

**CITY OF SAN ANTONIO
EXTERNAL RELATIONS DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Christopher J. Brady, Assistant City Manager

SUBJECT: State Initiatives Program – 79th Legislative Session

DATE: November 4, 2004

SUMMARY AND RECOMMENDATION

An ordinance approving the City of San Antonio's State Initiatives Program for the 79th Legislative Session, which convenes on January 11, 2005.

Staff recommends approval.

BACKGROUND INFORMATION

Prior to the convening of each biennial state legislative session, the City of San Antonio identifies policy priorities that it would like the Texas Legislature to address. In July 2004, the City's Governmental Affairs Team began working with the City Council Intergovernmental Relations Committee, City Departments and agencies, and the Texas Municipal League to identify issues for the upcoming session. The initial draft of the program was reviewed by the Council Intergovernmental Relations Committee on October 25, 2004, and is being recommended for consideration by the full Council.

As first utilized in the 77th Legislative Session, the City's legislative program is organized into two distinct issue categories. The first category is *Legislative Initiatives*. A legislative initiative will be actively supported through the drafting of legislation, finding a bill sponsor, providing testimony, and otherwise actively pursuing its passage. To be designated an initiative, a policy recommendation must meet one of the following three criteria: (1) it must be San Antonio-specific, (2) it must address an issue in which San Antonio is disproportionately affected, or (3) it must be universal in effect, but to ensure success, San Antonio must take a leading role in its passage. The second category is *Legislative Endorsements*. With an endorsement, the City will not play a primary advocacy role, but will work collectively with other interested parties and communicate its support of issues in this category.

POLICY ANALYSIS

The 79th Legislature is expected to consider a variety of issues that could potentially pose significant threats to municipal authority or impose new administrative or financial burdens on city government. Consequently, much of the focus of the City's legislative effort during the upcoming session will be devoted to protecting the City's interests. Specifically, the City's governmental relations team will dedicate considerable time opposing legislation that would: (1) unfairly cap appraisals; (2) weaken municipal annexation authority; (3) restrict the development of functional water markets to meet growing population and economic demands; (4) limit municipal control over water quality; (5) impose unfunded state mandates; (6) restrict the use of local economic development incentives; and (7) protect against the possible negative impacts of a streamlined sales tax agreement.

Similar to the last session, the Texas Legislature will likely be facing an anticipated budget shortfall due to a milder than projected economic recovery, resulting in declining projections in sales tax collections. Sales taxes comprise the largest share of state budget revenues. The Legislature will also face the daunting task of revamping the existing public school finance system in the wake of a recent trial court decision that found the current system unconstitutional. Other key issues that state lawmakers are expected to address, include: sunset review of the Public Utility Commission, transportation infrastructure funding, election and ethics reforms, funding state health programs, like Medicaid and the Childrens Health Insurance Program, affordable housing reforms, environmental permitting, air quality appropriations, limitations on special districts, and prison and parole reforms. The 79th Legislature will be challenged in finding a delicate balance between the state's policy priorities and the availability of revenue to fund them.

The City's State Initiatives Program for the 79th Legislative Session includes the following eight policy initiatives: (1) clean air funding; (2) Defense Adjustment Management Authority (DAMA); (3) dissolution of campaign treasurer appointments; (4) Edwards Aquifer Authority; (5) major sports promoting funding; (6) motor vehicle accident reporting; (7) municipally-owned utility protections and Public Utilities Commission sunset review and reauthorization; and (8) water resources.

Specifically, the City will actively pursue the following legislative initiatives:

- Support continued state funding to help near non-attainment communities, like San Antonio, to achieve compliance with EPA air quality standards by 2007;
- Amend the Texas Local Government Code to clarify provisions in the DAMA statute relating to land use controls, board of director terms, expanding territorial boundaries, and development of a comprehensive masterplan;
- Amend the Texas Election Code by allowing a City Clerk to have the same authority as the state Ethics Commission to terminate the campaign treasurer appointment of an inactive candidate or political committee;
- Support the Edwards Aquifer Authority by recognizing the need for a regional entity to manage, conserve and protect the Aquifer;

- Support extending the expiration date of the *Other Events Trust Fund* from January 1, 2007 to January 1, 2011, so that the City of San Antonio can use its local share of sales/use taxes to pay for expenses related to the hosting of the 2008 NCAA Men's 'Final Four' and the 2010 Women's 'Final Four' basketball tournaments;
- Amend the Texas Transportation Code by raising the property damage requirement from \$1,000 to \$3,000 before a written report must be submitted local law enforcement agencies to the Texas Department of Public Safety;
- Oppose legislation that negatively impacts City Public Service, specifically the provisions adopted by the legislature in 1999 that protects the City's local control of its electric utility as well as to monitor the recommendations of the Sunset Advisory Commissions' review of the Public Utility Commission; and
- Support the repeal or modification of the "junior rights" provision in the Texas Water Code that renders interbasin transfers impractical, as well as to support the establishment of a regulated and well-managed market that will lead to greater efficiency in the development of water supply projects as a means of making more water available statewide.

In addition to the above-mentioned initiatives, the City's program also includes the following six endorsements: (1) Childrens Health Insurance Program; (2) Freeport Exemption; (3) Texas A&M University – Tuition Revenue Bonds; (4) Transportation Infrastructure Funding; (5) University of Texas at San Antonio – Tuition Revenue Bonds; and (6) University of Texas Health Science Center – Funding Requests.

Specifically, the City will endorse the following legislation:

- Support enhanced funding for the Children's Health Insurance Program (CHIP), including expanded benefits for mental health, dental, and vision services;
- Support the passage of legislation expanding the state's current Freeport Exemption from 175 to 270 days through the exemption of taxes on inventory classified as Freeport property;
- Secure \$80 million in bonding authority and \$5.8 million in special item funding to begin the construction of a Texas A&M University campus to be located in *City South*;
- Support legislative initiatives that will provide enhanced funding for infrastructure improvements on state and local roadways to protect the City's \$3.4 billion capital investment in roads and bridges;
- Secure \$192 million in tuition revenue bonds to build four academic and administrative support facilities for the University of Texas at San Antonio (UTSA); and
- Secure \$118.7 million in financial assistance to fund the following initiatives at the University of Texas Health Science Center – San Antonio: (a) Bioscience Initiative for Growth (BIG); (b) the Laredo Extension Campus (LEC); (c) the Regional Academic Health Center (RAHC); and (d) The South Texas Research Tower.

A copy of the proposed program is attached.

FISCAL IMPACT

There is no financial impact with this action.

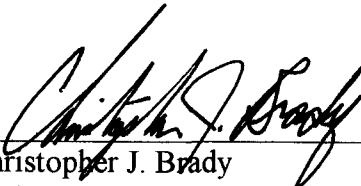
COORDINATION


This item has been coordinated with all Departments that submitted an initiative for inclusion in the City's 2005 State Initiatives Program.

SUPPLEMENTARY COMMENTS

As a result of legislative initiatives still being developed by City staff and the finalization of the Texas Municipal League's legislative program, staff anticipates that an addendum to this program will be presented for Council consideration before the end of the year. This addendum could include initiatives and/or endorsements such as creation of a public library district, expanding the definition of Strategic Investment Areas to include federal empowerment zones, expanding the contracting and purchasing authority of municipalities, pawn shop reporting, post-Base Realignment & Closure economic incentives for defense base communities, and requiring the disclosure of commercial property sales prices to county appraisal districts.

As additional legislative issues of interest to San Antonio emerge during the session, External Relations staff will work with the Council Intergovernmental Relations Committee to review such legislation and submit recommendations to the full Council for their consideration.



Christopher J. Brady
Assistant City Manager

J. Rolando Bono
Interim City Manager

AN ORDINANCE

**APPROVING THE CITY OF SAN ANTONIO'S STATE
INITIATIVES PROGRAM FOR THE 79TH LEGISLATIVE
SESSION, WHICH CONVENES JANUARY 11, 2005.**

* * * * *

WHEREAS, prior to the convening of each biennial state legislative session, the City of San Antonio identifies policy priorities that it would like the Texas Legislature to address and since July 2004, the City's Governmental Affairs Team, consisting of Tristan Castañeda, Jr., Susan Rocha, Christopher Shields and Marc Rodriguez, began working with the City Council Intergovernmental Relations Committee, City Departments and agencies and the Texas Municipal League to identify issues for the upcoming session; and

WHEREAS, the result of this work is the pending State Initiatives Program ("Program") containing eight (8) initiatives and six (6) legislative endorsements; and

WHEREAS, the 79th Legislature is expected to consider a variety of issues that could pose significant threats to municipal authority or impose new administrative or financial burdens on city government and, consequently, much of the focus of the City's legislative effort during the upcoming session will be devoted to protecting the City's interests by defeating legislation that would unfairly cap appraisals, weaken municipal annexation authority, restrict the development of functional water markets to meet growing population and economic demands, limit municipal control over water quality, impose unfunded state mandates and restrict the use of local economic development incentives and by supporting legislation that would protect against the possible negative impacts of a streamlined sales tax agreement; and

WHEREAS, similar to last session, the Texas Legislature will likely be facing an anticipated budget shortfall due to a milder than projected economic recovery, resulting in declining projections in sales tax collections and the Legislature will also face the daunting task of revamping the existing public school finance system in the wake of a recent trial court decision that found the current system unconstitutional; and

WHEREAS, the initial draft of the Program was reviewed by the Council Intergovernmental Relations Committee and is now being recommended for consideration by the full Council; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council hereby approves the City of San Antonio's State Initiatives Program for the 79th Legislative Session. A copy of the proposed Program is attached hereto and incorporated herein as Attachment I.

SECTION 2. Staff is hereby directed to inform the Bexar County Legislative Delegation of the Program and to undertake such steps as are reasonably necessary to obtain passage of the City's various initiatives during the upcoming 79th Legislative Session.

SECTION 3. This Ordinance shall be effective on and after the tenth day after passage hereof.

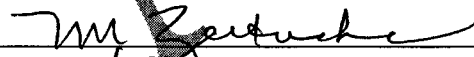
PASSED AND APPROVED this 4th day of November, 2004.

M A Y O R

ATTEST:

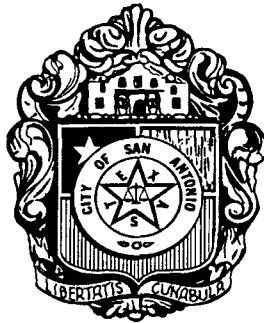
City Clerk

APPROVED AS TO FORM:


City Attorney

Attachment I

City of San Antonio



Mayor and City Council

Edward Garza
Mayor

Roger O. Flores

Joel Williams

Ron Segovia

Richard Perez

Patti Radle

Enrique Barrera

Julian Castro

Art Hall

Carroll W. Schubert

Christopher "Chip" Haass

J. Rolando Bono
Interim City Manager

City of San Antonio

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Executive Summary

Prior to the commencement of the biennial Legislative Session, the City of San Antonio identifies legislative priorities that need to be addressed by the Texas Legislature. In July 2004, the City's Governmental Affairs Team began working with the City Council Intergovernmental Relations Committee, City Departments and agencies, Texas Municipal League and the community to identify issues for the upcoming Legislative Session. The initial draft of the Legislative Program was reviewed by the City's Management Team on October 19, 2004 and the City Council Intergovernmental Relations Committee on October 25, 2004 and is being recommended for consideration by the full Council.

The 79th State Legislature is expected to consider a variety of issues that potentially pose significant threats to municipal authority or could unduly impose new administrative or financial burdens on city government. Consequently, much of the focus of the City's legislative effort this session will be given to defense or protection of the City's interests. Specifically, the government relations team will dedicate considerable time defending against some anticipated adverse legislative changes relating to: 1) unfairly capping appraisals; 2) weakening municipal annexation authority; 3) restricting the development of functional water markets to meet growing population and economic demands or limiting municipal control over water quality; 4) imposing unfunded state mandates; 5) restricting the use of local economic development incentives; and 6) protecting against the possible negative impacts of a streamlined sales tax agreement.

Once again, the Texas Legislature will need to address an anticipated budget shortfall due to a mild economic recovery resulting in declining projections in sales tax collections, which makes up the majority of state budget revenues. The Legislature will also face the daunting task of finding an acceptable public school finance system in the wake of a recent trail court decision that found the state's current system unconstitutional. Other key issues lawmakers are expected to contend with include, the Sunset review of the PUC, transportation infrastructure funding, election and ethics reforms, funding State Medicaid and CHIP programs, affordable housing reforms, environmental permitting, air quality appropriations, limitations on special districts, and prison and parole reforms to mention some of the most significant. The 79th Session of the Texas Legislature is expected to be a delicate balancing act between the state's policy priorities and the availability of revenue to fund them.

In addition, the state's slumping economy has been blamed for declining sales tax revenues, which makes up a significant portion of the state budget. The next session of the legislature is expected to be a delicate balancing act between the state's policy priorities and the availability of revenue to fund them.

As first utilized in the 77th Legislative Session, the City's legislative program is organized into two distinct issue categories. The first category is *Legislative Initiatives*. A legislative initiative will be actively supported through the drafting of legislation, finding a bill sponsor, providing testimony, and otherwise actively pursuing its passage. A legislative initiative must meet one of the following three criteria: (1) the initiative is San Antonio-specific, (2) the initiative addresses an issue where San Antonio is disproportionately affected, or (3) the initiative is universal in effect, but to ensure success, San Antonio must take primary responsibility. The second category is *Legislative Endorsements*. With an endorsement, the City will not play a primary advocacy role, but will work collectively with other interested parties and communicate its support of issues in this category.

Throughout the Legislative Session, the City Council Intergovernmental Relations Committee will meet regularly to review the City's priorities and receive updates from the Governmental Affairs Team on pending legislation. The committee is chaired by Councilman Julian Castro and includes Councilmembers Carroll Schubert, Enrique Barrera, Joel Williams and Christopher "Chip" Haass. As additional legislative issues of interest to San Antonio arise during the session, the Committee will review such legislation and submit recommendations to the full Council for consideration. The work of the City's Governmental Affairs Team is coordinated through the External Relations Department and includes the City Manager's Office, representatives from all City departments and the governmental affairs firms of Christopher S. Shields, P.C., Tristan "Tris" Castaneda of Baker Botts, L.L.P., Marc A. Rodriguez, and Susan Rocha of Denton, Navarro, Rocha & Bernal.

Section I – Legislative Initiatives

Clean Air Funding

Proposal:

The City of San Antonio supports continued state financial assistance for near non-attainment communities in an effort to assist in meeting National Ambient Air Quality Standards for ozone.

Background:

The federal Clean Air Act authorizes the U.S. Environmental Protection Agency (EPA) to establish maximum allowable concentrations of pollutants because of their harmful effects on public health, the environment and personal property. Areas that exceed EPA standards may be designated as “non-attainment” unless they take steps to meet federal standards by 2007. All non-complying states face severe sanctions.

Currently, Texas has four non-attainment areas, including several deemed near non-attainment. There are a total of 62 counties that have elevated ozone levels. These areas represent 70 percent of the state's population, 76 percent of aggregate employment, 82 percent of personal income, and 83 percent of gross state product. Because of Texas' integrated economy, all regions of the state have a stake in bringing each of these areas into compliance.

Three near non-attainment areas, including metro San Antonio, have entered into Early Action Compacts with the state and the EPA. Under these compacts, local areas are required to perform sophisticated modeling, emissions inventorying, and implementation of control strategies. Last session, the City worked with other communities to secure \$4.1 million in state funding for air quality planning activities in near non-attainment areas. Eligible activities included the identifying, inventorying, and monitoring of current pollution levels, modeling future pollution levels, and the identification and quantification of potential pollution reduction through voluntary controls. Working with other near non-attainment areas, the City was successful in increasing the funding for near non-attainment communities from the \$2.6 million originally during the 1999 session.

The City of San Antonio supports a combination of technology improvements and a statewide public education program to influence behavioral patterns. Cleaner burning fuels and engines, and a vehicle retirement program should be considered. Local governments, particularly those who have entered into Early Action Compacts and/or have not yet been designated nonattainment, need additional tools at their disposal.

Financial Impact:

The financial impact related to ozone noncompliance is very difficult to determine. At a minimum, poor air quality affects a person's ability to breathe. The young, elderly, and those with respiratory problems are considered most at-risk to harmful ground-level ozone. Economically, federal transportation funds are restricted in non-attainment areas through the conformity requirements of the Federal Highway Administration. Businesses are also affected by federal controls. During the 79th Legislative Session, the City will seek funding equal to or greater than the \$4.1 million appropriated in the previous session.

Defense Adjustment Management Authority (DAMA)

Proposal:

To amend the Texas Local Government Code to clarify provisions in the DAMA statute relating to land use controls, board of director terms, expanding territorial boundaries, and development of a comprehensive masterplan.

Background:

Chapter 375 of the Texas Local Government Code allows municipalities to create Defense Adjustment Management Authorities (DAMA) in their communities. To be eligible, an area must: (1) be within the same county as a defense base closed under the Defense Base Closure and Realignment Act or that is a defense base efficiency project, (2) within the extraterritorial jurisdiction of a municipality with a population of at least 1.1 million, and (3) be included in a municipal annexation plan or be annexed for limited purposes by the municipality. Authorities may be established by majority vote of the municipality only after a public notice and hearing process and the municipality is charged with establishing the boundaries of the authority.

A DAMA is governed by a board of directors numbering between 5 and 15 members. A sponsoring city, the county and each school district whose boundaries overlap the boundaries of the authority are entitled to one permanent member on the board. The majority of the directors must either reside in the authority's area, own property there, own stock in a corporation that owns property in the area or be an agent or employee of a property owner. Members of the board may be employees of school districts or institutions of higher education operating in the authority's area.

Authorities have zoning and planning powers and can enter into regional development agreements with municipalities, counties, school districts, institutions of higher education and other political subdivisions to promote and advance long-term economic development and enhance public education. An authority cannot issue bonds or notes without approval of the municipality, and can only develop projects pursuant to a district master plan approved by the municipality. The authority can impose a sales and use tax of up to ½ percent (in 1/8 cent increments) if such tax is approved by the voters within the authority's area. Upon annexation by the municipality, the municipality's sales and use tax shall apply to that area. In addition, a city may annex areas within the authority, which will not result in the termination of the authority. Only after a public hearing, the creating municipality can dissolve an authority if it assumes all assets, debts and obligations.

The proposed legislation would make the following changes to Chapter 375 of the Texas Local Government Code by clarifying provisions in the existing statute:

1. Land Use Controls

There has been some confusion that if the boundaries of a DAMA are not fully annexed by the City, and subsequently released from limited purpose annexation, an authority would no longer have the power to regulate zoning and planning within a DAMA. The proposed change would ensure that a DAMA would not lose these powers.

2. Addition of property to a DAMA

Chapter 54 of the Texas Water Code has detailed requirements for the addition of lands to a district. It provides that once a DAMA has been created and issued bonds, landowners may submit applications to be excluded from a DAMA if they indicate that they will not need nor utilize the services of the district. However, to add territory to a DAMA, the proposed territory must be at least equal in value to lands that are to be removed. Public hearings are required to be held by the DAMA board to remove or add territory, in accordance with provision of the Water Code.

To facilitate the process allowing a DAMA to add eligible property, state law will need to be amended that removes these requirements from the annexation provisions in the Water Code, and to add a provision in the DAMA statute permitting a municipality to add territory in the same manner that a DAMA is created.

3. Board of Directors Term Length

The DAMA statute is unclear as to the term of office for members of the board of directors and presiding officers. Section 375.306 (e) states that "...directors are appointed for terms of two years." Subsection (g) states that "...the presiding officers shall serve for a term of four years beginning on January 1 of the year following the appointment." It is not clear if this means the presiding officer is reappointed after two years or has a different term of office than directors. The proposed legislation will amend the statute to clarify that presiding officers serve for four years and directors serve for two years.

4. Comprehensive Vision Plan

Under the existing DAMA statute, an authority's board of directors would submit a masterplan for consideration and adoption by a municipality's governing body. The proposed change in this bill would require that a masterplan by an authority would be governed by the "comprehensive vision plan" adopted by the San Antonio City Council, to take into account the consensus among citizens, staff and City Council, that occurred in numerous community meetings in the *City South* area during the past year.

Financial Impact:

The fiscal impact from passage of this bill is undetermined at this time. However, it would clarify provisions that are in the existing DAMA statute and facilitate the creation of an authority that has been proposed for the *City South* area on the southside of San Antonio.

Dissolution of Campaign Treasurer Appointment

Proposal:

To amend Chapter 252 of the Election Code to allow a City Clerk to terminate the campaign treasurer appointment of an inactive candidate or political committee.

Background:

Under the Texas Election Code, a City Clerk is responsible for receiving and handling all documentation related to a municipal elections. Documentation submitted to the City Clerk by candidates and political committees includes, but is not limited to candidate applications, petitions and/or filing fees, treasurer appointments and contribution and expenditure reports. Once received, all information is filed and maintained in accordance with the state's mandated retention schedule.

One piece of information maintained and subsequently to be destroyed is the campaign treasurer appointment. In accordance with Section 252.014 of the Election Code, campaign treasurer appointments must be preserved for two years after the date the appointment has been terminated. Unfortunately, with the passage of time and decreased interest in an unsuccessful bid for office or ballot measure, many individuals are not properly informed on the approved method for terminating a campaign treasurer appointment. Pursuant to Section 254.065 (for candidates) and 254.125 (for political committees) of the Code, submission of a final dissolution report with a City Clerk is the only proper method for closing out a campaign treasurer appointment. Until a final dissolution report is filed, reports are to be continuously submitted by the individual while the City Clerk is required to maintain the appointment.

Currently, the San Antonio City Clerk's Office maintains information on approximately 82 candidates and 14 political committees dating back to the 1993 Municipal Election. Of these, approximately 31 campaign treasurer appointments for both candidates and political committees are active. Since the Texas Ethics Commission does not authorize local filing authorities such as a City Clerk to penalize individuals for not filing the required information, the City Clerk's Office can only remind individuals of their obligation to submit the necessary reports if a valid address is provided. With shrinking operating budgets and the inability to levy a fee or an administrative penalty, the City Clerk's Office must expend valuable staff time and postage to maintain this data.

During the 78th Legislative Session, the Legislature adopted HB 1606, which, in part, allowed for the Texas Ethics Commission to adopt a process by which the commission may terminate the campaign treasurer appointment of any inactive candidate or political committee. HB 1606 was specific to candidate and political committee treasurer appointments filed with the commission. The City of San Antonio supports the extension of this provision to local filing

authorities with a population over 250,000. The extension of this authority would allow a City Clerk to follow the same procedures implemented by the Texas Ethics Commission for the termination of inactive candidate and political committee campaign treasurer appointments.

Financial Impact:

Adoption of this initiative will have a positive financial impact on the City of San Antonio. Specific cost savings to the City include, but are not limited to, savings of staff time for the maintenance of the files, drafting and submitting reminder letters, calling and researching outdated information as well as savings of postage incurred for the mailing of reminder letters.

Edwards Aquifer Authority

Proposal:

The City of San Antonio supports the Edwards Aquifer Authority (EAA) and recognizes the need for a regional entity to regulate pumping from the Aquifer. The City also supports the continued enforcement of its water quality ordinances by the San Antonio Water System (SAWS) and would favor legislative changes to the EAA Act that would allow SAWS to continue its enforcement role up to and beyond the City's extraterritorial jurisdiction

Background:

The EAA was charged by the Legislature to limit annual permitted withdrawals of water from the Edwards Aquifer to 450,000 acre-feet, and ultimately to 400,000 acre feet by 2008 as a means of protecting spring flow at Comal and San Marcos Springs. The EAA was also charged with honoring and protecting the historic usage of certain pumpers and is now approaching the end of a seven-year permitting process, which has been conducted at great expense and with remarkable success given the unprecedented nature of the undertaking. Although permits issued will exceed 450,000 acre-feet, the EAA has adopted rules which will ensure that actual withdrawals are managed and reduced at specified trigger levels in order to meet the goals set forth by the provisions adopted in 1993 in Senate Bill 1477. The EAA may ask the Legislature to raise the statutory cap in light of the results of the permitting process.

During the 2003 legislative session, a debate arose with regard to the authority of the EAA to regulate the water quality of the Edwards Aquifer. The EAA may seek clarification of its authority in the upcoming session. Aquifer management fees paid by municipal and industrial pumpers almost fund the EAA entirely. The City of San Antonio, through SAWS, funds approximately 60 percent of the agency's budget. Keeping pumping fees as low as possible is in the best interest of City residents. The implementation of an EAA-wide water quality program would undoubtedly raise fees for San Antonio ratepayers. SAWS already enforces a stringent water quality program within the City's jurisdiction. SAWS and the Texas Commission on Environmental Quality (TCEQ) have partnered on a number of initiatives to avoid duplication of effort as well as to stretch limited local and state funds. The City does not believe it would be in the best interest of its ratepayers to fund, through the EAA, a second layer of water quality regulations within San Antonio's corporate and extraterritorial jurisdiction.

Financial Impact:

The City of San Antonio supported legislation that created the EAA in 1993 and continues to support regional management of the Edwards Aquifer. However, the City has a fiduciary responsibility to its ratepayers to advocate for limited fees from the EAA. Programs that increase aquifer management fees are passed on to City ratepayers. It is for this reason that

the City recommends that the EAA avoid initiatives that are costly duplications of programs already being implemented by other agencies.

Additional Information and Comments:

The San Antonio City Council, after an extensive public participation process, adopted and aquifer protection ordinance on January 12, 1995. Currently, the Mayor's Ad Hoc Water Quality Committee is reviewing the ordinance and will report back to the full Council with its recommendations.

If the Legislature concludes that a water quality role is appropriate for the EAA, SAWS would request that the integrity of the ordinance and the recommendations made by the Mayor's water committee be considered. One alternative could be statutory changes as necessary to allow the EAA to focus on areas where there are currently no local water quality regulations. This would allow more territory to be protected, at a reduced cost, to those already paying EAA aquifer management fees. Another alternative is legislation delegating enforcement of TCEQ's 213 rules to local governments and/or the EAA.

Major Sports Promotion Funding

Proposal:

To support legislation extending the expiration date of the "Other Events Trust Fund" from January 1, 2007 to January 1, 2011. Extending the time period would permit certain municipalities and counties to continue promoting economic development by hosting certain major sporting events.

Background:

Legislation adopted in 1999 authorized certain cities and counties to use a portion of their sales and use tax as well as hotel occupancy tax revenues to promote, encourage and provide funding to attract major sporting events. This authority, however, was limited to the 2007 Pan American Games and the 2012 Olympic Games.

Under provisions of the bill, the Comptroller would be required to forecast revenue gains from increased collections in sales, motor vehicle, hotel occupancy and alcohol taxes in the market area where the Games are to be held. Based on a formula established by the legislature, a portion of the expected tax revenue increase would be placed in a trust fund administered by the Comptroller's Office, to be used by a host city to help defray expenses for the event.

In the 2003 legislative session, a bill was passed that expanded the authority of cities and counties to promote major sporting events by adding to the list of qualifying events the National Football League Super Bowl, National Collegiate Athletic Association Final Four, National Basketball Association All Star Game, National Hockey League All Star Game, Major League Baseball All Star Game, Bowl Championship Series Games, World Cup Soccer Games, and any events and activities related to or associated with any of the foregoing.

For San Antonio, which was the site of the NCAA Men's Final Four basketball tournament last April, this resulted in \$5 million in matching funds that were used to pay for costs associated with hosting the event, including improvements to the Alamodome. The Final Four was the second major sporting event for which state tax revenues were used to supplement local spending. The first one occurred a couple of months earlier when the City of Houston, Harris County and the Houston Super Bowl Host Committee received \$8.7 million in state funding for last February's 2004 Super Bowl.

Financial Impact:

With the NCAA announcing last year that San Antonio would play host to the 2008 Men's Final Four, the economic gain from hosting this event is expected to be financially significant, likely surpassing the \$5 million the City received from this year's tournament. However, in order to be eligible for these funds, legislation must be adopted by state lawmakers which extends the expiration date of the Other Events Trust Fund provision from 2007 to 2011.

Motor Vehicle Accident Reports

Proposal:

To amend the Texas Transportation Code by raising the property damage requirement for written reports that are submitted by local law enforcement agencies to the Texas Department of Public Safety (DPS).

Background:

Section 550.062 of the Texas Transportation Code requires that a "...a local law enforcement officer who in the regular course of duty investigates a motor vehicle accident, shall submit a written report to the Texas Department of Public Safety a written report of the accident if the accident resulted in...property damage equal to or exceeding \$1,000."

The report must be submitted not later than 10 days after the accident without regard to whether the officer investigates the accident at the location of the accident, immediately after the accident or afterwards by interviewing those involved in the accident or witnesses to the accident.

Due to the increasing cost of automobile repair and labor costs, minor vehicle damage can quickly surpass the \$1,000 threshold. The requirement that the report be submitted to the state within a specified time period hinders police operations and efficiency. Most local law enforcement agencies are stretched thin by limited resources. Relief from this administrative burden would help avoid placing the general public at greater risk of crime due to fewer law enforcement officers patrolling their communities.

Financial Impact:

Passage of this bill would provide fiscal savings to local law enforcement agencies by reducing the number of reports required to be submitted as well as the number of hours and staff time spent in producing these reports. The amount of savings, however, is undetermined at this time.

Municipally-Owned Utility Protections & Public Utility Commission Sunset/Reauthorization

Proposal:

To oppose legislation that would negatively impact City Public Service (CPS), particularly the provisions in Senate Bill 7 that protect the City's local control of its municipally-owned electric utility.

To monitor legislative proposals based on recommendations by the Sunset Advisory Commissions' review of the Public Utility Commission (PUC). Objectives are as follows:

- Maintain the basic framework in Senate Bill 7
- Support industry involvement at ERCOT, including board governance
- Support recusal of ERCOT board members voting on items "directly" benefiting a board member's business
- Support enhanced PUC oversight authority of ERCOT and its costs/fees
- Support application of the Texas Open Meetings Act to ERCOT, provided that competitively sensitive information was adequately protected

Background:

In 1999, the Texas Legislature passed Senate Bill 7, which provided the framework for restructuring the electric utility industry in Texas. SB 7 provides municipally-owned utilities the ability to choose when to opt-in to the competitive market. This decision is vital for municipally-owned utilities within the state. The legislation also includes various protections to maintain the financial integrity of municipally-owned utilities, and provides appropriate consumer protections for the citizens of San Antonio.

SB 7 also required that the PUC undergo sunset review in 2005. Therefore, in 2004, the mission and performance of the PUC came under review by the Legislature as required by the Texas Sunset Act. This Act provides that the Sunset Advisory Commission, composed of legislators and public members, periodically evaluate a state agency to determine if the agency is still needed, and what improvements are needed to ensure that tax dollars are well spent.

Financial Impact:

Significant changes to SB 7, specifically Chapter 40 relating to municipally-owned utilities, could result in a loss of municipal control over rates, terms, revenues and policies, and consequently, could have an adverse impact on municipal finances, small business and residential customers.

Water Resources

Proposal:

The City of San Antonio supports the repeal or modification of the "junior water rights" provision in the Texas Water Code that renders interbasin transfers impractical and limits the development of functional water markets.

Background:

Surface water rights in Texas are based on a priority system ("first in time is first in right"), wherein "senior" water rights are satisfied first, followed by more recent, or "junior" rights. During times of drought, when insufficient water supplies exist to meet the demands of all water rights in a basin, the priority date of the right is often determinative of whether water can be legally diverted. Chapter 11 of the Texas Water Code provides for a series of analyses and determinations regarding interbasin transfers (IBTs), the transfer of water rights from a river basin of origin to a receiving basin. With the passage of Senate Bill 1 in 1997, statutory provisions were added to Section 11.085 of the Water Code (i.e., the junior rights provisions) wherein existing rights transferred via an IBT lose their priority and become junior to all other rights in the basin of origin.

Such a loss in priority has implications for water resource management, including:

- the value of the senior water right is unfairly diminished;
- due to the junior rights provisions of SB 1, which only apply to IBTs of surface water, additional pressure has been placed on groundwater resources in the state.
- the dependability of the transferred right is reduced, creating risk for the "receiver" of such a right;
- the dependability of projects designed to use senior rights is generally reduced without the addition of storage, which comes at considerable expense;
- in some cases, due to the loss in priority, the dependability is reduced so much that water supply projects become infeasible;
- the ability to market water for distribution throughout the state is diminished.

The State of Texas would be well served to statutorily create and protect a full range of tools to manage the water resources of the state to meet the needs of its citizens and the environment. One such tool is a regulatory environment where the needs of water rights holders and the environment are in balance and where a framework can be created in which a market can drive distribution of water in the state.

The "junior rights provisions" are inconsistent with the regional planning processes established by SB 1. The legislature opted for a "bottom up" planning process that sought to empower regional planning groups to identify and facilitate projects necessary to meet regional needs. By making IBTs of existing water rights uneconomic and, therefore infeasible, the junior rights provisions denied regional planning groups a basic power which localities already had to meet these regional needs.

Issuance of water rights authorizing IBTs is essential to implement many projects in regional and state water plans. Impediments to these necessary authorizations, including the existing junior rights provisions, serve to frustrate the development of much-needed water supply projects.

Chapter 11 of the Texas Water Code provides sufficient protections for the basin of origin without the junior rights provisions. The City of San Antonio, in partnership with the San Antonio Water System (SAWS), supports legislation that repeals the junior rights provisions in their entirety, or modifies them so as to address projects involving the sale of water, to address projects within a common regional planning area, and/or other modifications that will make IBTs of existing water rights a real tool in addressing future water supply demands, while ensuring that the basin of origin is adequately compensated for such transfers. Any such transfers should be predicated on sound science. Further, Section 11.085(p) of the Water Code, which prevents the Texas Water Development Board from redesignating river basin boundaries in order to allow for a transfer or diversion of water should be repealed, or at least amended to allow for case-by-case determinations by the Board of appropriate basin boundaries.

Financial Impact:

San Antonio is investing upwards of \$2.6 billion to implement projects in the State Water Plan to meet the needs of a growing population, and to sustain the region's economy. Repeal or modification of the junior rights provisions and the establishment of a regulated and well-managed market will lead to greater efficiency in water resources development and make more water available statewide. Any specific legislation will be analyzed to determine the potential impact to San Antonio, the south central Texas region, and the state.

Additional Information and Comments:

SAWS is working with the Greater San Antonio Chamber of Commerce to include in its legislative agenda a similar policy statement. At a recent meeting of the Chamber's Water Committee, a resolution was introduced and is pending minor changes. Once adopted, SAWS is hopeful that the Metro 8, a group consisting of the eight largest chambers of commerce in Texas, will support this issue. The Greater Houston Partnership recently passed a resolution recommending the modification of the junior rights provision.

Section II – Legislative Endorsements

Children's Health Insurance Program

Proposal:

To support enhanced funding for the Children's Health Insurance Program (CHIP) benefits, including expanded benefits as appropriate for mental health, dental, and vision services.

Background:

Texas has one of the highest rates of uninsured children in the United States. To remedy this problem, the 2001 Texas Legislature established the Children's Health Insurance Program (CHIP) to serve children in low-income families who do not qualify for Medicaid. CHIP is not an entitlement program, since federal funds pay 75 cents and state funds pay 25 cents of every dollar in the program. The eligibility income limit is 200 percent of the federal poverty level.

During the 2003 legislative session, state lawmakers made unprecedented policy changes to CHIP that resulted in serious cuts to both eligibility and services. Many of these changes were a direct response to the budget shortfall the Legislature faced at the beginning of the session. The following is a sample of the negative impact these changes have or are likely to have on the current caseload:

- 500,000 children currently enrolled have lost dental, vision, hospice, and most mental health services.
- 169,000 children are projected to lose coverage by 2005, as a result of eligibility changes. This represents one third of the current caseload.
- The 35,000 children who used mental health services under CHIP in the past 12 months will no longer be eligible for counseling, therapy, rehabilitation, or evaluation and treatment after a crisis.

In May 2003, as House and Senate conferees were finalizing the state's 2004-2005 biennial budget, the U.S. Congress appropriated \$1.3 billion in state fiscal relief funds, along with \$553 million in Medicaid matching funds. Some of these funds were used to fill the budget gap for the 2004-2005 budget, but some remained unallocated.

Earlier this year, Comptroller Carole Keeton Strayhorn estimated that \$583 million in unallocated funds could be used to restore funding for CHIP. Advocates for CHIP, including the City of San Antonio, support restoring cuts in the program and funding health services for the 120,000 children that have already lost their CHIP coverage due to the policy changes.

Financial Impact:

In a report commissioned by the Texas Medical Association and the Texas Hospital Association, noted economist Ray Perryman said slashing state health care programs, like CHIP, will result in higher local taxes, increased health insurance premiums, increased costs to hospitals and doctors and a slowdown in the state's economy.

For every \$1 cut in state spending on Medicaid and CHIP, Perryman found that: state tax revenues drop by 47 cents; local taxes rise by 51 cents; health insurance premiums rise by \$1.34; the Texas health care system loses \$2.81 in federal funds; Texas business activity declines by \$19.14; Texas hospitals and doctors provide 53 cents worth of uncompensated care; increases in the number of uninsured Texans push health care costs up by 62 cents; and retail sales plummet by \$1.77.

Freeport Exemption

Proposal:

The City of San Antonio supports the passage of legislation that enacts Senate Joint Resolution 6 expanding the State's current Freeport Exemption.

Background:

The Freeport Exemption is a business incentive that exempts taxes on inventory that is classified as Freeport property and is detained in Texas for a short period of time. Freeport property includes goods, merchandise, and certain aircraft parts used for the purpose of assembly, storage, manufacturing, processing or fabricating. To receive the tax exemption, eligible inventory must be transported to destinations outside of Texas not later than 175 days after the date the inventory was acquired or imported into Texas.

This incentive is particularly attractive to manufacturing, logistics and distribution activities locating in Texas. However, most other states don't tax such inventory at all putting Texas at a disadvantage. Participating taxing entities include the City of San Antonio, Bexar County and some independent school districts. In 2001, 126 local companies participated in the Freeport Exemption program receiving a tax exemption on \$318,663,870 in eligible inventory. This resulted in a total City tax incentive of \$1,843,598 dollars. Companies participating in 2001 include Alcoa, Cardell Cabinets, DPT Laboratories, Kinetic Concepts, Philips Semiconductors, Radio Cap, Sony, HEB and Tristar Corporation.

On November 6, 2001, the voters approved a constitutional amendment proposed by Senate Joint Resolution 6 that expands the state's Freeport Exemption to include goods-in-transit regardless of their point of origin or destination, and extends the holding period from 175 days to 270 days. Enabling legislation is now required to put these changes into law. Once enacted into law, the Freeport Exemption will become an even more attractive business incentive and will continue to be an invaluable tool in helping establish Inland Port San Antonio.

Financial Impact:

The impact to the General Fund will depend on the companies participating in the Freeport Exemption and the taxable value of their eligible inventories. The City does not anticipate there will be a significant financial impact to its General Fund.

Sales Price Disclosure of Commercial Property

Proposal:

To amend the Texas Tax Code by requiring disclosure of commercial property sales to county appraisal districts.

Background:

According to the International Association of Assessing Officers, 35 states currently have mandatory sales price disclosure of real property. Texas, however, is one of a handful of states that does not require price disclosure.

It is well understood that to achieve a fair and equitable property tax system, it is essential to have fair market value data. Already, some appraisal districts in Texas have access to sales data through realtor databases, such as the Multiple Listing Service (MLS), while others do not. This has caused appraisal inequities between counties'. The accuracy of sales price data is vital to equitably and fairly allocate funds for public schools.

The proposed legislation would require that actual sales price data be disclosed on a form at the time of closing on the sale of commercial property and then forwarded to the appraisal district and the state Comptroller's Office. The data could only be used in a protest hearing and for the comptroller's annual property value study.

Financial Impact:

The proposed change to the Tax Code would not have a fiscal impact on state or local units of government.

Additional Information and Comments:

Earlier this year, Governor Perry unveiled his *Educational Excellence Plan*, which proposed cutting property taxes by \$6 billion, adding \$2.5 billion in new dollars to the state's public school system, and preserving Texas' strong job creation climate.

Among the features of the governor's plan, was a proposal to require commercial sales price disclosure to county appraisal districts, as a means of achieving property tax equity across the state. Although the plan was not adopted during a recent special session on public school finance, it is expected that sales price disclosure will be one of the proposals of an omnibus school finance initiative.

Texas A&M University System Revenue Bonds

Proposal:

To secure \$85 million in tuition revenue bonds for the Texas A&M University to build new construction projects on the south side of San Antonio.

Background:

- I. Historically, the southern sector of the city of San Antonio has had limited access to higher education opportunities. Therefore, the city of San Antonio and the Bexar County delegation support the development of a Texas A&M University-San Antonio campus as a four-year comprehensive university on the southside of the city. The 76th Legislative session appropriated \$1.6 million to establish the campus following The Higher Education Coordinating Board pathway model. Texas A&M University-Kingsville (TAMUK) was designated as the lead institution for this initiative.

Alamo Community College District (ACCD) supported the A&M System Center-San Antonio (upper-level) by providing facilities at the Palo Alto College. ACCD and A&M System Center-San Antonio have signed joint admissions agreements and approved 2+2's to ensure ease of transfer to the A&M System Center-San Antonio campus. These efforts promote the Legislature and The Higher Education Coordinating Board goal of "Closing the Gaps." The campus is sixty seven percent (67%) minority, and the average age of the students is 32. Forty-eight percent (48%) of the students are full-time and 350 students have graduated with a bachelor's degree since the inception of the campus.

The campus opened its doors in the Fall 2000 with 126 students in seven (7) academic programs and currently (Fall 2004) has an enrollment of 1000 students in twelve (12) academic programs. Because of the rapid growth of student enrollment, the facilities provided by Palo Alto College have had to be supplemented with 8 portable buildings. The facility is rapidly becoming inadequate for serving a growing student population.

Tuition Revenue Bond funding of \$80 million will result in the creation of a new facility at a campus site to be designated in San Antonio's south side. This campus facility will provide classrooms, laboratory space, and offices for student support services, faculty and staff. In addition these funds will be used to develop infrastructure such as utilities, parking, streets, and landscaping.

- II. The Texas A&M University System is also requesting reinstatement of the budget 5% reduction as requested by the Governor's office for 2006-2007.

III. Additional special item funding of \$5.818 million has been requested for continued growth of academic programs, faculty and support staff, students, and services for the traditionally underserved population in south side San Antonio and the surrounding communities and counties.

Financial Impact:

What specific negative or positive impact will the city experience with or without the passage of your initiative? Please provide specific programs affected and the associated dollar amounts.

Without additional funding and tuition revenue bonds, the targeted dates to establish a full four year comprehensive university in San Antonio south side will be delayed from projected 2008-2009 to 2012. Decreased program development, enrollment growth, and new faculty hires will have a negative impact on the success of this institution. The opportunities for student population pursuing college degrees in the San Antonio area will also be impacted.

Approximately 19% of the San Antonio population has college degrees in comparison to Austin which has 40% with college degrees. San Antonio's opportunities to attract corporations and high tech industry could be curtailed.

As the second largest city in Texas, San Antonio deserves to have two (2) state public institutions. Having the two flagship systems in this city will be a first in the state, and deserving to the city that truly reflects the demographics of Texas.

Transportation Infrastructure Funding

Proposal:

To support legislative initiatives that will provide enhanced funding for infrastructure improvements on state and local roadways.

Background:

Roadway conditions across the state of Texas have been worsening in recent years, due in large part to a growing population and reduced government spending for transportation-related programs. This situation is not expected to get any better in the coming years.

Forty years ago, transportation represented about one-third of the state budget. Today, it is less than ten percent. Texas currently ranks 47th in the nation in per capita spending for state highway expenditures, primarily because the state spends nearly 48 percent of its transportation-related revenues on non-transportation purposes, as compared to an average of 18 percent for the rest of the country.

The decline in spending and the diversion of transportation-related revenues to general government functions has resulted in a serious decline in the state's highways and bridges. In the early 90's, the pavement quality of almost 55 percent of Texas roadways were in the "desirable" range, compared to only 30-50 percent today. Significant portions of the state's highway system are approaching or even exceeding their design life and are in need of repair. Nineteen percent of all Texas bridges are functionally obsolete. And roughly 13,000 of the state's 49,000 bridges need to be rehabilitated or replaced.

The increasing truck traffic, as a result of the North American Free Trade Agreement (NAFTA), has been a significant contributor to the decline of pavement condition along trade corridors. Cities like San Antonio and Austin have suffered disproportionately because of the growing congestion posed by commercial truck traffic. It is estimated that NAFTA-related traffic will continue to grow at an annual rate of 17 percent per year for the coming decade. Exacerbating this situation is a booming migration that adds more than 30,000 people to the state's population each month.

To address the vital need for highway infrastructure and street improvements, the following initiatives should be actively supported by the City of San Antonio:

- *Support continued state funding to the Texas Mobility Fund* – the Mobility Fund was established in 2001 to bring new state money into the transportation funding stream. However, no funds were appropriated by the Texas Legislature until the 2003 session, when state lawmakers allocated \$233 million annually (beginning in 2006) to the Fund from motor vehicle inspection fees, driver license fees and driver record information. There will likely

be efforts by transportation advocates to identify additional fees that could be allocated to the Fund, thereby expanding the amount of bonds that could be issued to capitalize a larger number of infrastructure projects.

- *Support legislation that would allow the state motor fuels tax to grow with inflation* – the motor fuels tax is the largest revenue source for transportation funding in Texas. The cost for roadway maintenance and construction rises each year due to inflation. By indexing the tax to the Consumer Price Index (CPI) or another inflationary index would ensure that revenue to fund these services would rise in the same proportion to overall costs, shortening the gap between the actual costs for transportation projects and available funding.
- *Support efforts to protect the new funding tools that were provided in the omnibus transportation bill (HB 3588) passed last session* – during the 2003 legislative session, lawmakers provided the state's transportation community with added flexibility by adopting innovative financing provisions relating to regional mobility authorities, bonding, toll roads and design-build, for highway and road construction projects.

Financial Impact:

Transportation needs in Texas far exceed the availability of state money to fund them. To keep pace with deteriorating infrastructure and a growing population, it has been estimated that an average of \$11 billion would need to be spent each year between 1997-2006. Recent projections have found that current funding levels provide only 33% of the overall funding goal. The City of San Antonio supports all reasonable legislative efforts that provide opportunities to increase funding to cities as they strive to build strong multi-modal transportation systems to support regional economies and accommodate the mobility needs of its citizens

University of Texas at San Antonio – Tuition Revenue Bonds

Proposal:

To secure \$192 million in tuition revenue bonds for the University of Texas – San Antonio (UTSA) to build new construction projects.

Background:

Every other State Legislative Session the Texas Legislature allocates tuition revenue bonds for public universities to build new construction projects. It is highly anticipated that a bill will be filed (historically by the Chair of House Appropriations Committee and the Chair of Senate Finance Committee). This bill would help UTSA address its space deficiency and provide the university with funds to construct new buildings. The last time the Legislature allocated bonds was in 2001. UTSA seeks a total of \$192 million for 4 major construction projects.

By standards of the Texas Higher Education Coordinating Board, UTSA has the largest space deficit than any public university in the State of Texas and UTSA is also one of the state's fastest growing universities in terms of enrollment. UTSA seeks community wide support to secure not just a fair share of revenue bonds, but enough in bonds to build to accommodate continued growth.

Why? UTSA needs to replicate past building success in order to eliminate space deficiency. Even as two new buildings have come on line (Main Building and Biosciences Engineering phase I) UTSA continues to experience a space deficiency of over half a million assignable square feet. UTSA's enrollment growth historically outpaces space gains.

In just 5 years UTSA has added 8,000 new students. UTSA's enrollment for Fall 2004 is 26,400. UTSA projects a student enrollment of 35,000 by the year 2010. Without adequate support for capitol projects UTSA is limited in creating the university atmosphere that students deserve.

Not only does space deficiency impact the quality of student life, but it also limits the number of new faculty UTSA can hire. Without adequate laboratories, teaching, and office space - UTSA cannot compete nationally in attracting faculty. UTSA needs to hire an average of 75 new faculty each year (mainly in sciences and engineering), over the next 8 years because of the rapid enrollment growth. Without adequate space the university is limited in recruiting faculty.

UTSA needs to address the space deficiency issue in order to continue in the direction of becoming a tier-one-research university.

Additional Information and Comments:

- Loop 1604 Campus Engineering Building phase II - \$75 million
 - Downtown Campus Architecture Building - \$50 million
 - Loop 1604 Campus Academic Building, phase IV - \$50 million
 - Downtown Campus Building, phase V - \$17 million
-

Total of \$192 million in bonds for UTSA

University of Texas at San Antonio – Health Science Center Funding

Proposal:

To secure \$117.7 million in funding for the University of Texas Health Science Center–San Antonio (UTHSCSA) to fund the operations of: 1) the Bioscience Initiative for Growth (BIG); the Laredo Extension Campus (LEC); 3) the Regional Academic Health Center (RAHC); and 4) The South Texas Research Tower.

Background:

Bioscience Initiative for Growth (BIG)

\$12M

Provide operating funds for: 1) San Antonio Life Sciences Institute (SALSI); 2) San Antonio Cancer Institute; 3) and Barshop Center for Longevity and Aging. SALSI is a collaborative effort by UTHSCSA and UTSA to develop synergies in research and education that will exceed the combined efforts of the institutions if each acts alone. Emphasis will be placed on diseases that affect the Texas/Mexico border, such as diabetes. The Barshop Center for Longevity and Aging Research has developed an internationally recognized program in basic biomedical research in aging. SACI received recognition as a National Institute of Health (NIH) National Cancer Institute (NCI) designated cancer center, one of only two cancer centers in Texas currently holding this designation. Operating funds will be used for new faculty recruitment and salaries, supporting staff salaries and wages, and will be leveraged to enhance federal and other extramural support of UTHSCSA's expanding research initiatives. The San Antonio Community has invested about \$16 million in support of these programs. These centers have been awarded \$491 million in sponsored research grants.

Laredo Extension Campus (LEC)

\$3.7M

The 76th Legislature passed SB 1288 establishing a Laredo Extension Campus of UTHSCSA. Allied Health Degree Programs, the South Texas Environment, Education, and Research Center (STEER), library resources, K-16 programs focused on health professional education, medical student clerkships in family and community medicine have been established in response to community needs. Despite these accomplishments, there is a sobering realization of the continuing magnitude of the South Texas Border Region's unmet needs. A substantial funding increase is requested for the Laredo Extension Campus to effectively address unmet needs. Enhanced funding will allow us to develop a regional learning center, a disease management center, center for health disparities, cancer prevention center, joint degree programs with Texas A&M International University and build the Teaching/Learning Laboratory at the Laredo Extension Campus.

Regional Academic Health Center (RAHC)**\$3M**

The 76th Legislature passed SB 606 creating a Regional Academic Health Center (RAHC). The UTHSCSA RAHC is sited at Harlingen and Edinburg. The RAHC Medical Education Division in Harlingen provides educational, library, classroom, and administrative support for 48 full-time Medical students and an expanding Internal Medicine residency, with Pediatric and General Surgery Residency Programs scheduled for implementation in the upcoming years. It is also the intent to offer every medical student accepted to the HSC at San Antonio a clinical experience at the RAHC which will significantly increase the student body at this campus. The RAHC's Research Division in Edinburg is located adjacent to The University of Texas Pan American's campus ideal for synergy between both universities and will also house a joint pharmacy degree program with UT Austin. Construction is scheduled for completion on March 2005. This facility will consist of basic research laboratories addressing diseases affecting populations along the US/Mexico Border and be a venue to recruit world class scientists to this rapidly growing region of our State. Enhanced funding will be needed to recruit a full compliment of faculty for both the medical education and research divisions of the Regional Academic Health Center. Both campuses are expected to bring in substantial new federal research dollars to the Lower Rio Grande Valley.

Tuition Revenue Bonds (TRBs) - Bonding Authority)**\$100M**

TRB bonding authority is being requested for three important facilities upgrades at UTHSCSA. The South Texas Research Tower will provide 250,000 gross square feet of critically-needed research space. This facility will allow significant expansion of the institution's laboratory bench-to-patient bedside translational research programs and will leverage community support of our expanding research enterprise. There currently exists a 200,000 square foot deficit in research space at our Health Science Center hindering faculty recruitment. The Faculty Office building will provide 55,000 sq. ft. to address the current shortage of space for Medical School faculty. There is currently a 100,000 square foot deficit for Office space; in fact, our internationally recognized Department of Orthopedics is housed in a temporary trailer because of lack of office space. The Center for Medicine and Clinical Education building will provide 110,000 sq. ft. to support clinical trials, research, and education across all health professions.

Omnibus Policy

Proposal:

The City Council supports legislation that would clearly benefit the City and opposes legislation that would clearly be detrimental to the City's interests.

Background:

Historically, a relatively small part of the City's legislative efforts have been devoted to passing beneficial bills that would enable cities to better perform their function. A far greater effort has been expended on preventing passage of detrimental bills. In many cases, these detrimental bills are attempts to change the fundamental authority granted to municipalities.

Due to the large quantity of bills introduced during the legislative process, it is not always feasible for the City Council to consider and adopt formal, timely statements of policy on each piece of proposed legislation. The City of San Antonio will endorse legislation that would clearly benefit the City and oppose all bills that meet one or more of the following criteria:

- Undermine the principles of self-government;
- Mandate increased cost to cities, including environmental mandates;
- Result in the loss of revenue to cities or change the authority of the City to generate revenues; and/or
- Result in diminishing the fundamental authority of cities to operate in a manner consistent with the best interest of the health, safety and welfare of the general public.

The adverse impact of each detrimental bill must be determined separately. This policy will assist the City's consultants in expediting measures to defeat detrimental legislation and play a proactive role in passing beneficial legislation.

Additional Information:

This policy has assisted the City's Legislative Team in responding quickly to defeat detrimental legislation and support the enactment of beneficial measures.

Section III – Preservation of Municipal Interests

1. Appraisal Caps

Section 23.23 of the Property Tax Code currently limits the maximum annual percentage increase in the appraised value of a residence homestead for ad valorem tax purposes to the lesser of the market value of the property or the sum of ten percent (10%) of the appraised value of the property in the last year it was appraised times the number of years since it was last appraised.

Any reduction in the current 10% maximum annual increase in the appraised value of a residence homestead will have a negative impact to City ad valorem tax revenues and may challenge the City's ability to provide the current level of basic services in future years. Additionally, limiting increases in appraised values of residence homesteads unfairly shifts the tax burden onto other property owners (i.e. commercial and industrial).

2. Annexation Reform

3. Unfunded State Mandates

4. Municipal Court Collection of State Fees

Municipal courts in Texas collect funds on behalf of the state for a variety of state programs. For these collection efforts, cities are generally allowed to keep the interest earned as a reimbursement for the costs incurred to collect these fees and to remit them to the state.

The City of San Antonio, like many cities, could be adversely affected in two ways. First, court costs imposed by the state are difficult to administer. While a city can keep a small percentage of the cost as an administrative fee, this amount is usually not enough to reimburse cities for bookkeeping and staff time.

Also, municipal court clerks have shown that the state requires that in the event of a partial payment, the court costs must be paid first before a city can keep any of the fine. In essence, cities are still required to collect fines for the state, but do not get any revenue until the court costs have been paid.

The City of San Antonio will be working with the Texas Municipal League and other cities on legislation to apportion partial court fine payments. Criminal defendants seldom pay the maximum court fine upon conviction. For that reason, cities and the state should share the burden of lost revenue, instead of making cities bear this cost.

Until these issues are resolved, the City will work aggressively to defeat legislation that would require cities to act as revenue collection agents for the state.

5. Streamlined Sales Tax Agreement

The Streamlined Sales Tax Agreement, as it was originally conceived, was supposed to provide a method for states and cities to collect sales taxes on remote sales, such as catalogue and Internet purchases.

Although the Texas Legislature adopted most of the provisions in the Streamlined Agreement last session, an issue involving sales tax sourcing was not addressed due to the objection from many Texas cities. Instead, HB 2425 charged the comptroller with a conducting a study of the impact of the sourcing change on local governments.

Under the Agreement, participating states, like Texas, would have been required to adopt point-of-destination sales tax sourcing for intrastate sales as well as interstate sales. This change is not favorable to the City of San Antonio for two reasons: (1) it will result in a significant shift in revenue from origin to destination cities, meaning that municipal budgets could be thrown in disarray for years after the shift is implemented, with larger cities experiencing the largest revenue losses; and (2) Texas cities will see a net loss in sales tax revenues overall. Under current law, when goods are shipped from a Texas city to an unincorporated area of the state, the shipping city gets the sales taxes. Under the proposed system, there would be no city sales taxes collected at all since the destination is outside of any city's limits. It is generally agreed that more goods are shipped from incorporated to unincorporated areas of Texas, than vice-versa.

Presently, the City of San Antonio is working with the Texas Municipal League to find a solution that would allow the state to comply with the Streamlined Agreement without changing the system of sourcing that would lead to a statewide loss of municipal sales tax revenue as well as disruptions to individual city budgets.