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Dear Client:

Austin area traffic problems are a top concern for many. But lest you lose sight of the big picture, Texas is grappling with much the same situation. It boils down to supply and demand. And it's been building for a long time.

According to the Texas Transportation Institute (TTI), the state's **population has increased 125%** in the past 40 years. The **number of vehicles has increased 172%**. **Highway use has increased by 238%**. **But highway space has increased by only 19%**. No wonder TTI estimates the average Texan loses nearly \$1,000 and 44 hours every year due to traffic jams.

This increased demand is compounded by the financial component. Take gasoline. Since 1991, your **fuel costs have tripled** – from a dollar-and-something per gallon to three-dollars-and-something. However, the primary way we pay for our road construction and maintenance – **the gasoline tax -- has remained the same, at 20-cents a gallon**. And because of more fuel efficient vehicles, the 20-cent tax is assessed on fewer and fewer gallons of gasoline.

To help fill this widening funding gap, Texas turned to debt financing in 2003. Slowly but surely, **the state has been borrowing money to build highways**. The borrowed money is guaranteed by future gas tax revenue. So now, the relatively small gasoline tax you pay at the pump also goes to debt service, in addition to construction and maintenance. **And the total debt obligation is right at \$17 billion**. Tolling is also an ever-increasing source of funding for road building. See where this is headed? The demand for transportation dollars is growing – to combat growing gridlock.

If nothing is done, you will spend more time stuck in traffic. You'll spend more on just about everything that is delivered by trucks. And, should you become a victim of a roadway accident, you will face **slower emergency response times**.

So what should be done? Forget for a moment about the *local* controversial urban/rail roadway bond package on the November 4th ballot. We reminded you September 12th (click "Archives" at top of page) that there is another **proposition for state funding**. And also on August 22nd (again, click "Archives" at top of page) we brought you an update on the billions (with a "b") of dollars in the state's **Rainy Day Fund**. Check out the next item about a possible dramatic change in how **new transportation dollars will be available long-term before year's end**.

A totally-new way to increase the money allocated to roadways in Texas is just around the corner – if Texans step up to the plate in about three weeks.

The chances that a GOP-dominated Texas Legislature will **increase the 20-cents-a-gallon state gasoline tax** when they meet in Austin in January are **between slim and none** – even though this tax amount has not been changed since 1991. And, as we just mentioned in the previous item, those gas tax funds that were to have been spent on roadways have been **diluted since 2003 to re-pay almost \$17 billion in road-related debt**. Some feel this debt has already reached the saturation point.

Now Texans have a chance to tap another source of big bucks to help roads keep pace with population growth. **About \$1.7 billion dollars will be added to the Texas Department of Transportation's (TxDOT) budget this next year** if voters approve the *state* transportation ballot item November 4th. The money will be shifted from the state's Rainy Day Fund to the Highway Fund.

Wait a minute. Remembering hard financial times in the past, many state leaders have been reluctant to tap the state's savings account. So why now? Well, first of all the **Rainy Day Fund has swelled to about \$10 billion**, thanks to dramatic increases in tax revenue as a result of the Texas oil and gas boom. To put this into perspective, most states don't even have a Rainy Day Fund.

Importantly, the formula to move money to the Highway Fund requires an *equal amount of new money going in* to the Rainy Day Fund will *remain* in the Fund. When you do the math, you find that with this shift of funding priorities, **the Rainy Day Fund will still have an estimated \$8.4 billion remaining untouched**. And as we pointed out October 10th (click the "Archives" button at the top), the Rainy Day Fund should continue to grow at a rapid rate because the taxes from the unbelievably-robust oil/gas boom are dedicated to replenishing the Fund.

Don't get your hopes up too much. We said this new source of transportation revenue would "*help*," not "*solve*" state highway funding. TxDOT has an annual appropriation of about \$10 billion and has testified it **needs an additional \$5 billion per year just to maintain the state's system of highways and bridges**. So an additional \$1.7 billion, while significant, doesn't solve the funding problem.

Two additional points need to be made. **First, the Austin area, with a coordinated and well-documented effort, will probably get its share of the TxDOT roadway dollars**. Secondly, the way the law is written, none of the Rainy Day transfer money will go to toll roads.

This is not the death knell for toll roads by any means. Toll roads, by their very definition, pay for their own funding. They collect money from those who use the roads. **And the private funding sources that provide the up-front costs to build the toll roads are, by and large, eager to loan the money for a long-term payback**. Expect tolling to continue its surge.

A report released this month confirmed a continuing trend – Texas gained more out-of-state residents that any other state last year. If you've been paying attention, the Texas counties with the greatest gains will not surprise you, nor will the states that are sending the most residents to the area.

The 2014 Texas Relocation Report shows that a majority of the Top Ten Texas counties with the greatest five-year net gains in out-of-county residents were in the Dallas-Fort Worth area (**Tarrant, Denton, Collin and Dallas** counties) and in Central Texas (**Travis, Williamson and Bell** counties). Seven out of ten in just two areas underscores their allure.

So, where did the newbies come from? No surprise. Twice as many **California** residents moved to Texas than the 2nd place state, **Florida**. **Oklahoma, Louisiana and Illinois** rounded out the Top Five, in that order, last year.

But let's keep a perspective. **Re-location is a two-way street. Texans are also leaving the Lone Star State**, ranking #3 in the nation for the greatest number of those who left their home state last year. Obviously, **Texas has had a net gain with more people moving into rather than out of state.**

By the way, guess where the majority of Texans are moving to. Yep, **California**. Followed by **Oklahoma, Florida, Colorado and Louisiana.**

Air travel hassles are not expected to diminish in the near future, despite industry-wide big profits. Here's what to expect when you take off from the Austin airport in the next year.

Our friends at *Kiplinger* predict that planes of all sizes will continue to be **overcrowded, fares will keep rising and more and higher fees are in store.** A number of factors are at play here. **Demand is increasing due to the improving economy, even though seating capacity has been reduced.** And, with jet fuel costs dropping, *Kiplinger* projects the airlines will make about \$5 billion for the 2nd year in a row – up from \$2.5 billion in 2013.

Move over Hill Country wines. Step aside local craft beers. Make more room for Central Texas hard liquor.

The home-made hard liquor industry is expanding at a fast rate. Austin-based **Tito's Vodka** is going gang busters. Hye's **Garrison Brothers** straight bourbon whiskey sells for north of \$60 a fifth. And **Deep Eddy Vodka** has opened an additional distillery near Dripping Springs that can pump out more than two million cases of vodka a year – in addition to its North Austin facility. Just a few examples of a local fledgling industry that is growing up at a fast rate.

You only have to look at an Austin environmental group to see the impact of the digital age on the process of voting. In fact, you may be amazed at what Austin EcoNetwork has come up with for the upcoming Mayoral/City Council election.

Austin EcoNetwork describes itself this way: “**Now an active online and digital community of 10,000+ subscribers and social media followers, Austin EcoNetwork is the hub of the local green scene.**” It has designed what it calls an Election Navigator that identifies the City Council and Mayoral candidates it considers “the strongest leaders on issues of sustainability.” How did Austin EcoNetwork arrive at its conclusions?

“Producing it took months of surveying public priorities, wrangling data (some of it never-before-released), building tables, **analyzing candidates’ answers to 5 different environmental questionnaires and writing summaries** and designing infographics,” it reported. But that’s not all the group did.

“Conducting interviews and scanning candidates’ websites to gather their perspectives and priorities regarding **water, energy, transportation, food & forest, zero waste, climate change** and general leadership issues,” were also part of the analysis, according to **Brandi Clark Burton**, Founder & Chief Inspiration Officer for Austin EcoNetwork.

In an announcement Tuesday, it said the **environmental group “is making the Election Navigator tools publicly available”** as the Early Voting period begins for the November 4th election. **It lists the candidates that received the endorsements of five green groups: Austin EcoNetwork, Clean Water Action, Sierra Club, Clean Energy for Austin and Austin Environmental Democrats.** Okay, let’s cut to the chase. Who did it identify as the strongest green candidates in each race? Due to the large number of candidates, there are too many to list here, but they can be found at www.AustinEcoNetwork.com/elections.

Dr. Louis Overholster likes to remind politicians that when they start thinking they are a person of some outsized influence, just try ordering somebody else’s dog around!

Sincerely,



Editor/Publisher