



TAX BURDEN: Tolls mean higher taxes on Texas drivers — Hold the line on working families

Testimony on House Transportation Committee Interim Charge on sufficiency of road funding (Interim charge 1B).

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We've been down this road before.

The Texas Department of Transportation (TxDOT) and various toll agencies and MPOs stack the short and long range plans with as many projects as they can muster — many with questionable price tags and funding sources — so they can make it appear as though revenues just aren't keeping pace with the needs of our growing state. Therefore, we need more money and we must have ALL the 'tools' available in our toolbox so we can gouge Texas drivers with clever ways to grow their taxes and toll bills while claiming we haven't raised taxes.

Prior to passage of Prop 1 and Prop 7, a group of ordinary citizens who watchdog transportation and Texans' tax burden that's growing at a faster pace than incomes, met with the top brass at TxDOT, including then CFO James Bass and former Transportation Commissioner and Chairman Ted Houghton. We asked how much more revenue would the department need to replace the planned litany of toll projects on the books and enable us to expand and maintain our public highways on schedule with the aim of returning to a pay-as-you-go model rather than a debt and tolls model.

Their answer: \$5 billion more per year.

We got to work. We helped pass Prop 1 in 2014 and Prop 7 in 2015. The projected increase to TxDOT came in at \$5 billion more per year. What should have been cause for celebration from both taxpayers and the department alike devolved into more game-playing. The bureaucracies got to work with the assistance of the Texas Transportation Institute and the usual band of special interests to produce testimony and reports to do a bait and switch. Now they cried, 'Oh no, we didn't mean the \$5 billion would replace the toll debt and allow us to expand and build highways in the plan without tolls, we really meant that we needed that extra \$5 billion PLUS all the current toll projects in order to get all the highways in the plan expanded and built.'

That's when the department lost the confidence and trust of taxpayers.

Governor Greg Abbott helped turn things around when he campaigned on fixing Texas' highways without new tolls, taxes, fees or debt. Many projects that were once slated to be tolled finally advanced as non-toll projects. Hooray! Taxpayers breathed a sigh of relief. But with the help of toll bureaucrats and their special interest cronies in the industry, plenty of toll projects plowed ahead, despite the Governor's promises and public opposition to them.

Enter COVID-19.

Everything's changed. Between the government-mandated shutdowns forcing millions of Texans out of work or working from home that cratered gas tax revenues, or the millions of unemployed and shuttered businesses that led to a drop in sales tax receipts, state and local government budgets need a reality check.

It's time to tighten your belt just as struggling Texas families and businesses have had to do for the last 6 months. That may mean projects are delayed or phased differently. It definitely should mean project costs come down as construction companies seek to trim the fat in their bids in order to maximize their competitiveness to win the project and stay afloat amidst this economic downturn.

We know this can be done without raises taxes, enacting hidden taxes and fees like tolls, and without the burden of new debt because on both I-635 from US-75 to I-30 (East Dallas through Mesquite) as well as Loop 1604 in Bexar County, the project costs that were once projected to be well over \$1 billion were reduced to closer to \$800 million miraculously once tolls were finally off the table.

Taxpayers expect and deserve this sort of project cost shrinking to get these big projects done without the bloat. There is no extra in the family budget. Working folks are busy trying to survive and clinging to their jobs. They trust that government recognizes and empathizes with their circumstances and will do everything in their power to reduce the tax burden and get our needed infrastructure expanded and maintained with fiscal restraint and proper project management and prioritization.

CDAs = public funds for private profits

Inevitably this conversation about funding 'tools' renews discussion about re-authorizing Comprehensive Development Agreements (CDAs) or public private partnerships. Naturally, the crony capitalist special interests who want to sink their teeth into new Texas road flesh are salivating at the opportunity to exploit a devastating economic downturn and record unemployment in order to pretend to bailout government facing tight budgets and falling revenues.

Texans have consistently and loudly rejected CDAs and any corporate takeover of our public infrastructure for good reason. There's already a well-publicized track record of bankruptcies and failure for taxpayers to accept this sort of corporate welfare, especially given the current climate of fiscal austerity. The reality is CDAs are the most expensive way to fund roads at a time when taxpayers can least afford it.

CDAs represent:

- State-sanctioned MONOPOLIES for 50 years. Former Georgia Gov. Nathan Deal called P3s 'ill-conceived sell-outs.'
- Eminent domain for private gain.
- Non-compete and adverse event clauses that restricts the flow of traffic on free roads (to guarantee congestion on the free routes) & forces taxpayers to pay for potential losses through 'compensation events' and 'adverse event' clauses.
- Manipulation of speed limits to drive more traffic to the toll road (increase speed on tollway, decrease on free route as happened on the state's first CDA, SH 130 segments 5 & 6).

- Punitively higher toll rates. On the North Tarrant Express, drivers can now pay upwards of \$3/mile in peak hours.¹
- Private corporations with the power to tax.
- Public money & debt to subsidize toll projects that can't pay for themselves.
- Private equity firms also force taxpayers to pay for other losses like uncollectible tolls, and they use the state as their toll collector - giving them access to the power to impound your car or block your vehicle registration for failure to pay a toll.

This model is not a 'user' fee. One billion in gasoline taxes subsidized the private toll lanes on the LBJ I-635 and North Tarrant Express projects in the Metroplex. Clearly taxpayers, not the private entities, are taking on the risk if the traffic doesn't materialize. It amounts to DOUBLE and TRIPLE taxation to use the same stretch of road. The toll becomes a tax, not a user fee, when public money is used to subsidize or guarantee the loans on the projects, when free alternatives cannot be expanded or improved, and when nearly all new capacity is also tolled.

If drivers truly had a choice between two equal expressways, they'd take the freeway every time. So both government and the private entities team-up to create free road scarcity in order to force drivers to pay the punitive tolls or be relegated to a second class citizen on hopelessly congested free routes.

This is unacceptable and taxpayers won't fall for it. We know that more 'tools' in the toolbox means government agencies will use every one of them. No matter how rare they'll claim to need them, we've already been down this road before under Rick Perry and we won't be fooled again. Tolls are a tax, not a user fee, and privatized toll roads represent the worst in corporate welfare and highest cost to taxpayers ever conceived for road finance. **CDAs cannot be re-authorized under any circumstances**, no matter how enticing this 'get out of jail free' card may seem.

What taxpayers want:

- 1) No new taxes, tolls, fees, or debt.
- 2) A lean and transparent highway department and toll agencies.
- 3) Agencies that are responsive to the taxpayers, not special interests.
- 4) Projects prioritized by objective measurements.
- 5) Projects pricetags scaled to available funds.
- 6) Zero-based budgeting implemented and disclosed so it can be verified.

¹ Gordon Dickson, "On this Texas toll road, drivers want to know why they're paying \$15 to go 5 miles," *Ft. Worth Star-Telegram*, April 23, 2019, <https://www.star-telegram.com/news/traffic/honkin-mad-blog/article229371274.html>