HOUSE RESEARCH ORGANIZATION bill analysis | 4/24/97 | HB 2230 Keel, Hilderbran, Kubiak (CSHB 2230 by Telford)

SUBJECT:	Election on Austin Capital Metro sales and use tax rate
COMMITTEE:	Ways and Means — committee substitute recommended
VOTE:	6 ayes — Craddick, Grusendorf, Heflin, Holzheauser, Horn, Telford 0 nays 5 absent — Ramsay, Oliveira, Stiles, Thompson, Williamson
WITNESSES:	For — Gerald Daugherty; Michael Cushman; Terry Irion; Russ Ham; Betty Carrington; Bill Hood Against — Dave Dobbs, Texas Association for Public Transportation; Tom Stacy, Downtown Austin Alliance On — Alan Pegg, Capital Metropolitan Transportation Authority
BACKGROUND:	The Transportation Code authorizes the board of a rapid transit authority to impose sales and use taxes at rates ranging from 0.25 percent to one percent. However, the board may not impose the tax or increase the rate of an existing tax unless voters approve. In 1985, the Capital Metropolitan Transportation Authority was created in Austin and authorized by voters to charge a one percent sales and use tax. In 1989, the Capital Metro board reduced the tax rate to three-quarters of one percent. In 1995, the board raised the tax rate back to one percent.
DIGEST:	CSHB 2230 would add to the Transportation Code a new section addressing the tax rate of a metropolitan rapid transit authority that was confirmed before July 1, 1985, in which the principal municipality has a population of less than 750,000. The bill would apply only to Austin Capital Metro. A sales and use tax of 0.75 percent or one percent in effect on September 1, 1997, would expire on December 1, 1997, unless the voters approved continuation of the rate at an election in November 1997.

If the tax rate expired, the Capital Metro board could set a tax rate of 0.25 percent or 0.5 percent.

CSHB 2230 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

SUPPORTERS SAY:

CSHB 2230 would make Capital Metro accountable to the taxpayers who funded it and thereby help restore public confidence in the agency. When the Capital Metro board raised the authority's tax rate to one percent in 1995, it did so against the will of the Austin city council members and Travis County commissioners who appointed it, and, most important, the taxpayers. Capital Metro has abused its position as the only local taxing entity that is not elected and, therefore, not directly accountable to voters for its taxing decisions. The increased tax rate has taken approximately $20 million from the pockets of Austin area taxpayers, who have no way to force Capital Metro's board to lower the rate.

Management problems, dissatisfaction with service and the increased taxation have reduced public confidence in Capital Metro to an all-time low. Requiring Capital Metro to lower its tax rate or take the issue to a public vote is necessary to give taxpayers the power they deserve to tell Capital Metro what tax rate they are willing to pay for mass transit services.

The voters of the Austin area are very capable of making well-informed choices about how their tax dollars should be spent. They have voted on many other complex issues in the past, and it is an affront to suggest that Austin area voters cannot make an intelligent decision on the taxes they pay to support Capital Metro.

CSHB 2230 would not by itself require a tax roll-back unless Capital Metro failed to take the issue to a public vote. If Capital Metro is offering high-quality, efficient services, it should have nothing to fear from a public vote. If a vote did result in lowering Capital Metro's tax rate, Capital Metro would still have the opportunity to improve services, increase public confidence, and then bring the tax rate issue back to the voters. This would properly return the power to taxpayers to decide whether Capital Metro deserved additional funding.

VIA, the public transit system in San Antonio, operates a system that is 40 percent larger than the one run by Capital Metro in Austin and does it with a 0.5 percent tax rate. That tax rate gives VIA approximately $45 million, which is about what Capital Metro would get at the same 0.5 percent tax rate.

This is an appropriate issue for the Texas Legislature to address because Capital Metro would not exist without the Transportation Code's enabling statute for rapid transit authorities.

OPPONENTS SAY:

Many voters perceive Capital Metro as merely a bus company and are not aware of the other projects Capital Metro undertakes or of its role in long-term regional transportation planning. The funding and operations of Capital Metro are complex, and it is not realistic to expect voters to dedicate the time and energy that would be necessary to gain a full understanding of the ramifications of a vote regarding Capital Metro's tax rate. There is a real danger that voters would lower the tax rate for a short-term benefit without realizing the impact the revenue cut would have on current services other than bus transportation or on the long-term transportation infrastructure of their community.

Cutting the tax rate to 0.5 percent would have a devastating effect on the services Capital Metro would be able to offer. Decreased funding would necessitate laying off 391 of Capital Metro's 976 current employees; decreasing bus service by 40 percent from 1.212 million annual service hours down to 728,000; slowing down the replacement of old overused buses; eliminating most projects that do not have a clear and current safety implication, such as rehabilitation projects for South Congress Avenue and Guadalupe near the University of Texas campus; and stopping all activity related to building a light rail system to meet regional transportation needs and alleviate traffic congestion on IH-35. These cuts would have economic reverberations throughout the community. For example, employees who are laid off would not have a salary to spend, and contractors who would have been involved in Capital Metro projects would not get those projects. In addition, lower Capital Metro tax revenues would decrease its eligibility for federal funds requiring local or regional matches.

It is not fair to threaten Capital Metro with a funding cut at a time when it has been steadily improving its services. For example, customer complaints are down 21 percent; on-time performance is up from 82.5 percent to 90.1 percent in seven months and still rising; general ridership is up three percent; wheelchair boardings are up 15.5 percent; major cost indicators including cost per mile, cost per hour, and cost per passenger are under budget; and better preventative maintenance has resulted in fewer bus break-downs in transit.

Capital Metro needs to be assured of its funding in order to undertake projects to improve its services and lay the groundwork to meet future regional transportation needs. The populations of Austin and southern Williamson County are experiencing dramatic growth, and an Austin transportation study calculated that vehicle miles traveled per day will increase by 250 percent during a time when road lane miles to carry those vehicles will be up only 132 percent. Capital Metro will not be able to meet the needs of Austin area growth unless it has a stable stream of funding to allow it to continue work now to help build the regional transportation infrastructure.

Lowering Capital Metro's tax rate would not necessarily provide relief to Austin area taxpayers. Any sales tax reduction would be quickly redirected to another purpose; among those eyeing a sales tax are those promoting a dedicated street repair fund, a crime control district, a baseball stadium, and a public safety fund.

NOTES: The committee substitute deleted a provision requiring an election every three years to continue a tax rate.

HB 2231 by Keel et al., which would require voters to elect Capital Metro board members, and HB 2446 by Greenberg et al., requiring the comptroller to conduct a performance audit of Capital Metro, are also on today's calendar. HB 2445 by Greenberg et al., requiring Capital Metro to hold an election on operating a fixed rail transit system, is on Friday’s Local, Consent and Resolutions Calendar.