

## Local Governments Can Prioritize Spending to Address Transportation Crisis

by The Honorable  
Talmadge Heflin &  
James Quintero  
Center for Fiscal Policy

### KEY POINTS

- Local governments have the financial resources they need to address local transportation challenges.
- City budgets are growing at a faster rate than the amount needed to maintain essential services, as measured by the sum of population plus inflation.
- Local governments should set priorities by redirecting excess spending to transportation.

Our state's transportation needs are substantial. Highways are congested, roads need to be repaved, and a number of new projects must be completed in order to keep pace with an influx of new residents.\*

While everyone understands that Texas faces transportation challenges, few can agree on how to solve them.

Some officials suggest a statewide gas tax increase is called for, while others believe raising transportation taxes at the local level is the answer.

Approaches like these, however, increase government revenue without consideration for government spending, funding priorities, or taxpayer pocketbooks.

There is a better solution.

To address local transportation needs, local governments should first conduct a comprehensive review of their budgets and divert excess spending to fund transportation. Since local governments typically outspend the amount needed to maintain essential services—as measured by the sum of population plus inflation<sup>†</sup>—their budgets often have large amounts of spending that can be redirected to “crisis” areas like transportation.

To illustrate just how much local governments spend above the population plus infla-

tion measure, look to the budgets of four major Texas cities: Austin, Dallas, El Paso, and San Antonio.

### Austin

Since the mid-1990s, the city of Austin's budget has consistently grown faster than the population plus inflation measure. As a result, expenditures are now much larger than they otherwise should be.

In fiscal year (FY) 1995-96, Austin's budget totaled \$1.21 billion;<sup>1</sup> just a few short years later in FY 2000-01, the city's budget had grown to \$1.77 billion;<sup>2</sup> and by the time of the FY 2007-08 budget, city spending had grown to more than \$2.46 billion.<sup>3</sup>

All told, Austin's budget has increased 103 percent from FY 1995-96 to FY 2007-08. Meanwhile, the city's population growth plus inflation has grown by only 71 percent over that same period.

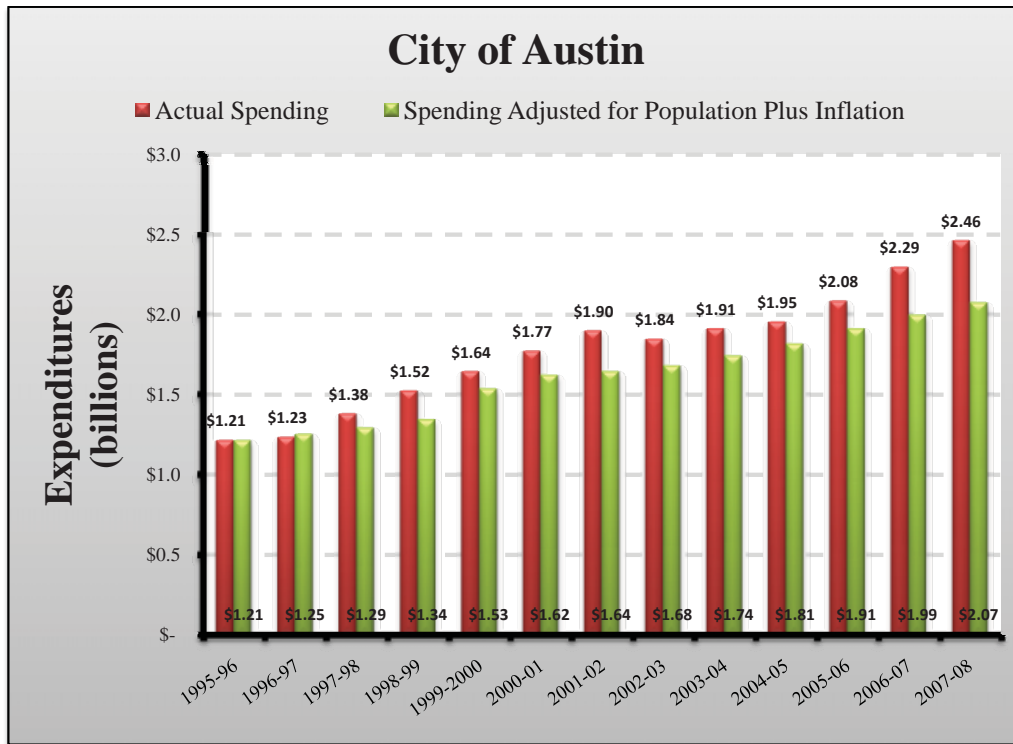
As illustrated in Figure 1, the city of Austin's actual spending has grown at a much faster rate than spending adjusted for population growth plus inflation in nearly every fiscal year. By spending at a rate that is higher than population plus inflation, the city is expanding government in areas other than high-priority areas, such as transportation.

900 Congress Avenue  
Suite 400  
Austin, TX 78701  
(512) 472-2700 Phone  
(512) 472-2728 Fax  
[www.TexasPolicy.com](http://www.TexasPolicy.com)

\* By 2030, the U.S. Census Bureau estimates that the projected population in Texas will reach 33.3 million.

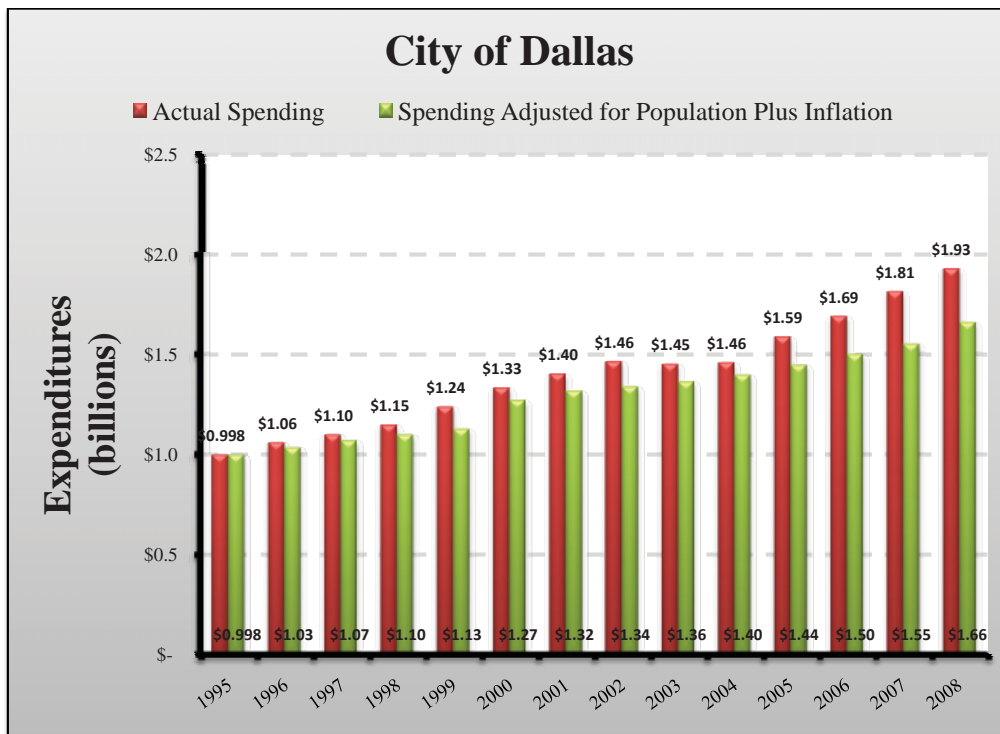
† As measured by the Consumer Price Index (CPI).

Figure 1: City of Austin: Actual Spending vs. Spending Adjusted for Population plus Inflation



Source: City of Austin, Budget Office; Census Bureau; Bureau of Labor Statistics

Figure 2: City of Dallas: Actual Spending vs. Spending Adjusted for Population plus Inflation



Source: City of Dallas, Budget Management Services; Census Bureau; Bureau of Labor Statistics

### Dallas

In the city of Dallas, similar results were found when comparing actual budget growth with a budget adjusted for population plus inflation.

Beginning in FY 1996 and ending in FY 2008, the city of Dallas outspent the population plus inflation measure in every fiscal year resulting in a budget that has grossly exceeded its optimal size.

In FY 1995, Dallas’ budget totaled nearly \$1 billion.<sup>4</sup> By FY 2008, the city’s spending had ballooned to almost \$1.93 billion<sup>5</sup> causing expenditures to increase by 93 percent in less than 15 years.

By comparison, Dallas’ population growth plus inflation increases totaled only 66 percent in the same length of time. The difference in actual budget growth versus budget growth adjusted for population plus inflation is illustrated in Figure 2.

As seen in the Figure 2, the difference in actual expenditures and adjusted expenditures is significant. Dallas city

officials who are serious about the solving their transportation “crisis” should begin with a thorough examination of their budget to look for areas of excess spending because the city’s current spending clearly exceeds the amount needed to keep pace with growth in population and inflation.

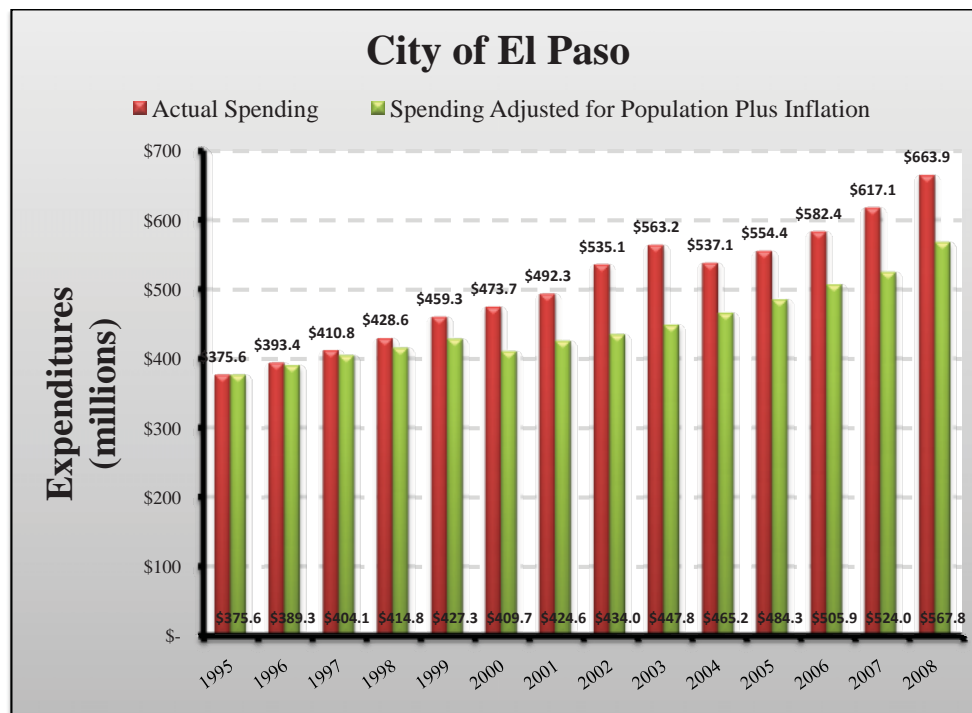
### El Paso

In every fiscal year since 1995, the city of El Paso has spent more than the population growth plus inflation adjusted measure.

Between FY 1995 to FY 2008, the city’s actual expenditures increased from \$375.6 million<sup>6</sup> to \$663.9 million<sup>7</sup> resulting in a 77 percent growth. The city’s population plus inflation measure increased by only 51 percent in that same period.

Spending in the city of El Paso is well above the amount needed to keep pace with population growth and inflation as Figure 3 demonstrates. It is also interesting to note that even when the city’s population declined by nearly 50,000 between 1999 and 2000, the city’s budget still grew by 3 percent.

Figure 3: City of El Paso: Actual Spending vs. Spending Adjusted for Population plus Inflation



Source: City of El Paso, Office of Management and Budget; Census Bureau; Bureau of Labor Statistics

With budget growth occurring virtually every fiscal year, a reasonable person could assume that the city has excess funding it could shift to pay for transportation, if additional revenue is needed.

### San Antonio

In fiscal year 2008, the city of San Antonio spent over \$1.43 billion<sup>8</sup>—up from \$647 million<sup>9</sup> in FY 1995. In a little more than a decade, the city’s budget has increased by over 120 percent.

Meanwhile, the city’s population growth plus inflation measure has only increased by 66 percent—or about half\* of the growth in actual expenditures.

The discrepancy between actual budget expenditures and the growth in population plus inflation has increased significantly since FY 1995 demonstrating that city officials are spending well above the amount needed to keep pace with growth.

### Population Growth plus Inflation as an Appropriate Measure

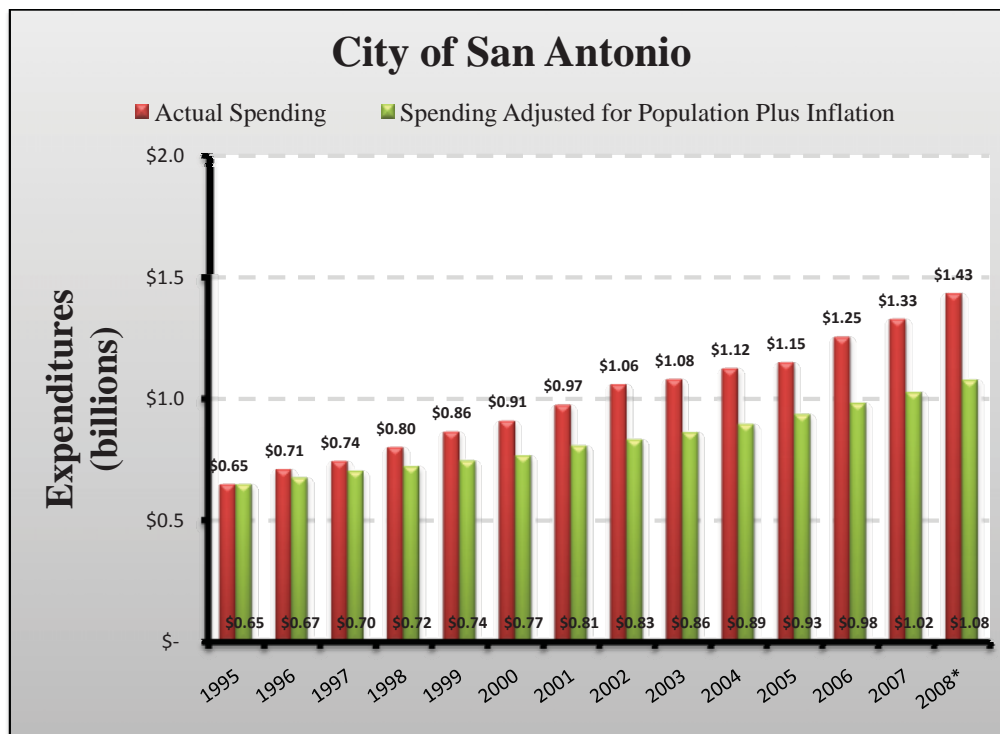
The conclusions in this report rely on the assumption that the population plus inflation growth measure is a legitimate indicator of the appropriate size of government.

Although some critics will contend that measure misrepresents government’s true operating costs, the Foundation contends that governments’ requests from taxpayers will always outstrip available resources and, as such, without a definitive growth measure to limit the growth in government spending, the system will be unsustainable.

### Conclusion

Texas’ mobility needs are an issue that state and local leaders should be addressing on a continual basis—as crowded streets, burgeoning metropolises, and a projected population of 33.3 million<sup>10</sup> are in our future.

Figure 4: City of San Antonio: Actual Spending vs. Spending Adjusted for Population plus Inflation



Source: City of San Antonio, Budget Management Services; Census Bureau; Bureau of Labor Statistics  
\* 2008 population estimated

<sup>8</sup> Population estimates for the city of San Antonio for 2008 are not yet available. The population estimate used in this study is based on mean percentage growth from previous years.

The state's transportation challenges are not insurmountable nor do they require massive tax and fee increases like those being considered in the Legislature now. There is a fiscally responsible answer.

Using the funds already in local budgets—funds that exceed what is needed to keep pace with growth—local governments have the ability to augment transportation funding now. They can do so by diverting excess spending—the amount spent above the population plus inflation measure—to this “crisis” area. And as we have previously identified, these figures are substantial.

- From FY 1995-96 to FY 2007-08, the city of Austin's actual expenditures grew by 103 percent while the sum of population plus inflation increased only 71 percent.
- From FY 1995 to FY 2008, the city of Dallas' spending increased 93 percent while the sum of population plus inflation increased only 66 percent.

- From FY 1995 to FY 2008, the city of El Paso's spending increased 77 percent while the sum of population plus inflation increased only 51 percent.
- From FY 1995 to FY 2008, the city of San Antonio's spending increased 121 percent while the sum of population plus inflation increased only 66 percent.

In these tough economic times, it is unfair for local governments to ask taxpayers for additional revenue when their budgets already have elevated levels of spending. If transportation does indeed require increased funding, then local governments should first look internally, rather than falling back on the tired old sentiment of simply raising taxes. ★

## Endnotes

- <sup>1</sup> City of Austin, Budget Office, "Fiscal Year 1995-1996 Approved Budget," <http://www.ci.austin.tx.us/budget/buovrvu6.htm>.
- <sup>2</sup> City of Austin, Budget Office, "Fiscal Year 2000-2001 Approved Budget," pg. 36: <http://www.ci.austin.tx.us/budget/downloads/ab-0001policy.pdf>.
- <sup>3</sup> City of Austin, Budget Office, "Fiscal Year 2007-2008 Approved Budget," pg. 33: <http://www.ci.austin.tx.us/budget/07-08/downloads/ab0708execsum.pdf>.
- <sup>4</sup> City of Dallas, Budget and Management Services, "1994-1995 Adopted Budget," pg. 3.
- <sup>5</sup> City of Dallas, Budget Management Services, "2008-2009 Adopted Annual Budget," pg. xxi: <http://www.dallascityhall.com/Budget/adopted0809/BudgetOverview.pdf>.
- <sup>6</sup> City of El Paso, Office of Management and Budget, "City of El Paso FY 1995 Budget."
- <sup>7</sup> City of El Paso, Office of Management and Budget, "City of El Paso FY 2008 Budget," pg. 84: [http://www.elpasotexas.gov/omb/\\_documents/fy2008\\_budget/FinancialSummaries.pdf](http://www.elpasotexas.gov/omb/_documents/fy2008_budget/FinancialSummaries.pdf).
- <sup>8</sup> City of San Antonio, Office of Management and Budget, "Adopted Annual Operating and Capital Budget -- Fiscal Year 2007-2008," pg. 191: <http://www.sanantonio.gov/budget/pdf/fy2008/FY%202008%20Adopted%20Budget%20Document.pdf>.
- <sup>9</sup> City of San Antonio, Office of Management and Budget, "Adopted Annual Operating Budget -- Fiscal Year 1999-2000," pg. S61: <http://www.sanantonio.gov/budget/pdf/fy2000/FY2000%20Adopted%20Budget.pdf>.
- <sup>10</sup> United States Census Bureau. U.S. Population Projections, "Ranking of census 2000 and projected 2030 state population and change." <http://www.census.gov/population/www/projections/projectionsagesex.html>.



## About the Authors

**The Honorable Talmadge Heflin** is the Director of the Texas Public Policy Foundation's Center for Fiscal Policy. For 11 terms, Talmadge served the people of Harris County as a state representative. Well regarded as a legislative leader on budget and tax issues by Democratic and Republican speakers alike, he for several terms was the only House member to serve on both the Ways and Means and Appropriations committees.

In the 78th Session, Talmadge served as chairman of the House Committee on Appropriations. He navigated a \$10 billion state budget shortfall through targeted spending cuts that allowed Texans to avoid a tax increase.

**James Quintero** is a fiscal policy analyst at the Texas Public Policy Foundation. He joined the Foundation's Center for Fiscal Policy in March 2008 and contributes to the following issues: restricting the growth of taxation; appropriations reform; increasing governmental transparency at both the state and local level; and instituting expenditure limits.

Prior to joining the Foundation, James completed his Master's of Public Administration degree with an emphasis in Public Finance at Texas State University–San Marcos. His Applied Research Project, "Regional Economic Development: An Economic Base Study and Shift-Share Analysis of Hays County, Texas" is currently featured on the TSU website. During the course of his graduate studies, he also worked as a Graduate Research Assistant for the university's Scholarships and Financial Aid Administration Department.

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