

APPENDIX 3B
2045 RTP FISCAL CONSTRAINT

Appendix B: Fiscal Constraint

“Fiscal constraint” is a planning tool the 2045 RTP update utilizes to balance recommendations with reasonably expected revenues. The Transportation Policy Council (TPC) regularly updates the RTP in order to ensure the latest assumptions regarding available funding are included. The 2045 RTP update limits the estimated cost of all recommendations to an estimate of total future funding available to implement those recommendations.

H-GAC estimated both expenditures and revenues through the year 2045 in order to calculate fiscal constraint for the 2045 RTP update. Based on the latest planning assumptions, the 2045 RTP update estimates—in “nominal” dollars—approximately \$109 billion worth of recommended investment (or “expenditures”) in this region by 2045, which is less than the approximately \$141 billion worth of total revenues available for the recommended improvements. Year-of-expenditure-value dollars are included in this Appendix in order to conform to more official expectations and certain regulatory requirements.

Revenues

Revenues estimated for the 2045 RTP update, a total of approximately \$141 billion, includes different levels of funding sources: federal, state, and local. The estimate is based on 2% growth rate per year for life of the plan (2023-20245). These projections are then applied to FY 2023 allocations from the Unified Transportation Plan and transportation related funds allocated in FY 2023 adopted budgets from project-sponsoring agencies such as municipalities, counties, transit agencies, and toll road authorities.

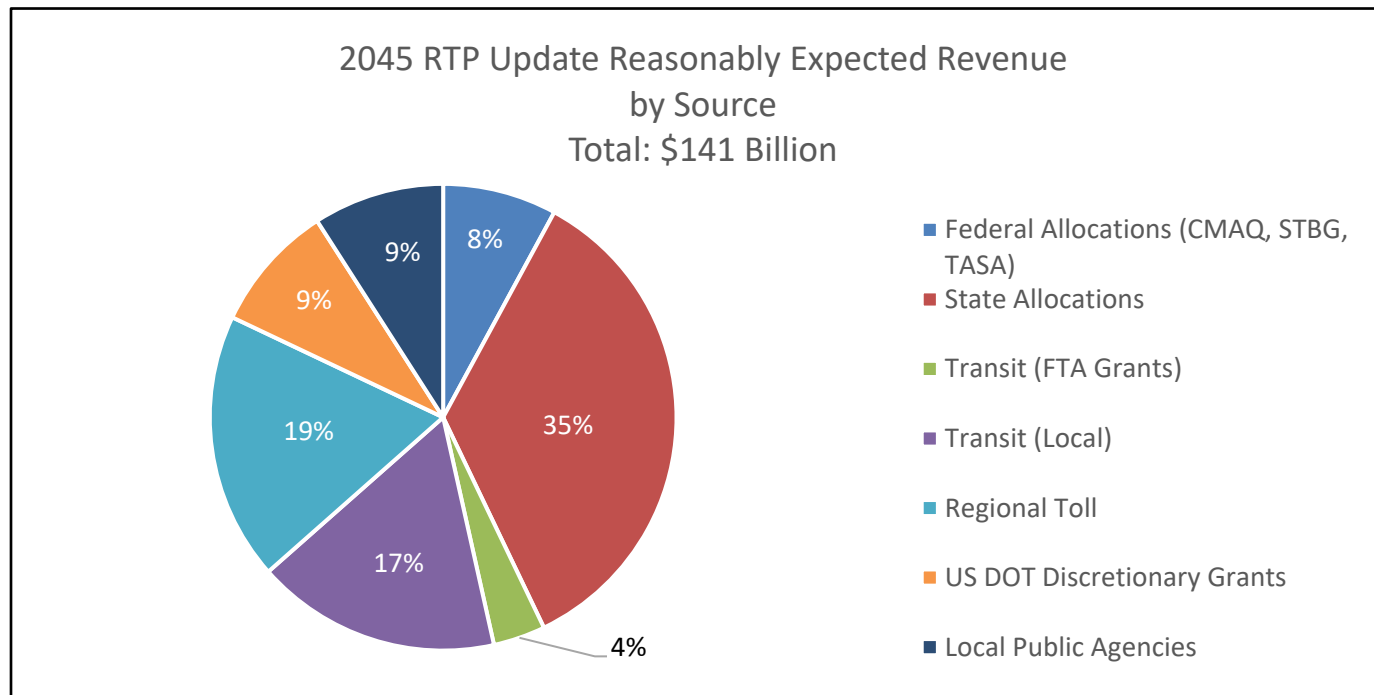
Federally, the main source of funding is the Highway Trust Fund—supported mostly by the federal gas tax, currently set at 18.4 cents per gallon of gasoline sold. Additionally, USDOT provides competitive grant opportunities every year through discretionary grant programs, 2045 RTP assumes the H- GAC TMA region will receive up to \$ 12 Billion through the life of the plan. At the State level, the main source of funding is the State Highway Trust Fund (supported mainly by a tax on gasoline at 20 cents per gallon sold), and two voter-approved constitutional amendments—Proposition 1 and Proposition 7.

The Texas Legislature increased state-level revenues by significant amounts. Firstly, they passed (and voters later approved) Proposition 1, which dedicated a certain percentage of the state oil and gas severance tax to the State Highway Fund for use on publicly owned non-tolled roadways.

The following legislative session, the Legislature followed up on this action by passing (for later voter approval) Proposition 7, a

similar constitutional amendment which dedicated a certain percentage of states sales and motor vehicle rental/purchase tax to the State Highway Fund— also for use strictly on public owned non-tolled roadways. Additionally, the Legislature ended an historical diversion of State Highway Fund revenue for various non-transportation needs.

Figure 1: Revenues by Source



This estimate does not include estimated revenue increase from Infrastructure Investment and Jobs Act (IIJA) approved in November 2021. After the new funds for highway programs from the IIJA are allocated Houston region is expected to see a higher revenue than \$141 billion.

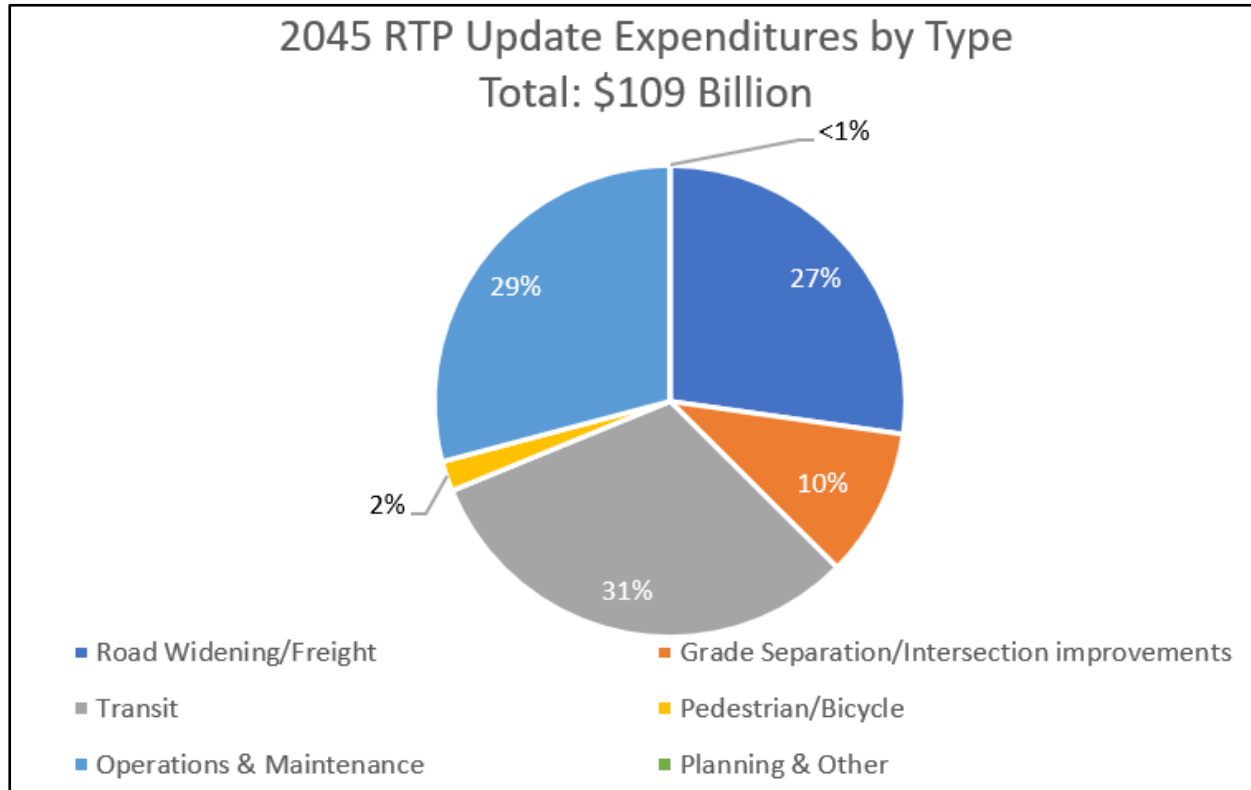
Expenditures

In addition to estimating revenues, the 2045 RTP update estimates project expenditures, or the total costs associated with implementing the recommendations in the plan. This estimate of about \$109 billion includes assumptions for the cost of

maintenance and operations of current and future facilities. The expenditure estimate is calculated as a sum of total costs associated with implementing the recommendations in the plan.

This includes basic project characteristics, the duration of construction time, and relevant contingency costs.

Figure 2: Expenditure by Type



The expenditure estimate is depicted according to type of projects in the 2045 RTP update. Most of the recommended expenditures, approximately 73% or \$79 billion, are dedicated to Transit, Bicycle-Pedestrian modes and the preservation and efficient operation of current transportation system. Only about 37 cents of every investment dollar is available for adding roadway capacity to the transportation system.