

SUBJECT: Comptroller audit of the Houston Metropolitan Transit Authority

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 7 ayes — Hill, Bailey, Davila, Ehrhardt, Thompson, Tillery, Woolley

0 nays

2 absent — Conley, Staples

WITNESSES: For — None

Against — None

On — Sabrina Foster, for Houston City Council and mayor

BACKGROUND: VACS art. 1118x, sec.12D, requires the Houston Metropolitan Transit Authority (MTA) to contract with a firm to conduct a performance audit of the authority every four years. The audit is to provide evaluative information for the performance of oversight functions by state and local officers and to assist in the making of changes to improve the efficiency and effectiveness of operations. These audits examine administration, management, operations and system maintenance.

Performance audits examine the authority's compliance with state law and indicators that include operating cost per passenger, sales and use tax receipts per passenger, operating cost per revenue hour, operating cost per revenue mile, fare recovery rate, average vehicle occupancy, on-time performance, the number of accidents per 100,000 miles, and the number of total miles between mechanical road calls.

The MTA is required to prepare a written response and hold public hearings on the performance audit report. A copy of the performance audit and Metro's response is to be delivered to the governor, the lieutenant governor, the speaker of the House, the state auditor, the presiding officer of the governing body of each county and municipality having territory included within the authority, and each member of the state Legislature whose district includes territory within the authority.

The MTA also must present a financial audit by an independent certified public accountant or a firm of independent certified public accountants to the governor, the lieutenant governor, the speaker of the House of representatives, the state auditor and to the presiding officer of the governing body of each county and municipality having territory included within the authority. The state auditor must review and make comments on the financial audit.

DIGEST: HB 943 would allow the state comptroller to initiate a performance audit of the Houston MTA and require such an audit if it was requested by the governor, lieutenant governor, the speaker of the House or the presiding officer of the legislative committees responsible for approving legislation governing the authority. The comptroller could not conduct a performance audit more often than once every two years.

The bill would take effect immediately if approved by a two-thirds vote of the membership of each house.

SUPPORTERS SAY: The Houston MTA board is not carrying out the Legislature's intent, which was to provide funding for mass transportation in the Houston area through sound fiscal policies. Since 1992 Metro's fund balance has fallen from \$650 million to \$67.8 million, and up to 63.75 percent of its sales tax income has been spent for street and traffic programs, even though the statutory limit is 25 percent.

The bill would give the comptroller authority to carry out thorough, independent performance audits similar to those conducted on local school districts. The comptroller's audits would focus on whether and to what degree the Metro board is carrying out the Legislature's original intent.

The comptroller, as the state's chief financial officer and tax collector, is the proper elected state authority to conduct a performance audit on the Metro, which is financed by sales taxes.

OPPONENTS SAY: Setting up a mechanism for yet another audit of the Houston MTA would be redundant and unnecessary at best and at worst would represent micro-management at the state level of a local transit authority. A complete and independent financial audit is conducted each year on the Houston MTA

and is sent to the state auditor for review and comment. In addition, every fourth year, Metro undergoes a thorough performance audit that reviews the administration and management of the authority, transit operations and system maintenance.

To conduct a performance audit on a mass transit authority the size of Houston's requires an extensive amount of technical expertise and would probably be contracted out by the Comptroller's Office, just as the currently required performance audit is. It is unnecessary to spend \$250,000 in state taxpayer dollars to duplicate what is already being done adequately on the local level.

OTHER
OPPONENTS
SAY:

If the state comptroller needs to conduct a performance audit of Houston MTA, then the MTA should have to pay for it, not state taxpayers.