

- SUBJECT:** Sales-tax rate and uses for San Antonio advanced transportation district
- COMMITTEE:** Transportation — favorable, without amendment
- VOTE:** 8 ayes — Krusee, Phillips, Hamric, Edwards, Harper-Brown, Hill, Laney, Mercer
0 nays
1 absent — Garza
- SENATE VOTE:** On final passage, March 20 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** For — Sam Dawson, San Antonio Mobility Coalition; Edward D. Garza, City of San Antonio; Seth Mitchell, Bexar County Commissioners Court; Shelton E. Padgett, VIA Metropolitan Transit
Against — None
- BACKGROUND:** Transportation Code, ch. 451 allows cities to create metropolitan rapid transit authorities (MRTAs). Subchapter O allows a MRTA that has a one-half percent sales-tax rate and that operates primarily in a city with more than 700,000 population to create an advanced transportation district (ATD) within its boundaries. With voter approval, MRTAs may levy taxes, including sales and use taxes, to fund both their own operations and those of their ATDs. Sec. 451.404 requires MRTA sales-tax rates to be levied in fourths of a percent, up to 1 percent. Sec. 451.405 prohibits MRTAs from adopting or increasing tax rates that would cause aggregate local sales-tax rates levied by other political subdivisions with territory within MRTAs to exceed 2 percent anywhere within the MRTA.
- Voters approved the creation of San Antonio’s VIA Metropolitan Transit Authority in 1977, to be funded with a one-half percent sales tax levied in San Antonio and seven other incorporated cities. VIA has authority to provide public transportation services for citizens within its service area, which includes almost all of Bexar County and portions of Comal and Guadalupe counties within the city of Selma. VIA is governed by an 11-member board,

of whom five are appointed by the San Antonio City Council, three by the Bexar County Commissioners Court, and two by suburban city mayors.

DIGEST:

SB 404 would allow eligible MRTAs (currently, only VIA in San Antonio) to seek voter approval to levy sales and use taxes for ATDs in increments of one-eighth of one percent, rather than the current one-fourth, up to one-half of 1 percent. MRTA boards could set rates at one-eighth, one-fourth, three-eighths, or one-half of 1 percent.

The bill also would broaden the purposes for which tax revenue could be spent by expanding the definition of advanced transportation and by adding reimbursement for mobility enhancement and election costs. It would expand the definition of advanced transportation to include traffic management systems; bus ways and lanes; technologically advanced bus transit vehicles and systems; bus rapid transit vehicles and systems; passenger amenities; transit centers; stations; electronic transit-related information, fare, and operating systems; signal prioritization and coordination systems; equipment, operations, and systems. Mobility enhancement would mean the design, construction, reconstruction, alteration, and maintenance of:

- streets, roads, highways, high-occupancy vehicle lanes, toll lanes, sidewalks, and infrastructure designed to improve mobility;
- traffic signal prioritization and coordination systems;
- monitoring systems; and
- other mobility enhancement facilities, equipment, systems, and services.

ATDs would have to spend half their tax revenue on advanced transportation, as determined by their boards. One-fourth would be divided among ATDs' participating units in proportion to their ATD tax collections. The units could spend proceeds only on advanced transportation and mobility enhancement within the MRTAs. The remaining fourth, including earned interest, would have to be set aside as matching funds for state or federal grants through the Texas Department of Transportation (TxDOT) for advanced transportation or mobility enhancement projects within MRTAs. For those projects, the ATD board would have to obtain metropolitan planning organizations' recommendations, prioritize projects, and foster geographic equity in planning and development by considering the location of other similar projects.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

SB 404 would apply only to VIA Metropolitan Transit Authority in San Antonio. The state's five other MRTAs (Houston, Dallas, Fort Worth, Austin, Corpus Christi) would not qualify, either because of their specific tax rates, the aggregate local sales-tax cap, or the population threshold. ATD sales-tax revenue could be spent only on transportation projects, such as roadway improvements, street maintenance, VIA operations, and local matching funds for state and federal grants. A broad consensus of city groups supports this compromise local-option legislation, which would amend a statute enacted in 1999 by the 76th Legislature (SB 769 by Madla).

Transit services in San Antonio are lagging because of underfunding. Sales-tax revenue has declined while service demand has grown. VIA is the only major urban MRTA operating with a one-half percent sales-tax rate. Letting voters decide whether to create an ATD with taxing authority in one-eighth-percent increments would allow VIA to take full advantage of the three-eighths sales tax capacity available to the City of San Antonio under the aggregate 2 percent cap. But even at only a one-eighth percent rate, VIA's share would keep its budget balanced and pay for rapid-transit express bus lanes connecting downtown to the northwest hospital district. Such a project would cost much less than light rail, which voters rejected in 2000. Bexar County and the other VIA member cities would use their shares for road and street maintenance and improvement. The remainder would have to be used as matching funds to help the area qualify for state and federal highway projects through TxDOT.

MRTAs may levy sales taxes of up to 1 percent. VIA, which comprises mostly San Antonio, now taxes at one-half of 1 percent. However, four of the small cities within VIA (Converse, Balcones Heights, Selma, and Shavano Park) already have reached the 2 percent cap. Under the comptroller's interpretation of state law, all entities participating in MRTAs must levy the same tax rates. Consequently, VIA cannot call for elections to seek a system-wide tax increase. Even if it could, it would be limited to tax-rate increments of one-fourth of 1 percent, more than it needs. ATDs, however, do not have to include all MRTA entities. Under SB 404, voters in VIA cities at or near the

cap effectively could opt out of the proposed ATD, yet remain in VIA, or they could roll back existing sales-tax rates in order to levy the new ATD tax, if necessary, which likely would be either one-eighth or one-quarter percent.

Broadening the purposes for which this new revenue could be spent would give VIA flexibility to pursue a variety of approaches to improve transportation while assuring voters as to how their tax dollars would be spent. Buses contribute to road wear and deterioration, so spending transit tax revenue on street maintenance would be appropriate.

Many of San Antonio's low-income residents use public transportation, so a slight sales-tax increase would be tantamount to a user fee for them, vis-a-vis public transit expenditures.

**OPPONENTS
SAY:**

SB 404 would circumvent the spirit and purpose of VIA's original ATD legislation. It would authorize expenditures of new tax revenue on basic system operations and street repairs under a law enacted to promote light rail, commuter rail, and other advanced forms of public transportation. Creating an ATD was supposed to enhance innovative transit solutions in San Antonio, not subsidize VIA's operating budget and municipal public works departments. If demand truly has risen and VIA and its member cities need more revenue to provide basic services, they should increase fares or seek an MRTA sales-tax increase from voters outright, rather than retool a statutory mechanism meant to fund special projects.

This bill represents another attempt to bring light rail, or something like it, to San Antonio by spreading extra revenue around governmental entities to garner political support. Any transit plan that would alter traffic patterns by designating exclusive lanes for express bus service would create more congestion and delay or else necessitate building overhead lanes. San Antonio should spend any additional sales-tax revenue on new and expanded roads. VIA should not be able to ask voters for a blank check to pursue a "wish list."

**OTHER
OPPONENTS
SAY:**

The sales tax is regressive, in that it affects lower-income taxpayers disproportionately. Raising mass-transit sales taxes hurts poor people who are more likely to need public transportation. MRTAs can use other less regressive and more appropriate taxes, such as on motor fuels, to fund their operations and transportation projects.

NOTES: According to the bill's fiscal note, VIA could raise about \$52 million per year in additional revenue by creating an ATD that levied the maximum sales-tax rate of three-eighths percent.