ACEC
American Council of Engineering
Companies of Texas

PRESERVE, PROTECT, AND EXTEND TEXAS HIGHWAYS

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Texas continues to be a beacon of prosperity for people and businesses. For over 20 years, the “Texas Miracle” has been on full display as the State maintains its enviable position atop the pedestal of opportunity. This favorable business environment results in Statewide triumph. As Texas moves from 30 million to 50 million residents by 2050, the backbone of our economic prosperity, the Texas Highway System, must keep up. The Texas Legislature should prioritize the preservation, protection and extension of State Highway funding streams in step with a booming economy and the growing demands for movement of goods, services and people. The future of Texas is riding on it.

Whether used for regular business operations or household routines, our state’s transportation infrastructure system is vital to our everyday quality of life. The Texas Department of Transportation manages 80,000 centerline miles of highway, owns 35,000 bridges, with over 540 million vehicle-miles traveled annually.[1] From Main Street in our rural communities to major transportation arteries in our urban cities, our highway system connects all areas of the state. Although progress has been made over the past decade to adequately fund highways, Texas must preserve, protect and extend the State Highway Fund (SHF) and look for other funding opportunities essential to closing the $9 billion per year funding gap.

1 Texas Transportation Plan 2020, Texas Department of Transportation

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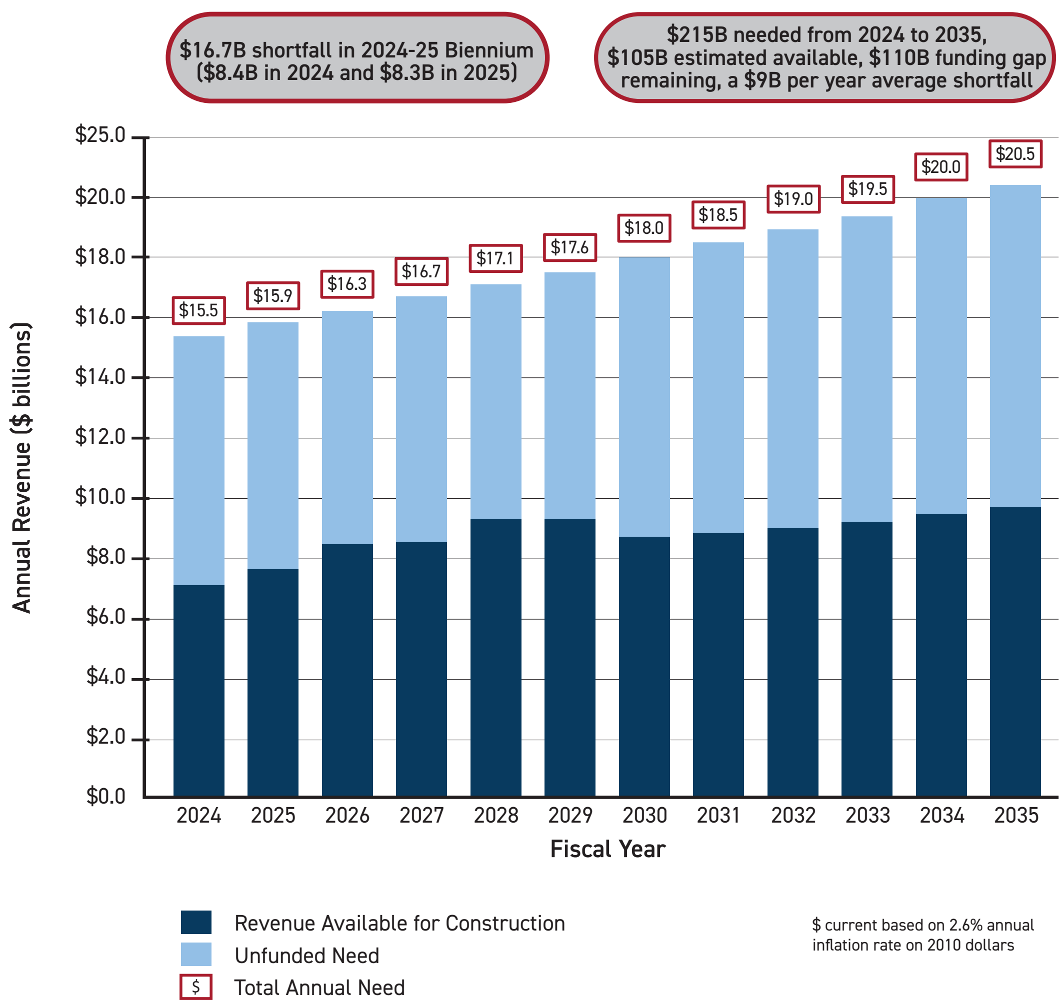
In 2023, the Texas Legislature passed legislation to levy an additional registration fee on electric vehicles (EV). As the number of electric vehicles registered in Texas has grown from 11,900 in 2016 to 230,100 in 2023,[3] sales growth is slowing in the EV market.[4] The new EV registration fee is expected to generate approximately $5.8 billion between FY 2024 and FY 2035.[5]

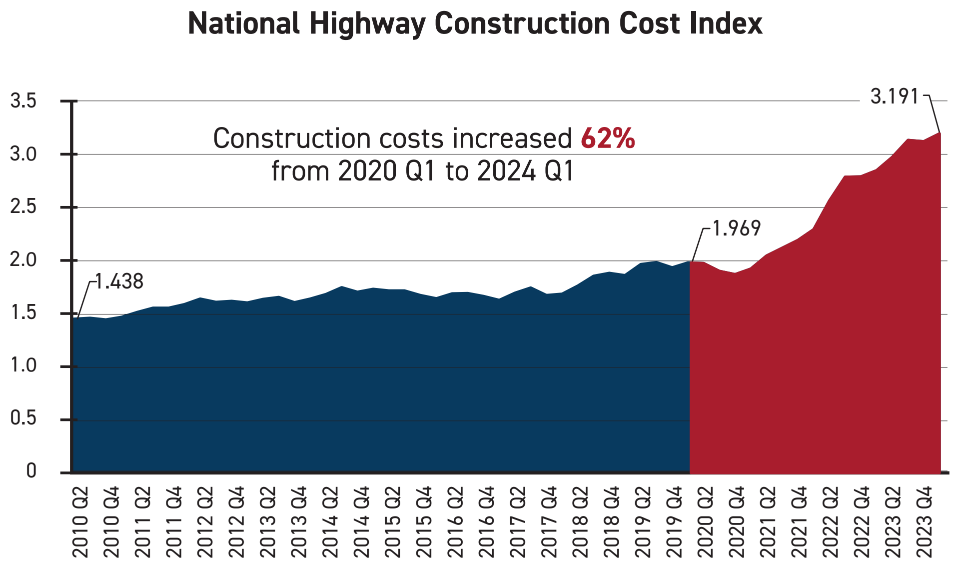
Although these dollars have aided funding our highway needs, the gap has yet to be filled and continues to grow. To put this into perspective, the TxDOT long-range forecast shows Texas has approximately $7.6 billion available for highway projects in 2025, well short of the $15.9 billion needed. The funding gap between 2024 and 2035 for transportation is $110 billion, an average of $9.0 billion per fiscal year.

Additional Annual Highway Funding Need



3 U.S. Department of Energy
4 Reuters, November 2024
5 Texas A&M Transportation Institute TRENDS Model

Shortly after the onset of the COVID-19 pandemic, our nation saw inflation take hold, significantly increasing the costs of essential goods and services for everyday Texans. Since 2020, the National Highway Construction Cost Index has skyrocketed, increasing sharply from 1.969 to 3.191, a 62% increase.[2] To put it into perspective, a $500 million highway project in 2020 costs $810 million in 2024. Or from an even more stark reality, TxDOT's total highway construction budget of $7.6 billion in FY 2025 is the equivalent of $4.75 billion in FY 2020. The effects of inflation are staggering and detrimental to an already underfunded highway construction program.



In 2008, the Texas Transportation Commission formed the "2030 Committee" consisting of business leaders charged with providing an assessment of the state's transportation system and future mobility needs of the state through 2030. The 2030 Committee issued its first report in 2009, and an updated report in 2011 that reviewed the state's needs through 2035, setting a baseline for our overall transportation funding needs. The 2030 Committee revealed the state had a predictable $4 billion annual source of funds in 2010 but needed $10.8 billion annually, leaving a $6.8 billion gap in funding.

To begin closing the funding gap, the Texas Legislature passed legislation and voters overwhelmingly approved Proposition 1 in 2014 and Proposition 7 in 2015. Prop. 1 allows for a portion of oil and gas severance tax revenue to be transferred into the SHF, while Prop. 7 allows for a percentage of revenues from sales tax and motor vehicle sales and rental tax to be transferred to the SHF as well. Both funding sources have proven to be vital for the SHF, exceeding motor fuels tax in transferable revenue. Together, Propositions 1 and 7 have generated an average of $5 billion per fiscal year over the past five years.

2 U.S. Department of Transportation, Federal Highway Administration, National Highway Construction Cost Index (2024)

The Texas Legislature has been proactive in ensuring current funding streams for the State Highway Fund (SHF) are preserved and continued. In 2023, legislators were successful in passing legislation to help grow and preserve the SHF, including:

- Extending oil and gas severance tax fiscal year transfers (Proposition 1) to SHF until 2042.
- Extending sales tax and motor vehicle sales and rental tax fiscal year transfers (Proposition 7) to the SHF for an additional 10 years to 2042 and 2039, respectively.
- Implementing an additional $400 initial registration fee on electric vehicles, and a $200 additional registration fee when renewing.

Going Forward the 89th Texas Legislature Should:

1. **Preserve and Protect Current Funding:** Meeting the growing needs of our transportation network needs begins with securing reliable funding streams for years to come. With market volatility and persistent inflation, these dollars are becoming more valuable with each passing day. The Texas Legislature should continue to preserve and protect these vital funding streams from any legislation seeking to divert or dimmish dollars from the SHF.
2. **Close the Funding Gap:** Examine new funding opportunities to help close the $9.0 billion per year funding gap for state highways. Take action to implement new funding streams for the SHF, including increasing the state motor fuels tax rate and/or indexing the rate to the Consumer Price Index or State Highway Construction Index, and expanding the additional registration fee to hybrid vehicles.
3. **Plan for the Future:** Create additional revenue to support the needed growth of our state highway system. The 2030 Committee Report established a baseline for current conditions and future needs of our highway system. Since the time of that report, 2010, the State has seen incredible growth in population and commerce. In 2023 alone, the Texas economy grew an astounding 7.4%, compared to 2.9% for the rest of the nation.[3] The Texas Legislature should update the 2030 Committee Report to examine how the State can meet its growing transportation needs.

ABOUT ACEC TEXAS

The American Council of Engineering Companies of Texas (ACEC Texas) is the business association of Texas engineering firms. The organization represents over 450 member firms, practicing in a variety of engineering disciplines, who are committed to advancing the private practice of engineering. We strive to enhance the market for private engineering services through advocating and educating on the importance of a fair, business friendly environment and investing in the future of infrastructure in Texas.