

SUBJECT: Mass transit authority revisions, tax reduction

COMMITTEE: County Affairs: committee substitute recommended

VOTE: 7 ayes--Campbell, Carriker, Edge, Finnell, Jones, Melton, Patterson

4 nays--Eckels, Whaley, Robinson, Willy

2 present, not voting--Stiles, Harrison

WITNESSES: For--Annie Baird, Greater Houston Taxpayers Coalition; Allan Romano, Eastex-Corridor Association; Ben Noble Jr.; E.M. Knight; John W. Lewis, Taxpaying Citizens for Responsible and Competent Government, Inc., Austin

Against--John J. King, Metropolitan Transit Authority of Harris County; Mayor Sam Kinney, Bellaire; John W. Bland and George Dillard, citizens, Houston; Gerry Griffen, Metropolitan Transit Authority of Harris County and Houston Chamber of Commerce; Robert Branden, Houston Chamber of Commerce; John S. Chase, M.A. Shute, and Hopeton Hay, Houston Transit Forum, Bill Roberts, Collin County Commissioners Court; David McCall, Dallas Area Rapid Transit; John Milam, VIA Metropolitan Transit, San Antonio; Jane Hickie and John Fainter, Capital Metropolitan Transit Authority, Austin (Signing in opposition but not testifying were individuals representing the following organizations--Capital Metropolitan Transportation Authority, Houston Chamber of Commerce, Fort Worth Transportation Authority, Central Houston, Inc., City Post Oak Association, South Main Center Association, City of Spring Valley, Metropolitan Transit Authority of Harris County, Sector 14 Planning Council, Travis County Commissioners Court, Texas Good Roads/Transportation Association and Texas Association for Public Transportation)

On--Craig Pardue, Dallas County

BACKGROUND: Mass transit authorities (MTAs) have been established in Houston, Dallas, Fort Worth, Austin, San Antonio and Corpus Christi.

Four come under VACS art. 1118x (metropolitan rapid transit authorities) and impose the following sales

tax: Houston, 1 percent; San Antonio, 1/2 percent; Austin, 1 percent; and Corpus Christi 1/2 percent. MTAs under VACS art. 1118x can levy any kind of tax but a property tax with the approval of a majority of the voters in the MTA. They cannot levy a sales tax of more than 1 percent. A sales tax of less than 1 percent must be set at 1/4, 1/2 or 3/4 percent. The MTA board must call an election to increase the maximum sales tax. Voters in a VACS art. 1118x MTA can petition to have an election to increase the tax rate, but not to decrease it. MTAs can also issue revenue notes and bonds.

All the VACS art. 1118x MTAs, except Houston, are governed by a five-member board appointed by the city council of the largest city in the MTA for two-year terms. In Houston, the MTA board consists of seven members--five appointed by the mayor of Houston, one appointed by the Harris County Commissioners Court and one appointed jointly by all mayors of cities located in the MTA area. They are appointed for two-year terms.

The Dallas and Fort Worth MTAs were created under VACS art. 1118y (regional transportation authorities). They can collect up to a 1 percent sales tax with the approval of a majority of the voters. Dallas currently collects a 1 percent sales tax, and Fort Worth collects a 1/4 percent tax. A sales tax levied at less than 1-cent can be levied only in 1/4, 1/2, or 3/4 percent increments. Dallas and Fort Worth MTAs can also issue revenue notes and bonds.

Regional MTAs (Dallas and Fort Worth) are governed by an 11-member executive committee made up of appointees from subregional boards.

To date there are no MTAs that fall under VACS art. 1118z, which pertains to city transit departments.

DIGEST:

CSHB 943 would allow voters in an MTA operating under VACS art. 1118x (Houston, San Antonio, Austin and Corpus Christi) to petition to hold an election to lower an MTA tax rate. Voters in the Dallas and Fort Worth MTAs would be authorized to petition for an election to lower or raise the sales tax rate.

The petitions would have to be signed by at 10 percent of the number of voters that voted in the last mayoral election in the largest city in the MTA. The elections

would be held on the date the largest city in the MTA elects its city council.

CSHB 943 would also authorize the executive committee of the Dallas and Fort Worth MTAs to lower the sales tax rate or to call an election to increase or decrease the sales tax rate.

The tax rate could not be decreased to a rate that would jeopardize the payment of outstanding debts of the MTA.

CSHB 943 would require the election of the MTA board in the Houston area. The first election would be held in May 1988. The Houston-area MTA board would be composed of 15 members, nine elected from single-member districts, five elected at-large and one appointed by the Harris County Commissioners Court. Each board member would serve a two-year term. The MTA board would appoint persons to fill vacancies in unexpired terms.

CSHB 943 would require the executive committees of the MTAs in Dallas and Fort Worth to be elected for two-year terms beginning in May 1989. The committees would consist of nine members elected from single-member districts, five elected at-large and one appointed by the largest county in the MTA area.

CSHB 943 would require all MTAs to be audited each year by the state auditor. Each MTA would have to pay for the audit. The bill would also require the Legislative Budget Board (LBB) to conduct a performance audit on each MTA every two years and report its findings to the Legislature. The LBB would be reimbursed by the MTA for report expenses.

CSHB 943 would require all MTAs to hold competitive bidding for the purchase of all materials and services, except professional services, that cost more than \$100.

CSHB 943 would prohibit MTAs from spending any money to influence the outcome of an election or use any money to hire a lobbyist. It would permit an employee of the MTA to lobby.

SUPPORTERS
SAY:

The provisions in CSHB 943, which require elected MTA boards, state audits and petitions for elections to lower tax rates, would make the MTAs more accountable and ensure that the public's money is being spent

properly. MTAs have become too powerful and need to be accountable to the taxpayers and the Legislature. Letting the people directly elect the boards of the largest MTAs and giving them the opportunity to call elections would ensure "taxation with representation."

The MTA in Houston levies a 1 percent sales tax, and many feel this is much too high. The Houston MTA has a surplus fund of more than \$330 million. The state, and Houston in particular, is facing tough economic times. This is no time to be building a huge surplus by burdening taxpayers. The people should have the right to decide whether to lower the tax rate, and this bill would give them that opportunity.

MTAs can issue revenue notes and bonds. They should use this authority to pay for needed capital expenditures. A user-fee system of paying off debt would be much fairer than the current broadly based tax.

The amount spent on lobbying efforts by MTAs has gotten out of hand. For example, the Houston MTA spends \$300,000 a year on lobbying. This bill would not prohibit MTAs from lobbying, but would limit the efforts to staff members instead of hired guns.

Competitive bidding should be required of any public agency. The competitive bid requirements in CSHB 943 would assure the public that it is getting the most for its money

OPPONENTS
SAY:

The voters in the MTA areas have approved their MTA taxes. They realize that mass transit is in its infancy in Texas and that tax money collected now will fund long-term capital projects. Although there may be a surplus of money now, that money is earmarked for future projects. The money is collecting interest until it is needed and will benefit the system for the long-term.

Allowing the voters to force an election to decrease the mass transit tax would jeopardize long-range planning. It is vital to the mass transit systems that a stable and secure source of funds be available to pay for long-term capital projects. As with highway construction projects, plans must be made far in advance, and the money must be there to pay for them.

Permitting a small minority of voter force a disruptive, costly election would be especially dangerous and unwise. Allowing 10 percent of the voters in the last mayoral election to hold sway would be giving too few people too much power. The number of people that may petition for the election should have to be at least 10 percent of the voters who voted in the last gubernatorial election in the entire area covered by the transit system.

Cutting the amount of funds collected by the sales tax would also diminish the amount of federal matching funds. So, effectively, Texas taxpayers would not get their due return from the federal government. Cutting tax revenue would lead to increased fares, lowered services and a suspension of planned projects.

Mass transit is important for the economic health of metropolitan communities. Many people depend on public transportation to get to and from work. Cutting revenues would hurt economic development, which is something the state cannot now afford. Allowing mass transit to regress would send a message to the rest of the country that Texas is not willing to solve its transportation problems.

MTAs are already audited independently. Requiring the state auditor to do another audit at the expense of the MTA would be a duplication of work and a waste of taxpayers money. The state auditor has said it would cost about \$250,000 to audit the six MTAs in the state.

MTAs already have competitive bidding procedures. Setting the floor for competitive bidding at \$100 would be highly inefficient. The administrative overhead required to implement this provision would be a waste of money. Nor should it be necessary for the Legislative Budget Office prepare performance reports on local entities; the state is not equipped to handle this kind of oversight.

MTAs, just like any other political subdivision, must be able to make their point of view heard and understood by legislators in Austin and Washington. It is much more cost-efficient to hire a lobbyist for a limited period than to pull a staff member off duty to do the same work.

The Legislature passed laws allowing MTAs to collect a sales tax of up to 1 percent. MTAs have not issued

large revenue bond packages because that is a much more expensive way to get money for capital projects. Issuing revenue bonds would cause fares to increase to pay for the bonds. The people who use public transportation are not financially able to pay for the system. The public transit system is for the good of the whole community, and the whole community should bear the costs.

NOTES:

The original version of HB 943 would have required an election to be held every four years to reduce the MTA sales tax if the current sales tax was more than 1/2 percent. The committee substitute added provisions allowing voters to petition for a tax decrease election, election of the MTA board in Houston and Dallas-Fort Worth, performance reports by the Legislative Budget Office and competitive bidding.

Related bills, and their current status, include:

HB 1398 by T. Smith, to reduce the MTA tax in Austin to 1/2 percent, laid on the table subject to call April 22 in a House County Affairs subcommittee; HB 1507 by T. Smith, to allow the Austin City Council to remove a member of the Austin MTA board by a majority vote, reported favorably from a County Affairs subcommittee on April 22; HB 1836 by T. Smith, to make provisions for an incorporated city or certain unincorporated areas in an MTA to elect to withdraw from the MTA, pending in County Affairs; HB 2499, by Wallace, to allow MTA board members to be removed by a majority vote of the board that appointed the MTA board member and to allow voters to petition to hold an election to remove an MTA board member, pending in County Affairs; HB 2502 by Wilson, to repeal the authority of mass transit authorities to levy a sales tax, increase the statewide sales tax to 5.75 percent, and give each MTA the equivalent of 1/2-cent in sales tax, laid on the table subject to call in County Affairs.

SB 212 by Leedom, to allow cities with a population of more than 150,000 that are contiguous to Dallas to form subregional transportation authorities, reported favorably with substitute from Senate Intergovernmental Relations Committee on April 15; SB 329 by Green, to make MTAs subject to review under the Texas Sunset Act, reported favorably from Senate Intergovernmental Relations Committee on April 22.