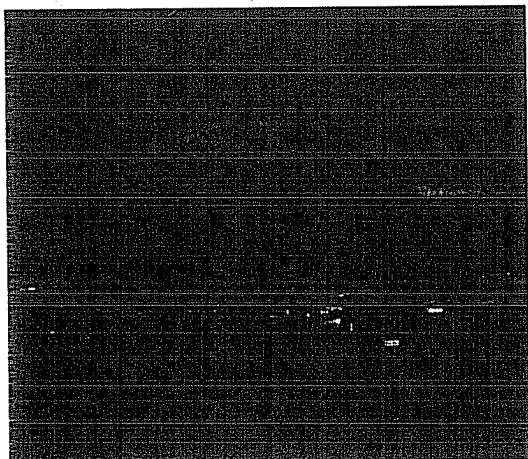


State highway fund crisis: Are we there yet?

The answer is a resounding 'yes,' according to legislative leaders. One says we will be out of money for new construction in 2012

By GARY SCHARRER
AUSTIN BUREAU

Jan. 30, 2011, 10:40AM




Johnny Hanson Chronicle


Traffic backs up on the Beltway 8 ramp to U.S. 290 northbound as a storm moves into the Houston area. There's also trouble ahead for Texas roads, lawmakers say.


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AUSTIN — Texas soon will be shelling out more per year to pay back money it borrowed for road construction than it spends from its quickly vanishing pile of cash to build new highways.

Legislative leaders characterize the state's transportation funding as a crisis. Most Texans, they say, are unaware of its severity and must be educated before the state can find new ways to finance new roads.

The gasoline tax pays for road maintenance and construction but has not increased in 20 years. Gas tax revenue peaked in 2008 and likely will decline as vehicles become more fuel-efficient.

"It's not a crisis until everybody agrees that it's a crisis. Right now, people who don't understand it are saying, 'You're crying wolf,'" said House Transportation Committee Chairman Joe Pickett, D-El Paso. "Yes, it's a crisis."

Senate Transportation and Homeland Security Committee Chairman Tommy Williams, R-The Woodlands, agrees.

"The gravity of the situation is that in the absence of further action by the Legislature this session, we will literally be out of money for new construction in 2012 in the fastest-growing state in the country and in one of the largest states in the country," he said. "We need to begin to have a discussion about it."

A separate funding problem

The transportation funding problem is separate from the state's projected \$15 billion to \$27 billion budget shortfall. The Texas Department of Transportation does not get any general revenue to build or maintain roads.

Legislative leaders generally agree that hiking the gasoline tax is not a viable option for several reasons, including the no-tax-increase pledge by Gov. Rick Perry and others. But Pickett wants that option on the table.

The proposed budget calls for the state to spend nearly \$3 billion a year on road maintenance and nearly \$800 million a year to repay debt. Less than \$600 million, however, will be available per year for new road construction, which will not buy much pavement.

For example, the U.S. 290 corridor from Loop 610 to FM 2920 in Waller runs 38 miles and will cost \$2.4 billion, according to TxDOT officials.

'We are trying to warn people'

State lawmakers still have \$3 billion left to authorize from a \$5 billion road bond issue approved by Texas voters in 2007. Williams said he will push for that in the coming months.

The state began borrowing money in 2003 to pay for roads and now owes \$11.9 billion. It will cost more than \$21 billion to repay those bonds, Pickett said.

"We are trying to warn people," Pickett said, "Is this the way you really want to go? If you could get everybody around the table and put politics aside, common sense would say the conservative thing to do would be to limit borrowing capacity and put more cash in."

The Senate transportation chairman agreed that the growing debt is a problem but said it is manageable given the size of the state, likening borrowing money for roads to buying a home with a 30-year mortgage.

Williams and Pickett agree that higher vehicle registration fees would help counter the immediate funding pressures. Current vehicle registration fees run about \$60 a year in Texas.

Both said there's no benefit in assessing the state's long-term highway needs because that cost is so staggering that "you push the public away," as Pickett put it.

A report two years ago by the Texas Transportation Institute and others indicated the state's highway needs between now and 2030 would cost \$488 billion.

Gas tax hike possible

Texans now pay 20 cents of state tax on every gallon of gasoline — a nickel of it goes to public education — which costs a person who drives 12,000 miles a year and averages 21 miles per gallon pays \$7.14 a month. People who get better mileage spend less, Pickett said.

A 5-cent hike in the state gas tax would raise about \$575 million for roads and \$190 million for schools.

"Is it OK to keep borrowing money, putting it on the credit card and paying high interest — or, should we raise the gas tax?" Pickett said.

Rep. Leo Berman, R-Tyler, one of the more conservative Texas legislators, is ready to talk about it.

"We have to balance the budget right now, but we have to build roads as well and we have to look out to the future," Berman said.

Pickett said his "goal is to educate the public, the leadership and the legislature that this will not go away, and it's not going to be fixed when the economy recovers."

Texas' budget challenges could persist beyond 2011

Some lawmakers, others advocate fixing 'structural deficit'

By Kate Alexander
AMERICAN-STATESMAN STAFF

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Texas' budget problems will not go away when legislators eventually sign a balanced budget later this year, senators heard on Monday.

A \$10 billion budget shortfall will reappear in future legislative sessions again and again unless lawmakers better align how much money comes in and how much goes out, said John Heleman, chief revenue estimator for Comptroller Susan Combs.

Some state leaders have attributed the state's budget woes solely to the economic downturn and have vowed to deal with the current budget shortfall, estimated at \$15 billion to \$27 billion, through spending cuts alone.

Heleman, with some prompting from senators, said a "structural deficit" developed in the state budget after the 2006 school finance reform package that lowered local school property taxes and restructured the business tax.

After the Texas Supreme Court found the state's school finance system to be unconstitutional, the state increased its contribution to public education to the tune of \$14 billion in each two-year budget.

But the costs of that tax swap have been greater than expected, and the revenue sources meant to pay for it — primarily the revised business tax — have not covered the cost. The combined taxes will generate \$4.5 billion in the 2012-13 biennium.

"We need to not fool ourselves that this is a one-time phenomenon," said state Sen. John Whitmire, D-Houston, who instigated the discussion at the first meeting of the Senate Finance Committee. "We need to be grown up and deal with reality and make plans for the future of Texas."

That reality might well be creating a bit of a thaw among legislators who have been averse to raising any new revenue. Last week, the Senate released a base budget that reduced overall spending of state and federal dollars by about 15 percent and included significant cuts to public education and social services.

Florence Shapiro, the Plano Republican who leads the Senate Education Committee, said many of those education cuts were "unacceptable."

She predicted there will probably be a "tremendous appetite" for changing the business tax given its poor performance. She also supports tapping some of the \$9.4 billion rainy day fund.

John Folks, superintendent of San Antonio's Northside school district, was part of a contingent of school administrators at the Capitol on Monday to urge lawmakers to make education a budget priority.

Folks called the structural deficit "unconscionable" and called on lawmakers to fix it.

"Let's make one thing clear: This funding crisis did not start with a shortfall in revenue," he said at a morning rally. "This funding crisis, as others have said, started in 2006 when the Legislature created one of the most

inequitable and inadequate school finance systems that's around."

Dale Craymer, president of the Texas Taxpayers and Research Association, said there is a tendency to blame the business tax for the current budget problems though the poor economy is a much bigger driver.

Any change to the tax will probably increase the burden on businesses at a tenuous time in the economic recovery, Craymer said.

Billy Hamilton, a former deputy comptroller, said in an interview that there was always an understanding that the 2006 tax changes did not completely pay for themselves.

"As long as the economy was going great guns, there was a structural problem, but it was a manageable structural problem," Hamilton said. "When you run into the Great Recession, your options get narrowed real fast. ... They basically go away."

Unlike the federal government, Texas is constitutionally required to balance its budget every two years.

Legislators face a \$4.3 billion deficit in the current budget and must close it before the end of the two-year budget period on Aug. 31. They have already called for spending cuts that will produce \$1.3 billion in savings and could use the rainy day fund to cover the remainder.

Legislators will soon take up a resolution calling for a constitutional amendment that would force the federal government to balance its budget in a similar manner.

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