

BILL ANALYSIS

C.S.H.B. 1724
By: Hamilton
Transportation
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Many people believe that the current project selection process at the Texas Department of Transportation (TxDOT) does not address the transportation funding challenges facing Texas. Interested parties contend that, without additional revenue, TxDOT may not have money to expand Texas road capacity in the future and that the state must embrace private financing to close the transportation funding shortfall.

Increasing private sector participation in road construction requires a fundamental change in project selection at TxDOT, according to transportation planners. These planners say road projects that can be modeled or otherwise proven to increase local economic activity need to be available to the private sector for construction and that these projects must provide an accelerated payback schedule to generate private, industrial, or user fee revenue that can be used to pay for the projects. According to transportation planners, using economic development criteria to select projects will help to prioritize projects that can pay for themselves.

C.S.H.B. 1724 seeks to enable the identification and award of economically driven mobility projects that will spawn economic growth and attempts to bring additional resources to transportation projects.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Transportation in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 1724 amends the Transportation Code to require the Texas Department of Transportation (TxDOT), not later than September 1, 2012, to establish a process and criteria for the selection of economically driven mobility projects that promote economic development, including by creating employment and cash flow, that have sustainable economic value, and that enhance mobility and connectivity as opposed to promoting isolated projects. The bill requires TxDOT, by rule, to develop the process and criteria for project review and selection using established economic principles for evaluating projects. The bill requires the review process to evaluate projects based on established commercial economic development standards for evaluating the return on investment.

C.S.H.B. 1724 requires TxDOT to develop a project application process for local transportation planning entities, including municipalities, counties, metropolitan planning organizations, toll project entities, and public transportation entities, to identify projects suitable for funding under the bill's provisions. The bill authorizes TxDOT to contract with local governments or private entities for the construction of selected projects, including construction through pass-through toll agreements, or to construct projects itself. The bill authorizes TxDOT to contract with local governments or directly with private entities, including property owners, who will benefit from a selected project to recover amounts sufficient to cover the cost of the project and any associated

debt service for the project. The bill authorizes revenue from a project financed under the bill's provisions to include payments under a project cost participation agreement with a local government or private entity, tax increment recovered from a transportation reinvestment zone, and other revenue derived from the increase of value attributable to the project. The bill prohibits motor fuels tax revenue from being used for the development of an economically driven mobility project.

C.S.H.B. 1724 requires revenue from economically driven mobility projects to be deposited to the credit of the economically driven mobility project account and establishes the account as an account in the Texas Mobility Fund consisting of that revenue and proceeds from obligations secured by the revenue. The bill limits the use of the account to financing economically driven mobility projects selected using the process and criteria developed under the bill's provisions.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1724 differs from the original by requiring the Texas Department of Transportation (TxDOT), by rule, to develop a process and criteria for project review, in addition to project selection, as in the original. The substitute contains a provision not included in the original requiring the review process to evaluate projects based on established standards for evaluating the return on investment. The substitute omits a provision included in the original requiring TxDOT, for purposes of developing the process and criteria for project selection, to create a new division that employs economic developers or contract with economic development consultants.

C.S.H.B. 1724 differs from the original by requiring the prioritization of projects that enhance mobility and connectivity as opposed to promoting isolated projects, whereas the original requires prioritization of projects that create transportation corridors as opposed to isolated projects. The substitute contains a provision not included in the original authorizing project revenue to include payments under a project cost participation agreement with a local government or private entity. The substitute contains a provision not included in the original prohibiting motor fuels tax revenue from being used for the development of a mobility project under the bill's provisions.