



AGC of TEXAS



Highway, Heavy, Utilities & Industrial Branch

JENNIFER WOODARD, Executive Vice President

September 18, 2020

The Honorable Terry Canales
Chairman
Texas House Committee on Transportation

Dear Chairman Canales:

On behalf of the Associated General Contractors of Texas – Highway, Heavy, Utilities, and Industrial Branch (AGC of Texas) thank you for leadership on the House Transportation Committee. AGC of Texas is an organization comprised of over 800 member companies across the state and one of the more than 32,000 networking firms comprising the Associated General Contractors of America. AGC of Texas member companies specialize in the construction and maintenance of state, city, and county roads as well as civil projects such as airports, bridges, dams, and municipal utilities. Your leadership on key issues before the Transportation Committee are of significant importance to this industry, the state and the economy.

Key decisions made by the Legislature and voters of Texas, such as the approval of Proposition 1 in 2014, Proposition 7 in 2015, and the Legislature's commitment to not diverting transportation dedicated funds for other purposes, have helped improve the quality of Texas' civil and transportation infrastructure as well as support the state's economy and create jobs. Innovation in transportation planning and technology necessitate the need for further discussion on infrastructure funding and how to prepare our state for the future. We are very grateful for the opportunity to provide input on these important issues through our written submission on your committee's interim charges.

Thank you and your colleagues for all that you do to improve the lives of Texans and the vitality of businesses in this state. Please do not hesitate to reach out to AGC if we can ever serve as a resource to you or your committee.

Respectfully,

Robert Adamson
President
Associated General Contractors of Texas

Interim Charge 1B: SB 282 and SB 962, which relate to the funding for the State Highway Fund. Study the current mix of user fee-based funding for the state highway system, including registration fees, tolls, and fuel tax, and determine if current funding generated is sufficient to maintain cost demands. Examine whether current legislative appropriations, including projections for Proposition 1 (severance tax) and Proposition 7 (sales tax) funds, are keeping pace with Texas' highway funding needs to accommodate population and economic development growth. Make recommendations for additional methods of funding or innovative tools that the state could utilize to deliver road infrastructure projects.

As Texas continues to grow at a record pace, so does the need for a safe, reliable, and well-maintained state highway system. With the Texas population set to surpass 47 million people by the year 2050 the Texas Department of Transportation (TxDOT) must start now to address the infrastructure demands of our state's future. Recently the Texas Transportation Commission adopted the 2020 Unified Transportation Program, which allocates funding for over \$70 billion in safety, maintenance, and congestion relief projects over the next ten years. While this robust funding plan will address many important projects, there are estimated to be several billions of dollars worth of projects that remain unfunded.

In 2010 it was estimated that TxDOT would require an additional \$5 billion annually in order to keep the state highway system maintained at then current levels. Since that time, with strong legislative leadership and support from the voters of Texas, TxDOT has come very close to meeting that funding goal. With the approval of Proposition 1 in 2014, Proposition 7 in 2015, the end of the budgetary practice of diverting transportation funds for other purposes, TxDOT's budget has grown significantly in recent years. However, a series of unexpected events caused TxDOT to fall short of the \$5 billion funding goal. Due to fluctuation in the oil and gas market coupled with lower than expected motor fuel tax revenue, TxDOT is now facing a potential \$1.9 billion deficit from what was expected to be available during the 20-21 biennium. Additionally, certain interest groups are advocating that the legislature return to the practice of diverting transportation funds for other purposes. Now more than ever, it is important that the legislature ensure transportation funds are available to deliver much needed projects while also taking into consideration new revenue sources to help the state address funding shortfalls.

Several revenue options remain available to the legislature. Tools such as the Texas Mobility Fund and tolling, both previously approved by Texas voters, are available as revenue options for transportation funding. Additionally, the motor fuel tax and the vehicle registration fee, which have not changed since 1991 and 1987 respectively, are potential funding sources that can be adjusted. An annual fee for electric and hybrid vehicles is also an option that can produce revenue and create user fee parity among road users. As transportation planners anticipate future demands on the state's highway system, these revenue generating options should be considered.

Infrastructure funding is a key source of job creation in Texas and across our nation. According to The Road Information Program (TRIP), a non-profit transportation research organization, the design construction and maintenance of surface transportation in Texas supports approximately 358,000 full-time jobs across all sectors of the state's economy. Approximately 5.4 million full-time jobs in key industries, such as tourism, retail sales, agriculture, and manufacturing are

depending on the state's highway infrastructure system. Investments in the surface transportation system will boost Texas' economy in the short-term by creating jobs and in the long-term will enhance economic competitiveness, stimulate sustained job growth, and improve access and mobility around the state.

For more than a century, TxDOT has built and maintained a world-class transportation system. With over 195,000 lane miles including interstates, US highways, farm to market roads, and park roads, the department has a proven record of delivering projects utilizing the traditional design-bid-build project delivery method. This process enables TxDOT to deliver projects in a timely and cost-efficient manner. Alternative delivery methods, such as design build, have also been utilized in a limited fashion when it makes the most sense for a particular project. Texas is well equipped with the project delivery methods currently authorized to address the state's safety, maintenance, and congestion relief needs.