HOUSE
RESEARCH
ORGANIZATION bill analysis 5/9/2013

HB 3664
Darby, et al.
(CSHB 3664 by Darby)

SUBJECT: Increasing vehicle registration fees

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 21 ayes — Pitts, Ashby, Bell, Darby, S. Davis, Dukes, Howard, Hughes, S. King, Longoria, Márquez, McClendon, Muñoz, Orr, Otto, Patrick, Perry, Price, Raney, Ratliff, Zerwas

1 nay — G. Bonnen

3 absent — Carter, Crownover, Gonzales

2 present not voting — Sylvester Turner, Giddings

WITNESSES: For — Billy Cooke, Greater Houston Partnership; Jeff Judson, San Antonio Tea Party; Bob Lanham, Associated General Contractors of Texas; Lori Levy, Texas Association of Realtors; Martin Molloy, Dallas Regional Chamber; Beth Ann Ray, Austin Chamber of Commerce; Vic Suhm, Tarrant Regional Transportation Coalition and Transportation Advocates of Texas, Inc.; Justin Yancy, Texas Business Leadership Council; (*Registered, but did not* testify: Jim Allison and Debbie Ingalsbe, County Judges and Commissioners Association of Texas; Allyn Archer, J.K. Baxter, Mike Grimm, Davis Harris, Bob Harwood, Howard Hicks, Barbara Waldon, Holt Cat; Jay Barksdale, Dallas Regional Chamber; Kelli Borbon; A.P. Boyd; Victor Boyer, San Antonio Mobility Coalition, Inc.; Rebecca Bray, Real Estate Council of Austin; Gary Bushell, U.S. 190/Gulf Coast Strategic Highway Coalition, Alliance for I-69 Texas; Jackie Butler, Greater El Paso Chamber of Commerce; Mary Calcote, Real Estate Council of San Antonio; C. Brian Cassidy, several Regional Mobility Authorities; Billy Cheek; Jim Cline, Denton County Transportation Authority; Jeff Collins, Transportation Advocacy Group Houston Region; Chris Cornell, Reece Albert Inc.; Tim Crowley; Art Daniel; Don Durden, Civil Engineering Consultants; Mindy Ellmer, North Texas Commission; John Esparza , Texas Motor Transportation Association; Rob Franke , City of Cedar Hill, Dallas Regional Mobility Coalition; Frank Garza, Port San Antonio, Brooks Development Authority; Matthew Geske, Fort Worth Chamber of Commerce; Daniel Gonzalez, Texas Association of Realtors; Duane Gordy, Community Development Education Foundation; Tom Griebel, Austin Chamber of Commerce, SAMCo, Transportation

Advocates of Texas; Leslie Harlan, WTS-San Antonio; Clarke Heidrick, Austin Chamber of Commerce; Jose Hernandez; Daniel Hodges; Mark Israelson, City of Plano; Brandon Janes, Transportation Advocates of Texas; Stephanie Johns, City of San Antonio; Tom Johnson and Jennifer Newton, Associated General Contractors of Texas; Bob Jones; Max Jones, Metro 8 Chambers of Commerce; Dennis Kearns, BNSF Railway; Rob Killen; Jim Koeing, Jacobs; James LeBas , Texas Oil and Gas Association; Donald Lee, Texas Conference of Urban Counties; Nancy McDonald, The Real Estate Council of Austin; Jennifer McEwan , Texas Transportation Alliance; Mark Mendez, Tarrant County; Stephen Minick, Texas Association of Business; Seth Mitchell, Bexar County Commissioners Court; Chris Newton, Texas Food and Fuel Association; Scott Norman, Texas Association of Builders; Lawrence Olsen , Texas Good Roads Association; TJ Patterson, City of Fort Worth; Eric Ratzman , Austin Chamber Transportation; Jim Reed, San Antonio Medical Foundation; Louis Rowe, Goetting and Associates; Rider Scott, Transportation Advocates of Texas; Tom Sellers, Conoco Phillips; John Shackett; Tom Shaw, South Chamber of San Antonio; Chris Shields, Port San Antonio, Greater San Antonio Chamber of Commerce; Stephanie Simpson, Texas Association of Manufacturers; Tara Snowden, Zachry Corporation; Steve Stagner, American Council of Engineering Companies; Chelsey Thomas, Texas Association of Realtors; Rick Thompson, Texas Association of Counties; Michael Vasquez, Texas Conference of Urban Counties; Jon Weist, Arlington Chamber of Commerce; Duane Wilson, North San Antonio Chamber of Commerce; Monty Wynn, Texas Municipal League)

Against —Terri Hall, Texas TURF; (*Registered, but did not* testify: Teresa Beckmeyer; Don Dixon; Shelia Franklin, Jay Jenson, Ben Kissling, Julie McCarty, Madelon Proctor, Northeast Tarrant Tea Party; Jaclyn Hall; Melanie Oldham; Corinne Smith, Barbara Harless, Kathy Hebert, JoAnn Snodgrass, North Texas Citizens' Lobby; John Stuart, National Association of Social Workers-Texas Chapter)

On — (*Registered, but did not testify*: James Bass, Phil Wilson, Texas Department of Transportation; David Ellis, Texas A&M Transportation Institute; Randy Elliston, Linda Flores, Texas Department of Motor Vehicles)

BACKGROUND: State residents are required to register their vehicles and pay the motor vehicle registration fee on an annual basis. Vehicle registration fees are specified in statute and are deposited in the State Highway Fund (Fund 6).

DIGEST: **Fee increases.** CSHB 3664 would raise by $30 the fee for registration of a vehicle and a motorcycle or moped. Under the bill, annual motor vehicle registration fees would change to:

- $80.75 for a vehicle with a gross weight of 6,000 pounds or less (currently set at $50.75); and
- $75 for a trailer, travel trailer, or semitrailer with a gross weight of 6,000 pounds or less (currently set at $45).

The bill also would increase by variable amounts ranging from $54 to $60 registration fees for vehicles with a gross weight greater than 6,000 pounds.

Appropriations. All proceeds from the collection of the additional registration fees would be deposited to Fund 6, where one-third of the amount would be dedicated to paying voter-authorized, transportation-related state debt as of September 1, 2013, until that debt was retired. The remainder could be used only for acquiring rights-of-way and planning, designing, and constructing non-tolled improvements to the state highway system.

Other provisions. The bill would prohibit expenditures from Fund 6 or the Texas Mobility Fund on comprehensive development agreements (CDAs) unless TxDOT had a plan to:

- contract for TxDOT projects with the private sector in the fiscal year in a minimum amount of $4 billion;
- spend at least $400 million per fiscal year for private sector engineering services to advance projects to be let directly by the department; and
- spend a minimum of $250 million per fiscal year in right-of-way acquisition for projects to be let directly by the department.

Money from the increased fees would have to adhere to rules requiring that a contract proposal include a historically underutilized business subcontracting plan.

The bill would take effect September 1, 2013.

SUPPORTERS SAY:

CSHB 3664 would take a major step toward financing the infrastructure investments necessary to maintain a competitive business environment and superior quality of life in the state, while reducing highway debt. The bill would not authorize a tax increase; instead, it would raise user fees in keeping with the 90-year "pay-as-you-go" tradition of funding roads through user fees, such as motor fuels taxes, registration fees, title fees, and license fees.

The vehicle registration fee has not been meaningfully raised for more than 35 years, and the gasoline-and-diesel-fuel tax has been set at a fixed rate of 20 cents per gallon for over 20 years. Instead of raising fees incrementally to keep up with increased prices (and depreciation in the relative value of the fees), Texas since 2001 has relied on enhanced authority to issue bonds, borrowing from public and private interests, and concessions payments from private comprehensive development agreements (CDAs) to build and maintain toll roads. These approaches, while an important part of the highway funding mix, will not by themselves be able to meet the growing demands the state is placing on transportation infrastructure.

CSHB 3664 would represent a sharp departure from relying on debt and toll roads as primary mechanisms for funding highways. As of 2013, TxDOT had used a total of $13 billion in bond authorization, with $4.9 billion in authorized bonds yet to be used. Issuing these bonds will cost the state $32.5 billion in total debt service. The agency's main bond programs — State Highway Fund bonds, Texas Mobility Fund bonds, and General Obligation highway bonds — are, for all intents and purposes, exhausted.

The ongoing crisis in highway funding in Texas has been delayed several years — first by the federal American Revitalization Act funds, and second, by a $5 billion general obligation bond appropriation made in fiscal 2009 and 2011. These infusions may have helped put off the transportation funding crisis a few years, but one-time measures are no remedy for terminal ills.

The Legislature is working on reducing so-called "diversions" from Fund 6 to the Department of Public Safety (DPS) in SB 1 by Williams, which is currently under discussion in conference committee. There is also legislation under consideration that would add separate dedicated funding sources for DPS. Either way, the discussion of Fund 6 diversions is not truly about transportation funding; rather, it is about the Legislature's inability to find a reliable source of funds for DPS outside of Fund 6.

Other options for transportation revenue that have been proposed would either postpone the inevitable or create problems in other parts of the budget. Appropriating Rainy Day funds for critical highway projects simply would be another cash infusion designed to stave off hard decisions. One time infusions do little to instill confidence that the Legislature is willing and able to make tough policy decisions to provide the infrastructure necessary for vibrant business activity, national and international trade, and a superior quality of life.

Appropriating motor vehicle sales taxes for transportation projects would divert funds from general purpose spending, about 80 percent of which goes to fund public education and health care. Moving funds away from these core areas would require the state to find some revenue from another source.

OPPONENTS SAY:

CSHB 3664 would bring about a significant increase in user fees, which are no different in effect than taxes, on nearly all Texans without a clear and pressing cause for the increase. While it is true that motor fuels taxes and registration fees have been set at fixed values for many years, the amount of revenue flowing into Fund 6 has steadily increased every year for the past decade.

A primary problem with increasing vehicle registration fees is that they are regressive — that is, the burden of paying them falls proportionally heaviest on those with the least means of making extra payments. The vast majority of Texans rely on motor vehicles as their primary source of transportation, and going without a vehicle is simply not an option for most. Registration fees fall heavily on working-class families, and those who cannot pay are forced to make difficult decisions.

Claims that the state is in desperate need for more funds for highways ignore the inconvenient fact that more than $1 billion of Fund 6 funds are diverted from highways to fund DPS each fiscal biennium. It is simply not credible to recommend an increase in user fees for transportation when a large portion of highway user fees the state currently receives are not spent for expanding and maintaining state highways.

There are better options for funding highways this session. One option under discussion would be to dedicate some portion of motor vehicle sales tax receipts to fund highways. Appropriating these receipts to highways would make sense in light of the source of the funds and would represent a potentially large and ongoing source of revenue for highways.

Another option would be to appropriate Rainy Day funds for highway projects, which is the goal of several bills currently under consideration at various stages in the legislative process. Rainy Day funds could be appropriated without increasing the registration fee burden on nearly all Texans.

NOTES:

The Legislative Budget Board estimates that CSHB 3664 would have a positive fiscal impact to Fund 6 of $609.5 million in fiscal 2014. The LBB estimates a positive biennial impact of $1.3 billion for fiscal 2014-15 and $1.4 billion for fiscal 2016-17.

Of the total additional funds received for fiscal 2014, LBB estimates $203.2 million would be dedicated to paying voter authorized transportation debt, and $406.4 would be dedicated to acquiring rights-of-way and planning, designing, and constructing non-tolled highway improvements.