

Time to Make Dedicated Prop 1 Highway Funding Permanent

Over the past four years a total of \$5.4 billion in funding authorized by voters in Proposition 1 has gone to upgrade and expand highway capacity in Texas.

Those funds come from a portion of existing oil and natural gas production taxes and have been a significant step forward in filling the state's highway funding gap.

When legislators set up Prop 1 they included a potential termination date that will cut off those funds unless extended by lawmakers. Otherwise, Prop1 funding will expire in just five years – the blink of an eye in executing TxDOT's complex highway planning, project development and construction duties.

ASSURING FUNDS ARE AVAILABLE

SB 962 by Senator Robert Nichols, chairman of the Senate Transportation Committee, would eliminate the termination date from statute and provide a level of funding certainty needed to keep highway improvement projects moving down the long conveyor belt toward completion.

Prop 1 directed that oil and gas production taxes above a certain level are split with half going to the state's Economic Stabilization Fund (ESF - Rainy Day Fund) and half to the State Highway Fund. It established a committee to decide each biennium if there is a sufficient balance in the ESF. SB 962 would eliminate the committee and establish a formula to make that determination. It will provide much greater certainty that funds will be available each year to meet the transportation needs of our growing state.



Prop 1 was presented to Texas voters in 2014 as a promise to end debt financing and improve traffic congestion bottlenecks. Voters passed it by 80%. Members of the Legislature can keep the promise to voters by passing SB 962.

Even more funding will be needed in the years ahead to address growing congestion, safety, air quality, efficiency and freight movement challenges.

Prop 1 Division of Annual Oil and Gas Severance Tax Revenues

Under Prop 1 the first \$1.13 billion of annual revenue from oil and gas production goes to General Revenue as a preset threshold. One-quarter of the remainder then also goes to General Revenue. The rest is split with half going to the Rainy Day Fund (ESF) and half going to the State Highway Fund.

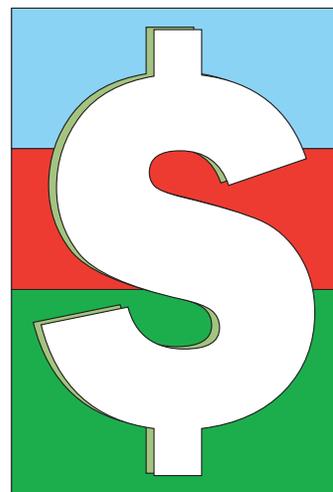


29%

29%

42%

Percentage of
\$5 Billion
Total Revenue



**State Highway Fund
\$1.45 Billion**

**Rainy Day Fund (ESF)
\$1.45 Billion**

**General Revenue
\$2.09 Billion**

This illustration is based on an example year where total oil and natural gas production tax collections are \$5 Billion, very close to the Comptroller's estimates for FY 2020 and FY 2021.

