

Quick Take

What:

Proposition 7 is a voter-approved constitutional amendment that will provide additional transportation revenue from the state sales tax beginning in September 2017. By September 2019, according to the measure, 35 percent of the motor vehicle sales tax will be earmarked to transportation.

Significance:

Population and job growth continue to be important issues in Dallas-Fort Worth and across the state. By 2040, DFW is projected to welcome nearly 4 million additional residents. To meet the demands placed on the infrastructure by such a large population, the state needs more revenue dedicated to roads.

Inside the Numbers:

\$3 billion

The estimated amount of annual highway funding that Proposition 7 could generate by 2021.

Proposition 7 Helps Meet Highway Needs

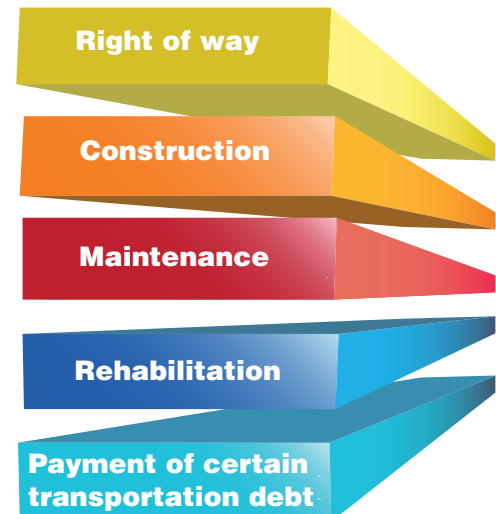
In November 2015, voters approved Proposition 7, a constitutional amendment intended to boost transportation funding and help Texas navigate the changes brought on by continued population growth and economic expansion. This vote came just a year after the passage of Proposition 1, an amendment Texans overwhelmingly approved in 2014 that earmarks a portion of oil and gas severance taxes for the transportation system. Combined with the decision to end the diversion of some money from the transportation fund, these measures show lawmakers are serious about providing the Texas Department of Transportation with the revenue it needs to fulfill maintenance responsibilities and keep congestion from worsening.

Beginning in September 2017, Proposition 7 will earmark \$2.5 billion from state sales tax for transportation once revenue tops \$28 billion. By September 2019, 35 percent of the proceeds from the motor vehicle sales tax will also be directed to the State Highway Fund, when it exceeds the first \$5 billion in that fiscal year. This fund is expected to accumulate between \$250 million and \$500 million per year. The money provided by Proposition 7 will be limited to non-tolled roadway facilities.

The additional money moves TxDOT toward the goal of adequate highway funding without additional fuel taxes. Proposition 1 has already paid dividends, providing the region funding to build an interchange at Interstate Highway 30 and State Highway 360, a project that has been in the plans since the early 1980s.

Additional funding has topped the Regional Transportation Council's legislative program the past several sessions as policymakers grapple with the increased transportation needs brought on by explosive growth throughout Dallas-Fort Worth. The region continues to add about 1 million new residents every 10 years and is projected to grow to 10.7 million by 2040.

Permissible Uses for Proposition 7 Funds



Proposition 7 funds are restricted to non-tolled roadway projects.

In 2013, TxDOT estimated \$5 billion per year, in addition to current funding and continued use of tolls and public private partnerships, was needed to meet the state's transportation needs. In fiscal year 2015, Proposition 1 revenue provided \$1.7 billion for state highway funding. Although this was a key step toward closing the state's transportation funding gap, additional money for transportation was still needed.

In spring 2015, the Texas Legislature passed House Bill 20, which prohibited portions of the State Highway Fund from going toward non-highway uses such as the Department of

Public Safety. The funding made available by ending these highway diversions was included in the fiscal years 2016 and 2017 statewide budget and accounts for an additional \$650 million per year.

Proposition 7 complements both Proposition 1 and the end of highway diversions by tapping additional revenue sources to further enhance transportation funding. Although Proposition 7 and the measures before it will not fully fund the state's overall transportation needs, the recent actions represent new steps toward securing Texas' transportation future.

New Statewide Transportation Funding Opportunities

Over the past two legislative sessions, lawmakers have provided opportunities for new transportation funding. Propositions 1 and 7, and an end to diversions represent a significant commitment that will allow TxDOT to meet future transportation needs for the Dallas-Fort Worth area and the state.

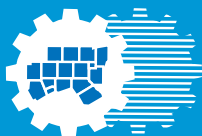
Revenue Source	Priced Facility Use	Transit Use	Estimated Statewide Revenue (in billions)					
			2015	2016	2017	2018	2019	2020
Prop. 1	<u>No</u>	<u>No</u>			↓ 50%	?	?	?
End Diversions	Yes?	<u>No</u>						
Sales Tax ¹ *	<u>No</u>	<u>No</u>						
Excise Tax ² *	<u>No</u>	<u>No</u>						
Total Revenue			\$1.74	\$1.81	↓\$1.79	↓\$4.84	↓\$4.84	↓\$5.53

¹ The transportation allocation of the state sales tax (6.25%) will be the first \$2.5 billion after the first \$28 billion collected

² The transportation allocation of the motor vehicle sales tax will be the first 35% above \$5 billion collected (estimated to be ~\$400-500 million)

* Proposition 7 funding

Proposition 7 amounts are estimated and dependent on state sales tax and motor vehicle tax revenue. Proposition 1 funds are also estimated.



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