other appropriations under control of the Texas Turnpike Authority were transferred to TTC.

The Texas Mobility Fund is actually a group of accounts, each of which has been set aside for specific purposes. Seven accounts currently exist in the Texas Mobility Fund:

- Mobility Fund General Account—authorized for any lawful purpose that the Constitution and state law allow the Mobility Fund to be used for.
- Mobility Fund Portfolio Account—holds Transportation Assistance Bonds purchased for the fund.
- Mobility Fund Interest and Sinking Account—holds funds to pay debt service on outstanding obligations.
- Mobility Fund Bond Proceeds Account—holds money generated by the issuance of debt; this money may only be used for the specific purpose for which the debt was issued.
- Rebate Fund—holds funds to make arbitrage rebates to the federal government. This money is not applied towards security of the fund.
- Purchase Account—money deposited from the remarketing of bonds and that draws under a liquidity facility; these funds are only available for paying the purchase price of bonds or reimbursing a liquidity facility issuer for paying the purchase price of bonds.
- Reserve Accounts/Subaccounts—established as required by Supplements to the Master Resolution.

**ISSUANCE AND SALE OF OBLIGATIONS**

TTC is authorized by the Texas Constitution 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 Texas Mobility Fund. These bonds may be used to cover costs associated with building, rebuilding, acquiring, and expanding state highways that have a useful life of 10 years or more. Additionally, they can be issued to allow the state to pay part of the costs of publicly owned toll roads and other public transportation projects that would improve mobility. Bonds secured by the Texas Mobility Fund 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 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 2010, the Bond Review Board (BRB) had authorized the issuance of \$6.4 billion in TMF bonds. Eight series of obligations secured by the Mobility Fund have been issued totaling approximately \$6.3 billion, as shown in **Figure 26**. **Figure 27** shows the amount of revenue deposited to TMF from the issuance of bonds. During the 2010–11 biennium approximately \$527.1 million in TMF bond proceeds were appropriated and approximately \$690.9 million was appropriated for debt service.

**FIGURE 26  
TEXAS MOBILITY FUND BOND ISSUANCES, CALENDAR YEARS 2005 TO 2010**

TYPE OF BOND	AMOUNT (IN MILLIONS)	DELIVERY DATE
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	October 31, 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

SOURCE: Texas Department of Transportation.

**FIGURE 27  
REVENUE DEPOSITED TO THE TEXAS MOBILITY FUND FROM THE ISSUANCE OF OBLIGATIONS, FISCAL YEARS 2005 TO 2010**

FISCAL YEAR	REVENUE FROM THE ISSUANCE OF OBLIGATIONS (IN MILLIONS)
2005	\$1,041.3
2006	\$771.1
2007	\$2,245.2
2008	\$1,157.0
2009	\$1,200.7
2010	\$0

SOURCE: Comptroller of Public Accounts.

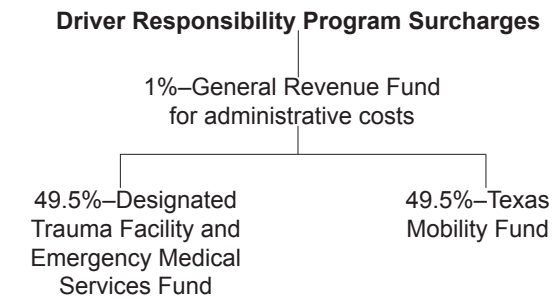
**DRIVER RESPONSIBILITY PROGRAM FINES AND STATE TRAFFIC FINES**

The Seventy-eighth Legislature, Regular Session, 2003, enacted legislation that added Chapter 708 to the Texas



Transportation Code to create 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 percent of revenue collected under DRP was deposited to the General Revenue Fund for administrative costs. Of the remaining 99 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 Texas Mobility Fund. During this period, approximately \$18.2 million was deposited into TMF from fines assessed under DRP. **Figure 28** shows the allocation of revenues from the Driver Responsibility Program.

**FIGURE 28**  
**ALLOCATION OF REVENUE GENERATED BY THE DRIVER RESPONSIBILITY PROGRAM, FISCAL YEARS 2004 TO 2005**

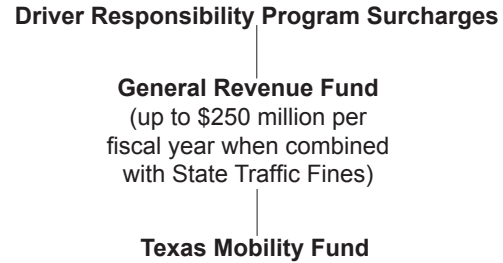


SOURCE: Legislative Budget Board.

Legislation enacted by the Seventy-eighth Legislature, Third Called Session, 2003, amended the division of revenue generated by fines under DRP. Since fiscal year 2005, surcharges collected under DRP have been deposited to the General Revenue Fund. Once the total amount of these surcharges, combined with revenues from state traffic fines, equals \$250 million during each fiscal year remaining amounts are required to be deposited in the Texas Mobility Fund. The allocation of revenue from DRP since fiscal year 2005 is shown in **Figure 29**. 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 million per year. Therefore, the Texas Mobility Fund has not received any funds from DRP surcharges since fiscal year 2005.

The Seventy-eighth Legislature, Regular Session, 2003, added Section 542.4031, Texas Transportation Code, to

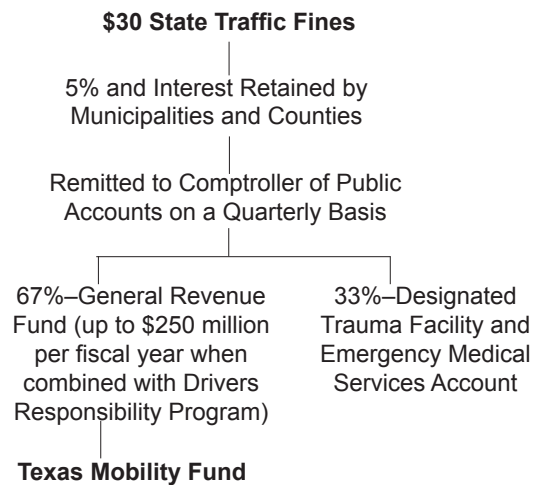
**FIGURE 29**  
**ALLOCATION OF REVENUE GENERATED BY THE DRIVER RESPONSIBILITY PROGRAM, FISCAL YEAR 2006 TO THE PRESENT**



SOURCE: Legislative Budget Board.

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 Texas Mobility Fund, but the allocation was altered during the Seventy-eighth Legislature, Third Called Session, 2004. **Figure 30** shows the current manner in which revenues from state traffic fines are allocated. A municipality or county retains 5 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 percent of the revenue it receives to the General Revenue Fund, and the remaining 33 percent is deposited to the Designated Trauma Facility and Emergency Medical Services Account. Once the amount of revenue deposited to the General Revenue Fund from fees accrued from the Driver Responsibility Program and state traffic fines

**FIGURE 30**  
**ALLOCATION OF REVENUES FROM STATE TRAFFIC FINES**



SOURCE: Legislative Budget Board.

exceeds \$250 million in a fiscal year, the remainder is required to be deposited to the Texas Mobility Fund. This has not occurred as of the end of fiscal year 2010; therefore, no revenue generated from state traffic fines has been deposited to the Texas Mobility Fund since 2005 when 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 Texas Mobility Fund, as shown in **Figure 31**. Therefore, these fees are used to generate revenue rather than used to fund the programs themselves. In return for collecting these fees, funds are appropriated from the State Highway Fund to DPS for the costs of collecting and administering these programs.

Motor vehicle inspection fees were enacted by the Fifty-third Legislature, 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 Texas Mobility Fund. 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 Texas Mobility Fund.

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 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 Texas Mobility Fund.

Each operator of a motor vehicle in Texas is required to obtain a driver’s license. These are issued by the Department of Public Safety. The first license was created by the Thirty-fifth Legislature, 1917, and was known as a chauffeurs license. During the Forty-fourth Legislature, 1935, the Legislature established a number of additional licenses for operators of both passenger and commercial motor vehicles. Fees are also generated for reinstatement of or issuance of a new license and providing certain driver record information. Revenues generated by these fees are deposited to the Texas Mobility Fund. These fees range from \$4 to \$2,000 depending upon the type and expiration date of the license being issued and the record information being provided. The Seventy-ninth Legislature, Regular Session, 2005, temporarily postponed the allocation of revenue from fees generated by the issuance of commercial drivers licenses, the reinstatement of or issuance of a new license, and providing certain driver record information to the Texas Mobility Fund. This provision expired September 1, 2007, at which time the fees began to be deposited to the Texas Mobility Fund.

Driver record information fees were established by the Sixty-first Legislature, 1970. Certain persons may request from DPS a copy of information regarding a motor vehicle accident at a fee of \$6 or the actual cost of preparing the copy, whichever is less. Additionally, a \$2 fee is charged to have DPS certify the copy and a \$6 fee is charged for DPS to certify that no such report is on file. Revenue from driver

**FIGURE 31  
REVENUES DEPOSITED TO THE TEXAS MOBILITY FUND FROM CERTAIN FEES COLLECTED BY THE DEPARTMENT OF PUBLIC SAFETY, FISCAL YEARS 2005 TO 2010**

FISCAL YEAR	REVENUES FROM MOTOR VEHICLE INSPECTION FEES (IN MILLIONS)	REVENUES FROM MOTOR CARRIER ACT PENALTIES (IN MILLIONS)	REVENUES FROM DRIVER LICENSE FEES (IN MILLIONS)	REVENUES FROM DRIVER RECORD INFORMATION FEES (IN MILLIONS)
2005	–	–	–	–
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

SOURCE: Comptroller of Public Accounts.

record information fees was deposited to the General Revenue Fund through fiscal year 2005 and is now deposited to the Texas Mobility Fund. 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 information is requested for. These fees are deposited to the Texas Mobility Fund.

**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 32** and are currently set at \$33 in federally designated non-attainment counties and \$28 in all other counties. Additionally, an \$8 application fee applies for non-repairable vehicle title or salvage vehicle titles and a \$65 rebuilder fee is charged to applications for regular certificate of titles for a salvage vehicle. In 2003, counties and TxDOT offices issued approximately 5.4 million titles.

**FIGURE 32  
RATE AND BASE CHANGES OF MOTOR VEHICLE  
CERTIFICATE OF TITLE FEES, 1939 TO 2003**

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 non-attainment counties; additional application fees for non-repairable and salvage vehicle titles were established

SOURCE: Comptroller of Public Accounts.

Beginning in fiscal year 2009, a portion of motor vehicle certificate of title fees is deposited to the State Highway Fund and an equal amount of funds are allocated from the State Highway Fund for deposit to the Texas Emissions Reduction Plan, as shown in **Figure 33**.

**GENERAL REVENUE FUND**

During the past 10 fiscal years, TxDOT has received appropriations from the General Revenue Fund and two General Revenue–Dedicated Fund accounts—the Texas Department of Transportation Turnpike Authority Account (previously discussed) and the Texas Highway Beautification Account. Appropriations from the General Revenue Fund can be expended by TxDOT for any purpose authorized by

statute. As shown in **Figure 34**, little of the revenue appropriated from the General Revenue Fund to TxDOT is used for highway construction and maintenance. Beginning fiscal year 2010, TxDOT received additional General Revenue to pay debt service associated with Proposition 12 bonds.

**HIGHWAY BEAUTIFICATION FEES**

Highway Beautification Fees were created by the Sixty-second Legislature, 1972, and the Texas Highway Beautification Account was established as a dedicated account in the General Revenue Fund by the Seventy-fifth Legislature, 1997. These fees are statutorily required to be used for compliance with the Highway Beautification Act of 1965 to regulate the erection and maintenance of outdoor advertising and develop right-of-way and other lands within view of highways. Persons erecting or maintaining signs or advertising within 660 feet of an interstate highway are required to pay Highway Beautification Fees. The Texas Transportation Commission 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 extra territorial jurisdiction cannot be charged a fee exceeding \$10 for the combined cost of licenses and permits to comply with Highway Beautification Fees.

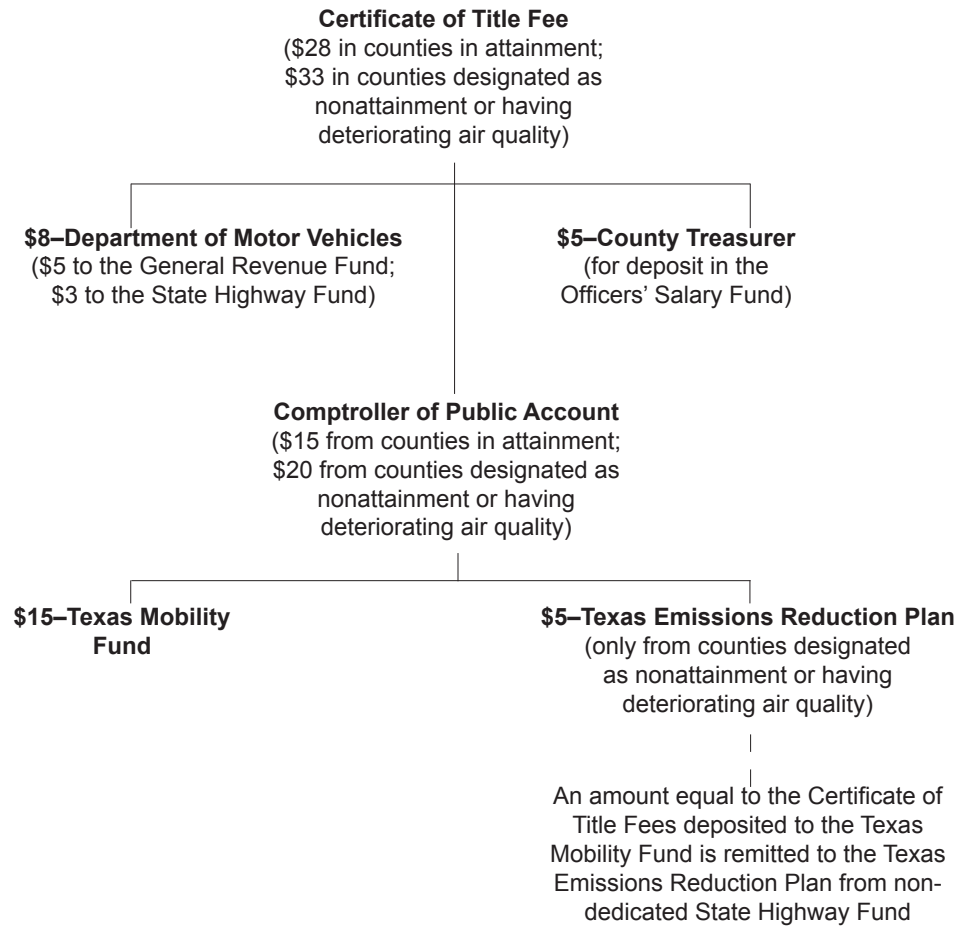
The Texas Highway Beautification Account is used to monitor and control the use of outdoor advertising adjacent to interstate and primary highways. The majority of these funds are used in conjunction with maintenance and construction of the state highway system. **Figure 35** shows that since fiscal year 2001, \$5.65 million of the \$6.81 million deposited to the fund was for routine maintenance and operation of the state highway or transportation system.

**GENERAL OBLIGATION BONDS**

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

The Eighty-first Legislature, First Called Session, 2009, enacted House Bill 1 to create Section 222.004, Texas Transportation Code. This authorizes TTC to issue up to \$5

**FIGURE 33**  
**ANNUAL CERTIFICATE OF TITLE FEE ALLOCATION, FISCAL YEARS 2009 TO 2015**



Source: Legislative Budget Board.

**FIGURE 34**  
**GENERAL REVENUE FUND APPROPRIATIONS (EXCLUDING APPROPRIATIONS FROM GENERAL REVENUE—DEDICATED ACCOUNTS) TO THE DEPARTMENT OF TRANSPORTATION, FISCAL YEARS 2001 TO 2010**

FISCAL YEAR	AMOUNT APPROPRIATED IN GENERAL REVENUE FUNDS (IN MILLIONS)	AMOUNT OF GENERAL REVENUE FUNDS EXPENDED FOR ROADS (IN MILLIONS)	TOTAL APPROPRIATIONS TO TXDOT (IN MILLIONS)
2001	\$13.3	—	\$4,261.2
2002	\$34.4	—	\$5,080.6
2003	\$17.0	\$0.05	\$5,167.7
2004	\$0.5	—	\$5,297.7
2005	\$0.04	—	\$5,223.6
2006	\$1.07	—	\$7,732.4
2007	\$1.16	—	\$7,372.0
2008	\$3.56	—	\$8,377.5
2009	\$4.3	\$1.2	\$8,197.9
2010	\$47.0	\$28.6*	\$8,852.1

\*Estimated.

Source: Legislative Budget Board.

**FIGURE 35  
REVENUES AND EXPENDITURES FROM THE TEXAS HIGHWAY  
BEAUTIFICATION ACCOUNT, FISCAL YEARS 2001 TO 2010**

<b>FISCAL YEAR</b>	<b>TEXAS HIGHWAY BEAUTIFICATION ACCOUNT REVENUES (IN MILLIONS)</b>	<b>TEXAS HIGHWAY BEAUTIFICATION ACCOUNT EXPENDITURES ON HIGHWAYS (IN MILLIONS)</b>
2001	\$0.63	\$0.57
2002	\$0.70	\$0.60
2003	\$0.65	\$0.57
2004	\$0.62	\$0.60
2005	\$0.65	\$0.36
2006	\$0.77	\$0.53
2007	\$0.63	\$0.53
2008	\$0.72	\$0.63
2009	\$0.83	\$0.63
2010	\$0.61	\$0.63

SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

billion in Proposition 12 General Obligation Bonds under the authority of Article III, Section 49-p of the Texas Constitution. 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 under a credit agreement. Any proposition 12 General Obligation 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. House Bill 1 also amended General Appropriations Act (2010-11), Rider 60, page VII-40 to appropriate \$2 billion in Proposition 12 General Obligation Bond proceeds and an additional \$100 million in General Revenue for debt service to TxDOT. Out of this appropriation, \$1 billion is required for use to capitalize the State Infrastructure Bank for the purpose of making loans to public entities. House Bill 1 also prohibited money in the State Infrastructure Bank from being used to convert a non-tolled road or highway to a tolled road or highway.

During the 2010–11 biennium, TxDOT was appropriated \$2 billion in Proposition 12 General Obligation bonds and \$100 million in General Revenue Funds for debt service payments. At the end of fiscal year 2010, no Proposition 12 bonds had been issued. However, \$1.0 billion in Proposition 12 authority was issued in September 2010. Of this amount, \$815.4 million was issued as taxable Build America Bonds. The BAB issuance should provided a debt service interest of \$12.5 million per year for the 2012-13 biennium.