Proposition 1 Stakeholder Committee
RECOMMENDATION TO THE TEXAS TRANSPORTATION COMMISSION

Preamble

Legislative Background
On August 5, 2013, legislators approved HB (House bill) 1 and SJR (Senate joint resolution) 1 (Third Called Session, 83rd Legislature). These pieces of legislation could provide an estimated $1.7 billion (Legislative Budget Board hearing, August 8, 2014) to the State Highway Fund in the first year of implementation. SJR 1 proposes a constitutional amendment that authorizes this deposit of funds. HB 1 outlines the details of when the funds are to be transferred and how they can be used. HB 1 will take effect only if voters approve the constitutional amendment on the ballot.

Texas voters will vote on this proposed amendment on November 4, 2014. The ballot is designated as Proposition 1 and will read:

The constitutional amendment providing for the use and dedication of certain money transferred to the state highway fund to assist in the completion of transportation construction, maintenance, and rehabilitation projects, not to include toll roads.

If Proposition 1 is passed, the funds when appropriated “must be used and allocated throughout the state by the Texas Department of Transportation consistent with existing formulas adopted by the Texas Transportation Commission.”

Source: HB1, Third Called Session, 83rd Legislature. Because the legislation calls for funds to be directed to the ‘state highway fund,’ the funds can only be used for state on-system facilities.

Additionally, on August 5th of 2014, the House Select Committee on Transportation Funding, Expenditures and Finance recommended the following guiding principles for project selection based upon comments and concerns raised during the debate and passage of HB 1 and SJR 1:

- Formula allocation.
- Bottom-up approach to project development.
- Metropolitan planning organizations (MPO) have broad-based, collaborative public involvement procedures that involve TxDOT.
- Project selection should come from the regions.
- Legislature should give greater flexibility to TxDOT to get projects ready.
- Greater focus on transportation system versus projects, creating opportunities for statewide benefits as part of the approach.

Existing federal and state legislation and regulations support these principles, including Title 23 Code of Federal Regulation Part 450; Title 43 Texas Administrative Code Chapter 16; and H.B. 1 Texas Legislative Session 83(3).

Committee Formation
In response to this legislation, the Texas Department of Transportation established a Proposition 1 Stakeholder Committee with the following charge:

Provide recommendations to the Texas Department of Transportation on the distribution of potential funding provided by the Transportation Funding Ballot Proposition using existing formulas adopted by the Texas Transportation Commission.
The following individuals were invited to participate on the Proposition 1 Stakeholder Committee:

- Judge Mike Bradford, Midland County
- Judge Carlos Cascos, Cameron County
- Judge Ed Emmett, Harris County
- Mr. John Esparza, Texas Trucking Association
- Judge Woody Gossom, Wichita County
- Commissioner Judy Hawley, I-69/Port of Corpus Christi
- Mr. John W. Johnson, Former Transportation Commissioner and Chair of Committee
- Councilmember Jungus Jordan, Fort Worth
- Mr. Michael Morris, NCTCOG
- Judge Keith Self, Collin County

As shown in the inset box, committee members included a cross-section of stakeholders from various regions of the state who could consider the legislative direction, local and regional needs, and opportunities for effective use of potential funding through Proposition 1.

Context & Timing for Recommendations

The timeline below provides an overview of the context and timing for the Proposition 1 Stakeholder Committee’s recommendations. The Committee held three meetings—August 28, September 5, and September 16, 2014—to discuss and consider these recommendations.

As a group, the Committee was cognizant of the opportunity represented by the November 4th vote to provide a much needed infusion of funding for transportation statewide. Specifically, Committee members agreed that the Committee recommendations should not distract voters from the overall positive result for Texas should Proposition 1 pass.

The Committee was also aware that, at the time of their discussions, the exact amount of funding available would be unknown: only after an affirmative vote on Proposition 1 by voters would the Economic Stabilization Fund (ESF) Committee appointed by the Texas Legislature determine the amount available for transfer. Therefore, the Committee determined that their recommendations should be specific enough to be helpful to the Texas Transportation Commission and to provide stakeholders, including voters, a blueprint for how the funds may be applied, but also flexible to accommodate for future unknowns. The Texas Transportation Commission will consider this Committee’s recommendations in making project-specific decisions.
The specific recommendations by the Proposition 1 Stakeholder Committee reflect the context and timing described above, as well as perspectives brought by each committee member representing various stakeholders across Texas. During this process, the Committee reviewed the legislation enabling the vote on the constitutional amendment and read legislative committee correspondence and testimony to inform their discussion.

Key recommendations arose in the course of this process and the Committee’s discussions of these are highlighted in the inset box to the left. The Committee offers the following additional comments regarding each recommendation. These additional comments reflect the discussion by the Committee and are offered for consideration to the Texas Transportation Commission as it makes fund allocation decisions. The Committee considers these comments to be helpful context for the Commission.

Committee Comments by Recommendation

Through the course of committee discussion, the members outlined the following set of comments that support the recommendations of the committee.

- **Recommendation: Ensure that program administration of Proposition 1 funding aligns with legislative direction and guiding principles.**

  The Committee noted these key messages from the Legislature with regard to Proposition 1:
  - TxDOT shall apply a formula-based approach substantively based on existing formulas.
  - Proposition 1 funding shall not be used on toll roads.
  - Proposition 1 funding should be leveraged to expedite project delivery of needed projects.
  - Funding application shall align with state and federal program requirements.
  - Proposition 1 funding shall be used on state system facilities.

- **Recommendation: Respond to previously identified additional need of $5 billion per year for transportation statewide.**

  Based upon the 2030 Committee’s Texas Transportation Needs Report (2009) and the recent work of the Energy Sector Task Force, TxDOT has outlined a $5 billion additional annual need for maintaining our state highway system. This need includes $3 billion per year to address congestion and connectivity, $1 billion per year for maintenance and safety needs, and $1 billion per year in additional funding to respond to transportation needs associated with increased oil and gas...
production (energy sector). The Committee acknowledged that this statement of need represents a clear and appropriate template to consider in the distribution of potential funding under Proposition 1.

- **Recommendation: Address transportation needs related to the growing drilling and production activity in Texas' energy sector.**

  The impact of energy sector activities is a priority for public safety reasons and to ensure that this sector of the economy that supports the Rainy Day Fund retains momentum. The Committee feels funding distribution should target where current activity and energy sector-related needs are most significant. The committee further recognizes that some safety and maintenance challenges need to be addressed in areas where the energy sector was recently active. The Committee recognizes there are needs related to the energy sector on facilities not on the state highway system and many counties do not have sufficient resources to address these needs. Formula(s) applied for energy sector distribution should best account for current energy related activities that most impact the transportation system. The committee also observed that energy and maintenance projects are generally the type of project that can be advanced quickly and ensure that potential Proposition 1 funding is quickly implemented.

  - In selecting formulas, consider activities related to factors, such as for active wells and wells going into production, to adequately address energy-related transportation impacts.

  - SB 1747 distribution may best account for energy production factors as compared to HB 1025; however, consideration should be given to the formula elements of HB 1025 that account for highway conditions.

  - Distribution and use of funds should be related to factors such as activity associated with drilling, completion and production of oil and natural gas, along with impacts and condition of the state highway system.

- **Recommendation: Focus investments on transportation system needs strategically, being responsive to growth and supportive of the state's current and future economic activities.**

  Proposition 1 Funds should align with strategic plans of TxDOT and Metropolitan Planning Organizations to provide greater focus on transportation system development and create opportunities for statewide benefits beyond transportation including economic growth.

  - *Statewide 2040 Long-Range Plan.*

  - *Texas Freight Mobility Plan.*

  - *Panama Canal Stakeholder Working Group Report.*

  - *Metropolitan Transportation Plans.*

  - *Other regional plans and corridor studies.*

  Distribution and use of Proposition 1 funds should account for the dynamic of change.

  - *Adopted formulas should include factors that adapt to change.*

  - *State and regional plans should guide priorities for the use of Proposition 1 funds and ensure that the priorities account for changes in demographics and respond to projected growth in international trade and other economic activities.*
Recommendation: Provide flexibility to allow for TxDOT to leverage cooperation and partnerships with MPOs and local communities to address both congestion and connectivity objectives.

The distribution of Proposition 1 funds should consider multiple years of potential funding appropriations to allow for more effective system planning and partnerships across the state. Both congestion and connectivity funding should be strategic in focus and directed toward major projects of regional significance.

- TxDOT Districts and MPOs should work with local stakeholders to identify top strategic priorities that enhance economic opportunity and freight movement.
- Funding and distribution should have enough flexibility to accommodate funding high priority connectivity corridors.
- Commission should guide funding of locally selected strategic priorities based on project readiness and statewide priorities and encourage partnerships with MPOs.
- To facilitate project delivery, funds can be exchanged between TxDOT districts and MPOs on an annual basis.
- To align with local and statewide Transportation Improvement Programs the Texas Transportation Commission should account for up to four years of Proposition 1 funding distribution to allow for planning and project development.

Distribution of funds between congestion and connectivity should provide regional benefits and balance urban and rural needs to ensure public and legislative support. Consideration should be given to various factors in considering the distribution of congestion and connectivity funding, including but not limited to:

- Population.
- State Highway System Lane Miles.
- State Highway System Vehicle Miles of Travel.
- State Highway System Truck Miles of Travel.

Connectivity funding should be weighted toward system-approach goals and priorities and include the funding of existing and new corridors. The Committee notes that Category 4 provides a useful template for the administration and distribution of connectivity and other potential programs allocated under Proposition 1.

- Principles outlined under Category 4 – Statewide Connectivity Corridor Projects of TxDOT’s Unified Transportation Plan provide a preferred set of principles for fund distribution and project selection.
- All of the selected projects should meet a standard of "strategic system improvement" and that funds be put to work immediately.
- Future Proposition 1 funding distributions may be directed to new corridors that align with adopted State and Metropolitan Transportation Plans. The Commission should include new strategic corridors to be funded under Proposition 1 on the state highway system.
Congestion funding should be weighted toward congestion-related factors. Category 2 provides a useful template for the administration and distribution of congestion funding allocated under Proposition 1.

The Proposition 1 Stakeholder Committee recognizes that the Texas Transportation Commission is best able to adequately determine the suitability of specific funding distributions. Therefore, the committee has focused on overall strategic guidance as outlined in the recommendations above. Consistent with legislative direction and guidelines, the Texas Transportation Commission, working with TxDOT staff, MPOs and stakeholders, should determine specific distributions, applicable formulas, and administration processes for final project selection. This Committee does recommend that continued efforts be open to stakeholder and public input.

Next Steps

The Proposition 1 Stakeholder Committee’s task concludes with these recommendations. Committee members remain committed to serving the public of Texas and offer their services as needed to advise the Texas Transportation Commission following the vote on November 4, 2014.

Contact Us

Texas Department of Transportation
Transportation Planning and Programming Division
Attn: Proposition 1 Stakeholder Committee
125 E. 11th St.
Austin, TX 78701