

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 25, 2015

TO: Honorable Joseph Pickett, Chair, House Committee on Transportation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB13 by Pickett (Relating to the funding and operations of the Texas Department of Transportation and local transportation entities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB13, As Introduced: a positive impact of \$198,059,722 through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$82,386,203
2017	\$115,673,519
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>State Highway Fund</i> 6	Probable Savings/(Cost) from <i>Texas Mobility Fund</i> 365
2016	\$82,386,203	\$85,856,438	\$0
2017	\$115,673,519	(\$308,310,423)	(\$146,281,250)
2018	\$0	\$10,000,000	\$5,250,000
2019	\$0	\$10,000,000	\$5,250,000
2020	\$0	\$10,000,000	\$5,250,000

Fiscal Analysis

The bill would amend the Transportation Code to specify that, after August 31, 2015, the Texas Transportation Commission (TTC), may not issue obligations, bonds, or other public securities under the provisions of Sections 49-k, 49-n (as proposed by HJR 28, Seventy-eighth Legislature,

2003), and 49-p in Article 3 of the Texas Constitution. The prohibition on issuing such obligations would expire on August 31, 2017. The bill would authorize the TTC to use any constitutionally allowable source of funding to supplant funding previously obligated under Sections 49-n and 49-p, Article 3, Texas Constitution.

The bill would require the Texas Department of Transportation (TxDOT) to develop and implement a performance-based planning and programming process, to be approved by the TTC, to provide the executive and legislative branches of government with indicators to assess progress toward attaining all department goals and objectives established by the Legislature and the TTC.

The bill would require TxDOT to work with all local transportation entities in the state to develop and adopt uniform guidelines governing the funding prioritization of the entities' transportation projects. The bill would require the TTC to adopt the uniform standards by rule. Each local transportation entity and TxDOT district would be required to submit to TxDOT the funding prioritization for transportation projects in the entity's jurisdiction using the uniform guidelines. The bill would require TxDOT to establish and the TTC to approve a performance-based process for setting category funding levels in TxDOT's Unified Transportation Program (UTP). The bill would require TxDOT to consider a zero-based budget approach to address safety, maintenance, congestion, connectivity, economic development, and other needs. The bill would require TxDOT to develop and the TTC to approve a point system for prioritization of projects for which financial assistance is sought from the commission. The bill would prohibit TxDOT and the TTC from approving a deviation from TxDOT's selection of projects for funding of more than 10 percent of TxDOT's current biennial budget.

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to each house or otherwise on September 1, 2015.

Methodology

The bill would prohibit the TTC and TxDOT from issuing bonds or entering into other credit agreements related to the Texas Mobility Fund (TMF), State Highway Fund (Proposition 14), and Highway Improvement General Obligation (Proposition 12) bond programs for the period beginning August 31, 2015, and ending August 31, 2017. Based on the information provided by TxDOT, it is assumed Proposition 12 and Proposition 14 bond issuances currently scheduled to occur in the 2016-17 biennium would be deferred until fiscal year 2018, which would result in a two-year deferral in budgeted debt service costs for the planned new issuances. Based on the information provided by TxDOT, it is assumed the deferred bond issuance would result in debt service savings General Revenue of \$82.4 million in fiscal year (FY) 2016 and \$115.7 million in FY 2017 from General Revenue and \$85.9 million in each year of the 2016-17 biennium from the State Highway Fund (SHF). It is assumed debt service costs to General Revenue and the SHF in corresponding annual amounts would be incurred upon the deferred issuance of these bonds beginning in the 2018-19 biennium and continuing each fiscal year through the respective bond maturity dates.

Based on the information and analysis provided by TxDOT, it is assumed TxDOT would be required to pay off certain variable rate TMF bonds and Proposition 14 bonds upon the expiration of the bonds supporting liquidity facility in FY 2017 because the agency would not be able to issue replacement bonds or remarket the debt during the 2016-17 biennium. Based on the information provided by TxDOT, it is assumed the early repayment of these bonds would result in costs of \$150 million to the TMF and \$400 million to the SHF in fiscal year 2017 and savings from avoided future variable rate interest payments on those bonds beginning in fiscal year 2017 (\$3.7 million from the TMF and \$5.8 million from the SHF) and continuing each year thereafter until

the planned maturity dates (estimated to be \$5.3 million from the TMF and \$10 million from the SHF in each year).

The bill would authorize the TTC and TxDOT to use any constitutionally authorized source of funding to supplant funding previously obligated to transportation projects from Proposition 14 and Proposition 12 bond proceeds. Based on the information provided by TxDOT, it is assumed that existing SHF funding would be used to supplant bond proceeds for those projects during the 2016-17 biennium.

Information provided by TxDOT indicates that implementation of the new transportation planning and programming requirements of the bill would require the allocation of additional personnel and resources to transportation project selection and programming activities. The amount of additional resources required would depend on the manner in which TxDOT executes the responsibilities prescribed by the bill, and it is assumed any costs or duties associated with implementation could be absorbed within existing resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 601 Department of Transportation

LBB Staff: UP, AG, NV, TG