

Arlington Chamber of Commerce
83rd Session Legislative Agenda
January 2013

This agenda represents the Arlington Chamber of Commerce's positions and recommendations on certain subjects of concern for the 83rd Texas Legislative Session. The subjects are listed in order of priority with highest priority listed first. With most subjects, there are statements of policy and there are recommendations for funding.

LEGISLATIVE PRIORITIES

Transportation

A report issued in 2010 by the Texas 2030 Commission indicates that Texas will need \$387 billion over the next 20 years to keep highways and bridges from deteriorating and to keep urban congestion from getting worse. Texas' strong growth pattern, fueled by in-migration from other states, puts additional pressure on the transportation system. Current funding mechanisms come nowhere close to providing the necessary level of support. The safety and reliability of the transportation system remain key factors in decisions by business leaders to locate or expand in Texas.

If Texas is to remain the best State to do business, we need to plan for growth and creatively think of ways to continue to invest in our infrastructure while enhancing safety, improving air quality and increasing the value of the state's transportation assets.

In recent years, new highway capacity has been paid for either with tolls, or with debt issued by the state. Both approaches contribute to mitigating congestion in urban areas, but they are not sustainable in the long term. Not every new lane of highway capacity can pay for itself through tolls; and many people who need to use those roadways cannot afford the cost of daily toll charges. Debt provides funding in the absence of any other source, but that debt is paid for over time by taking money out of the same revenue stream that is the foundation of funding for the maintenance of existing roads and the expansion of future roads, further inhibiting the construction of new capacity.

The North Texas region has recently been blessed with major highway construction projects designed to ease years of increasing congestion. This creates the impression that there is no need to provide additional revenue for highway needs. These projects, however, were years in planning and in accumulating funds to build them out. As the region continues to grow, and needs on other parts of the system become more acute, there is no clear source of money for the next needed wave of construction.

Even if money diverted from the highway fund for other state needs were kept in the system, the revenue falls well short of meeting the need for the state's projected growth. A flexible, reliable transportation system is essential to the stability and growth of business in the North Texas

region and throughout the state. The Chamber urges the Legislature to optimize existing funding sources and identify new, sustainable funding sources for transportation, including eliminating diversions, increasing vehicle registration fees, increasing the truck apportionment fee and indexing the motor fuels tax.

Economic Development

The State of Texas has developed its position as the national leader in job creation and low unemployment through a sophisticated set of programs across the economic development spectrum. We support these programs including, but not limited to, the Tax Increment Financing Act, the Property Redevelopment and Tax Abatement Act, the Skills Development Fund, Enterprise Zones, moving image project incentives, and sales and use tax exemptions. To maintain its competitive position with a strong business climate, the Chamber strongly supports the following mechanisms:

Texas Economic Development Act: Chapter 313, Texas Tax Code

Created by the Texas Legislature in 2001, the Texas Economic Development Act enhances the state's economic development efforts especially with securing large-scale capital investment. Through 2010, economic development agreements under Chapter 313 have resulted in more than \$47 billion of estimated capital investment. This section of the Act is set to sunset in 2014. While there are perhaps adjustments that need to be made in the implementation of these agreements, the Chamber supports extending this portion of the tax code to promote continued investment in large-scale projects such as manufacturing, research & development, and energy.

Emerging Technology Fund

As of August 2010, the Emerging Technology Fund (ETF) has awarded more than \$290 million to Texas companies and universities to develop the next generation of commercial technology. The Texas Legislature created the ETF in 2005 and appropriated funding in every subsequent session. The Chamber supports continued appropriations to the ETF to continue investment in high-impact, high-growth economic development for the future.

Texas Enterprise Fund

As of August 2010, the Texas Enterprise Fund (TEF) has contributed \$397 million that successfully secured economic development agreements resulting in more than 53,600 jobs statewide with \$14.4 billion of new capital investment. The Texas Legislature created the TEF in 2003 and appropriated funding in every subsequent session. The Chamber supports continued appropriations to maintain the TEF as a vitally important economic development tool.

Together, the ETF and TEF maintain Texas as a national leader for business success especially in the following targeted industry clusters: Advanced Technologies and Manufacturing; Aerospace and Defense; Biotechnology and Life Sciences; Information and Computer Technology; Petroleum Refining and Chemical Products; and Energy.

Texas Franchise Tax

Small business success is important to the long-term economic health of the state. Maintaining a lower tax burden for these businesses is vital to their survival. The Chamber supports maintaining the no tax due threshold amount of \$1,000,000 for franchise tax reports due in all future years.

The Major Events Trust Fund

The Major Events Trust Fund allows a portion of the sales tax revenue generated by large, public events in a particular jurisdiction to stay in the region and help offset the public costs – transportation issues, public safety – of staging those events. The fund does not appropriate any money from the state treasury.

Higher Education

The University of Texas at Arlington and Tarrant County College are critical components of the city's economy and critical components of the Chamber's economic development strategy. Adequate funding for higher education is therefore a necessary prerequisite to the growth and success of the city and these institutions. Special consideration of funding needs to advance research and workforce development efforts at these institutions is critical as well.

- Texas should restore funding to FY10 levels for current and emerging Tier-One institutions, the Research Development Fund, the Competitive Knowledge Fund and the Texas Research Incentive Program for emerging research universities, and preserve options for universities to adjust tuition as necessary in light of level or reduced funding from the state general fund.
- To protect college access and increase graduation rates for academically prepared, financially needy students, the Legislature must enhance TEXAS Grant appropriation to cover 100 percent of eligible students.
- Texas should change existing formula funding to enhance efficiency and increase graduates from Texas universities and community colleges.
- The Chamber supports the Legislature authorizing Tuition Revenue Bonds or their equivalent for capital improvements to address public higher education institutions capacity needs.
- The state should establish a target amount for formula funding, community college base levels and adequate funds for enrollment growth.
- For enrollment in college-level coursework, Texas should ensure all assessments used to determine whether students are academically prepared for higher education should have a comparable level of difficulty at the college-readiness level.

Public Education and Workforce Development

The Chamber believes a strong and effective Pre K-16 approach to public education is critical to ensuring our state's economic competitiveness and sustaining a diverse educated and competitive

workforce. We recommend the Texas Legislature focus on these actions to better the public education system:

Funding

Texas should provide sufficient state funding and resources to meet and exceed the required student achievement standards and programs for unique student populations.

- Fund enrollment growth and restore public education funding to FY 10 per pupil funding levels.
- Adjust school finance formulas and long-term formula deficiencies, including updating the Cost of Education Index, funding for students learning English, and formula funding for full-day pre-K for all eligible students.
- **Renew and increase funding for Pre-K grant programs.**
- Use the Texas Economic Stabilization Fund (Rainy Day Fund) to supplement education funding during revenue shortfalls.

Local District Operational and Managerial Control

Return permanent authority to accredited school organizations to operate without state intervention in organizational and managerial affairs, such as human capital, financial resource management, salary issues and other personnel and financial decisions that necessarily vary from one school district to the next.

Accountability and Assessment

Direct the Commissioner to fully and timely implement the current accountability law while continuing review of that system to ensure it supports preparation of students who graduate college and career ready with 21st century skills. Engage education and business stakeholders and regional metro Chambers in the implementation, design, development and review of an accountability system that is clear, fair, transparent, predictable, effective and understandable to educators, students, parents and the community. The system must:

- Progressively increase five-year graduation rates to 90% by 2020 for districts and campuses to retain accreditation.
- Provide appropriate multiple evaluations that measure progressive benchmarks which result in college/career readiness. Phase in assessment and accountability standards.
- Progressively increase student college and career readiness attainment rates for districts and campuses to retain accreditation.
- Recognize student academic improvement toward the state college and career readiness standard to delay school sanctions for academically underperforming schools.
- Create clear, simple communication about the state's changing assessment, accountability and high school graduation expectations for educators and the public.
- Determine passing and accountability standards for a three-year, predictable planning horizon.
- **Allow districts the flexibility to substitute courses in math and science in the third and fourth year of the 4x4 program.**

- Collect and report student performance data, disaggregated by ethnicity and income.
- Seek equally rigorous, innovative and flexible assessment and accountability models that measure deeper learning and prepare students for the global workplace. Support the work of the Texas High Performance Schools Consortium to develop innovative, next-generation learning standards and assessment and accountability systems.

Workforce Priorities

- Defend current K12 and higher education funding for dual credit courses. For CTE dual-credit courses, utilize funds efficiently by incentivizing institutions to offer dual-credit courses which fulfill industry demand and obtain a recognized industry certification with substantial labor market value or result in transferable college credit.
- Advanced Technical Credit: By 2015 dual-credit and career/technical credit courses become certified as Advanced Technical Credit and grant Advanced Technical Credit courses the same access the state Instructional Materials Allotment as traditional academic courses.
- Allow the Skills Development Funds to be more flexible in meeting industry needs in order to support their growth and development of a needed workforce.

Background:

Texas' employers are having difficulty finding a sufficient number of qualified, technical talent to power job growth. In many cases, these jobs require certification or associate degrees in technical fields. At the same time, 964,000 Texans are unemployed. Certification and associate degree programs can help fill this employment gap and provide an identifiable future for high-school students who do not see themselves university bound.

Health Care

A high quality, accessible health care system is critical to the North Texas economy as well as important to our business community and our residents. Health care providers make up a significant portion of regional economic activity, and their business is undergoing significant change as a result of state and federal regulatory actions. At the same time, more than 25 percent of the Texas population is uninsured, the highest percentage in the country.

A significant element of uncertainty has been introduced into the health care discussion because of the state's implementation of Senate Bill 7 from the 82nd session. SB7's effort to streamline Medicaid spending by requesting a waiver of federal rules (called the Medicaid 1115 Transformation Waiver), an effort that is evolving and will not be complete when the session begins.

Some basic principles regarding Medicaid and the Children's Health Insurance Program remain the same:

- Ensuring adequate Medicaid and CHIP reimbursement for hospital and physician services.

- Ensuring a 12-month eligibility process for Medicaid and CHIP
- Provide adequate, balanced funding among both public and private safety net hospitals in the Medicaid Disproportionate Share Hospital (DSH) and 1115 Waiver programs to help mitigate the state's funding shortfalls.
- **Preservation and increase of federal and state health care funding which would allow Medicaid Expansion and protect and increase physicians' participation and provider reimbursement**

In other items related to health care, we recommend focusing on the following initiatives:

- Provide full appropriation of state funding for uncompensated trauma care services;
- Preserve and enhance the Driver Responsibility Program, which directs fines from traffic violations – including running red lights – to fund trauma care in the state.
- Support grants for faith-based and non-profit clinics.

Healthcare Professional Shortages

The Chamber supports maintaining, restoring, and diversifying the funding sources and strategies employed by the State for addressing the shortage of healthcare professionals, particularly through the support for a variety of training opportunities at all levels of provider care and the authorization of financing solutions for healthcare education cost management.

- **Educational Opportunities:** We support a package of funding mechanisms and opportunities for provider training at all levels including the continued funding of academic medicine, the restoration of Medicaid Graduate Medical Education payments for hospitals, the recruitment and retention of additional qualified faculty, and the creation of new faculty positions.
- **Education Costs:** The Chamber supports financial strategies that encourage educational attainment including educational loan repayment programs, deferment of educational loans during medical residency and internships, and grants for scholarships.

Mental Health

The devastating impact of mental illness on Texas employers, their employees, and the economic health of our State threatens to impede our very basic ability to be competitive nationally and on a global scale. Indirect costs of mental illness alone are astounding: in Texas, the figure is estimated at \$16.6 billion with a 'real' fiscal impact on state and local governments of \$1.5 billion, without accounting for incarceration, homelessness, and early mortality.

Despite very real negative fiscal implications and the demonstrated hindrance to our intellectual output and individual life achievement, mental health services have always been and continue to be deeply underfunded, particularly in comparison to other health services. The grave disparity of investment is acutely evident in our struggling mental health infrastructure which is unable to meet the considerable need and is already hemorrhaging human capital.

We strongly oppose cutting funding for mental health centers. The State of Texas must carefully protect existing mental healthcare resources and not handicap a system that is already desperately burdened.

Energy

The Chamber recognizes that Texas must invest in clean and cost-effective energy technologies and practices to lower costs, minimize air pollution, reduce water consumption, enhance the health and comfort of its citizens, prohibit rolling black outs, and maintain a vibrant industrial economy.

The Chamber supports initiatives that provide for improved information dissemination on energy efficiency opportunities and the alignment of policies to incentivize implementation of energy efficiency projects and innovative energy technologies. The Chamber also supports programs that encourage the creation and expansion of markets for renewable energy technologies with significant job creation potential.

The Chamber recognizes the promotion and expansion of the oil and natural gas industry is critical for statewide economic and employment growth, and further recognizes the significance of the Barnett Shale to the economy of North Texas, as well as national security.

Specifically, the Chamber supports:

- Measures that promote the expanded use of natural gas in Texas, especially for transportation, recognizing that this will lead to lower costs, new investments, and the stimulation of new employment opportunities.
- Reasonable approaches to the permitting process for oil or natural gas drilling that will not interfere with economic development projects.
- Policies regarding the exploration, production, and transportation of oil or natural gas in Texas that make Texas gas resource development more competitive with other states.
- Exempting health care facilities, clinics and hospitals from rolling black outs.
- Incentives for use of renewable energy, such as fueling stations for electric vehicles.

Water

The Chamber supports a permanent source of funding for new water supply development to support the continued population growth and economic development in the State through the implementation of the 2012 State Water Plan adopted by the Texas Water Development Board in December 2011. This plan represents local, regional and state cooperation, combining the planning from 16 regional planning groups and offers projects designed to meet the future water supply needs in Texas until the year 2060. The 2012 State Water Plan involves both local and regional funding that pays a significant portion of the cost of improvements over fifty years as well as state funding, that when reduce to present value, is well within reason for permanent funding to help support future growth.

POLICY STATEMENTS

Health Care – DSH/Medicaid 1115 Waiver

The Disproportionate Share Hospital program is a Medicaid program designed to supplement basic Medicaid payments to hospitals that provide care to large numbers of uninsured patients. The state match for DSH payments has historically been provided by tax supported public hospitals located in the urban areas. These hospitals transfer the necessary funds to the state, which allow Texas to draw down federal funds that support roughly 125 hospitals across the state. Public hospitals fund the DSH program in recognition of the support provided by private hospitals to low-income patients who might otherwise seek care at public hospitals. For their effort and for the care they provide, public hospitals receive DSH payments which return their transfer plus a substantial amount of federal money.

Texas has negotiated a Medicaid 1115 waiver that provides access to billions of new dollars for health care over the next five years, using funds from public hospitals and other local governmental entities. The waiver is proving to be an opportunity for public hospitals to redirect the dollars that today support the DSH program for all Texas hospitals for their own use. These public hospitals will receive a greater share of the DSH payments in 2012, receive special funding from the 1115 waiver to increase their contributions for DSH in 2012, and then they will no longer be expected to fund DSH after FY 2012. There is no other funding source for the DSH program identified for FY 2013 and beyond, which places the Texas Legislature in the position of either finding the funds necessary to continue the DSH program (approximately \$570m/year in general revenue), or allow access to care to diminish and hospitals to shut down in many parts of the state.

Rather than using its rulemaking authority to protect DSH by prioritizing transferred monies to first fund the DSH program, Texas Health and Human Services has created a funding crisis for the Legislature and in the process created a crisis across the private safety net hospital industry.

This may help in the short term to keep the health-care delivery system balanced. However, even if the 1115 waiver issue is resolved, if the Legislature opts out of portions of the federal Affordable Care Act, the funding stream to care for Medicaid patients will not be sufficient regardless of whether they are treated in a public or private hospital

Air Quality

The Chamber supports continued funding for state programs that improve air quality and traffic congestion, and technological investments that reduce pollution. A thorough review should be conducted of new proposals containing fees and/or regulatory compliance costs to ensure their value is beneficial to business.

The Chamber supports full funding for the Low Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP). LIRAP reduces emissions from older, high-emitting vehicles by allowing assistance to qualified owners of vehicles who fail the emissions

test. Additionally, the Chamber recognizes the Texas Emissions Reduction Plan (TERP) as a successful incentive program aimed at improving air quality, enhancing public health, and promoting economic prosperity.

Telecommunications

The Chamber continues to support legislation that promotes meaningful investment, competition, job creation and the development of advanced technologies important to overall economic growth that align with the principles of free enterprise.

Tourism

The Chamber and the Arlington Tourism community are working to help preserve funding for the Governor's Division of Economic Development and Tourism to advertise and promote Texas as a travel destination. Research shows that for every \$1 the state spends to market Texas to out-of-state visitors, \$7.58 is generated in state tax revenues, making state tourism marketing a program that generates a positive fiscal impact in return for the dollars used to fund it. The Chamber supports continued funding.

Given tourism's importance to the community, the Chamber supports the current school start date, which is no earlier than the fourth Monday in August. This uniform start date adds approximately three weeks to the summer vacation time for Texans and has resulted in more than \$250 million in additional direct tourism expenditures in Texas.

Gaming

Texas' growth creates pressure on state spending, particularly for health care, education and transportation. Given the Legislature's tax-averse approach to raising revenue, some form of regulated gambling, including provisions for casinos in Texas' metropolitan areas, should be considered. The Chamber supports allowing the citizens of Texas to vote on the expansion of gambling in casinos and racetracks, though disagree with specific designation of casino locations as part of a constitutional amendment.

Property Tax Appraisal/Local Government Revenue Caps

The Chamber opposes sweeping state mandates that interfere with the ability of local governments to manage their own affairs, including imposing artificial caps below the current 10-percent cap on the growth of taxable property values or local-government revenue. These are issues best addressed by local communities.

Additionally, the Chamber opposes efforts by the Legislature to impose mandates on local governments to carry out programs traditionally funded by the state as a way to shift costs and balance the state budget.

Franchise Tax

In 2006 the state Legislature revamped the state's franchise tax to a system that has been informally referred to as the Margins Tax. The impetus for this change was to respond to a Texas Supreme Court ruling that the state's system for financing public schools was unconstitutional. The revised system was designed to increase revenue available to public schools, and the chief mechanism for doing so was to expand the number of businesses paying some level of franchise tax.

The new tax did reach service industries that previously paid little or no franchise tax, an important component in a state that is shifting more and more to a service economy. The margins tax has produced more revenue to the state than the previous franchise tax system, though it has never achieved the level of the estimates issued when it was created and therefore has not supported the public education system to the extent that was anticipated.

Along the way, the franchise tax has been continually criticized for its complexity, for not treating similar businesses in a similar fashion, for taxing purposes and for requiring some businesses to pay a tax even though they did not realize a profit.

The franchise tax needs to be examined to eliminate these inequities, possibly to return to a pre-2006 system but one that still includes all current taxpayers and does not show a reduction in revenue to an already underfunded public education system.

Immigration

Immigration issues continue to be a concern for North Texas businesses, foreign governments and academic institutions as they engage talent from around the world to remain competitive in an increasingly global economy. The Chamber supports immigration reform that will give employers access to a legal workforce in order to meet legitimate business needs in all sectors of the economy.