

Texas Borderlands: Frontier of the Future



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TEXAS BORDERLANDS: FRONTIER OF THE FUTURE

Senator Eliot Shapleigh presents the 5th edition of the Texas Borderlands: Frontier of the Future report. The report chronicles the opportunities and challenges faced on the Texas-Mexico Border, and covers topics ranging from higher and public education to access to capital and credit, to immigration and border security.

Our Border is home to a proud and resilient people who live in fast growing communities, work hard to educate their children, and are full of hope for a prosperous future, which is the heart of the American Dream. Today, that dream is distant. Texas' "low-tax, low-service ideology" denies opportunity, lowers standards for quality education, and destroys access to health care for millions of low and middle-income Texans.

Texas continues to lead the U.S. in the percentage and number of children without health insurance, with about half of all uninsured Texas children currently eligible for Medicaid or CHIP, but enrolled in neither. Nearly half a million children that qualify for Medicaid aren't enrolled.

This systematic and institutional denial of opportunity and services in basic programs, like public education—programs that have created the foundation of prosperity and success for generations of working families throughout America's history—represents an era of "The Two Texas." In this new era, an elite few grow and prosper by virtue of diversion of tax dollars from critical services while others, the vast majority of Texans, meet devastating challenges placed in their path because leaders value tax cuts over kids and budget cuts over the elderly.

Texas' record is reflected in the chart Texas on the Brink, which shows Texas' ranking among the 50 states. Our state ranks at the bottom or near the bottom on a number of key indicators reflecting education, health care, and quality of life.

Texas on the Brink

(1st = Highest, 50th = Lowest)

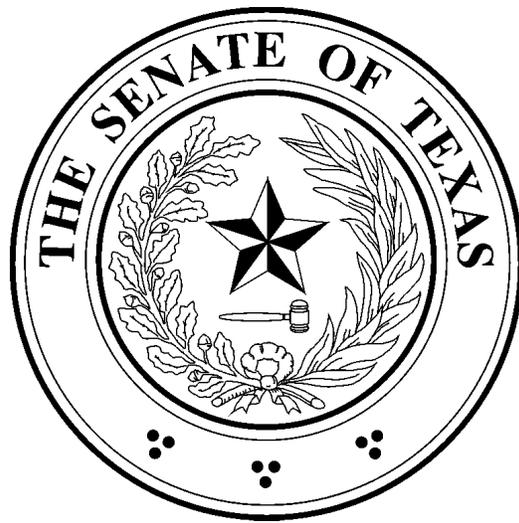
Percentage of Uninsured Children	1st
Income Inequality Between the Rich and the Poor	9th
Scholastic Assessment Test (SAT) Scores	46th
Percentage of Population over 25 with a High School Diploma	50th
Percentage of Non-Elderly Women with Health Insurance	50th
Rate of Women Aged 40+ Who Receive Mammograms	42nd
Rate of Women Aged 18+ Who Receive Pap Smears	46th
Cervical Cancer Rate	6th
Women's Voter Registration	31st
Women's Voter Turnout	49th
Percentage of Eligible Voters that Vote	50th

Today, our state is at a crossroads. Texans must demand a government that invests in a "21st century educational excellence." With a new administration in the White House and federal stimulus money available, now is the time to invest in our children and our future. It is time for a government that invests in great schools and opens the doors to great universities, not universities where the middle class can no longer attend because of tuition hikes. We must keep the promise of the American Dream that every generation can be more prosperous than the last. Each of us must affirm basic principles of opportunities and justice and fight a future where only a wealthy few succeed and the vast majority are left behind by a government led by those for whom tax cuts are more important than Texans.

Only then will our state truly shine as the beacon of hope, freedom and opportunity for every Texan.

Texas Borderlands 2009

Demographics of the Frontier of the Future



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This report, "Texas Borderlands—Frontier of the Future," examines various areas of daily life in Texas' 43-county Border region. To offer a current overview of the region, each subsequent chapter will detail the challenges and opportunities of Texas' vibrant, fast-growing and ever-changing Border. In 2004, Texas became a majority-minority state.¹ In 2026, Texas is predicted to become a majority Hispanic state.² In so many ways, the Texas Borderlands of today represent the Texas of tomorrow. What happens in this vibrant region will define the frontier of our future. Chapter One presents the demographics of the Border Region.

The Texas-Mexico Border Region covers 1,254 miles from El Paso-Ciudad Juarez to Brownsville-Matamoros. Texas' 43 Border counties are currently home to over 4.6 million Texans.³ Moreover, the population on both sides of the Border is rapidly growing. In the 1990s, the populations of El Paso-Ciudad Juarez grew by 38 percent, Laredo-Nuevo Laredo by 48 percent, and the McAllen-Reynosa area by 38 percent.⁴ Rapid growth is projected to continue along the Texas-Mexico border.⁵

With its fast growing, young population, one of the Border's primary assets is its vast labor force, which leads to a robust manufacturing sector. In 2005, manufacturing in the Border region accounted for \$6.25 billion worth of private earnings.⁶ Trade with Mexico accounts for one in every five manufacturing jobs in the state, and exports make up 14 percent of the state's gross product.⁷ Mexico is the country's third-largest trading partner and, by far, Texas' largest trading partner, accounting for 36 percent of Texas' exports. Moreover, strong trade relations with Mexico, Canada and China have allowed Texas to play a significant role in the national economy, surpassing California and New York as America's top exporting state. Texas' exports totaled \$150.9 billion in 2006, accounting for over 14.5 percent of total U.S. exports.⁸ Today, Texas' exports to Mexico far exceed all trade with the European Union countries combined.

Despite strong trade relations, the Border presents serious challenges. If the Border Region made up a "51st" state, the 43 Border counties would rank last in per capita personal income, first in poverty and fifth in unemployment.⁹ Under current policies, the state demographer predicts that the average Texas household income will decline more than \$6,000 by 2040.¹⁰ As one of Texas' leading economists points out, leadership and investment will make the difference. In a briefing to Texas legislators, Dr. Ray Perryman stated that the Border region is a "social, economic, and demographic time bomb. It demands immediate attention, with both the gains from doing something and the consequences of doing nothing being enormous."¹¹

Population Growth

U.S. Border Region Growth

Beginning in 1970, both sides of the Border experienced rapid population growth due to a young population, relatively high birth rates, and migration fueled by economic development.¹² The Texas Border region is characterized by high rates of migration north and south. In Texas alone, over 65 million legal pedestrians, trucks, autos, and rail

cars crossed the border in 2007.¹³ Moreover, the percentage of Mexico-born residents is higher in Texas than in Arizona or New Mexico.¹⁴ In the counties located directly on the Texas Border, the percentage of residents born in Mexico is almost twice as high as any other state along the Border including New Mexico, Arizona, and California.¹⁵ The chart, *U.S.-Mexico Border Population, 2000*, illustrates where the primary growth is and the large numbers of Hispanics in this region.

U.S.-Mexico Border Population, 2000

	Borderplex Population	Population	Hispanic Population	Percent Share
San Diego, California	4,026,065	2,813,833	750,965	27%
Tijuana, Baja California		1,212,232		
El Paso, Texas	1,898,439	679,622	531,654	78%
Cuidad Juarez, Chihuahua		1,218,817		
McAllen, Texas	989,926	569,463	503,100	88%
Reynosa, Tamaulipas		420,463		
Calexico, California	906,963	142,361	102,817	72%
Mexicali, Baja California		764,602		
Brownsville, Texas	753,368	335,227	282,786	84%
Matamoros, Tamaulipas		418,141		
Laredo, Texas	504,032	193,117	182,070	94%
Nuevo Laredo, Tamaulipas		310,915		
Nogales, Arizona	198,168	38,381	31,005	81%
Nogales, Sonora		159,787		

Source: Federal Reserve Bank of Dallas, El Paso Branch, *Business Frontier, Issue 2, 2001* (El Paso, Texas, January 2, 2002) p. 1-2.

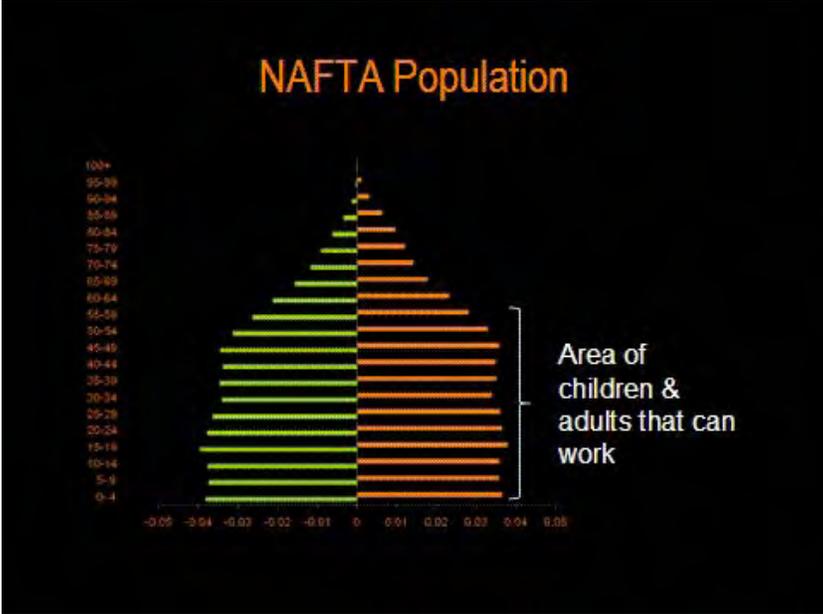
Census data from 2006 showed that El Paso is home to 4 percent more young people than the Texas average and almost 10 percent more than the United States average.¹⁶ In 2006, 43 percent of El Paso's population was 25 years old or younger, compared to 39 percent for Texas. Comparatively, in Hidalgo and Webb Counties, the percentage of the population under the age of 25 is even higher.¹⁷

Mexico's Northern Border Region Growth

Both Texas and Mexico are affected by changes that occur across the Border, including changes in the population levels. The population of the Mexican Border states grew by 26 percent during the 1990s, with an annual growth rate of 2.4 percent.¹⁸ This region continues to see a population increase, with 1.87 percent annual growth between 2000 and 2007.¹⁹ Further, as it is in the United States, a relatively young population is present on the Mexican side of the Border. In fact, 35 percent of the Mexican Border population was under 15 years old in 2000, thus showing the potential for explosive population growth in the future. For all of Mexico, in 2008, 20 percent of the population was under 15 years old.²⁰

NAFTA led to a rapid increase in trade between the U.S. and Mexico, as well as a growing number of maquiladoras—foreign manufacturing plants located in Mexico that import raw materials or components and export their finished products. The increase in maquiladoras has particularly affected population growth on the Mexican side of the Border due to the industry's demand for labor.²¹ For example, in 1960, Juarez had a population of 278,995; by 2000, Juarez's population had grown to 1,218,217.²²

The population graphs below show the relative youth, and therefore labor and workforce potential, of the NAFTA and Mexican population in comparison to the overall population of U.S. and Canada, respectively.





Births and Deaths per 1,000, 2004

Border County	Births per 1,000	Deaths per 1,000
Atascosa	15	7
Bandera	10	7
Bexar	17	7
Brewster	13	9
Brooks	17	6
Cameron	23	5
Crockett	15	9
Culberson	9	10
Dimmit	19	7
Duval	17	8
Edwards	14	8
El Paso	25	6
Frio	14	7
Hidalgo	9	5
Hudspeth	16	5
Jeff Davis	16	10
Jim Hogg	8	9
Jim Wells	11	8
Kenedy	9	5
Kerr	10	14
Kimble	16	14
Kinney	14	10
Kleberg	9	8
La Salle	8	7
Live Oak	22	6
McMullen	14	7

Maverick	16	5
Medina	17	8
Nueces	20	8
Pecos	11	7
Presidio	14	5
Real	18	17
Reeves	25	9
San Patricio	17	7
Starr	11	5
Sutton	18	8
Terrell	21	13
Uvalde	27	9
Val Verde	20	6
Webb	21	4
Willacy	21	6
Zapata	20	5
Zavala	16	6
Border County Total	17	6
Non-Border County Total	16	7
Texas	17	7

Source: Texas Department of State Health Services

Birth/Death Rates

In 2000, the total fertility rate in Texas Border counties was 3.1 children per woman of reproductive age, which was 50 percent higher than the state rate of 2.5. Surprisingly, the rate in the Mexico Border region was only 2.0, lower than Mexico's national rate of 2.4.²³ According to the Texas Department of State Health Services, birth rates for the 43-county border region in 2004 were about 20 per 1,000 population, with 17 per 1,000 as the Texas average. The death rate was 6 per 1,000 population for the Border, and 7 per 1,000 for Texas, showing a significant difference in both of these categories.²⁴ The Border's low death rate can largely be attributed to its young population. If the 43 Border counties formed a "51st" state, it would rank first in the nation in the percent of population that is five to 17 years of age. Texas as a

whole ranks third, but without the Border region, it would rank eleventh.²⁵

The chart, *Births and Deaths per 1,000, 2004*, shows that health levels remain a concern, with 19 of the area's counties having death rates higher than those for the state in 2004.²⁶ The growth of the Border Region is the result of a number of factors, such as a young population and a high birth rate coupled with a low death rate, migration fueled by economic development and quality of life issues, and the advent of NAFTA.²⁷ The young, fast growing population of Border counties creates serious need for investment in public education, university programs, workforce skills, health programs, and vital basic infrastructure.

Socioeconomic Challenges of Border Residents

As the following chart *Comparative Facts and Figures about the Texas Border Region* illustrates, if the Border region made up a "51st" state, the 43 Border counties would rank dead last in the U.S. in per capita income. Without the Border counties, Texas would rank 22nd in the nation.²⁸ This is but one of the indicators that suggests that as prosperity in Texas north of I-10 increases, south of I-10, Texans still face daily challenges to improve their standard of living.

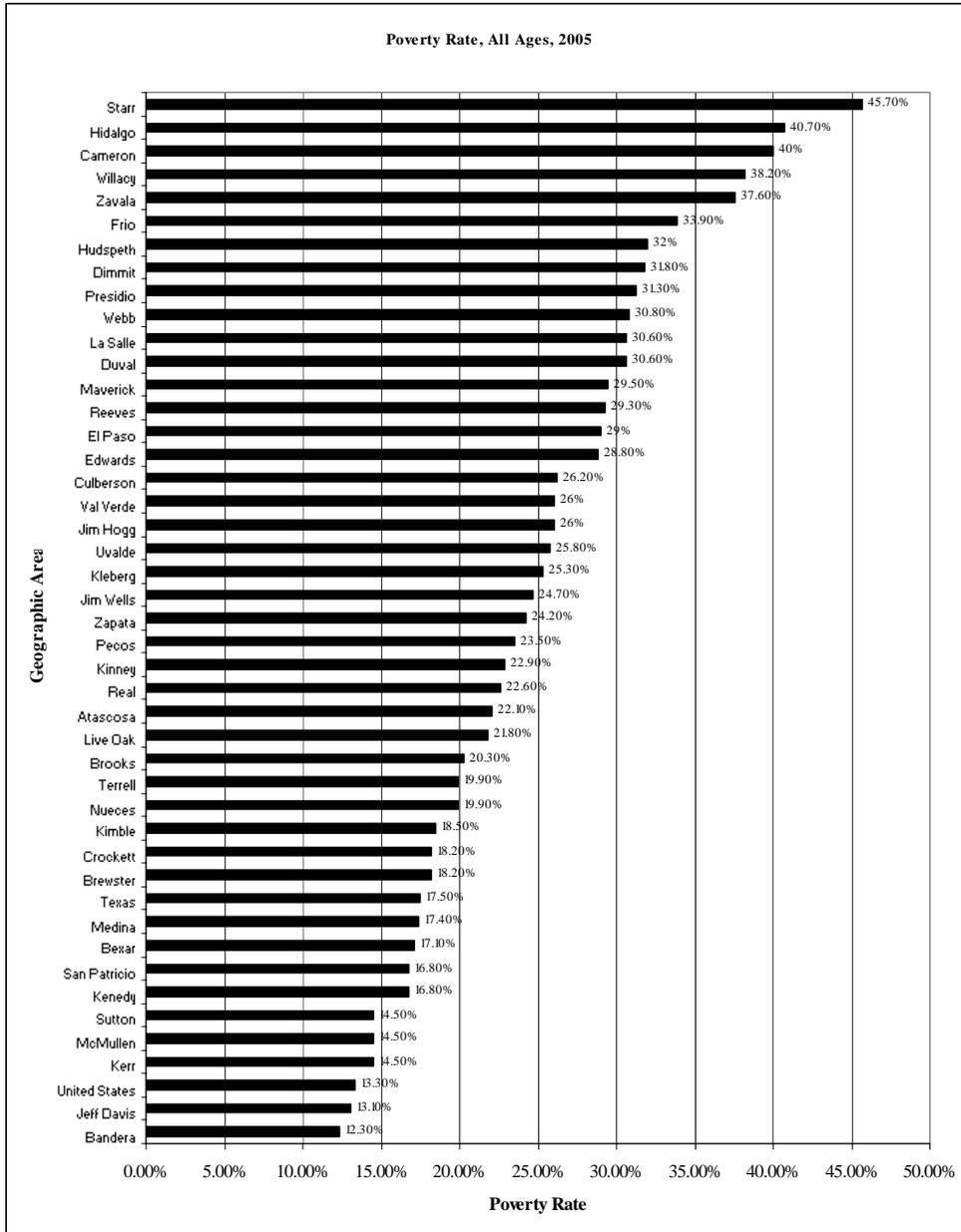
Comparative Facts and Figures about the Texas Border Region

Indicator	Year	If the Texas Border were the 51st State:	Texas	Texas without the Border:
Poverty Rate	2005	1st- 26%	4th- 17.5%	12th- 14.8%
Schoolchildren in poverty	2005	1st- 34.4%	6th- 22.6%	13th- 19.4%
Unemployment rate	2006	5th- 5.8%	14th- 4.9%	19th- 4.7%
Population	2007	27th- 4.7 million	2nd- 23.8 million	4th- 19.1 million
Percent of Population that is 5 to 17 years old	2006	1st- 22.57%	3rd- 19.12%	11th- 18.29%
Birth rate per 1,000	2004	2nd- 20 births per 1,000	2nd- 17 births per 1,000	6th- 16 births per 1,000
Infant Mortality Rate	2004	43rd- 5.37	28th- 6.29	26th- 6.56

Death rate from diabetes	2004	1st- 51.7	3rd- 35.61	3rd- 32.00
Death rate from hepatitis and other liver diseases	2004	23.2 per 1,000 deaths	14.85 per 1,000 deaths	12.98 per 1,000 deaths
Per Capita Personal Income	2005	51st- \$24,184	22nd- \$33,160	22nd- \$34,616
Total Personal Income	2005	30th- \$109 billion	3rd- \$744 billion	3rd- \$635 billion
Median Household Income	2005	49th- \$33,894	34th- \$42,165	23rd- \$45,482
Total Area	n/a	18th- 76,610 square miles	2nd- 261,797 square miles	2nd- 185,187 square miles

Poverty

The Border Regions of both the U.S. and Mexico include a mix of very poor and relatively affluent areas. The Northern Border of Mexico is one of the wealthier regions of Mexico.²⁹ However, as the chart *Poverty Rate, All Ages, 2005* indicates, the opposite is true for the Texas Border. Consistently high poverty rates indicate a pervasive cycle of poverty that becomes overwhelmingly difficult to break. In 2007, the national poverty rate rose to 12.5 percent; this increase from 12.3 percent in 2006 represents an additional 0.8 million people who lived under conditions of poverty in 2007 than in 2006.³⁰



Source: U.S. Census Bureau, Small Area Income and Poverty Estimate, 2005

Educational Attainment and Wage Earning

The educational attainment level of United States Border residents is lower than the national average. The opposite, however, is true for Mexican Border residents.³¹ In

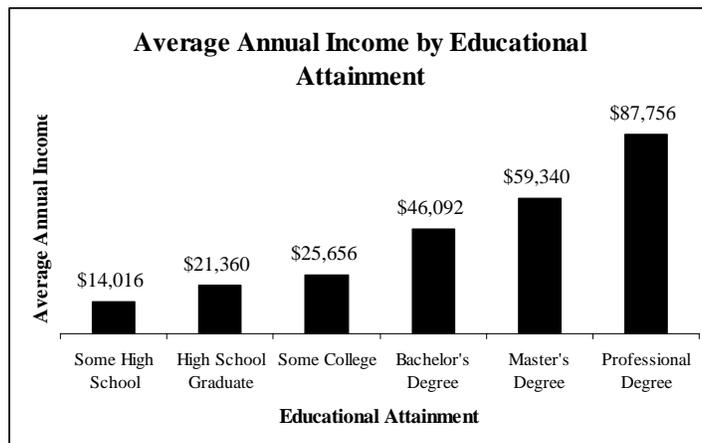
the Texas Border region, 20 percent of residents age 25 or older had fewer than nine years of education, as compared to 11.5 percent of the state as a whole. Only 11.2 percent of the Border Region population has a bachelor's degree and 6.3 percent have a post-graduate degree, while the state average for adults with a bachelor's degree is 15.6 percent and post-graduate degree is 7.6 percent.³²

Educational Attainment Levels in the Borderlands for 2000

Population (25 yrs. and older)	Texas Border Region	Texas	Texas Non-Border Region
Without a High School Diploma	33.5%	24.3%	22.2%
With a High School Diploma	23.3%	24.8%	25.2%
With some College but No Degree	22.7%	22.4%	22.7%
With an Associate's Degree	5.3%	5.2%	5.2%
With a Bachelor's Degree	11.2%	15.6%	16.6%
With a Post Graduate Degree	6.3%	7.6%	7.9%

Source: U.S. Census Bureau, Census 2000 Summary File 3

As a result of these low levels of educational attainment, it becomes more difficult for individuals to break the cycle of poverty that often engulfs low-income families. As the chart *Average Monthly Income by Educational Attainment* shows, for individuals with less than a high school diploma, the average monthly income is \$1,168, while the average monthly income is \$1,780 for high school graduates. On the other hand, a person with a bachelor's degree on average, earns \$3,841 a month, compared to \$4,945 for an individual with a master's degree. On average, an individual with a master's degree will earn \$45,324 more each year than an individual with less education than a high school diploma.³³ Obviously, increased educational attainment delivers clear economic benefits.



The Federal Reserve Bank of Dallas commissioned a study to determine the impact on the Border Region's income due to high school non-completion.³⁴ Please note that the study only examines fourteen of the fifteen Texas counties that actually border with Mexico, unlike the 43-county Border region to which this document often refers. As indicated in the chart *Implied Income Losses Due to High School Non-completion* indicates, the Border region suffers an enormous negative economic impact due to high levels of residents failing to complete high school. Collectively, the study estimates that the 14-county region lost out on more than \$3.6 billion in income due to high non-completion rates.³⁵

Implied Income Losses Due to High School Non-Completion

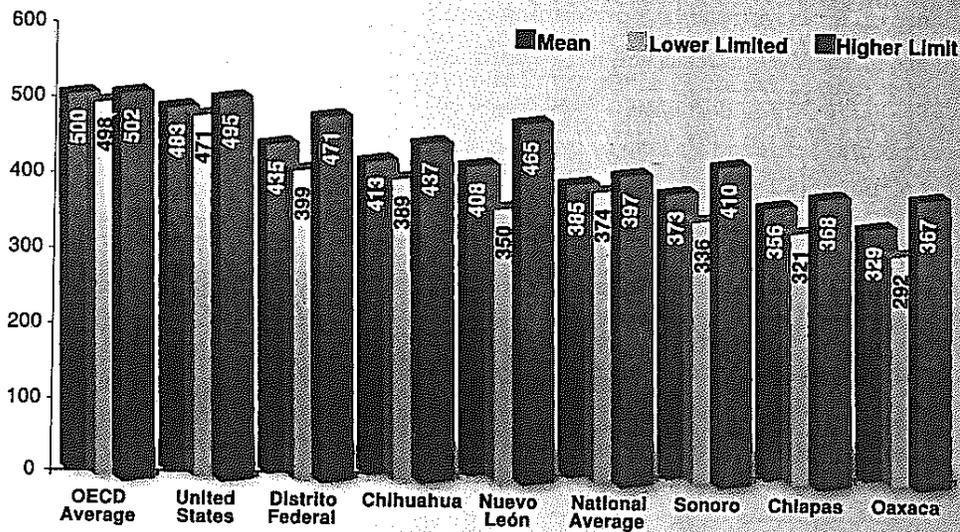
County	Per Capita Impact	Aggregate Impact (in millions)
Brewster	Not Calculated	Not Calculated
Cameron	\$3,143	\$744.7
El Paso	\$1,195	\$643.8
Hidalgo	\$3,627	\$1,262.5
Hudspeth	\$3,413	\$9.2
Jeff Davis	\$370	\$0.7
Kinney	\$2,261	\$6.6
Maverick	\$5,177	\$6.6
Presidio	\$4,011	\$24.5
Starr	\$5,760	\$210.2
Terrell	\$825	\$1.1
Val Verde	\$2,276	\$80.1
Webb	\$3,456	\$413.8
Zapata	\$3,129	\$26.3
14 Counties Bordering Mexico	\$2,260	\$3,593.9

* All impacts calculated in dollars for 1990 completion rates relative to the Texas Average. Border zone estimate is weighted average net of Brewster County

Source: Thomas M. Fullerton, Jr., "Educational Attainment and Border Income Performance," *Economic and Financial Review* (3rd quarter, 2001), p. 7

Furthermore, a recent study commissioned by the Paso del Norte Group shows that educational attainment is improving on the Mexican side of the Border. The graph below demonstrates that, although Mexico as a nation ranks significantly lower than the U.S. in terms of those who attain a higher education degree, the Mexican state of Chihuahua ranks much closer to the U.S..³⁶ As residents of Ciudad Juarez and the rest of Chihuahua become more educated and highly skilled, residents of El Paso and the rest of the U.S. side of the Border will face greater difficulties in remaining competitive for a shared workforce.

Percent of Population Age 24 and Above with a Higher Education Degree (Licencia or Above)—Mexico and State of Chihuahua, 2000 and 2005
Programme for International Student Assessment (PISA), OECD, 2003



Source: Rafael Vida and María Días (2004), Resultados de las Pruebas PISA 2000 y 2003 en México, Instituto Nacional para la evaluación de la educación

Without an educational system in the Border Region that delivers higher graduation rates and better education to meet the needs of employers, lower wages will persist, and the entire state—particularly the Border—will suffer the consequences.

Income Inequality

Per capita income is one measure of community success. Lower per capita income indicates that, on average, families are struggling to earn money and break the cycle of poverty. Unlike median income, which reflects the middle range of income—with 50 percent of the households making more and 50 percent earning less—per capita income is the average earnings of the total population in the area. The Border's per capita income is astoundingly low. For example, of the area's 43 counties, 41 had per capita income lower than the state average. Indeed, the Border Region's per capita is among the lowest in the nation, ranging from 35 percent of the U.S. per capita income in Starr County to 97 percent in Kerr County. As a state, Texas averages 94 percent of the U.S. per capita income.³⁷

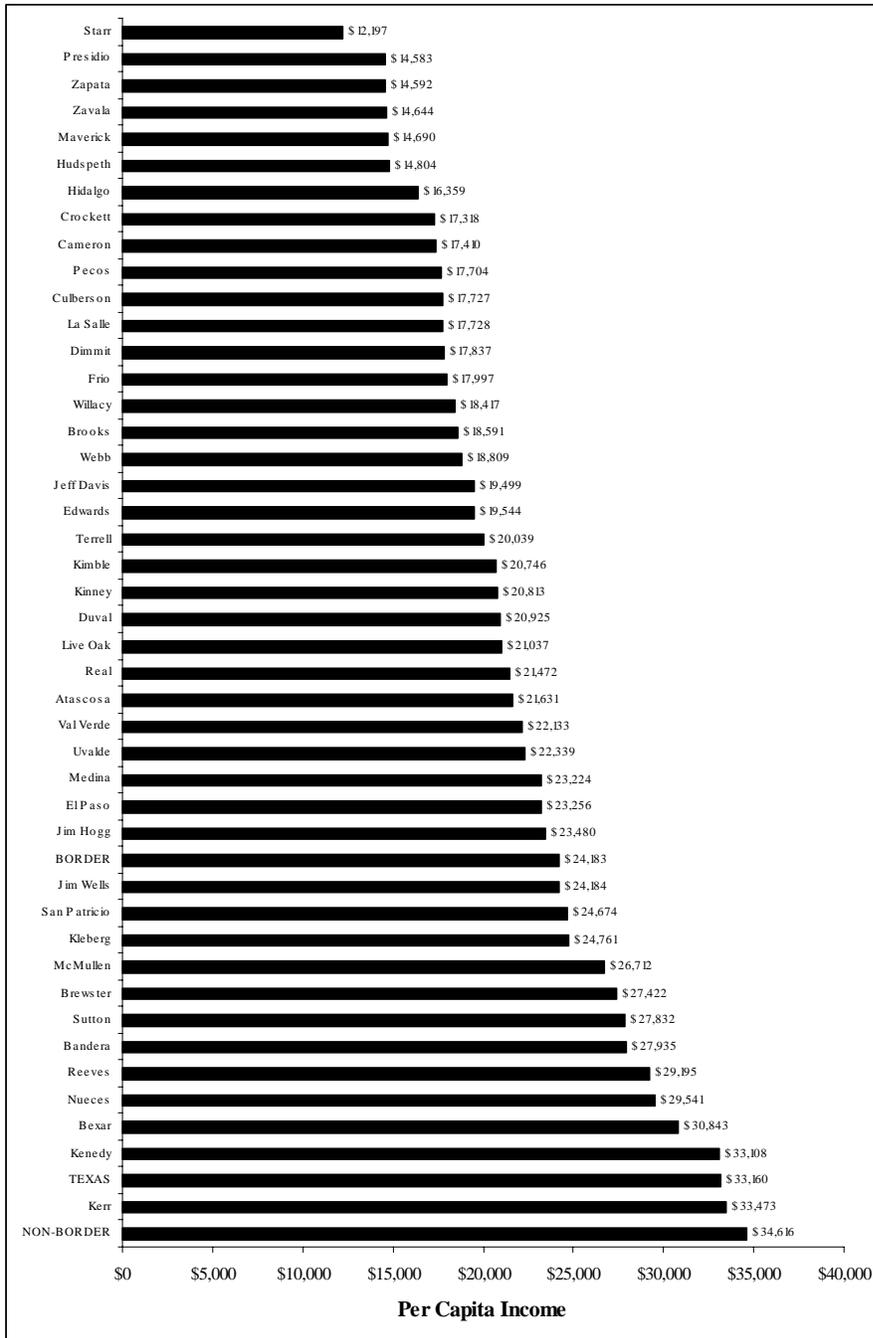
The entire state has suffered from an increase in income inequity. In Texas, the gap between the rich and the rest of us is unlike any other state in the nation. Texas had the greatest income inequality between the top fifth and the middle fifth in the early 2000s.³⁸ During the same time period, the gap between the richest 20 percent of families

and the poorest 20 percent in Texas was the second largest in the entire country, with the largest gap in New York.³⁹

Texas is not alone. Across the entire United States, the rich have been getting exceedingly richer for some time now, while the middle and lower classes continue to struggle. Between 1979 and 2002, for example, the average after-tax income of the top one percent of the population more than doubled, rising from \$298,000 to \$631,700. That's an astounding increase of \$333,700, or 111 percent. Meanwhile, during the same period, the middle class's income rose only \$5,700, or 15 percent.⁴⁰

When comparing the Border counties' per capita income with other counties around the state, the Border again struggles to keep in line. As the chart *Per Capita Income, 2005* shows, per capita income in every county along the Border hovers below or near Texas' per capita income in that year. Just a few years ago, the state per capita income average was \$33,160; however, only two of the 43 Border counties had a higher average.⁴¹ In fact, the Border counties had an average per capita income that was only 75 percent of the state average and 70 percent of the national per capita average of \$34,685.⁴² In 2007, the state median income was \$48,376, while El Paso's median income was only \$34,980.

Per Capita Income, 2005



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Race and Wage Earning

The Border's huge income disparities are also affected by the region's large Hispanic population. As described below in the chart *Median Income in the United States by Hispanic Origin*, Hispanics, on average, earn a lower income than non-Hispanic whites. The numbers reflected in the chart are disturbing. By 2005, the median income of Hispanics was \$37,867, only a \$4,774 increase over 1972 earnings, as measured in 2005 dollars. Over the same time period, non-Hispanic whites' income increased \$15,864.⁴³ As the Hispanic population continues to grow, the state will rely on a more Hispanic workforce to provide funds for state services.

Median Income by Hispanic Origin in the United State (2005 Dollars)

Year	Non-Hispanic White	Hispanic
1972	\$47,292	\$33,093
1973	\$48,179	\$33,168
1974	\$47,261	\$33,036
1975	\$46,412	\$30,544
1976	\$47,859	\$31,028
1977	\$48,467	\$32,470
1978	\$51,076	\$34,252
1979	\$51,819	\$35,305
1980	\$50,119	\$33,021
1981	\$49,336	\$33,642
1982	\$48,753	\$31,426
1983	\$49,289	\$31,528
1984	\$50,874	\$33,673
1985	\$52,010	\$32,924
1986	\$53,816	\$33,978
1987	\$55,067	\$33,360
1988	\$55,680	\$34,517
1989	\$56,346	\$35,645
1990	\$55,381	\$33,935
1991	\$54,849	\$33,399
1992	\$54,997	\$32,118
1993	\$54,691	\$31,469
1994	\$55,439	\$31,685
1995	\$57,265	\$31,254
1996	\$58,251	\$32,430
1997	\$60,203	\$34,133
1998	\$61,724	\$35,413
1999	\$63,271	\$36,962
2000	\$63,752	\$39,043
2001	\$63,221	\$38,035
2002	\$63,254	\$37,109
2003	\$63,606	\$36,370
2004	\$63,034	\$36,625
2005	\$63,156	\$37,867

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements

The continued growth of an under-educated Hispanic population will have serious consequences for Texas' future workforce. As the State Demographer contends:

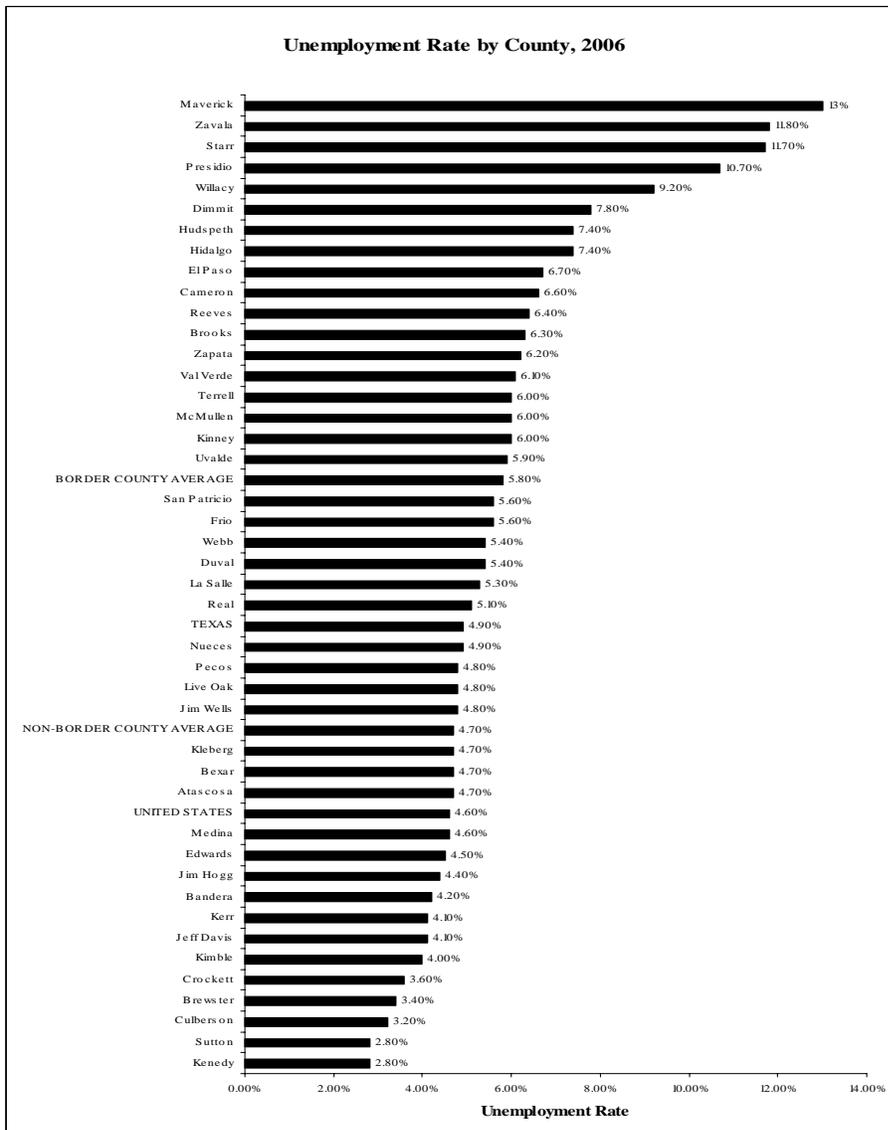
*If the current relationships between minority status and educational attainment, occupations of employment, and wage and salary income do not change in the future from those existing in 1990, the future workforce of Texas will be less educated, more likely to be employed in lower-level state occupations, and earning lower wages and salaries than the present workforce. Preparing Texas workers to compete more effectively in the increasingly competitive international workforce of the future will require changing current patterns of relationships between minority status and other characteristics by improving the educational and skill levels of Texas minority workers.*⁴⁴

Gender and Wage Earning

Nationally, a significant wage gap still exists between male and female workers. In 2007, women working full-time only earned 78% of what their male counterparts earned. For the same year, the U.S. Census determined that this disparity existed in nearly all professions.

Employment

While high poverty rates are the result of various conditions, one important contributor is the rate of unemployment. The Border counties had unemployment rates that were higher than that for the state as a whole in 2006. Unemployment rates are based on the number of people searching for work. Thus, a high rate indicates that opportunities to earn money are unavailable. The chart below, *Unemployment Rate by County, 2006*, outlines the unemployment rates for the 43 Border counties.⁴⁵



Source: U.S. Department of Labor

Language Barriers

Language barriers can create and exacerbate numerous problems for people who emigrate from Mexico into the U.S. Border area. Data on language use suggests that many in the region lack the basic English language skills necessary to effectively compete in the labor force and access services. In 2000, 37 of the region's 43 counties had higher proportions of people speaking Spanish at home than the state as a whole, and in 17 counties the percentage of people speaking Spanish at home exceeded 70 percent. Even more important, as the chart *Percentage of Residents who Speak Spanish at Home*

and Proficiency in English illustrates, nearly a third of the counties, more than 20 percent of those speaking Spanish at home either do not speak English at all or do not speak the language well.¹⁴⁶

Percentage of Residents who Speak Spanish at Home and Proficiency in English

Area	Percent that speak primarily Spanish at home	Ability to Speak English			
		Very Well	Well	Not Well	Not at all
Atascosa	43.97%	63.51%	23.63%	11.16%	1.71%
Bandera	11.09%	72.56%	15.67%	8.48%	3.30%
Bexar	40.35%	65.66%	19.87%	10.23%	4.22%
Brewster	41.04%	69.51%	18%	10.06%	2.43%
Brooks	77.10%	64.45%	23.26%	9.10%	3.19%
Cameron	78.26%	54.89%	20.31%	13.52%	11.28%
Crockett	46.83%	60.24%	26.17%	9.97%	3.62%
Culberson	72.11%	63.39%	19.74%	9.11%	7.75%
Dimmit	76.05%	62.03%	23.76%	9.51%	4.70%
Duval	78.01%	65.77%	23.27%	9.37%	1.59%
Edwards	46.58%	61.99%	21.33%	12.04%	4.64%
El Paso	71.18%	55.03%	21.39%	13.74%	9.83%
Frio	61.09%	62.91%	23.82%	9.86%	3.41%
Hidalgo	82.31%	53.59%	21.04%	12.38%	12.99%
Hudspeth	73.85%	45.77%	16.26%	19.18%	18.79%
Jeff Davis	35.97%	58.64%	17.80%	17.80%	5.76%
Jim Hogg	81.64%	66.27%	21.55%	9.71%	2.47%
Jim Wells	61.87%	65.33%	23.66%	9.56%	1.45%
Kenedy	85.45%	57.28%	19.20%	15.17%	8.36%
Kerr	15.97%	59.16%	24.89%	12.36%	3.59%
Kimble	16.48%	62.95%	12.59%	17.95%	6.51%
Kinney	45.92%	58.20%	23.75%	13.04%	5.01%
Kleberg	53.12%	68.64%	21.13%	8.36%	1.87%
La Salle	68.62%	59.85%	27.39%	9.06%	3.70%
Live Oak	28.95%	71.37%	17.54%	8.90%	2.18%
McMullen	26.67%	68.04%	16.89%	14.16%	0.91%
Maverick	90.59%	48.70%	22.80%	14.14%	14.37%
Medina	35.38%	67.78%	21.59%	8.14%	2.49%
Nueces	40.99%	68.04%	20.04%	9.28%	2.63%
Pecos	54.59%	61.46%	21.95%	11.52%	5.07%
Presidio	83.85%	45.95%	19.93%	13.40%	20.72%
Real	19.60%	70.02%	17.02%	9.12%	3.68%
Reeves	66.67%	56.35%	23.25%	12.20%	8.00%
San Patricio	37.72%	67.28%	20.09%	9.90%	2.74%
Starr	90.40%	43.28%	27.03%	13.16%	16.53%

Sutton	46.80%	61.60%	20.76%	8.65%	8.99%
Terrell	52.44%	69.09%	14.71%	13.04%	3.17%
Uvalde	59.11%	60.20%	22.16%	11.25%	6.40%
Val Verde	68.95%	56.94%	21.12%	12.69%	9.25%
Webb	91.35%	51.63%	23.95%	13.55%	10.87%
Willacy	77.84%	58.66%	24.45%	10.91%	5.98%
Zapata	78.10%	53.86%	23.92%	10.18%	12.04%
Zavala	84.47%	50.66%	30.25%	11.86%	7.24%
TEXAS	29.09%	55.87%	16.65%	15.77%	11.70%

Source: U.S. Census Bureau, Census 2000 Summary File 3

Conclusion

If the Border population continues to grow at the rate recorded between 1990 and 2000, the population of the Mexican Border states will increase to almost 9 million inhabitants in 2010, and to 13 million in 2020.⁴⁷ In 2020, if present trends continue, the 43-county Texas Border region will grow by over 2 million inhabitants. With a total of 6,128,171 inhabitants, the Border region is predicted to be larger than South Carolina and Minnesota. In fact, it would rank as the 20th largest state in population.

The time to face the challenge of our Texas Border Region is now. In public education, university programs, workforce skills, health access, and basic infrastructure—all areas critical to building a sound economy—Texas has failed to allocate appropriate financial resources based on population growth and need. There does, however, seem to be a greater urgency to fund public education in recent years. In 2004, all along the Texas-Mexico Border, the state's share of public education spending had dropped from 65 percent to 36.3 percent, and local governments were forced to rely on the lowest per capita tax base in the U.S. to provide for the most essential state service: a quality public education.⁴⁸ In 2007, the 80th Legislature appropriated \$50.4 billion to all education funds; an increase of 34% above the 2006-2007 biennium.⁴⁹ Though this is a welcome improvement, Texas has a long way to go before achieving parity with other states in the field of public education. In a 21st century economy, the undereducated citizen of Brownsville will soon become the unskilled worker of Dallas. With the dramatic growth ahead, our state has a choice: make the necessary investment and succeed or continue failed policies of underinvestment and, for the first time in Texas history, our next generation will be less prosperous than the generation of today. Simply put, the human capital of the Border is the key to prosperity for all our state, not just the Texas Borderlands.

Texas Borderlands 2009

"Keeping Hope Alive"
Higher Education



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
January 2008

Borderlands 2009: Higher Education

"Keeping Hope Alive"

Texas will succeed when we invest in our future—and our future is our children.

Today, we live in what economists call an "intangible economy." What drives success and prosperity is knowledge—understanding, initiative and innovation. Investment in creativity and ideas plays the part that raw materials, such as factory labor and capital, once played under industrial capitalism. Knowledge is money—and what we earn depends on what we learn.

If Texas is going to meet the challenge of a knowledge-based 21st Century economy, new policies and new leadership will have to take us there. In our recent past, Texas has made the wrong choices on education and today we are experiencing the results.

In 2003, Texas was faced with a \$10 billion shortfall in the budget. Instead of protecting critical investments in public and higher education, state leaders passed tax breaks for millionaires—about \$300 million a year for the wealthiest Texans—then hiked college costs through tuition de-regulation to make up the difference.

In a state where just 26 percent of Texans aged 25 to 65 have a college education or better, limiting access to education is a policy we can not afford.

To remain a competitive state, Texas' master plan for higher education—"Closing the Gaps"—says we must add 630,000 college students by 2015. When we consider that a person with a high school diploma earns \$1.7 million over a lifetime, while a person with a bachelor's degree earns on average \$3 million, the value of education is clear. Additionally, a 2007 study released by The Perryman Group shows that for each dollar spent on higher education today will result in an economic return on \$24.15 in total spending, \$9.60 in gross state product, and \$6.01 in personal income by 2030.

Many of these new students will be Hispanic Texans. Between 2000 and 2005, Hispanic enrollment increased by 82,065 students, or 34.6 percent, the largest increase of any ethnic group. Yet, the higher education participation level for Hispanic students failed to meet Texas' 2005 target by 20,541 students. In 2006, Hispanic enrollment remained short of the 2005 target by 6,000 students.

In order to meet the 2010 participation target participation rate of 4.8 percent of the Texas Hispanic population, the state's institutions of higher education will have to increase enrollment by another 41.9 percent.

The good news is that if we achieve the "Closing the Gaps" goal, we will see higher levels of income, lower levels of unemployment and poverty, and higher levels of civic participation. Fortunately, programs such as TEXAS Grants can put Texas on track

for success—but like too many investments in the future of our state, TEXAS Grants is on life support.

TEXAS Grants is a grant program that was created to make sure that well-prepared high school graduates with financial need could go to college. Since the program was created in 1999, it has been regarded as a huge success. In 2000, nearly 11,000 students had received a TEXAS Grant to pay for college; by 2006, a total of 161,000 students had received 327,000 TEXAS Grants to help achieve the dream of college.

Unfortunately, funding has failed to keep up with the demand. The Texas Higher Education Coordinating Board estimates that over 38,000 eligible students will not receive a TEXAS Grant in the 2007-08 academic year.

In a democracy, budgets are moral choices. In our government, budgets reflect what we value. Our vision should be broad-based and forward-looking toward our long-term prosperity. Though today's economic factors may be "intangible," the costs of not investing in the minds of our own children are all too tangible.

To close the gap in Texas, we must graduate more of our best and brightest. If we invest in our greatest resource, our children, Texas will be the state of the future.

Let's keep hope alive!

A handwritten signature in black ink that reads "Eliot Shapleigh". The signature is written in a cursive, flowing style.

Eliot Shapleigh

Changing Populations in the Border Region

Texas Borderlands: The Fastest Growing Young Population in the State

The Texas Borderlands is quickly growing, thereby increasing the demand for higher education. In the 2006 American Community Survey, the U.S. Census estimated that El Paso is home to 13.6 percent more young people than the Texas average and over 25 percent more than the national average. As of 2006, over 43 percent of El Paso's population was under the age of 25, compared to 35 percent for the nation. In Cameron and Webb counties, more than half the population is under the age of 30, significantly lower than the median age for both Texas and the nation, 33.1 and 36.4 years, respectively. Further, more than a third of Cameron and Webb County residents are under the age of 18, compared to only 24.6 percent for the nation overall.⁵⁰

While the Texas Borderlands population has grown rapidly, even greater increases are expected for the 18-24 age group. The projected state population increases from 2000 to 2015 are shown below in the table, *Projected Population Growth of the 18-24 Age Group in Texas*. By 2015, the population of the age group from 18-24 is expected to grow to 2.5 million, and by the year 2025 to 3.0 million, an increase of nearly 500,000 more people. High growth rates will further hinder access to higher education due to the lack of funding and enrollment capacity in the Borderlands.

Projected Population Growth of the 18 to 24 Age Group in Texas

POPULATION	JULY 1, 2008	JULY 1, 2015	JULY 1, 2025
Ages: 18-24	2,465,998	2,535,506	3,055,333

SOURCE: U.S. Census Bureau, Population Division, *Interim State Population Projections, 2005*. Available online: <http://www.census.gov/population/projections/SummaryTabB1.pdf>.

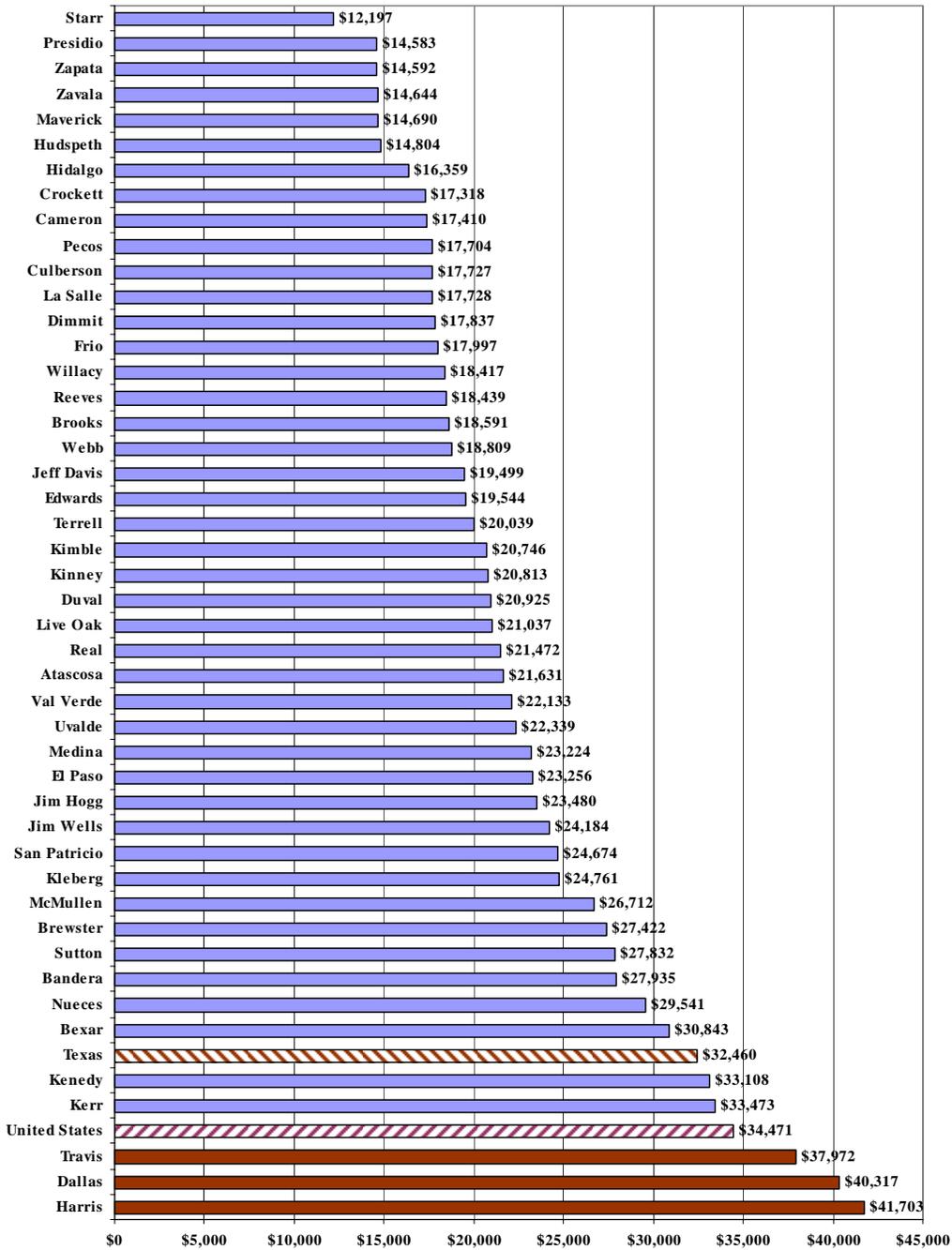
Income Inequality in Texas Borderlands

Per capita income is one measure of community success. Lower per capita income indicates that, on average, families are struggling to earn money and break the cycle of poverty. Unlike median income, which reflects the middle range of income—with 50 percent of households making more and 50 percent earning less—per capita income is the average earnings of the total population in that area. The Border's per capita income is astoundingly low. For example, of the area's 43 counties, 41 had per capita incomes lower than the State average.⁵¹ Indeed, the Border area's per capita income is among the lowest in the nation, ranging from 358 percent of the U.S. per capita income in Starr County to a high of 97 percent in Kerr County.⁵² As a state, Texas averages 94 percent of the U.S. per capita income.⁵³

The entire state has suffered from an increase in income inequality. In Texas, the gap between the rich and the rest of us is unlike any other state in the nation. Texas had the greatest income inequality between the top fifth and the middle fifth in the early 2000s.⁵⁴ During the same time period, the gap between the richest 20 percent of families and the poorest 20 percent was second in the entire country, behind only New York.⁵⁵

The chart on the following page, *Per Capita Income in Texas Counties, 2005*, shows the staggering differences in per capita income between the 43 border counties, Texas, the United States, and selected non-border Texas counties. As the chart indicates, only two border counties, Kenedy and Kerr, have per capita incomes above Texas' level, and no border county is higher than the U.S. level.

Per Capita Income in Texas Counties, 2005



Borderland Universities: Keeping Up With Demand

Four universities in the Borderlands region, the University of Texas-Brownsville, University of Texas-El Paso, University of Texas-Pan American, and University of Texas-San Antonio, have experienced enrollment increases, reflecting the population growth and the increased demand for higher education. As the table *UT System Projected Enrollment* shows, 63 percent of the UT System's increased enrollment between 2005 and 2015 will come from just these four Border universities.⁵⁶ While enrollment has increased over the last few years, more resources and a greater capacity is needed to keep pace with the demand for higher education in Texas. In September 2004, the UT System established the Capital Planning Task Force to assess the need for capital funding at the System's academic institutions due to enrollment growth. Just to physically accommodate new students expected to enroll by 2030 - and not accounting for additional costs such as faculty salaries, research expenditures, utilities, and other general operating expenses - the Task Force conservatively estimated a total capital need for the academic institutions of \$7.0 billion.⁵⁷

UT System Projected Enrollment

	BASE ENROLLMENT	PROJECTED ENROLLMENT				
	2005	2007	2010	2005-2010 Percentage Increase	2015	2010-2015 Percentage Increase
UT-Arlington	25,216	26,151	27,020	7.2%	28,201	4.4%
UT-Austin	49,233	50,039	51,150	3.9%	52,273	2.2%
UT-Brownsville*	4,759	5,064	5,419	13.9%	5,946	9.7%
UT-Dallas	14,399	14,796	15,421	7.1%	16,555	7.4%
UT-El Paso*	19,257	20,579	21,572	12.0%	22,444	4.0%
UT-San Antonio*	27,291	30,814	31,746	16.3%	32,687	3.0%
UT-Tyler	5,746	5,985	6,038	5.1%	5,987	-0.8%
UT-Pan American*	17,048	18,304	19,907	16.8%	22,044	10.7%
UT-Permian Basin	3,406	3,641	3,689	8.3%	3,680	-0.2%
UT System Total	166,355	175,373	181,962	9.4%	189,817	4.3%

SOURCE: Texas Higher Education Coordinating Board, *Participation Forecast, 2007-2020*, January 2007.

*Border universities.

The state must find a way to make higher education accessible to the Borderlands community. While the 18-24 age group continues to grow in the Borderlands, it also remains one of the most underserved populations in Texas higher education.

Economic Benefits of Education

The benefits of obtaining a college education are both economic and social, and have been found to greatly benefit society as a whole. Higher education is one of the most powerful tools for ensuring a healthy economy and the social well-being of Texas. Individuals with college degrees yield increased earnings, contribute greater amounts to the tax base, rely less on public assistance, and contribute more to local, state, and national economies than those without a college degree.⁵⁸ According to the Texas Comptroller, for every dollar invested in higher education, more than \$5 is pumped into the state economy. In addition, higher education creates a more flexible workforce, with employees that adapt more easily to changes in technology. Social benefits of higher education include increased civic involvement and voter participation, decreased crime rates, and overall improved health conditions, benefiting both individuals and the community as a whole.⁵⁹ Texas faces many challenges, however, in providing access and equity in higher education, especially along the Texas Border region.

The table on the following page, *Educational Attainment Levels in the Borderlands for 2000*, was created by the Texas Comptroller based on data from the 2000 Census. The three different definitions of the Border that are used in the table include: (1) the 14 Texas counties with boundaries touching the U.S.-Mexico Border; (2) the 32 counties based on the federal definition of the Border from the La Paz Agreement with Mexico; and (3) the 43 counties that are commonly referred to as the Border region in state public policy. These three definitions of the Border are compared with the state average and the average of the 211 non-Border counties.

In the 43-County Texas Border Region, 33.6 percent of adults do not have a high school diploma, compared to 43.2 percent in the 14-County Actual Border Region. Comparatively, 24.3 percent of the state has a bachelor's degree while only 22.2 percent of the people in the 211-County non-Border region have a bachelor's degree. Only 9.3 percent of the 14-County Border population have a bachelor's degree and only 5 percent have a postgraduate degree, while the state average for adults with a bachelor's degree is 15.6 percent and postgraduate degree is 7.6 percent.

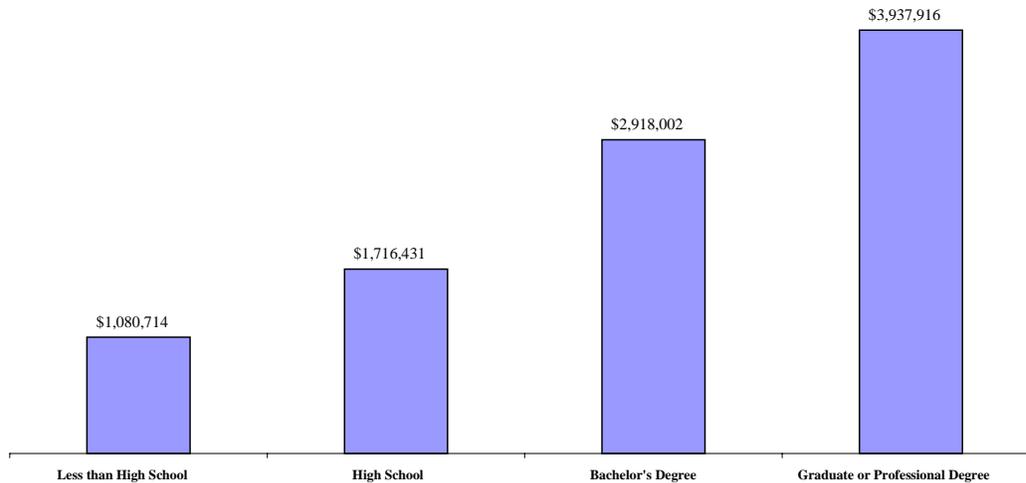
Educational Attainment Levels in the Borderlands for 2000

POPULATION (25 YRS. AND OLDER)	14-COUNTY IMMEDIATE BORDER REGION	32-COUNTY SUB- BORDER (LA PAZ) REGION	43- COUNTY TEXAS BORDER REGION	TEXAS	211- COUNTY NON- BORDER REGION
WITHOUT A HIGH SCHOOL DIPLOMA	43.2%	43.2%	33.6%	24.3%	22.2%
WITH SOME COLLEGE BUT NO DEGREE	17.6%	17.5%	20.7%	22.4%	22.7%
WITH AN ASSOCIATE'S DEGREE	4.1%	4.0%	4.9%	5.2%	5.3%
WITH A BACHELOR'S DEGREE	9.3%	9.1%	11.2%	15.6%	16.6%
WITH A POST GRADUATE DEGREE	5.0%	4.9%	6.3%	7.6%	7.9%

SOURCE: Texas Comptroller of Public Accounts, *The Border: Snapshot*, November 2003, using data from the 2000 U.S. Census.

The chart *Average Lifetime Income by Educational Attainment* shows the great variation in income due to education level. For individuals with less than a high school diploma, the average lifetime income is \$1,080,714, while the average lifetime earnings are \$1,716,431 for high school graduates. On the other hand, a person with a bachelor's degree, on average, earns \$2,918,002 over the course of their lifetime, compared to \$3,937,916 for an individual with a graduate or professional degree. Clearly, the economic benefits of education greatly aid in the development of both the overall economy of Texas and the specific Borderland economies.

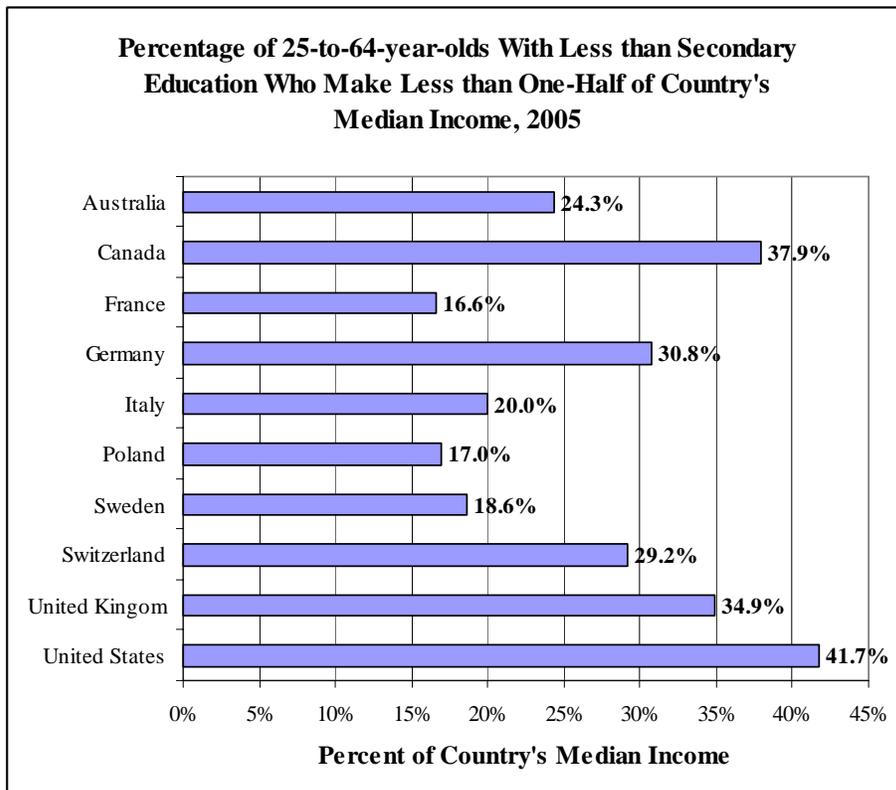
Average Lifetime Income by Educational Attainment



SOURCE: Steve Murdock, *The Population of Texas: Historical Patterns and Future Trends Affecting Education*, June 19, 2002, from U.S. Census Bureau population figures.

A result of low levels of educational attainment is that per capita income along the Borderlands is among the lowest in the nation, ranging from 35.4 percent of the U.S. per capita income in Starr County to 67 percent in El Paso in 2005.⁶⁰ In addition, six of the 11 poorest counties in the country are located in the Texas Borderlands.⁶¹ In April 2007, the U.S. Census Bureau announced McAllen-Edinburg-Mission was the nation's 11th fastest growing Metropolitan Statistical Area (MSA) between 2000 and 2005.⁶² It also continued to be America's poorest MSA, with an average annual per capita income of \$16,359 in 2005.⁶³ The El Paso MSA had a per capita income of \$23,256, while the per capita income for Texas and the nation was \$33,160 and \$34,685, respectively.⁶⁴ This has only gotten worse as time has passed. In 1969, El Paso's per capita income was 73 percent of the national level. By 2005, however, it had dropped to only 67.5 percent of the national level.⁶⁵ In fact, the state of Texas fell from ranking 30th in median household income (MHI) in 1990 to 39th in 2005, increasing a mere \$1,273 to \$41,200.⁶⁶ In order to keep pace with inflation, the MHI needed to grow to \$59,660.

When compared with other industrialized nations, people in the United States who fail to complete a secondary education are considerably worse off. As the chart *Percentage of 25-to-64-year-olds With Less than Secondary Education Who Make Less than One-Half of Country's Median Income, 2005* indicates, 41.7 percent of 25-to-64-year-olds in the United States fell into that category.⁶⁷ In Switzerland, however, only 29.2 percent fall in that category; in Germany, 30.8 percent.⁶⁸



Closing the Gaps by 2015

The Texas state plan for higher education, *Closing the Gaps by 2015*, aims to close disparities in participation, success, excellence, and research. Of particular concern to the state is the declining proportion of Texans enrolled in higher education. When the Texas Higher Education Coordinating Board (THECB) first adopted its plan in October 2000, it set a goal of increasing higher education enrollment by 500,000 students by 2015 to maintain national parity. Due to an increase in population projection, this target was increased to 630,000 students in 2005. Of these students, approximately 70 percent are projected to be Hispanic.⁶⁹

Most public institutions of higher education have been confronted with several challenges, including enrollment increases coupled with reductions in state appropriations. It is important to note that the majority of the state's Hispanics come from the 43 Border counties, which has serious implications in achieving THECB goals for ensuring student readiness, interest in, and successful completion of college. In the Texas Border area, 84 percent of the population is Hispanic.⁷⁰

THECB's first goal in *Closing the Gaps* is to increase participation in higher education. Based on its original goal to increase participation by 500,000 students, THECB set short-term targets to reach its objective of increasing enrollment in

institutions of higher education by 150,000 students by 2005. This number was later reduced to 149,121 students to reflect independent institutions' enrollments.⁷¹ These targets included 23,537 additional black students, 102,606 Hispanic students, and 20,958 white students. Participation targets for all groups, except Hispanics, were met and exceeded before the 2005 deadline. This represented 134 percent of the black target, 80 percent of the Hispanic target, and 282 percent of the white target.⁷²

Hispanic enrollment is of particular concern to the THECB. Between 2000 and 2005, Hispanic enrollment increased by 82,065 students, or 34.6 percent, the largest increase of any ethnic group. Regardless, the higher education participation level for Hispanic students failed to meet the 2005 target by 20,541 students.⁷³ In 2006, Hispanic enrollment remained short of the 2005 target by 6,000 students.⁷⁴ In order to meet the 2010 participation target participation rate of 4.8 percent of the Texas Hispanic population, the state's institutions of higher education will have to increase enrollment by another 41.9 percent. Moreover, this participation rate is well below the 2010 participation targets set for the state's African-American and white populations, 5.6 percent and 5.7 percent, respectively.⁷⁵

Each institution also sets its own participation goals. According to the 2007 participation forecast released by THECB, the targets set by Texas higher education institutions fall short of the 2015 *Closing the Gaps* target by 308,000 students, or 49 percent of the 630,000 additional enrollment goal.⁷⁶ Institutional targets for Hispanic enrollment fall short of the 2015 goal by an alarming 196,633 students.⁷⁷ Not only are institutions allowed to set their own goals, which are typically low, but there is no accountability by the universities or by THECB when they are not achieved. The higher education system must work harder to meet the needs of Hispanic Texans.

The second goal of *Closing the Gaps* is to increase the number of degrees and certificates from high quality programs by 50 percent. In order to accomplish this goal, the THECB cited the importance of increasing the number of bachelor's degrees received by the Hispanic community relative to their representation in the state population.⁷⁸ The *2006 Closing the Gaps Progress Report* found that Texas surpassed its 2005 target of 31,000 in 2004, with 33,708 Hispanic students earning certificates and bachelor's and associate's degrees in 2005.⁷⁹ Still, the report cautioned that Hispanic and African-American students are underrepresented in the proportion of bachelor's degrees awarded and overrepresented in the proportion of associate's degrees and certificates awarded. The number of Hispanic students earning bachelor's degrees must increase by another 31 percent to meet the 2010 target.⁸⁰ The report also expressed that the 55.5 percent six-year graduation rate remains "relatively low" in comparison with other states and that Texas institutions will need to reduce the time that it takes students to earn degrees.⁸¹ As will be discussed later in this chapter, increasing graduation rates at Border universities will play a significant role in achieving this statewide goal.

The third goal, *Closing the Gaps in Excellence*, aims to substantially increase the number of nationally recognized programs or services at public colleges and universities in Texas. All of Texas' public institutions of higher education have identified programs

to develop for national recognition; however, in 2003 both research universities and public liberal arts universities have received "red-lights" for the lack of progress made towards this goal. Two years later, THECB found this goal difficult to measure.⁸² As of 2007, no Texas higher education institution had ranked in the top 10 for research institutions, public research universities or health science centers or top 30 public liberal arts universities—all excellence targets set for 2010.⁸³

In 2003, THECB released a cost/benefit analysis for *Closing the Gaps*. The report projected that the investment in human capital by both the state and the student would cost \$20 billion by 2015.⁸⁴ That figure includes around \$6.9 billion in new construction costs, \$4.8 billion related to normal growth in enrollment, and \$8.4 billion for *Closing the Gaps* growth.⁸⁵ The resulting net benefit, however, is estimated at an astounding \$274 billion - a 13-fold return on investment.⁸⁶

A 2007 study released The Perryman Group further highlights some of the benefits if Texas fully achieves the *Closing the Gaps* goals.⁸⁷ After considering all state, local, and private costs, the report states that "the annual economic return per \$1 of expenditures by 2030 are estimated to be \$24.15 in total spending, \$9.60 in gross state product, and \$6.01 in personal income."⁸⁸ The Texas Border will see vast economic benefits, too. When compared with baseline assumptions, achievement of the *Closing the Gaps* goals will reap over 29,000 permanent jobs and \$2.76 billion in personal income for the El Paso Metropolitan Statistical Area (MSA). Additionally, the Brownsville-Harlingen MSA will gain over 13,000 jobs, and the McAllen-Edinburg-Pharr MSA will see in an increase in personal income of \$1.6 billion.⁸⁹

The University of California System currently has six schools ranked in the top 50. In 2008, *U.S. World & News Report* ranked the University of Texas-Arlington, University of Texas-El Paso, Texas A&M-Commerce, and Texas A&M-Kingsville in Tier 4, which is the lowest ranking classification for a university.⁹⁰ Though not specifically ranked, Tier 4 begins at 191 for universities nationwide. The University of Texas-Pan American and Texas A&M-International did not even make the list of rankings. The table, *U.S. World & News Report Rankings for Texas Public Schools and the University of California System*, shows eight institutions in the University of California System that are ranked in the top 100 for 2008. The University of Texas-Austin and Texas A&M University-College Station are the only public Texas institutions of higher education on this list, with only one in the top 50.

U.S. World News & World Report Rankings for Texas Public Schools and the University of California System

RANKING	COLLEGE/UNIVERSITY
21	University of California-Berkeley
25	University of California-Los Angeles
38	University of California-San Diego
42	University of California-Davis
44	University of California-Irvine
44	University of California-Santa Barbara

44	University of Texas-Austin
62	Texas A&M University-College Station
79	University of California-Santa Cruz
96	University of California-Riverside

SOURCE: U.S. News & World Report (2008)

In addition to the U.S. News & World Report rankings, international higher education rankings also provide insight into the rankings for Texas colleges and universities. Two systems in particular are relied upon by American colleges and universities to help demonstrate prestige: Britain's THES-QS World University Rankings and China's Academic Ranking of World Universities.⁹¹

The THES-QS World University Rankings is an annual publication of university rankings around the world, published by The Times Higher Education Supplement (THES) and Quacquarelli Symonds (QS).⁹² The rankings have been running since 2004 and are broken down by subject and region. The ranking weights are:

- Peer Review Score (40%)
- Recruiter Review (10%)
- International Faculty Score (5%)
- International Students Score (5%)
- Faculty/Student Score (20%)
- Citations/Faculty Score (20%).

Texas institutions of higher education that are ranked in the top 200 are:

- UT-Austin (51)
- Rice (92)
- Texas A&M (122)

The Academic Ranking of World Universities is compiled by Shanghai Jiao Tong University's Institute of Higher Education.⁹³ The ranking weights are shown in the table below:

Criteria	Indicator	Weight
Quality of Education	Alumni of an institution winning Nobel Prizes and Fields Medals	10%
Quality of Faculty	Staff of an institution winning Nobel Prizes and Fields Medals	20%
	Highly cited researchers in 21 broad subject categories	20%
Research Output	Articles published in Nature and Science*	20%
	Articles in Science Citation Index-expanded, Social Science Citation Index	20%
Size of Institution	Academic performance with respect to the size of an institution	10%

**For institutions specialized in humanities and social sciences such as London School of Economics, N&S is not considered, and the weight of N&S is relocated to other indicators.*

Source: Institute of Higher Education, Shanghai Jiao Tong University.

Texas institutions of higher education that are ranked in the top 500 are:

- UT-Austin (38)
- UT-Southwestern Medical Center (39)
- Rice (87)
- Texas A&M (91)
- Baylor College of Medicine (102-150)
- UT Health Science Center - Houston (151-202)
- UT M.D. Anderson Cancer Center (151-202)
- Univ of Houston (203-304)
- UT Health Science Center - San Antonio (203-304)
- UT Medical Branch - Galveston (203-304)
- Texas Tech (305-402)
- UT Dallas (305-402)
- SMU (403-510)

Financing Higher Education in the Borderlands

Higher Education 2008-09 appropriations in Texas account for about 14 percent of the state's total all funds appropriations, including federal funds, totaling \$21.2 billion for the biennium. This is a 14 percent increase from the 2006-07 all funds appropriations.⁹⁴ In the 2008-09 biennium, nine Texas Borderland universities account for \$1.05 billion, or 17.7 percent, of all funds appropriations to Texas universities, while all the remaining 26 account for nearly \$4.89 billion, or 82.3 percent.⁹⁵ Thus, for every \$100 a Borderland university receives, a non-Borderland university receives \$42 more.

The University of Texas-El Paso experienced a 16.1 percent increase in funding from the 2006-2007 biennium, while the University of Texas-Pan American experienced a 9.2 percent increase, and the University of Texas-Brownsville experienced a 22.9 percent increase. The University of Texas-San Antonio showed an increase of 15.5 percent, while Texas A&M-Kingsville had an increase of 8.7 percent, and Texas A&M-International, whose budget was increased by 18.2 percent. Finally, Sul Ross State University only showed an increase of 2.9 percent, and Sul Ross University-Rio Grande College funding increased by 8.3 percent.⁹⁶ Despite the increased state funding to Texas Borderland universities in the 2008-2009 biennium, appropriations to Texas public universities continue to be distributed inequitably in relation to the number of students enrolled.

All Funds Appropriations for General Academics

UNIVERSITY	2006-2007 BIENNIUM (MILLIONS)	2008-2009 BIENNIUM (MILLIONS)	PERCENTAGE INCREASE
UT-AUSTIN	\$711	\$747	5.1
UT-EL PASO	\$174	\$202	16.1

UT-PAN AMERICAN	\$152	\$166	9.2
UT-BROWNSVILLE	\$48	\$59	22.9
UT-SAN ANTONIO	\$232	\$268	15.5
Texas A&M-COLLEGE STATION	\$602	\$658	9.3
Texas A&M-CORPUS CHRISTI	\$109	\$119	9.2
Texas A&M-KINGSVILLE	\$92	\$100	8.7
Texas A&M-INTERNATIONAL	\$77	\$91	18.2
SUL ROSS STATE UNIVERSITY	\$34	\$35	2.9
SUL ROSS STATE -RIO GRANDE	\$12	\$13	8.3

SOURCE: Legislative Budget Board, Text of Conference Committee Report on House Bill 1 (2007) and Text of Conference Committee Report, Senate Bill 1(2005).

The amount of annual state appropriations per four-year graduate amongst first-time, full-time, degree-seeking undergraduates for the 1999 cohort was \$928,287 for UTEP. This compares to \$380,871 for UT-Dallas and \$118,848 for UT-Austin. Please see the chart below for an explanation of these figures.

	State Appropriation per Fiscal Year				Total	1999 Cohort*	4-year graduation rate*	Graduates*	State appropriation per year per 4-year graduate
	FY00	FY01	FY02	FY03					
UTEP	\$76,866,331	\$76,279,134	\$77,695,758	\$77,350,131	\$308,191,354	1,662	5%	83	\$928,287
UT-Austin	\$335,331,571	\$339,657,210	\$354,585,489	\$353,339,131	\$1,382,913,401	6,925	42%	2,909	\$118,848
UT-Dallas	\$63,091,773	\$64,519,546	\$74,270,404	\$73,869,193	\$275,750,916	603	30%	181	\$380,871
UT-San Antonio	\$82,680,663	\$80,837,426	\$88,130,548	\$87,578,785	\$339,227,422	1,665	6%	100	\$848,069

*Note: Graduation rates are for first-time, full-time, degree-seeking undergraduates who begin in the summer/fall of the enrollment year and graduate at the same institution.

SOURCE: UT System

The *Accountability and Performance Report 2006-07* issued by the University of Texas Board of Regents uses adjusted revenue per full-time equivalent student and adjusted revenue per full-time equivalent faculty as indicators of the resources available for students and faculty. As illustrated by the following chart, *Adjusted Revenue per Full-Time Equivalent Student at University of Texas Campuses*, revenue per full-time equivalent student has increased in all but one of the University of Texas Borderland universities over the past five years.⁹⁷ In addition, the chart *Adjusted Revenue per Full-Time Equivalent Faculty at the University of Texas Academic Institutions*, also shows an increase in revenue per full time equivalent faculty member for all four Borderland universities in the U.T. System.

Adjusted Revenue per Full-Time Equivalent Student at University of Texas Campuses

	FY 02	FY 03	FY 04	FY 05	FY 06
UT-Arlington	\$12,000	\$10,000	\$11,000	\$11,000	\$12,000
UT-Austin	\$12,000	\$12,000	\$13,000	\$13,000	\$14,000
UT-Brownsville	\$4,000	\$5,000	\$4,000	\$5,000	\$5,000
UT-Dallas	\$13,000	\$13,000	\$13,000	\$13,000	\$14,000

UT-El Paso	\$9,000	\$9,000	\$9,000	\$9,000	\$10,000
UT-Pan American	\$ 8,000	\$8,000	\$8,000	\$7,000	\$8,000
UT-Permian Basin	\$13,000	\$11,000	\$10,000	\$10,000	\$11,000
UT-San Antonio	\$9,000	\$9,000	\$9,000	\$10,000	\$11,000
UT-Tyler	\$13,000	\$12,000	\$11,000	\$10,000	\$11,000

*Adjusted total revenue includes tuition, fees, and state appropriations.

SOURCE: University of Texas Office of Business Affairs; Full-Time Equivalent data from the Texas Higher Education Coordinating Board.

Adjusted Revenue per Full-Time Equivalent Faculty at University of Texas Campuses

	FY 02	FY 03	FY 04	FY 05	FY 06
UT-Arlington	\$235,000	\$227,000	\$233,000	\$237,000	\$245,000
UT-Austin	\$251,000	\$252,000	\$254,000	\$258,000	\$272,000
UT-Brownsville	\$158,000	\$183,000	\$79,000	\$89,000	\$89,000
UT-Dallas	\$293,000	\$285,000	\$272,000	\$280,000	\$298,000
UT-El Paso	\$168,000	\$165,000	\$182,000	\$180,000	\$198,000
UT-Pan American	\$174,000	\$177,000	\$158,000	\$149,000	\$163,000
UT-Permian Basin	\$210,000	\$196,000	\$178,000	\$180,000	\$193,000
UT-San Antonio	\$222,000	\$215,000	\$242,000	\$253,000	\$265,000
UT-Tyler	\$156,000	\$156,000	\$173,000	\$162,000	\$182,000

SOURCE: University of Texas Office of Business Affairs; Full-Time Equivalent data from the Texas Higher Education Coordinating Board.

In their report, *Research Capability Expansion for the University of Texas System*, the Washington Advisory Group states that in order to become more competitive Tier I research institutions, the Borderland universities in the University of Texas system must be able to recruit and retain prestigious faculty and this can only be achieved with increased funding. For example, the Washington Advisory Group recommends that the University of Texas at El Paso add 300 new researchers and mount a \$100 million centennial endowment campaign in order to reach a more competitive Tier 1 status.⁹⁸

TEXAS Grant and State Aid for the Borderlands

The Toward Excellence, Access, & Success (TEXAS) Grant Program was created in 1999 by the Texas Legislature to provide aid to financially needy students, and is the largest state funded, need-based grant program in Texas, followed by the Tuition Equalization Grant for independent colleges and universities. In the 2006-07 biennium, \$331.7 million in general revenue was appropriated to the TEXAS Grant Program, while

\$427.9 million was appropriated for the 2008-09 biennium.⁹⁹ In 2006-07, 52,572 students received awards in the program.¹⁰⁰

While TEXAS Grant funding continues to increase, the number of students who receive aid is insufficient. Because priority is given to students who already receive the grant, new students unable to receive the award due to lack of funding must rely on Federal Pell Grants and federal loan programs such as the Stafford and Perkins loans. The Pell Grant Program had a maximum award of \$4,050 in 2006, depending on expected family contribution and cost of attendance.¹⁰¹

In 2005-06, the average Pell Grant was \$2,456 and the average TEXAS Grant was \$2,446.¹⁰² Pell Grants cannot replace entirely a TEXAS Grant because general assistance is usually during initial years of enrollment for the Pell Grant, whereas the TEXAS Grant can be maintained for up to six years.¹⁰³ Moreover, grants tend to have a stronger influence on college enrollment than loans or work-study, particularly for low income, African-American, and Hispanic students.¹⁰⁴ Failure to fund TEXAS Grants at higher levels adversely affects low-income and minority enrollments, which is necessary to meet THECB's goals for *Closing the Gaps*.

The TEXAS Grant is of particular importance to the Texas Borderland universities, as these institutions educate some of Texas' neediest students on the Texas-Mexico Border. The chart below shows the amount of TEXAS Grants awarded to the four Borderland universities. Across the state, THECB estimates that the TEXAS Grant program failed to serve 36,804 students in the 2006-07 academic year and will fail to serve an additional 38,106 the following year.¹⁰⁵

TEXAS Grants Awarded at U.T. Academic Institutions

	FY03	FY04	FY05	FY06
UT-Brownsville	\$2,942,484	\$2,210,645	\$2,381,213	\$3,390,789
UT-El Paso	\$6,235,178	\$6,003,680	\$6,996,910	\$10,278,390
UT-Pan American	\$13,516,077	\$10,472,596	\$15,268,692	\$17,113,777
UT-San Antonio	\$6,198,221	\$5,724,220	\$5,647,070	\$8,121,505

SOURCE: UT System Office of Institutional Studies and Policy Analysis

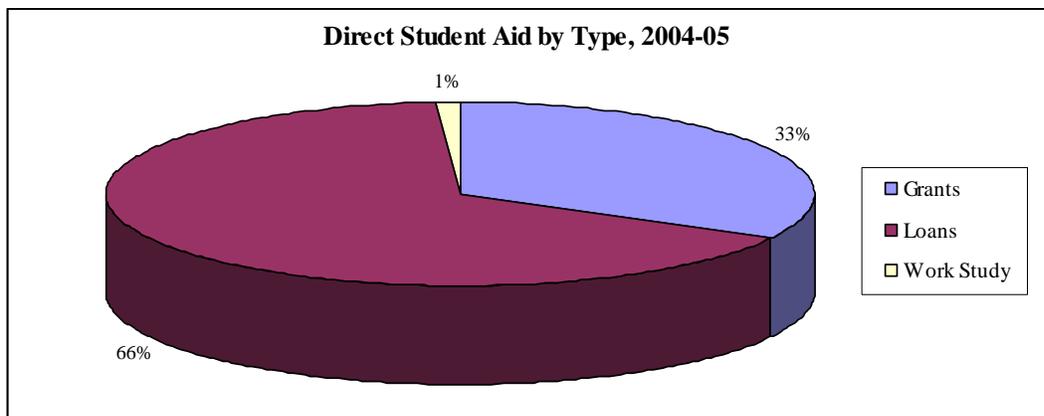
Low funding of grants and a tuition increase of 56 percent since Fall 2003 have placed an enormous strain on students attending the University of Texas-El Paso. As the chart *Undergraduate Financial Aid Awards and Recipients at the University of Texas-El Paso 2005-06* shows, less than 13 percent of undergraduates attending the University of Texas-El Paso received any form of state financial aid. Most of the financial aid awarded in the 2005-06 academic year was federal scholarships and loans.

***Undergraduate Financial Aid Awards and Recipients
at the University of Texas-El Paso 2005-06***

Source of Funding	Number of Awards	Amount Awarded	Percent of Total Amount of Awarded
Federal	9,572	\$25,149,990	28.5%
State	3,082	\$11,262,485	12.7%
Institutional	6,790	\$9,141,667	10.3%
Private	1,741	\$3,005,501	3.4%
Work-Study	573	\$1,190,459	1.3%
Loans	11,227	\$38,409,415	43.6%
Total	32,985	\$88,159,517	100%

SOURCE: University of Texas System Office of Academic Affairs

Students in Texas already receive a smaller percentage of grant aid than students in the nation as a whole. For example, the *Direct Student Aid by Type, 2004-05* graph below shows that 33 percent of aid in Texas came from grants while 66 percent came from loans. Comparatively, the nationwide average is 43 percent grants, 56 percent loans, and one percent work study. In terms of state grant aid, in 2004-05, Texas spent a little more than a third of what California spent and less than a fourth of what New York spent, ranking it last among the largest states.¹⁰⁶



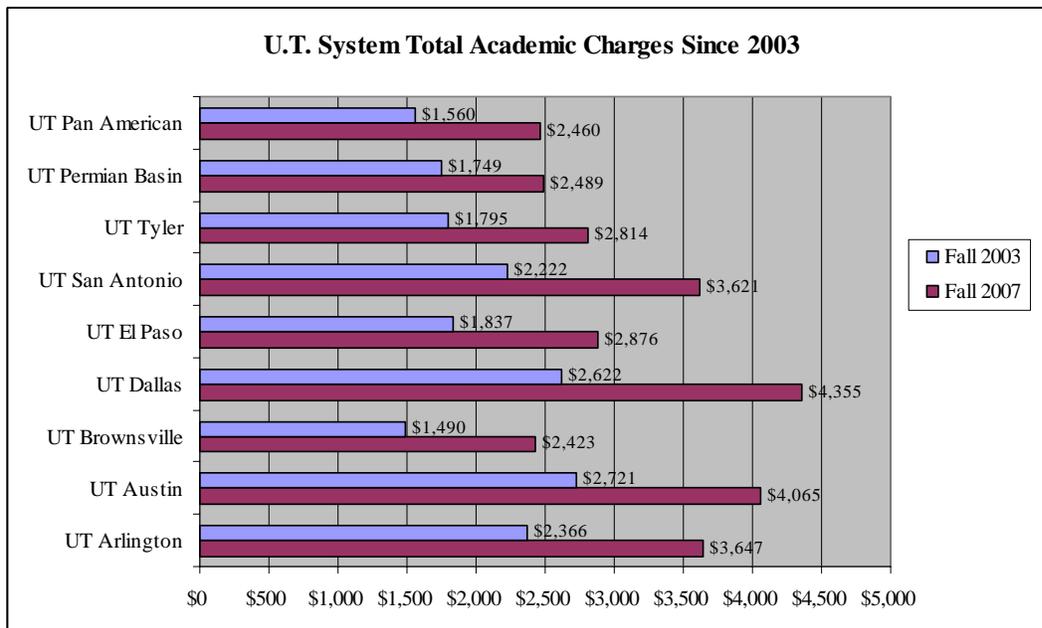
SOURCE: Texas Guaranteed Student Loan Corporation, *State of Student Aid and Higher Education in Texas, March 2007*. p. 57 Online. Available at: <http://www.tgslc.org/pdf/SOSA.pdf>. Last accessed: January 23, 2008.

The Effects of Tuition Deregulation on the Borderlands

In 2003, the 78th Texas State Legislature deregulated tuition at public universities. Prior to this, the Legislature determined tuition rates for public universities in the state. In response to decreasing state financial support, tuition deregulation allowed higher education institutions to increase the amount charged as designated tuition for resident and non-resident students with little public oversight. Typically, public

colleges and universities respond to declining state support by increasing tuition, when not restricted by the state legislature. The rising cost of higher education, however, places a larger burden on parents and students.

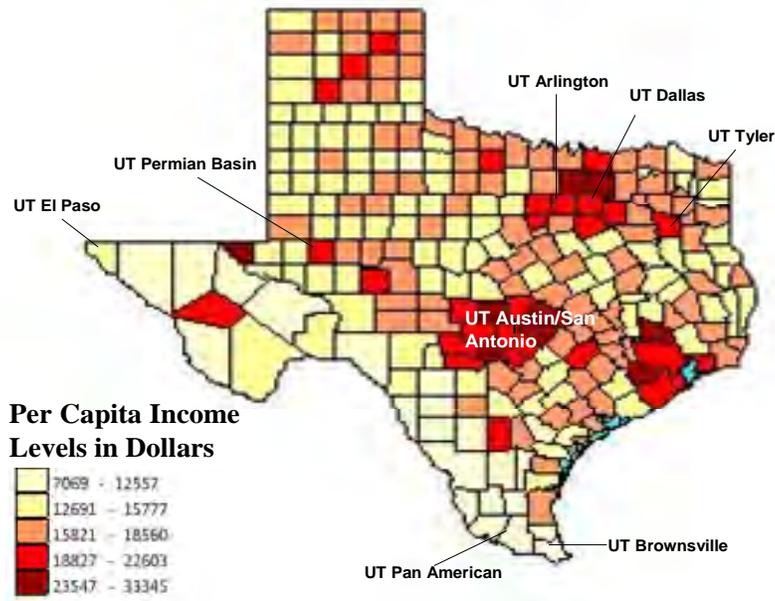
As detailed in the chart on the following page, *U.T. System Total Academic Charges Since 2003*, all schools, including the University of Texas–El Paso (UTEP), have had large increases in the total academic charges from Fall 2003 to Fall 2007. UTEP's total academic charges have increased over 56 percent from \$1,837 in Fall 2003 to \$2,876 in Fall 2007. The increase of tuition and fees disproportionately impacts middle and lower income students. Increased tuition also has a significant impact on enrollment of minority students, as they tend to be more affected by price increases. Tuition increases have been shown to have little financial effect on affluent families.¹⁰⁷



SOURCE: Texas Higher Education Coordinating Board. The data represent total academic charges based on Texas undergraduates enrolled for 15 Semester Credit Hours.

Tuition increases disproportionately affect the Borderland universities in El Paso, Edinberg, and Brownsville due to the fact that these schools are heavily composed of lower income and Hispanic students, particularly when compared to universities such as the University of Texas–Austin and Texas A&M University–College Station. As shown on the following page in the chart *Texas Per Capita Income and UT System Universities, 1999*, the Texas Borderlands has some of the lowest levels of per capita income in the state. Clearly, families with extremely low incomes will have much more difficulty in accessing higher education.

Texas Per Capita Income and UT System Universities, 1999



SOURCE: U.S. Census Bureau, 1999

Another possible consequence of tuition deregulation is the economic choice by students to attend a university out-of-state. Between 1994 and 1999, the University of Texas-El Paso experienced a significant decline in enrollment from 17,188 students to 14,695. A portion of this decline can be attributed to New Mexico State University's (NMSU) decision in 1996 to offer in-state tuition to El Paso residents. NMSU is located only 20 miles from El Paso. While student enrollment at the University of Texas-El Paso has since rebounded, tuition increases made under tuition deregulation may negatively affect enrollment again, forcing El Paso's college-bound students to make the economic decision to attend NMSU. Even UTEP's own Center for Institutional Evaluation, Research and Planning has cited NMSU as a source of declining enrollment for the university.¹⁰⁸ The chart *University of Texas-El Paso vs. New Mexico State University*

shows that for less money, generally, NMSU offers smaller class sizes and a better chance of graduation.

<i>University of Texas-El Paso vs. New Mexico State University</i>			
	University of Texas-El Paso	New Mexico State University	
Tuition - Spring 2007	\$2,708	\$2,115	
Number of bachelor degrees offered	81	90	
Number of doctoral degrees offered	14	23	
6-year Graduation rate	28%	45%	
Percent of Classes under 20 students	29%	38%	

SOURCE: UT System; New Mexico State University

Making this situation even more troublesome are recent revelations that private lenders across the country provided benefits to schools and school officials to help direct students toward the lender. This resulted in investigations across the country. For example, New York Attorney General Andrew Cuomo sent thirty-nine collegiate athletic departments, including UTEP, Texas Christian University, and the University of Houston, either subpoenas or requests for all information regarding the institutions' relationships with a student lender.¹⁰⁹

Student debt has gone up nationally at the same time that Texas' tuition costs have dramatically spiked over the past four years. Texas must act to prevent conflicts of interest and other ethical lapses by those in financial aid offices who may have power to steer students to a particular lender.

Graduation and Remediation Rates

The Texas Borderland universities have had limited success in increasing student graduation rates. Among the 1300 American colleges and universities, certain UT System institutions rate near the very bottom. Herein below is a chart showing graduation rates over time in UT System components.

Graduation Rates for UT System Components

	Actual Graduation Rates*			Targets		National Average
	1997 Cohort	1998 Cohort	1999 Cohort	2010	2015	1997 Cohort
Arlington						
Four-year Rate	20%	12%	15%	26%	30%	26%
Five-year Rate	34%	30%	32%	40%	44%	47%
Six-year Rate	37%	38%	40%	46%	50%	53%
Austin						
Four-year Rate	36%	39%	42%	55%	60%	26%
Five-year Rate	64%	67%	69%	73%	75%	47%
Six-year Rate	71%	74%	75%	80%	85%	53%

Brownsville/TSC						
Four-year Rate	n/a	n/a	n/a	10%	26%	26%
Five-year Rate	n/a	n/a	n/a	20%	47%	47%
Six-year Rate	n/a	n/a	n/a	25%	53%	53%
Dallas						
Four-year Rate	32%	38%	30%	38%	47%	26%
Five-year Rate	52%	51%	51%	57%	62%	47%
Six-year Rate	57%	56%	56%	65%	72%	53%
El Paso						
Four-year Rate	2%	4%	5%	10%	20%	26%
Five-year Rate	15%	16%	18%	23%	40%	47%
Six-year Rate	26%	27%	28%	34%	53%	53%
Pan American						
Four-year Rate	6%	n/a	8%	18%	26%	26%
Five-year Rate	18%	n/a	21%	30%	47%	47%
Six-year Rate	26%	27%	30%	35%	53%	53%
Permian Basin						
Four-year Rate	15%	17%	15%	18%	26%	26%
Five-year Rate	26%	27%	32%	35%	47%	47%
Six-year Rate	29%	31%	35%	40%	53%	53%
	Actual Graduation Rates*	Targets	National Average			
	1997 Cohort	1998 Cohort	1999 Cohort	2010	2015	1997 Cohort
San Antonio						
Four-year Rate	6%	7%	6%	11%	26%	26%
Five-year Rate	19%	21%	22%	27%	47%	47%
Six-year Rate	28%	29%	30%	37%	53%	53%
Tyler						
Four-year Rate		28%	38%	26%	28%	26%
Five-year Rate		39%	51%	47%	49%	47%
Six-year Rate		44%	55%	53%	55%	53%

*Note: Graduation rates are for first-time, full-time, degree-seeking undergraduates who begin in the summer/fall of the enrollment year and graduate at the same institution. Data obtained from U.T. System.

SOURCE: The University of Texas System, *Graduation Rates Initiative Progress Report*, April 2007. Available online at: <http://www.utsystem.edu/aca/initiatives/gradrates/2007GradRatesProgressReport.pdf>.

According to the College Board, any college experience produces a measurable benefit when compared with no postsecondary education, but the benefits of completing a bachelor's degree or higher are significantly greater.¹¹⁰ Further, the gaps between individuals who participate and succeed in higher education and those who don't have a major impact on the next generation. The young children of college graduates display higher levels of school readiness indicators than children of non-college graduates.

Thus, it is in the best interest not only of the student, but of the state as a whole, to ensure that students are able to graduate from college relatively quickly. Increased tuition and fees will most likely lead to a further decline in graduation rates, due to the price sensitivity of low income students at Borderland universities. As discussed previously, total academic charges at all Texas universities have increased dramatically since Fall 2003.

The table below, *Remediation Rates at Texas Universities, Fall 2003 Cohort*, shows the percentage of first time in college students that needed remediation at Texas universities for the Fall 2003 cohort. Students who did not pass the Minimum Passing Standards of the Texas Success Initiative indicate a need for remediation must enroll and participate in remediation in the indicated area. Remedial classes in reading, writing, and mathematics are required to ensure students enrolled in all Texas public colleges and universities possess the academic skills necessary to perform effectively in college courses.

Remediation* Rates at Texas Universities, Fall 2003 Cohort

UNIVERSITY	PERCENT REQUIRING REMEDIATION		
	Math	Reading	Writing
Texas A&M International	20.5%	13.5%	11.9%
Texas A&M-Corpus Christi	13.5%	9.5%	5.1%
UT-El Paso	31.9%	27.6%	28.0%
UT-Pan American	30.3%	21.1%	18.7%
UT-Austin	0.5%	0.4%	0.3%
UT-Dallas	0.4%	0.4%	0.7%
Texas A&M-College Station	1.3%	1.0%	0.5%

SOURCE: Texas Higher Education Coordinating Board.

*First Time In College Students who did not pass the Minimum Passing Standards of the Texas Success Initiative.

High remediation rates cause concern because they increase the length of time in college. In order to meet the second goal of the state's *Closing the Gaps* plan - to increase the number of degrees and certificates - graduation rates at Borderland universities must increase and administrators must focus on decreasing remediation rates.

Graduate Professional Degrees

The state of Texas is in particular need of professional degrees to meet the demand for health and legal services. The Texas Borderland population is the least served by physicians, pharmacists, veterinary medicine, and legal professionals. According to THECB, a growing population increases the demand for services requiring professional degrees, and the growth in the aging population is one of the contributing factors in the increased demand for pharmacists.

Medical Education in Texas

There is a strong need for physicians in the state of Texas as a whole. As shown in the chart *Doctors per 100,000 Population, Ten Most Populous States, 2004*, Texas ranks low in the number of doctors per 100,000 people at 41st nationally. The national average was 221 doctors per 100,000 population. Further, Texas has fewer physicians than the ten most populous states, as the chart below indicates.

Doctors per 100,000 Population, Ten Most Populous States, 2004

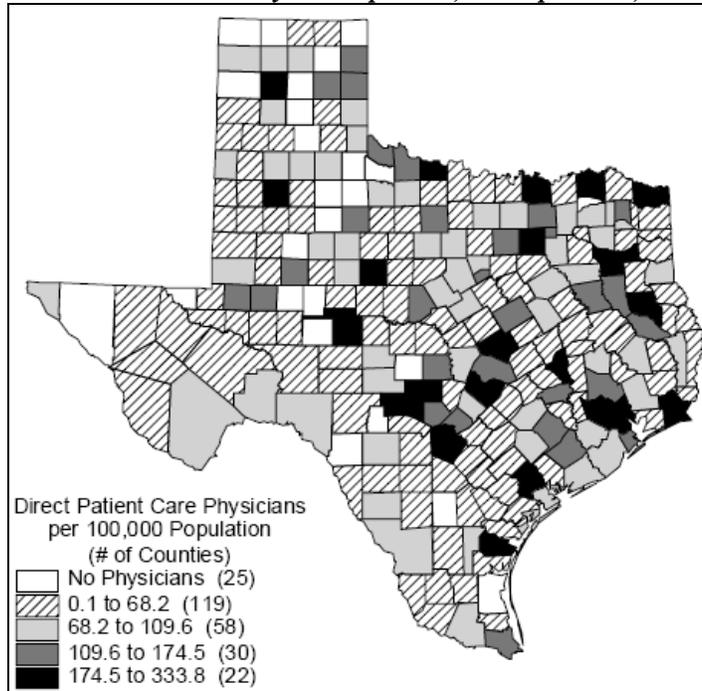
State	Rate per 100,000	Rank
California	259	20

Texas	212	41
New York	389	3
Florida	245	25
Illinois	272	11
Pennsylvania	294	9
Ohio	261	18
Michigan	240	27
Georgia	220	37
North Carolina	253	23

SOURCE: U.S. Census Bureau, Doctors per 100,000 Resident Population, 2004. Online. Available at: <http://www.census.gov/compendia/statab/ranks/rank18.htm>. Last accessed: January 23, 2008.

Physicians are not evenly distributed among the regions of Texas. Several regions of the state are well below the recommended range for the number of physicians per 100,000 population.

Direct Patient Care Physicians per 100,000 Population, 2007



SOURCE: Texas Department of State Health Services, Health Professions Resource Center, *Supply Trends Licensed Health Professions, Texas, 1980-2007*, December 2007. Online. Available at:

Among

2007.

The Texas population has grown from 14.7 million in 1981 to over 23.8 million in the year 2007.¹¹¹ It is expected that the population in Texas will be over 26 million by 2015.¹¹² While the population has continued to increase, the number of Texas medical school graduates has remained relatively flat. In 2000, 44 percent of physicians in Texas graduated from a Texas medical school, with 35 percent coming from other states, and 21 percent coming from other countries.¹¹³ Texas has eight medical schools, one of which is private, but a ninth is on its way.

The Texas Borderlands is receiving its first four-year medical school as a result of funding passed during the 80th Legislative Session. Since 1973, Texas Tech University Health Science Center-El Paso (TTUHSC) has trained third and fourth year medical students in affiliation with R. E. Thomason General Hospital—but El Paso never had a full four-year medical school. With the \$48 million appropriated this session for first and second year faculty at the medical school, the first phase of development is completed and full accreditation is now possible. The first class is expected to enter in 2009. The facilities for El Paso's medical school at Texas Tech University are located adjacent to Thomason Hospital and the Texas Tech complex, and next door to the offices of the City-County Health and Environmental District. The site is also near the Silva Magnet High School in El Paso Independent School District.

A 2005 impact study for Texas Tech indicates that the El Paso medical school will trigger \$1.5 billion in economic activity.¹¹⁴ Much of the activity will be generated from equipment, supplies and spin-off industries involving medical research.¹¹⁵

The Border also has a great need for graduate and professional degrees in priority health fields. As indicated by the chart, *Graduate and Professional Degrees Conferred in Health Fields*, the overall trend for the Borderland universities in the UT System is either no change or a decline in the number of academic degrees awarded in high priority health fields like Nursing and Rehabilitation/Therapeutic Services. The growing shortage of health professionals available to serve the growing Borderland population exacerbates the access to health care crisis.

Graduate and Professional Degrees Conferred in Health Fields

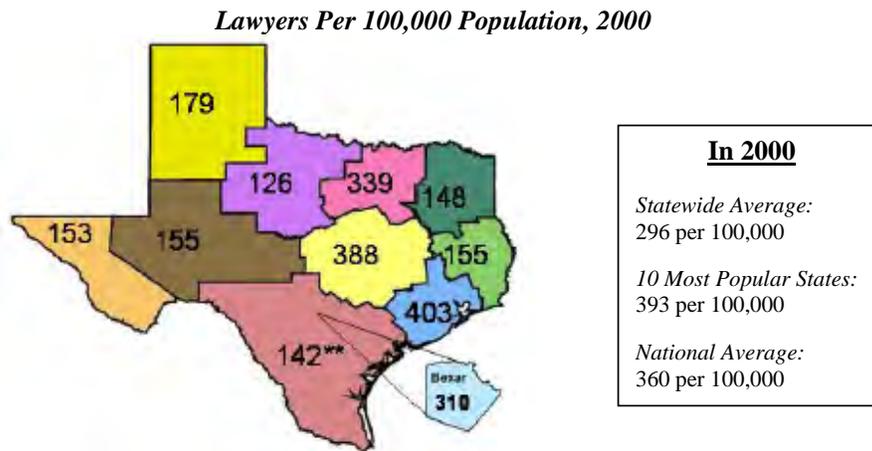
		2001	2002	2003	2004	2005
Communication Disorders Science and Services	El Paso	14	14	10	8	17
	Pan American	15	14	17	31	51
Nursing	Arlington	56	44	52	53	80
	Austin	64	55	47	51	59
	Brownsville	0	12	3	4	2
	El Paso	28	21	26	16	16

	Pan American	7	15	16	10	13
Rehabilitation/Therapeutic Services	El Paso	22	15	14	18	13
	Pan American	10	19	11	17	16

SOURCE: The University of Texas System, *Accountability and Performance Report, 2006-07*, p. 1-73. Citing the Texas Higher Education Coordinating Board.

Legal Education in Texas

Not only is Texas in need of physicians, but it is also in need of lawyers. According to THECB, Texas averages 296 lawyers per 100,000 population, while the national average is 360 per 100,000, and the average number of lawyers in the 10 most populous states is 393 per 100,000 people, with only Ohio and Georgia having fewer lawyers.¹¹⁶ The ratio of lawyers is much lower along the Texas-Mexico Border than the state average in Texas. Of the nine law schools in Texas, four public and five independent, none are located in the Texas Borderlands. As shown on the following page in the chart *Lawyers Per 100,000 Population, 2000*, the Borderlands has some of the lowest numbers of lawyers per 100,000 population in the state of Texas, particularly in the West Texas region surrounding El Paso and the southern portions of the Rio Grande Valley and Gulf Coast.



Online. SOURCE: Texas Higher Education Coordinating Board, *Regional Plan for Texas Higher Education*, October 2006, p. 94. Available at: <http://www.thecb.state.tx.us/reports/PDF/1266.PDF>. Last accessed: January 23, 2008.

The chart below, *Attorney Population Density by Selected MSAs, 2005-06*, is further evidence of the shortage of attorneys in the Texas Borderlands.

Attorney Population Density by Selected MSAs, 2005-06

Metropolitan Statistical Area	Total Attorneys	Ratio of Attorneys to Population
El Paso	1,100	1 : 656
Laredo	298	1 : 754
McAllen-Edinburg-Mission	826	1 : 821
Brownsville-Harlingen	480	1 : 788
Austin-Round Rock	8,631	1 : 168
Houston-Sugar Land-Baytown	22,057	1 : 239
Dallas-Fort Worth-Arlington	20,970	1 : 278
San Antonio	5,323	1 : 355
Corpus Christi	1,042	1 : 397
Texas Total	69,672	1 : 328

SOURCE: State Bar of Texas, *Attorney Population Density by Metropolitan Statistical Area Report: 2005-06*, 2007. Online. Available at: www.texasbar.com.

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Doctoral and Professional Programs

Texas Borderland universities combined have little more than half as many Ph.D. and professional programs than the University of Texas-Austin alone. This negatively impacts the Border region because it can only retain their best and brightest students if its institutions offer a wide array of competitive academic programs in higher education. The table *Doctoral and Professional Programs, 2007* illustrates the stark contrast between the number of Ph.D. and professional programs offered at different universities in Texas. The Borderland Universities offer fewer Ph.D. programs than peer institutions of higher education, and also currently have no law or medical schools.

Doctoral and Professional Programs, 2007

PROGRAM	UT-BROWNSVILLE	UT-PAN AMERICAN	UT-SAN ANTONIO	UT-EL PASO	TEXAS A&M-INTERNATIONAL	UT-AUSTIN
BUSINESS	0	1	5	1	1	5
EDUCATION	1	1	3	1	2	11
ENGINEERING	0	0	3	5	0	19
LIBERAL ARTS	0	0	3	3	1	24
HEALTH SCIENCES	0	0	0	2	0	2
SCIENCE	0	0	5	5	0	15
ARCHITECTURE	0	0	0	0	0	4
MEDICAL	0	0	0	0	0	0
LAW	0	0	0	0	0	1
TOTAL	1	2	19	17	4	81

SOURCE: Texas Higher Education Coordinating Board, *Program Inventory*. Online. Available at: <http://www.thecb.state.tx.us/InteractiveTools/ProgramInventory/DegInv.cfm>. Last accessed: January 23, 2008.

Conclusion

If Texas is going to meet the challenge of a knowledge-based 21st Century economy, new policies and new leadership will have to take us there.

Texas must provide access and resources for higher education for a fast-growing young population. We must find new ways to keep education affordable for students, while providing an array of quality undergraduate and graduate programs—particularly in light of tuition deregulation.

The state must appropriate more money to the development of Borderland universities and the state's most underserved region. Need-based grants, such as the TEXAS Grant Program, must fully meet the challenge of funding all students who qualify for these programs. Additionally, Borderland universities must find ways to increase graduation rates and ensure that more graduates invest their time and skills back into their communities.

In a democracy, budgets are moral choices. In our government, budgets reflect what we value. Our vision should be broad-based and forward-looking toward our long-term prosperity. To close the gap in Texas, we must graduate more of our best and brightest. If we invest in our greatest resource, our children, Texas will be the state of the future.

Let's keep hope alive.

Texas Borderlands 2009

Ground Zero of Health Care in America[®]



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
February 2008

Introduction

Residents of the Borderland region face the most dramatic health disparities in America today. The consequences of an international boundary combined with a lack of physical infrastructure, inadequate access to resources, and a poor health care infrastructure have created a health care crisis for the Border region. The health issues analyzed in this chapter—poor access to care, a severe shortage of health professionals and dental care, a lack of health insurance, obesity, infectious diseases, mental health, hunger, Medicaid and Children's Health Insurance Program (CHIP) capitation rate disparities, incompetent operation of public health benefits by privatized vendors, and recent budget cuts—are just some of the challenges that confront Texans living on the Border.

Today, the Texas counties on the U.S.-Mexico border represent the most challenged health care system in the United States. Herein below are key disparities along the U.S.-Mexico Border:

- Of the Texas counties with the ten largest uninsured populations, half of the counties are on the Border (Bexar, El Paso, Hidalgo, Cameron and Nueces counties).
- Of the 43 Border counties, all but one are federally designated medically underserved areas.
- In 2007, metro Border areas had an average of 145.2 direct care physicians per 100,000 residents and non-metro Border areas had an average of 70.7 per 100,000. *Compare these averages with those of non-Border areas: 170.7 physicians per 100,000 in metro areas and 88.7 physicians per 100,000 in non-metro areas.*
- An extreme shortage of dentists exists in the Border region. In 2007, Border metro areas had 15.7 dentists per 100,000 (*versus 41.1 dentists per 100,000 in non-Border metro areas*); Border non-metro areas had 11.8 dentists per 100,000 (*versus 25.2 dentists per 100,000 in non-Border, non-metro areas*).
- Of the Texas counties with highest diabetes prevalence rates (defined as 7.7% or above), all 16 counties are Border counties.
- Adults and children living on the Border who are at risk for mental illness and eligible for mental health care receive significantly less treatment as compared to those in non-Border areas.
- Between 2003 and 2005, seven of the ten counties that had tuberculosis incidence rates at least two times higher than the state average were located in the Border region.

Furthermore, the sharing of an international boundary allows for disease and other chronic illnesses to travel freely across this frontier. Infectious disease rates for several

communicable diseases are much higher along the Border than in the rest of the state. Significant threats to Texas health through dengue fever and tuberculosis are getting worse, not better. After several decades of no cases of dengue and hemorrhagic fever, this disease is increasingly affecting U.S. individuals, particularly on the Texas-Mexico border. Texas has the fourth highest tuberculosis infection rate, with 7.4 infections per 100,000 residents. The Border region has a rate of 9.0, and if it were the "51st state", it would have the highest rate in the country. Finally, hepatitis A is also more prevalent; Texas has 2.8 infections per 100,000 residents, while the Border has 3.5.

Many of these issues are interrelated. Health disparities exist because the Border has higher incidences of many health problems than the rest of the state, and unfairly, fewer resources to deal with prevention and treatment. In many health-related issues, the Texas Borderlands are the "Ground Zero of Health Care in America."[®]

Texas' Health Care: A 50 State Comparison

Measurement	Texas' Ranking (50th = lowest, 1st = highest)
Percentage of population with health insurance	50th
Percentage of children with health insurance	50th
Percentage of poor covered by Medicaid	44th
Percentage of adults with employer-based health insurance	47th
Number of diabetes deaths per 100,000 population	6th
Teen birth rate per 1,000 population	1st
Percentage of children who are immunized	48th
Obesity rate	3rd
Mental health expenditure per capita	46th
Percentage who visited dentist/dental clinic within past year	47th

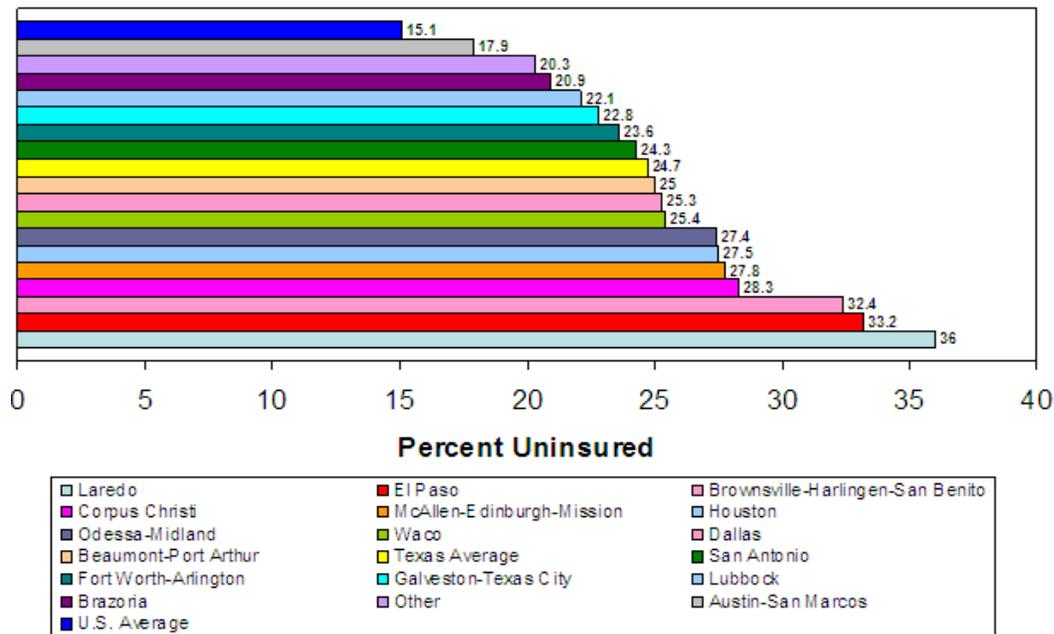
Source: The Henry J. Kaiser Family Foundation, Kaiser statehealthfacts.org Available at: www.statehealthfacts.org

The Texas Borderlands: Ground Zero of the Uninsured

The Uninsured in Texas

U.S. Census Bureau data show that Texas leads the nation in the number of citizens without health insurance. In 2006, one out of every four Texans was uninsured.¹¹⁷ In fact, no Texas city—not Dallas, Houston or even Austin—reaches the national average for people with health insurance. As the chart below shows, the most uninsured Texas cities are all in the Border region with rates of 36% in Laredo, 33.2% in El Paso, 32.4% in Brownsville/Harlingen/San Benito, 28.3% in Corpus Christi, and 27.8% in McAllen/Edinburgh/Mission.

No Texas City Reaches National Average



Source: *The Uninsured*, Texas State Comptroller's Office, April 2005.

Many factors contribute to this alarming statistic, perhaps the most important of which is the fact that in large areas of Texas, the jobs available to low-wage workers do not offer full family health insurance coverage.¹¹⁸⁻¹¹⁹ Another contributing factor is that for those who are employed, union membership is low. Back in 1993, right-to-work labor laws were enacted to favor owners over workers. So unlike workers in California and many states in the Midwest and East, Texas workers do not have union protections on health contracts and have limited ability to organize and demand such coverage.

Unlike most of the developed world, the majority of U.S. citizens depend on job-related health insurance.¹²⁰ Employment problems, then, translate directly into health insurance problems. Low wage jobs in the restaurant, hotel, janitorial, and other service industries often do not offer health insurance. Even when employers offer coverage, the premiums an employee must pay to cover themselves and their family make insurance an unrealistic luxury. The Hispanic population is overrepresented among those who cook our food, clean our offices and homes, and care for our children. In providing these services, they buoy the high standard of living for middle class Americans, but they themselves often receive minimum pay and no benefits.¹²¹

Although Americans pay more for health care, we do not receive better or more health services.¹²² Recent studies have shown that Americans pay more for health care primarily because of higher charges for health care services including hospital stays, doctor's visits and pharmaceuticals.¹²³ Another reason that U.S. health care costs have increased at a staggering rate is the proportion of health care dollars spent on administrative costs. In 2005, the U.S. spent \$98 billion on administrative costs. Of the \$84 billion associated with private payers, 64% was attributable to administrative costs of underwriting risks, sales and marketing. Notably, this number does not include the administrative costs associated with denial management. Public programs, however, do not incur these administrative costs. In fact, administrative costs only account for 3-5% of the Medicaid budget and 3% of the Medicare budget.¹²⁴

Although the Texas Border is one of the poorest areas in the nation, Border hospitals charge some of the highest rates for services. Of the top 100 most expensive hospitals in the U.S., three operate in the Border region. In fiscal year 2003-2004, Brownsville Medical Center (Brownsville, TX) was #8 on the list, Sierra Medical Center (El Paso, TX) was #37, and Providence Memorial Hospital (El Paso, TX) was #46. These hospitals' total charges as a percent of total costs were 813.57%, 698%, and 675%. The national average total charge to cost ratio for the 4,292 hospitals studied is 205.84%.¹²⁵

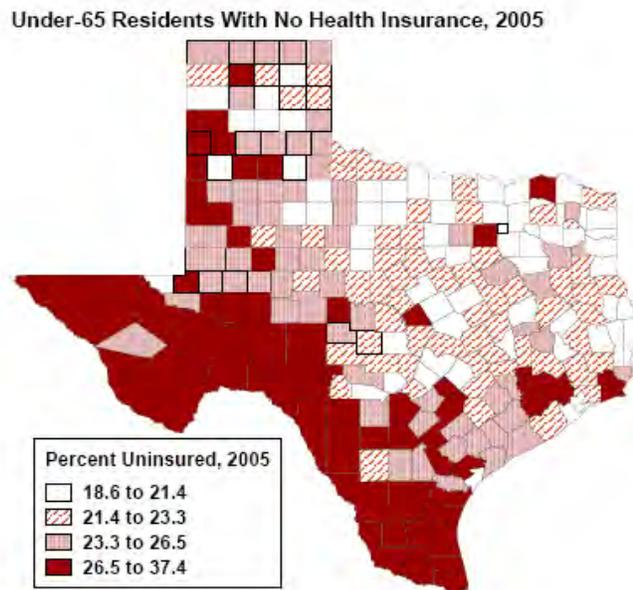
Texas families face both financial and non-financial barriers to obtaining health insurance. Due to the rising costs of health care, the number of employers who offer health care coverage is dwindling. There are several additional factors that limit access to private or employer-sponsored insurance, including high costs, pre-existing conditions, lack of job tenure, a part-time schedule, and employment in jobs that do not offer health insurance or only do so at a prohibitive cost to the employee.¹²⁶ Fewer Texans receive insurance through their employer than in other parts of the nation. Nationally, about 60 percent of citizens have insurance through employers. In Texas, 52.2 percent of residents have employer-sponsored insurance coverage. In 2006, only four states (Arkansas, Louisiana, Mississippi, and New Mexico) had lower rates than Texas.¹²⁷ Even when Texans are offered employer-sponsored health insurance, the average premium an employee must pay to cover their family is higher than the national average.¹²⁸ Premiums are even higher for workers employed by small businesses. The average premium was \$4,608 for an employee in a firm with fewer than 10 employees in 2005, and \$4,065 for firms with more than 50 employees, a difference of \$543 per year per employee.¹²⁹

In addition to high premiums and high hospital charges for services, providers in the Border region receive lower reimbursement rates for services. All of these factors place extraordinary stress on the economic foundation of health care, thereby creating a vicious cycle. When payments to providers are reduced, providers start raising their gross charges. In response, insurance companies raise their premiums, and inevitably, the health care costs of providing insurance increase. This, in turn, allows fewer and fewer individuals to be able to afford health care coverage.

Another contributing factor is that Texas' large Hispanic population has one of the lowest rates of insurance coverage in the country.¹³⁰ For this population, a lack of proficiency in English, lack of familiarity with insurance principles, a fear of governmental bureaucracies and low educational levels add to general labor market and social service difficulties.¹³¹ This unique combination of factors means that the uninsured population of Texas faces multiple barriers to coverage that present state lawmakers, employers, and policy makers with major challenges in addressing their insurance needs.

Other barriers include factors that limit access to public insurance, such as complicated application and renewal procedures, assets tests, inadequate outreach efforts by agencies charged with administering health-related programs, and coverage for only the poorest of the poor. For example, in 2007, a working parent of two had to make less than \$3,696 per year [22.3 percent of the federal poverty level (FPL)] to qualify for Medicaid in Texas.¹³²

The chart *Under-65 Residents with No Health Insurance, 2005* shows that the bulk of uninsured residents live on the Border.



Source: Eva DeLuna Castro, Anne Dunkelberg, F. Scott McCown, Miryam Bujanda, Ed Codina, Kevin C. Moriarty, *The Texas Health Care Primer, Revised 2007*, Center for Public Policy Priorities, November 2007.

Why is it so important that Texas make health coverage a top priority? The lack of health insurance coverage places adequate medical care out of reach for many poor families in Texas. In 2004, one in five Texans admitted that in the past year they needed to see a doctor but did not because of the high cost.¹³³ Individuals close to the poverty threshold, who are for the most part the working poor, are at particularly high risk of lacking coverage. In Texas, 35 percent of people with an annual income between

\$10,000 and \$15,000 are uninsured—a much higher rate than any other income range in the state.¹³⁴ Almost half the children in Texas are covered by employment-based insurance through a family member. Another quarter are covered through public programs such as Medicaid and the Children’s Health Insurance Program (CHIP). The remaining quarter of the population of Texas children are uninsured.¹³⁵

These children living without coverage are less likely to receive needed medical care including preventative care, vaccinations, dental screenings, and access to mental health services.¹³⁶ Uninsured children are at risk for missed diagnoses of serious illnesses and hospitalizations for preventable conditions.¹³⁷ They are more likely to be hospitalized for asthma attacks and ear infections.¹³⁸ These conditions, if left untreated, can lead to serious health problems and even death.¹³⁹ Although some inequalities in access to medical care between the rich and poor have decreased due to Medicaid and CHIP, poor children are still far less likely to receive dental care than children in more affluent families. Only half of children living below the FPL visited a dentist in the past year compared to almost three-fourths of children above the FPL.¹⁴⁰

Because they are less likely to have a regular source of care, uninsured individuals are more likely to use the emergency rooms, community and migrant health centers, and other publicly-funded health facilities as their primary source of health care. One in every five uninsured individuals uses the emergency room regularly, compared to 3 percent of insured individuals.¹⁴¹ Often, these publicly-funded facilities, especially in Border counties, are funded on the nation’s lowest per capita property tax base, severely limiting their ability to care for these children. As a result, routine care received in emergency rooms is excessively expensive and may be of lower quality than that received from a personal physician familiar with a child’s overall health.¹⁴² The lack of a stable, consistent source of care places uninsured individuals at a high risk of being diagnosed in later stages of disease, which leads to a higher mortality rate than that of insured individuals.¹⁴³

Uninsured Along the Border

In Texas, 35 of the state’s 254 counties account for 80 percent of the state’s uninsured.¹⁴⁴ The table *Texas Counties with the Ten Largest Uninsured Populations* shows that half of the ten counties with the highest number of uninsured are on the Border. In the half of the counties that are not on the Border, the largest population of uninsured is Hispanic.

Texas Counties with the Ten Largest Uninsured Populations

County Name	Uninsured Population	% of Statewide Total
Harris	812,628	17.2
Dallas	499,970	10.6
*Bexar	349,043	7.4
Tarrant	325,556	6.9
*El Paso	231,534	4.9
*Hidalgo	173,769	3.7

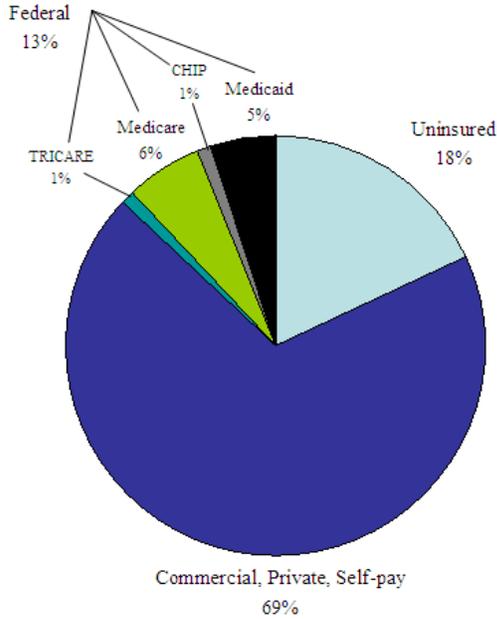
Travis	147,461	3.1
*Cameron	103,474	2.2
Denton	81,413	1.7
*Nueces	79,930	1.7
All Other	1,907,434	40.5

*Counties in the Border Region

Source: *Task Force on Access to Health Care in Texas*, Code Red: The Critical Condition of Health in Texas, 2006, Online: http://www.coderedtexas.org/files/Report_Chapter02.pdf

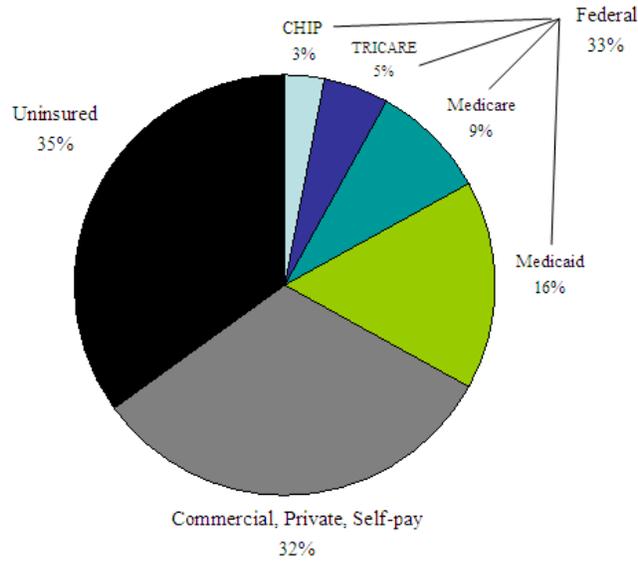
An example of this county-level disparity can be seen when you compare Travis to El Paso County. The charts *Estimated 2000 Insurance Mix for Travis and El Paso Counties* show that Travis County had a manageable rate of uninsured at 18 percent, but El Paso's was a devastating 35 percent. El Paso has the dubious distinction of being the "[g]round zero of the uninsured; the most uninsured city in America."¹⁴⁵

Estimated 2000 Insurance Mix for Travis County



Source: Community Scholars, El Paso, Texas www.communityscholars.org

Estimated 2000 Insurance Mix for El Paso County

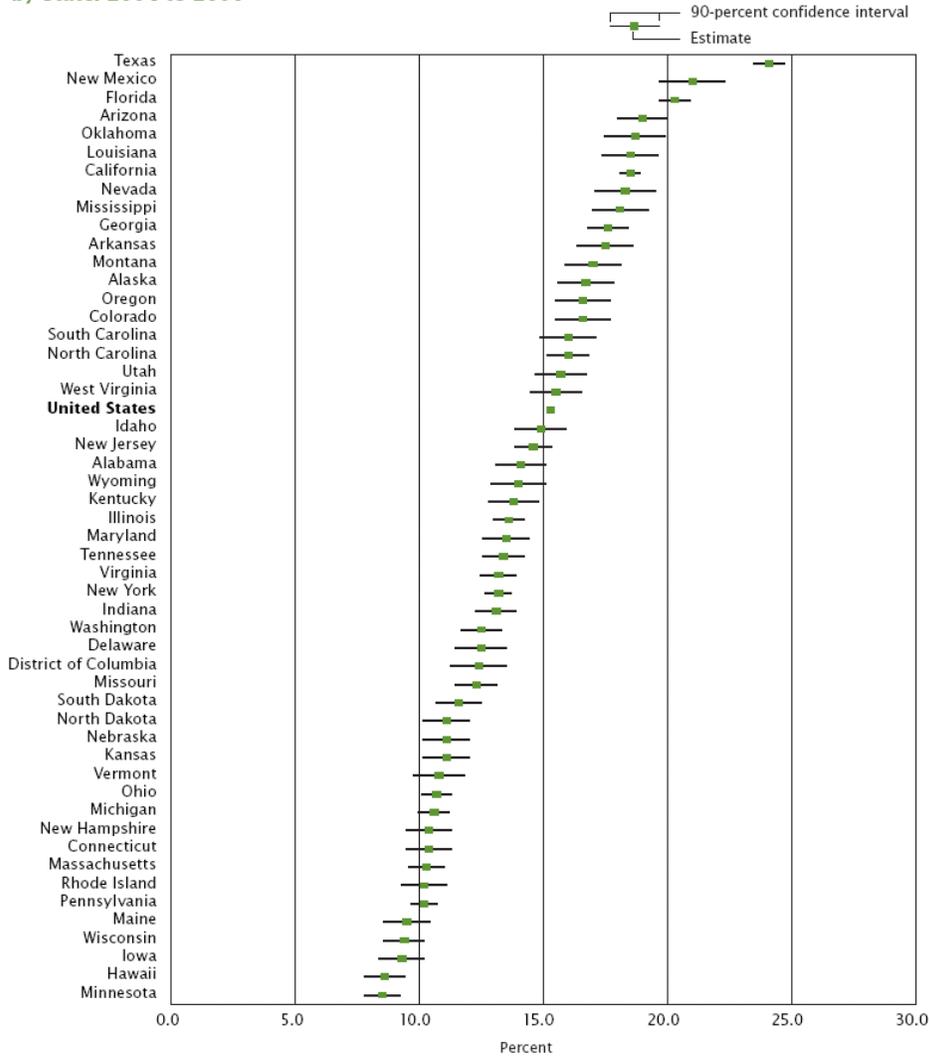


Source: Community Scholars, El Paso, Texas www.communityscholars.org

Demographic Profile of the Uninsured

Texas has more uninsured residents than any other state, averaging 24.1 percent between 2004 and 2006.¹⁴⁶ During the same time period, however, only 15.3 percent of the entire United States was uninsured.¹⁴⁷ Indeed, as the chart *Three-Year Average Percentage of People Without Health Insurance Coverage by State: 2004 to 2006* shows, Texas had the highest percentage of uninsured residents.

Three-Year Average Percentage of People Without Health Insurance Coverage by State: 2004 to 2006

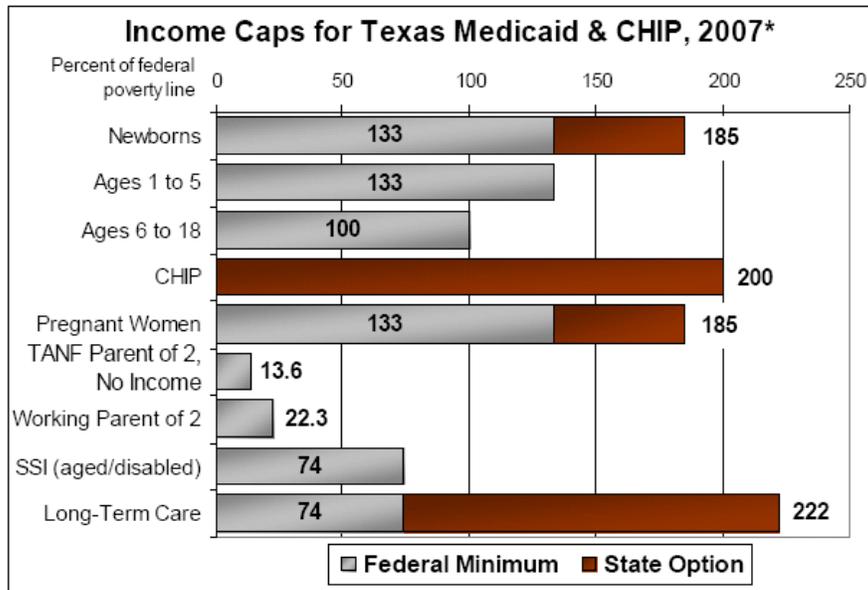


Source: U.S. Census Bureau, Current Population Survey, 2005 to 2007 Annual Social and Economic Supplements.

Age

Among the total population of Texans, adults 18-24 years old were less likely to have health insurance than other age groups; only 59.2 percent of adults in this age bracket had health insurance for all or part of 2006.¹⁴⁸ Because of Medicare, almost all Texas residents over 65 had health insurance—97 percent had coverage of some kind.¹⁴⁹ Over 20 percent of Texas children do not have any health insurance. Children from birth to 5 years are slightly less likely to have coverage than children who are between 6 and 17 years old.¹⁵⁰

More children are living without health insurance in Texas now than in previous years. In fact, there are 62,000 more uninsured children living in the state today than there were in 2002.¹⁵¹ Over the same time period, the number of children living below the FPL increased from 1,318,889 to 1,435,607.¹⁵² The poorest Texas families can qualify for government insurance programs such as Medicaid and CHIP. However, a gap exists between the income cap for program eligibility and minimum income necessary to obtain private insurance.¹⁵³ The chart *Income Caps for Texas Medicaid & CHIP, 2007* details the maximum amount of money a family of three can make and still be eligible for Medicaid and CHIP. For reference, in 2006, the FPL for a family of three was set at \$17,170.



*Annual income limit is for a family of three for child and parent categories. For SSI and Long-Term Care, income cap is for one person.

Source: Eva DeLuna Castro, Anne Dunkelberg, F. Scott McCown, Miryam Bujanda, Ed Codina, Kevin C. Moriarty, *The Texas Health Care Primer, Revised 2007*, Center for Public Policy Priorities, November 2007.

Race

Underrepresented minorities are more likely to live without health insurance than other groups. Within the United States, Hispanic people have much higher rates of being uninsured than non-Hispanics. 34.1 percent of Hispanics are uninsured while 12.6 percent of non-Hispanics are uninsured. The difference between these groups is larger when just looking at Texans. Almost 40 percent of Hispanic Texans do not have health insurance. For non-Hispanics, the rate was only slightly higher than the national average with 15.9 percent of non-Hispanic Texans living without insurance in 2006.¹⁵⁴ Hispanic adults, especially immigrants, are over-represented in the service sector. They are usually not offered employer-sponsored health insurance or the costs of premiums

required for individual or family coverage place such coverage out of reach. The chart *Uninsured Texas Population by Race or Ethnicity: 2006* shows that Hispanics are disproportionately uninsured compared to other minorities.

Uninsured Texas Population by Race or Ethnicity: 2006

Race/ Ethnicity	Number Insured	Number Uninsured	Percent Uninsured within Race/ Ethnicity Category	Percent of Total Uninsured
Anglo/Other	10,302,329	1,690,183	15.3	31
African American	1,986,365	622,560	23.9	11
Hispanic	5,194,378	3,172,434	37.9	58
Total	17,483,072	5,485,177	23.9	100

Source: Texas: *Distribution of Non-elderly Uninsured by Race/Ethnicity (2006)*, Kaiser Family Foundation, available at Statehealthfacts.org.

Hispanic workers are less likely to get health benefits through their job, even though their employment rates are similar to those of whites. Hispanics are much more likely to have jobs in companies that do not offer employment-based coverage.¹⁵⁵ Often these are small companies with fewer than 25 employees, including retail stores, restaurants, and construction firms. Because of the rising costs of health care, small companies are unable to compete in the market when they offer health insurance to their employees. Gaps in health coverage or a complete lack of health insurance can have devastating health consequences.

Hispanics are less likely than other racial or ethnic groups to have a regular doctor, regardless of whether they have insurance. Without a regular doctor, an individual is less likely to have preventative care such as blood pressure and cholesterol screenings. Those without a regular doctor are less confident in their ability to manage chronic conditions.¹⁵⁶ One report found that Hispanics utilize ten different preventative services less than other ethnic groups. These services included colorectal cancer screening, assistance from a health professional to quit smoking, and being vaccinated against pneumococcal disease.¹⁵⁷

This problem becomes everyone's concern when doctors and hospitals pass the cost of uncompensated care of the uninsured to paying patients and local taxpayers, which has the effect of increasing the cost of health insurance. Employment-based health insurance premiums could be 15 percent lower if there were no uncompensated costs for uninsured Texans' health care.¹⁵⁸ In 2005, \$10.2 billion was spent on uncompensated care in Texas. Due to the high cost of providing uncompensated care, the normal health care premium is \$805 more than the national average.¹⁵⁹

Contrary to popular belief, Hispanics are less likely than other ethnic groups to get health insurance through a welfare program. Only 15 percent of Hispanics were insured through a public program compared to 21 percent of white citizens and 32 percent of African Americans.¹⁶⁰ Salvador Gomez, the Board Chairman of the Colorado

Hispanic Chamber of Commerce explained these data by suggesting, "[i]t's a pride thing. These are people who will get in the back of a truck and drive thousands of miles just to get a job. They aren't looking for a handout. They're looking for a job."¹⁶¹

Immigration Status

In 2006, almost two million Texas immigrants lacked health insurance. The proportion of the foreign-born population without health insurance—53.1 percent—was more than double the rate of the native population. Additionally, 26 percent of the uninsured are non-citizens, which include legal and undocumented residents.¹⁶² Nationally, foreign-born residents are twice as likely to be uninsured and non-citizens are three times as likely.¹⁶³

Income Level

A direct relationship exists between income level and health insurance coverage. Individuals with income levels below 200 percent of the FPL, or an annual income of \$34,340 for a family of three, are almost three times more likely to be uninsured than individuals making more than 200 percent of the FPL.¹⁶⁴ Further, 31.6 percent of Americans below the FPL (\$17,170 per year for a family of three) were uninsured during some part of 2006, compared with 6.7 percent of those at 400 percent of the FPL (\$68,680 per year for a family of three).¹⁶⁵

Employment

Being insured is linked to employment status. Nationally, for every 100 people who become unemployed, 85 people, including family members, lose their health insurance coverage.¹⁶⁶ But having a job, even a well-paying one, does not guarantee health insurance coverage. In fact, nationally, 20 percent of individuals working full-time with incomes from 200 to 400 percent of the FPL (\$34,340 to \$68,680 per year for a family of three) were still uninsured.¹⁶⁷ In Texas, 74 percent of the uninsured either worked full- or part-time during 2006 or were not of working age (under 15 years old).¹⁶⁸ Many jobs simply do not offer health insurance or only offer it at a level where the employee's contribution proves too expensive.

The Texas economy relies heavily on small businesses; 73 percent of all businesses in the state have fewer than 50 employees. However, only 37 percent of these small businesses offer health insurance. In contrast, nationally, about 61 percent of employees working for small businesses were at companies that offered health insurance in 2003—almost twice the state rate.¹⁶⁹ In addition, only 65 percent of employees working in small businesses offering coverage enrolled in the employer-sponsored program.¹⁷⁰

Barriers to Health Insurance for Families in the United States

One of the major reasons for the large number of uninsured children is the fact that many children in low income families are not enrolled in public programs for which they are eligible. The Congressional Budget Office has stated that between 5 and 6 million children in the country who are eligible for either Medicaid or SCHIP (the federal version of Texas' CHIP) are not enrolled.¹⁷¹ There are several factors that contribute to the high number of eligible, but unenrolled children. One of the major barriers preventing enrollment in public programs is a lack of accurate information about Medicaid and SCHIP. Another factor is a long and complicated application process. Studies have indicated that children in Hispanic families must deal with additional barriers when enrolling in public insurance programs.¹⁷² This combined with the large Hispanic population in Texas could be a reason for the high rates of uninsured children in the state.

Texas' dubious distinction of leading the nation in uninsured children and adults results from a number of barriers to coverage that presents the state with serious challenges. Further, the large number of uninsured Texans along the Border presents the state with unique problems. This population is concentrated in some of the poorest counties in the state in which restricted labor markets and high rates of unemployment further compound demographic and labor supply problems. Increasing the insurability of the population through employment would be the most appealing solution; however, it is clear that reducing the number of uninsured and vulnerable Texans will require new and imaginative initiatives.

Three-Share Plan

An innovative program in Galveston County may offer part of the solution to helping reduce the number of uninsured residents in Texas. Called the "Three-Share Plan," the program will help offer low-cost health insurance to the working uninsured who would otherwise not be able to afford coverage. Under the plan, the cost of health insurance would be split three ways between the employer, the employee, and government funds.¹⁷³ In December 2005, a waiver was submitted to the U.S. Health and Human Services Center for Medicare and Medicaid Services for approval to use federal funds for the program. In May 2007, the Galveston Three-Share waiver was modified into a statewide waiver. Unfortunately, the Centers for Medicare and Medicaid Services (CMS) declined the waiver on January 31, 2008. CMS denied the waiver because it would have used CHIP monies to partially fund the program; CMS wants all CHIP monies directed towards insuring lower income children. However, HHSC will incorporate three-share programs into the Texas Medicaid Reform waiver, which uses a different federal funding stream.

State Universal Health Care Initiatives

To solve the problem of Texas' high rates of uninsured, state leaders often have to look to other states. As of January 2008, eight states had enacted or announced universal

health care plans. Once fully implemented, programs in Vermont, Massachusetts and Maine aim to cover all residents, while plans in Hawaii, Illinois, Pennsylvania, Washington, and Wisconsin will provide coverage to all children.¹⁷⁴ Fourteen other states and the District of Columbia have passed legislation that would increase the availability of coverage for children.¹⁷⁵

In July 2006, Illinois implemented the All Kids program, the first children's universal coverage program in the country. Using state funds exclusively, all uninsured children in the state are eligible for coverage without regard to income, health status, or citizenship. Between July 2006 and April 2007, 50,000 previously uninsured children were enrolled in the All Kids program.¹⁷⁶

By passing the Dirigo Health Reform Act in 2003, Maine hoped to make health coverage affordable to every citizen by 2009. Two initiatives were included in the plan. Beginning in January 2005, the DirigoChoice program offers subsidized insurance for small businesses, self-employed workers, and individuals. The second initiative expanded the state's Medicaid program to include more low-income parents.¹⁷⁷ By September 2006, 11,100 individuals and 700 small businesses were enrolled in the DirigoChoice program and 5,000 additional low-income parents had insurance through Medicaid.¹⁷⁸

Medicaid and CHIP Capitation Rate Disparities

Compounding the problem of the uninsured, the state spends significantly less per capita for Medicaid acute care services delivered on the Border than in other geographic regions of Texas. Payments to health care providers are inadequate, thereby perpetuating a provider shortage.¹⁷⁹ As a consequence, there is a lack of general access to health care services.

The reason the state has historically spent less per capita for Medicaid on the Border than in the rest of the state is because rates are based on historic utilization of health care services in a county. The Border has low utilization due primarily to the lack of health care providers and infrastructure. It is common knowledge that El Paso ranks near the bottom in comparison to the rest of the state in terms of number of physicians, dentists, and every other type of provider. Infrastructure is so poor that the number of hospital beds per capita in itself is a crisis. For every 317 people in Texas, on average, there is one hospital bed; in El Paso County, there is one bed for every 339 people.¹⁸⁰

The Medicaid rates paid to physicians and dentists are woefully inadequate, particularly for a community like El Paso, where Medicaid is a major payer for health care services. This problem is not limited to just the traditional Medicaid fee-for-service program. Under the Medicaid managed care program, the capitation rates paid to participating Health Maintenance Organization (HMO) are set with the assumption that physicians will be paid the Medicaid fee-schedule. The chart *Adjusted Weighted Medicaid and CHIP Capitation Rate Disparities, 2006* shows the wide variation in rates in cities throughout the state.

Adjusted Weighted Medicaid and CHIP Capitation Rate Disparities, 2006
Organized by HMOs in Selected Care Service Areas

	Bexar Superior	Dallas Parkland	Harris Amerigroup	Lubbock Firstcare	Tarrant Amerigroup	Travis Amerigroup	El Paso Superior
TANF Children (> 1 year)	\$81.18	\$86.51	\$75.28	\$77.51	\$74.73	\$73.69	\$83.04
TANF Adults	213.41	191.29	227.92	203.50	238.18	193.85	206.16
Pregnant Women	358.30	310.37	320.04	501.47	318.23	322.44	345.09
Newborns	563.36	622.35	678.97	340.97	465.19	520.87	495.48
Expansion Children (> 1 year)	80.14	101.25	77.68	87.19	69.77	85.50	89.97
Federal Mandate Children	67.63	73.67	70.18	72.44	78.20	61.79	70.24
CHIP (ages 15-18)	87.15	119.94	83.64	94.53	101.71	n/a	96.06

Source: Texas Health and Human Services Commission

Capitation rates, or the fee per child, paid to managed care organizations participating in Medicaid are based on historic expenditures per capita. Cities like El Paso, which have always had disproportionately low Medicaid expenditures per capita, find themselves in a difficult situation. To achieve higher capitation rates, they must spend more per capita. But because the capitation rates are so low, it is impossible to spend more per capita. The disproportionately low per-capita expenditures, the low managed care capitation rates, and the wholly inadequate Medicaid fee schedules have forced health care providers to significantly limit their participation in Medicaid or leave the program altogether. All of these factors negatively impact Medicaid recipients' access to services.

Adding to the Health Crisis: The Budget Cuts of the 79th Legislature

Despite the health crisis and significant health disparities on the Border, and the fact that Texas already trails other states in the allocation of health care resources, lawmakers still made inhumane health and human service budget cuts during the 78th Legislature. Texas shortchanged its citizens with accounting gimmicks that actually added up to huge reductions in services and benefits for our populace. These budget cuts were cleverly disguised to make it appear as if funding for health and human services is being "maximized," but sadly, quite the opposite has occurred. Funding for such state-supported health programs as Medicaid and CHIP, nursing home and hospice care, community care, university teaching hospitals, state and local district employee insurance coverage, and health care coverage for adult and youth inmates, has been reduced by:

- reducing income guidelines and eliminating participation;
- making it more difficult for people to become eligible (or remain eligible) for services;
- eliminating benefits that were previously available; and
- reducing payments to health care providers who are serving those who are eligible.¹⁸¹

Based strictly on the dollar amount being appropriated to them, some health care programs actually received an increase from their 2002-2003 funding levels. However, this is highly misleading, because while some of these programs may show a slight increase in their overall general revenue funding, this increase does not keep up with rapidly increasing health care costs, which are rising at a rate of more than 10 percent annually.¹⁸²

House Bill (HB) 2292 was passed during the 78th Legislative Session to cut twelve health and human service agencies down to five, and to centralize powers under the Health and Human Services Commission (HHSC). HHSC now coordinates administrative functions across the system, provides eligibility determination for health and human services programs and administers Medicaid and CHIP. Additionally, it oversees the four other health and human services departments:

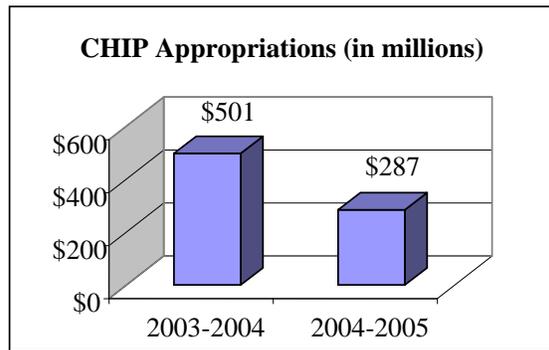
- **The Department of Family and Protective Services** includes the programs previously administered by the Department of Protective and Regulatory Services. DFPS began services February 1, 2004.
- **The Department of Assistive and Rehabilitative Services** combines the programs of the Texas Rehabilitation Commission, Commission for the Blind, Commission for the Deaf and Hard of Hearing and the Interagency Council on Early Childhood Intervention. DARS began services on March 1, 2004.
- **The Department of Aging and Disability Services** consolidates mental retardation and state school programs of the Department of Mental Health and Mental Retardation, community care and nursing home services programs of the Department of Human Services, and aging services programs of the Texas Department of Aging. DADS began services on September 1, 2004.
- **The Department of State Health Services** includes the programs provided by the Texas Department of Health, the Texas Commission on Alcohol and Drug Abuse, and the Health Care Information Council, plus mental health community services and state hospital programs operated by the Department of Mental Health and Mental Retardation. DSHS began services on September 1, 2004.

Under the previous system, most people applied for public benefits at one of 381 local eligibility offices administered and staffed by the Texas Department of Human

Services (DHS). HB 2292, however, mandated the use of call centers to determine eligibility for the major health and human services programs, including Medicaid, CHIP, the Food Stamp program, and Temporary Assistance for Needy Families (TANF). The resulting debacle that has occurred since HHSC has attempted to privatize this responsibility and transfer it to a contractor will be discussed shortly.

Cuts to CHIP

As the chart *CHIP Appropriations (in millions)* shows, the legislative budget cuts reduced CHIP appropriations by 43 percent. The program's budget was \$501 million during 2003-2004 and only \$287 million in 2004-2005. Program changes also led to stricter eligibility policies, fewer benefits, higher co-pays and premiums, and a 90-day waiting period.¹⁸³ These inhumane cuts were made when Texas was already ranked 50th in the percentage of children who have health insurance.¹⁸⁴



Cuts to Medicaid

Medicaid also took a severe hit during the 78th Legislative Session. Funding for the 2004-2005 biennium rose a meager 3.8 percent, and new eligibility standards and enrollment procedures had far-reaching ramifications that left many citizens out in the proverbial cold, with no benefits.¹⁸⁵ In 2003, approximately 2.5 million Texans, including 1.6 million children, received Medicaid acute care services on a monthly basis. As a result of these cuts, enrollment was expected to shrink by 4,000 in 2005.¹⁸⁶ However, if the eligibility policies been left untouched, 350,000 additional Texas children and adults could have potentially been covered by Medicaid.¹⁸⁷

These cuts also severely affected low-income pregnant women. Medicaid can be used for prenatal care, delivery, and postpartum care for 60 days after delivery. Due to the budget reductions almost 13,000 women were no longer eligible for services. This translates to a loss of approximately \$110 million in reimbursement for health care providers in Texas over a two-year budget cycle, and fewer women that could access quality prenatal care.¹⁸⁸

Furthermore, Texas lost \$41.2 million in state and federal funds from the 2004 mental health budget, and Medicaid coverage for adults who need counselors and psychologists was wiped out completely. Approximately 200,000 adults had to make do without these services, resulting in health crises at the local level, for families and in emergency rooms.¹⁸⁹

Cuts in Texas' Temporary Assistance for Needy Families

Other worthy programs were also reduced through stricter eligibility requirements. TANF is a program that provides cash assistance on a monthly basis for poor Texas families with children under the age of 18. After the 78th Legislative Session, a family of three (mother and two children) could qualify for TANF if their gross income was below \$784 a month and their assets were valued at less than \$1,000. On September 1, 2003, more than 19,000 adults and 41,000 children in Texas lost all their TANF benefits because of a new full-family sanction policy. This also caused most adults receiving TANF to lose their Medicaid benefits. The state predicted that 75 percent of those who lost assistance were children.¹⁹⁰

The new legislation that was enacted wiped out coverage for such basic necessities as eyeglasses and hearing aids for adults on Medicaid.¹⁹¹ It also eliminated coverage for elderly, disabled and adult TANF recipients seeking help in such high-demand areas as social work, marriage and family therapy, podiatric and chiropractic care, psychological counseling, and licensed professional counselors.¹⁹² Further, the state chose not to maximize its federal matching dollars requested by the HHSC, leaving approximately \$1.6 billion in federal Medicaid and CHIP funding "on the table"—\$1.6 billion that could have gone toward providing health care to Texans.¹⁹³

These budget cuts and reductions cost the state and local jurisdictions millions of dollars in unnecessary emergency care that could have been prevented. Balancing the budget on the backs of kids and people who need these programs the most contradicts the government's mission. Medicaid and CHIP are social insurance programs designed to protect our most vulnerable citizens. By continuing to chip away at these services, we are forcing more and more Texans to fend for themselves and exposing them to a greater risk of chronic or debilitating illness or even premature death. In addition, costs passed onto local taxpayers will increase taxes. That is not the recipe for a healthy populace or economy. Steps to redress these problems must be taken immediately, so Texas leaders can begin to repair the damage that was created through these draconian budget cuts.

Partial Restoration of Budget Cuts in the 79th Legislature

The 79th Regular Session restored some of the cuts from the disastrous 78th Regular Session, but many of the major cuts remain. Despite the increased funding, Texans who rely on public health programs such as CHIP and Medicaid will still suffer the effects of an underfunded system.

Some CHIP Cuts Restored

Fortunately, the state budget restored vision care, dental care, and mental health coverage to 2003 levels, thus undoing the cuts from the 78th Legislature. Dental services were delayed numerous times before they were finally included in CHIP beginning in April 2006.

However, many of the cuts from the previous session remained. In fact, none of the bills filed that would have restored CHIP coverage back to 2003 levels ever received a public hearing. Thus, any changes that were made to the CHIP program were instituted through the budget bill.¹⁹⁴ The changes made during the 78th Legislative Session that remained include:

- children are only covered for a six month period, not a full year;
- upon initial enrollment, children are not covered for 90 days;
- elimination of the income deductions that allowed families to deduct child care or child support payments from the income level that determines eligibility;
- an asset limit added for families who are above 150 percent of the FPL;
- a 2.5 percent cut in the reimbursement rate for CHIP medical providers; and
- a reduction in outreach and marketing funds.¹⁹⁵

Those intent on reducing the number of children who can benefit from CHIP coverage also employed a different tactic. The budget assumes a lower CHIP caseload and cost-per-client than what HHSC had initially projected. As a result of these assumptions, the general revenue allocation was reduced by \$60.0 million for CHIP.¹⁹⁶

Some Medicaid Cuts Restored

In addition to CHIP, some of the cuts made in the 78th Legislature to the Medicaid budget were repaired. The budget restored coverage for eyeglasses, hearing aids, mental health professional services, and chiropractic and podiatry care for all 863,000 adult Medicaid clients, 78 percent of whom were aged or disabled.¹⁹⁷ Total Medicaid funding was increased by \$1.8 billion over the 2006-2007 biennium with the addition of programs such as the Medicaid buy-in program for workers with disabilities and enhanced family violence funding.

Similar to CHIP, though, the budget assumed a lower Medicaid caseload growth and cost-per-client than what HHSC had originally projected, thus lowering the Medicaid budget by \$929.7 million in general revenue.¹⁹⁸ Further, Medicaid provider rates were not increased back to the 2003 levels.¹⁹⁹

Impact of Spring 2006 Special Session

Unfortunately, Texas' most vulnerable citizens were once again forced to bear the brunt of enormous budget cuts. A Special Legislative Session conducted during April and May 2006 passed tax legislation to comply with a Texas Supreme Court ruling.

The Perry Tax Plan passed during the special session will create an enormous budget deficit and its effects will be felt throughout the state for the foreseeable future. HB 1, the bill designed to cut property taxes, created a huge hole in the state budget that has to be made up somewhere. House Bills 3, 4 and 5 were intended to fill that hole by

raising revenue through a new business tax, a used cars tax, and a \$1 cigarette tax increase. Simply put, these taxes don't raise enough money.

The net effect of the Perry Tax Plan is a legislatively-designed deficit scheduled for 2009. Financial experts have reported to the legislature that business taxes will grow from a base of roughly \$3.5 billion to replace the property tax cut base of \$6.5 billion. Estimations based on calculations from data provided by the Legislative Budget Board show that Perry's Tax Plan is \$2.31 billion short for 2007 and \$2.62 billion short for 2008.²⁰⁰ And, since the constitution requires Texas to balance the books, tax cuts from the special session will mean budget cuts in the future. This will force a 16 percent spending cut in the 2008-2009 budget.²⁰¹

To get an idea of the size of the deficit compared with the amount of tax revenue coming in, see the chart below, *Fiscal Impact of House Bills 1, 3, 4 & 5*.

Fiscal Impact of House Bills 1, 3, 4 & 5

	HB 1	HB 3 business tax	HB 4 used cars tax	HB 5 cigarette tax	Net Shortfall
2007	(\$3.92 B)	(\$2 M)	\$31 M	\$432 M	(\$3.53 B)
2008	(\$8.69 B)	\$3.38 B	\$42 M	\$691 M	(\$4.57 B)
2009	(\$10.13 B)	\$3.45 B	\$43 M	\$731 M	(\$5.90 B)
2010	(\$9.85 B)	\$3.72 B	\$43 M	\$635 M	(\$5.45 B)
2011	(\$10.35 B)	\$3.97 B	\$43 M	\$675 M	(\$5.67 B)
5-year total	(\$43.02 B)	\$14.51 B	\$202 M	\$3.16 B	(\$25.12 B)

Source: Fiscal impact numbers are based on the Legislative Budget Board's fiscal notes for HB 1, HB 3, HB 4 and HB 5. Last Updated May 15, 2006.

Privatization of Enrollment and Eligibility Services: The Health Care Equivalent of Hurricane Katrina

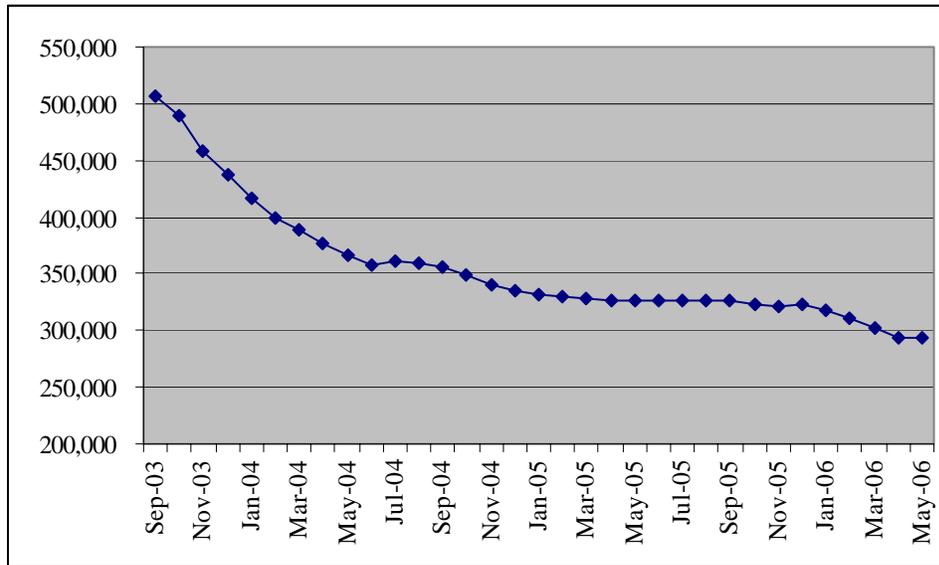
HB 2292, which was passed in the 78th Legislative Session, required the privatization and use of call centers to determine applicants' eligibility for the major health and human services programs, including Medicaid, CHIP, the food stamp program, and TANF.²⁰²

In November 2005, the Texas Access Alliance (TAA), a consortium of companies led by Bermuda-based Accenture LLP, began processing statewide applications for CHIP and children's Medicaid. In January 2006, TAA began processing local applications in Travis and Hays Counties for other key programs such as food stamps and TANF. These dates correspond with the beginning of significant decreases in both CHIP and children's Medicaid enrollment and huge backlogs of applications for food stamps and TANF in Travis and Hays Counties.²⁰³

Between November 2005 and May 2006 almost 30,000 children were dropped from the CHIP rolls. In April 2006, enrollment dropped by nearly 10,000 children,

bringing the total enrollment to 292,681—the lowest point in five years. Astoundingly, enrollment numbers for May 2006 indicated more than 28,000 clients were declined in that month alone. HHSC responded to the alarming drop by granting a reprieve to more than 28,000 children that would have lost coverage in May.²⁰⁴ This was a temporary solution to what seems to be a permanent problem. In the chart *CHIP Enrollment, September 2003 to May 2006*, one can see the dramatic decline in enrollment:

CHIP Enrollment, September 2003 to May 2006



Source: Texas Health and Human Services Commission

In El Paso, almost 2,000 children were dropped from CHIP between November 2005 and April 2006. In addition, more than 2,700 additional CHIP clients in El Paso would have been disenrolled as of April 30, 2006 had HHSC not intervened.²⁰⁵ In El Paso, which is the most uninsured large city in the nation, this is especially intolerable.²⁰⁶

The Commissioner of HHSC, Albert Hawkins, announced in April 2006 that HHSC was going to temporarily stop the roll-out of the new privatized system, citing the need for technical and operational improvements.²⁰⁷ Accenture, the call center vendor, thus returned more than 12,000 applications to local field offices across the state for processing. As a result, state eligibility offices had to work Accenture's backlog as well as their own caseload despite being extremely short staffed.²⁰⁸

In March 2007, the HHSC announced the termination of the contract with Accenture. However, the contract did not officially end until November 2007.²⁰⁹ HHSC is currently implementing a "transition plan," which once completed is intended to create an enhanced eligibility system. According to HHSC, the final request for proposal was released in January 2008 and a contract is expected to be awarded by September 2008.²¹⁰ It is unclear whether awarding a new contract to a different company will have any impact on the backlog problem.

Policy Changes During the 80th Legislature

During the 2007 Legislative Session changes were made to both Medicaid and CHIP programs. If properly implemented, some of the modifications will lead to an increase in service delivery and a simplified enrollment process. However, there is still

work to be done to insure that all of Texas' children in low-income families can consistently access quality health care.

Further Restoration of CHIP

A \$1 billion increase in funding was approved by the 80th Legislature, thereby bringing the total amount of funding available for CHIP to \$2 billion. Some of the additional funding will be allocated to prenatal services, which will allow more women and newborns to be covered under CHIP.²¹¹ This legislation further restores some of the cuts made during the 78th Legislative Session.

Several other changes made to CHIP regulations are expected to increase enrollment by almost 130,000 children. HB 109 eliminated several barriers put in place by the 78th Legislature. This piece of legislation eliminated the 90-day waiting period, restored CHIP enrollment from six months to one year, allows parents to deduct child care expenses when calculating income, and increases the limit for the assets test.²¹² Again, these policy modifications return CHIP guidelines to their pre-78th Legislative Session status. However, one important change is that HB 109 places the assets test into statute whereas the act of the 78th Legislature allowed HHSC to use an assets test to determine eligibility, but did not require it.

Medicaid Reform

In the 2007 Legislative Session Senate Bill (SB) 10 was passed with the hope that it will lead to comprehensive reform of the Medicaid program in Texas. The goal is to "optimize investment in health care to ensure more efficient use of available funding and best health outcomes for Texans."²¹³ This is expected to be achieved through the protection and optimization of Medicaid funding, reduction in the number of uninsured Texans, a focus on keeping Texans healthy, and the establishment of infrastructure to facilitate accomplishment of reform goals.²¹⁴

Even though a reform bill passed during the 80th Legislative Session, it is expected that more reform legislation will be passed in the future to achieve the goals of SB 10. However, SB 10 starts the process through several initiatives:

- The Texas Health Opportunity Pool Trust Fund will be established to provide premium subsidies to eligible Texans. It will also be available to offset uncompensated costs when providers use innovative measures to provide primary and preventative care.
- Implementing pilot programs such as positive incentives for healthy lifestyles, health savings accounts, and an incentive program to encourage routine health care visits in the hopes that they will increase consumer choice and responsibility as well as improve health outcomes.

- The Medicaid Health Insurance Premium Payment reimbursement program is intended to increase employment-based insurance options. In some cases, individuals will be able to opt out of Medicaid in favor of an employer-sponsored insurance program.
- Supporting the use and development of electronic health care information standards and records to increase efficiency and quality of patient care.
- If enrolled in college, former foster care children remain eligible for Medicaid until their 23rd birthday.
- Increasing the quality and efficiency while reducing the costs of providing care to children with special health care needs by using tailored benefits packages.
- Supporting the proper utilization of emergency services by implementing cost sharing for improper use of these services.
- Increase access to appropriate health care services by using outcome-based performance measures in health maintenance organization contracts.²¹⁵

How is the latest attempt at Medicaid reform really going to affect Texans' health? The full impact of this legislation has yet to be seen as most of the initiatives are not scheduled for implementation until 2009.²¹⁶ In December of 2007, HHSC submitted a Medicaid 1115 waiver request to the U.S. Health and Human Services Center for Medicare and Medicaid Services for approval to secure federal funding. Many of the plan's details are still quite vague and many unanswered questions remain such as:

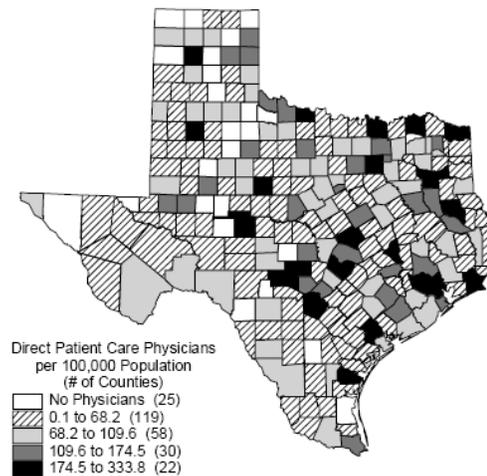
- How will the current social safety net be affected? In particular, public hospitals that currently serve as the safety net for their respective communities?
- Will the minimum standard for health benefits be adequate?
- Will all income levels be able to afford coverage including those whose income is below 100% of the FPL?
- Will it provide sufficient care to those with a higher level of need such as those with acute chronic conditions? The benefits plans proposed to date do not provide catastrophic coverage.
- Will access and availability be the same for all populations throughout the state?
- How will the lack of provider capacity be addressed?
- Will the scale of the program be large enough to meet the needs of most uninsured Texans?²¹⁷
- Will the new plan infringe on enrollee's rights and protections?²¹⁸

Limited Number of Health Care Providers

There is a strong need for physicians in Texas across the state—119 counties are designated as Health Professional Shortage Areas (HPSAs). Another 68 counties have an HPSA designation for part of the county or for a special population in the county. Only 67 counties do not have the HPSA designation.²¹⁹

The chart, *Direct Care Physicians per 100,000 in Texas, 2007*, highlights the fact that physicians are not evenly distributed among the regions of Texas. Metropolitan Border areas had an average of 145.2 physicians per 100,000 residents, non-metropolitan Border areas averaged even less, with only 70.7 per 100,000. Non-border areas have a much higher ratio of physicians with 170.7 per 100,000 in metropolitan areas and 88.7 per 100,000 in non-metropolitan areas.²²⁰

Direct Care Physicians per 100,000, 2007



Source: Texas Medical Board
Produced By: Health Professions Resource Center, Center for Health Statistics, Texas Department of State Health Services

The shortage of health professionals extends to many other disciplines. The Border counties are also considered medically underserved areas because of the lack of pharmacists, nurses, physician's assistants, dentists, and dental hygienists.²²¹

The Texas population has grown from 14.7 million in 1981 to over 23.9 million in 2007.²²² By 2030, the population of Texas will grow to more than 33 million.²²³ With the population continuing to increase, Texas will need to graduate more medical school students in the future. In 2000, 44 percent of physicians in Texas graduated from a Texas medical school, with 35 percent coming from other states, and 21 percent coming from other countries.²²⁴

Health Issues of Particular Importance in the Border Region

The Texas Borderlands are faced with numerous health-related challenges that, while prevalent throughout the rest of the nation, do not negatively impact residents to the extent apparent in the Border Region. These challenges include obesity, mental health, infectious diseases, hunger, and oral health. Each of these issues will be examined in turn.

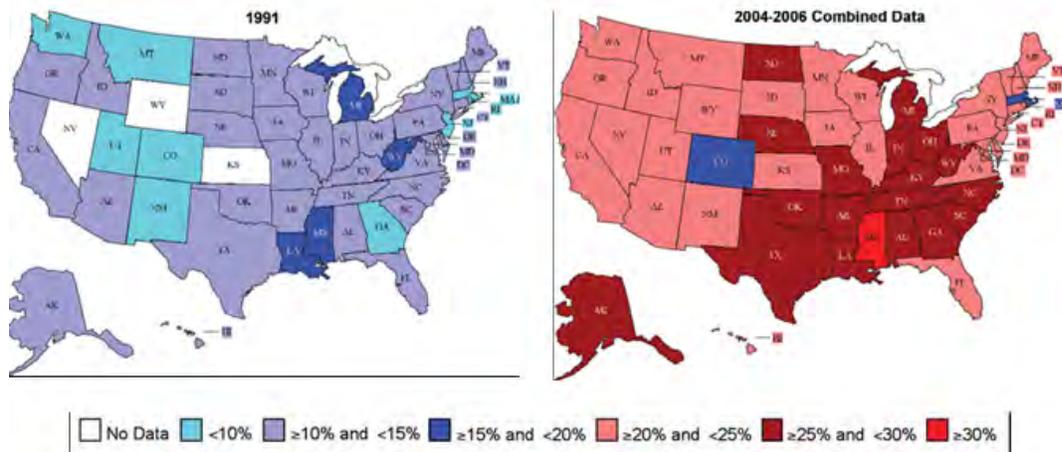
The Obesity Epidemic on the Border

The prevalence of obesity is developing into a nationwide health crisis. Since 1980 the rate of obesity in the United States has more than doubled, increasing from 15 percent to almost 33 percent.²²⁵ Obesity is one of the leading causes of preventable death in the United States.

The Centers for Disease Control and Prevention (CDC) estimates that as many as 112,000 Americans die each year due to an obesity-related cause.²²⁶ The tragic loss of life due to obesity is accompanied by staggering costs to the health care system. CDC officials estimate the social costs of obesity amount to \$78.5 billion each year.²²⁷

The obesity problem is particularly serious in Texas, 64 percent of residents are either overweight or obese.²²⁸ As the chart *Number of Obese Texans Has Doubled Since 1991* shows, there was a 119.5 percent increase in the number of obese Texans from 1991 to 2006.

Number of Obese Texans Has Doubled Since 1991

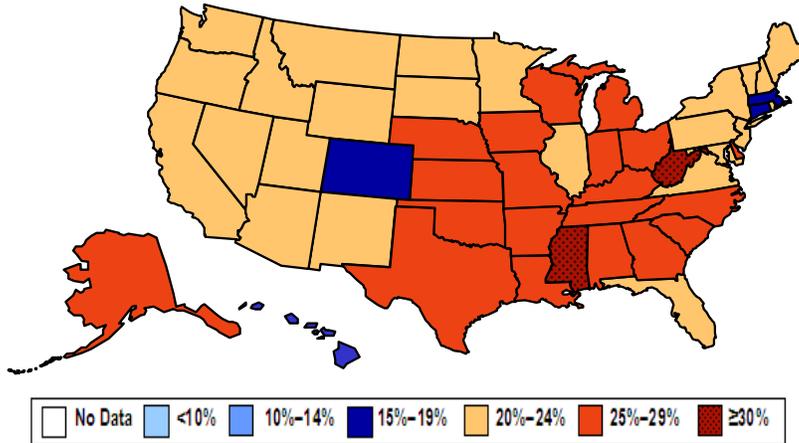


Source: *F as in Fat: How Obesity Policies are Failing in America* (2007), Trust for America's Health (data from Behavioral Risk Factor Surveillance System, Centers for Disease Control & Prevention).

State health officials estimate that the direct and indirect costs of obesity in Texas are more than \$3 billion annually.²²⁹ The problem will continue to accelerate rapidly if not addressed, and costs to the state could potentially rise to \$15.8 billion a year by 2025 if no action is taken.²³⁰ The chart *Obesity Trends Among U.S. Adults* shows that Texas has one of the highest rates of obesity in the country.

Obesity Trends* Among U.S. Adults, BRFSS (2006)

(*BMI \geq 30 or ~ 30 lbs. overweight for 5' 4" person)



Generally, the Border has higher rates of obesity when compared to the rest of the state. The predominantly Mexican-American Border population is one of the most likely to suffer from obesity and obesity-related medical conditions, such as heart disease, in the United States. CDC data indicates that 73 percent of Mexican-Americans are overweight, compared to 62 percent of non-Hispanic Whites.²³¹ Results from a survey coordinated by the Paso del Norte Health Foundation showed that the proportion of overweight individuals is higher in El Paso than it is for Texas as a whole. Also, more than half of El Paso's population between the age of 45 and 64 are overweight.²³²

What is Obesity?

According to health agencies obesity is a complex chronic disease caused by genetic, environmental, and behavioral factors. Health officials measure obesity using a formula called Body Mass Index (BMI) that compares weight and height. People with a BMI score over 30 are considered obese, and those with a BMI score between 25 and 30 are considered overweight.²³³

People with obesity are significantly more likely to suffer from conditions such as hypertension, osteoarthritis, dyslipidemia, type 2 diabetes, coronary heart disease, stroke, gallbladder disease, sleep apnea, breathing problems, and even some forms of cancer.²³⁴ The chart *Increased Risk of Obesity-Related Diseases with Higher BMI* illustrates the serious consequences of obesity.

<i>Increased Risk of Obesity-Related Diseases with Higher BMI</i>				
Disease	BMI of 25 or less	BMI between 25 and 30	BMI between 30 and 35	BMI of 35 or more
Arthritis	1.00	1.56	1.87	2.39
Heart Disease	1.00	1.39	1.86	1.67
Diabetes (Type 2)	1.00	2.42	3.35	6.16
Gallstones	1.00	1.97	3.30	5.48
Hypertension	1.00	1.92	2.82	3.77
Stroke	1.00	1.53	1.59	1.75

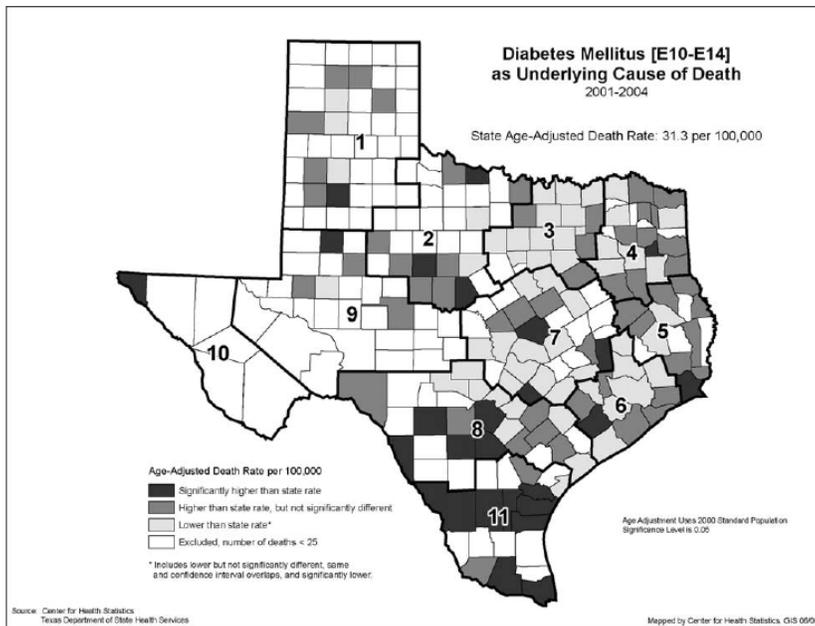
Source: Third National Health and Nutrition Examination Survey, Centers for Disease Control and Prevention. Analysis by The Lewin Group, 1999.

Obesity in our School Children

A particularly serious problem is the increase in obesity among children. Children with obesity are at greater risk of suffering from asthma, type 2 diabetes, cardiovascular disease, and sleep apnea.²³⁵ About 17 percent of U.S. children between 12 and 19 years old are overweight.²³⁶ In Texas, the number of students who are overweight is about 19 percent for children ages 10 to 17. Texas ranks sixth in a state-by-state comparison of childhood overweight rates.²³⁷ According to the CDC, 64 percent of students in Texas do not participate in the recommended level of physical activity, which was defined as 60 minutes of physical activity at least 5 days a week. In addition, 40.5 percent of Texas students watch three or more hours of television every day.²³⁸

Obesity and Diabetes

Diabetes is a disease where the body does not produce or properly use insulin, a hormone used to convert sugar and other food materials into energy. In the U.S., 7 percent of the population will be diagnosed with this disease during their lifetime.²³⁹ According to the American Diabetes Association, diabetes is the fifth deadliest disease in the United States and contributed to over 224,000 deaths in 2002.²⁴⁰ People with diabetes are at higher risk for a stroke, heart disease, kidney disease, blindness, and nerve system damage.²⁴¹ The chart *Texas Diabetes Mellitus as Underlying Cause of Death, 2001-2004* shows that, generally, the Border has higher death rates due to diabetes than the rest of the state.



Increases in type 2 diabetes, where the body does not properly use insulin, may be one of the first noticeable consequences of the epidemic of obesity among young people. According to the World Health Organization, almost 90 percent of the diagnosed diabetes cases in the United States can be attributed to increases in weight.²⁴² Approximately 15 million Americans suffer from diabetes and a staggering 54 million have pre-diabetes symptoms. Of those diagnosed, 176,500 are under 20 years old.²⁴³ Reports have indicated that type 2 diabetes is being diagnosed at higher rates among children and adolescents than previously, particularly among Hispanics/Latinos, American Indians, and African Americans.²⁴⁴ Type 2 diabetes rates are 1.7 times higher among Mexican-Americans than among non-Hispanic whites.²⁴⁵ In addition, Mexican-Americans with diabetes are more prone to have retinopathy and end-stage renal disease than other ethnic or racial groups.

The incidence of diabetes is particularly high in the Border Region. The table *Texas Counties with the Highest Diabetes Prevalence Rates* lists all counties in the state with rates of 7.7 percent or above. All of these 16 counties are in the Texas-Mexico Border Region.²⁴⁶ More than one million Border residents have been diagnosed with diabetes. Diabetes-related emergencies cost El Paso residents approximately \$30 million in 2005.²⁴⁷

Texas Counties with the Highest Diabetes Prevalence Rates, 2001

County	Number of Persons with Diabetes	Diabetes Prevalence Rate
Starr	2,763	8.0%
Webb	10,141	8.0%
Brooks	437	7.9%
Jim Hogg	289	7.9%
Maverick	2,422	7.9%
Zavala	615	7.9%
Duval	735	7.8%
Hidalgo	29,618	7.8%
Willacy	1,095	7.8%
Cameron	17,531	7.7%
Dimmit	538	7.7%
El Paso	36,151	7.7%
Frio	903	7.7%
La Salle	2,326	7.7%
Presidio	386	7.7%
Zapata	638	7.7%

Source: Texas Department of State Health Services

Economic Costs of Diabetes

In 2007, diabetes cost the United States \$174 billion; \$12.46 billion in Texas and \$515 million in El Paso alone.²⁴⁸ The annual costs of diabetes exceeds the amount spent repairing the damage caused by Hurricane Katrina (\$150 billion). It is also more than has been spent on military conflicts in Afghanistan, Iraq, and the global war on terrorism combined.²⁴⁹

Much of the expenditures incurred by individuals with diabetes are indirectly related to the disease. Diabetes often leads to other costly medical complications such as cardiovascular and renal diseases. In addition, individuals with diabetes are likely to experience a loss of productivity through absenteeism, decreased job performance, decreased earnings and participation in the labor force due to permanent disability, and decreased productivity caused by premature mortality.²⁵⁰

Each person with diabetes spends an average of \$11,744 a year on health care. One out of every five dollars spent on health care goes to treating someone diagnosed with diabetes. Last year, almost a quarter of the money spent on in-patient hospital care went to treat individuals with diabetes. These individuals have an increased rate of hospitalization. Once hospitalized, they stay an average of 50 percent longer than individuals in the same age range without diabetes. According to a spokesman from the American Association of Clinical Endocrinologists, the risk of death is twice as high for people with diabetes than for those of the same age without diabetes. In 2007, 284,000 deaths were attributed to the disease.²⁵¹

Current Diabetes and Obesity Initiatives

State agencies recognize the growing problems that obesity presents, and have developed some initiatives. In 2003, a statewide taskforce produced a plan for combating obesity in Texas. The plan calls for increasing general awareness of the problem of obesity and mobilizing schools, parents, and communities to address the issue. It also calls for encouraging policies that promote healthy eating and physical activity, and establishing procedures for data collection. An updated plan was later released with plans for 2005 through 2010 keeping the initial goals in mind.²⁵² In the 77th Legislative Session, the Texas Legislature established the *Texas Pediatric Diabetes Research Advisory Committee*. In late 2002, the advisory committee presented a plan that recommended the state should require physicians to begin reporting childhood diabetes diagnoses. The advisory committee also suggested that the state should establish a Texas Pediatric Diabetes Research Resource.²⁵³

The *Texas Diabetes Council*, established in 1983 and housed in the Department of State Health Services, produces a biennial state plan dedicated to reducing the prevalence of diabetes and increasing public and professional education regarding the disease. The latest plan, *Diabetes and Despair*, outlines the plan for 2008 and 2009.²⁵⁴ The CDC has collaborated with other agencies to establish the *U.S.-Mexico Border Diabetes Prevention and Control Project*, which intends to use collaboration between all the Border states to reduce the prevalence of type 2 diabetes in the region. The project is has two phases. The first phase consists of a survey to determine the prevalence of the disease. Phase two includes a community intervention pilot project.²⁵⁵

Other recent policies have attempted to improve nutrition and physical activity in schools. After state officials moved administration of the school lunch and school breakfast programs from the Texas Education Agency to the Texas Department of Agriculture (TDA) in 2003, the TDA issued a policy to improve nutrition in Texas public schools.²⁵⁶ The policy limits the availability of food of minimal nutritional value (FMNV) in public schools. FMNVs include food items such as carbonated beverages and most candies. Implementation of this policy began during the 2006-2007 school year and is scheduled to continue through the 2009-2010 school year.²⁵⁷ Sale of FMNVs are now restricted during the entire school day in elementary schools and half of the school day in middle and high schools.

Other current policy initiatives include reforming the policies regarding vending machines in schools and requiring elementary students to engage in thirty minutes of physical activity daily. Still, the state struggles with how to integrate nutritional meals into school lunches without losing valuable revenue from competing vending machines and fast food vendors. However, the country's top three soda companies agreed that, beginning in 2006 no more than 30 percent of beverages in vending machines located in

high schools with sugary, carbonated soft drinks. By 2009, these types of beverages will not be available to students until after their last scheduled class.²⁵⁸

An initiative that has been successful on the Border is the Coordinated Approach to Child Health (CATCH) program, which integrates nutrition, fitness, and faculty and parental involvement in the prevention of obesity. The CATCH program increases awareness of nutrition in the classroom, increases the amount of physical activity during physical education, serves healthier foods at lunch, and promotes health awareness among the students' families. A CATCH pilot program was introduced in several El Paso schools, and the CATCH program is currently being implemented in the Brownsville, Harlingen and McAllen school districts in the Rio Grande Valley region.²⁵⁹ Starting in 2007, the state mandated that this type of program be integrated into all elementary schools.

Recent legislative efforts have expanded nutrition and physical activity initiatives. Starting with the 2007-2008 school year, all students in grades 3 through 12 will participate in a physical assessment. In addition, all middle school children (grades 6-8) will be required to participate in at least 30 minutes of daily physical activity.²⁶⁰

While steps such as these are important, there is no guarantee that current initiatives will dramatically slow the rise in obesity and related health problems. With the increasing prevalence of obesity in Texas and the Border region, it is important that citizens, policy makers, and health officials act quickly to address this issue. State leaders must act boldly to develop strategies aimed at the Border and Hispanics and work to build effective programs, a sound health care infrastructure, and adequate resources to fight the growth of obesity in the region.

Mental Health Issues and Inadequate Resources

In the Texas Borderlands, there is a great strain on families and communities due to the inability of the public mental health care system to serve those at risk. Exacerbating the gap between need and availability of mental health care are the growing societal pressures stemming from economic downturn, unemployment, and threats to homeland security.

Thanks to advances in medical research, many serious mental illnesses can now be treated with enormous success. Many biological mental disorders and illnesses respond to proper treatment, and new medications are being released that are immensely effective. However, Texas has not had the capacity to provide mental health care and medications to all those who need them. Due to budget constraints, there has been insufficient funding for the state agency charged with helping low-income Texans with mental illness, the Texas Department of State Health Services (TDSHS). For example, during the 78th Legislative Session, the public mental health system experienced enormous funding cuts, and policy changes were implemented that have made it even more difficult to access mental health services. However, the 80th Legislature restored

some funding by allocating \$82 million to increase the availability of crisis mental health services.²⁶¹

Poor Access to Mental Health Care

Studies released by the Mental Health Association in Texas have indicated that there is a gap between the need and the availability of services. There are many at risk individuals that are eligible for services but cannot receive them due to a lack of resources.²⁶²

This problem is even greater in the Borderlands. For example, El Paso is currently experiencing a crisis in mental health care. Before September 2005, the budget allocation from TDSHS to El Paso Mental Health and Mental Retardation (EPMHMR) and the El Paso Psychiatric Center provided for 64 beds. However, TDSHS reduced the budget allocation by eight beds. Since that date, the EPMHMR crisis assessment facility and the Psychiatric Center often turn away and refuse to assess mental health patients due to this lack of funding. EPMHMR is the mental health authority responsible for immediately screening and assessing El Pasoans in a mental health crisis. If necessary, they are then referred to and admitted into the Psychiatric Center. This system, however, is broken.²⁶³ El Pasoans who need emergency psychiatric services are instead being forced upon area hospitals, who are ill-equipped to provide inpatient psychiatric treatment. Further, these patients are being forced to wait in the emergency room for many hours until a bed can be found for them at the Psychiatric Center.²⁶⁴

This crisis became so severe that the El Paso County Attorney filed a lawsuit against TDSHS stemming from the repeated failure by EPMHMR and the Psychiatric Center to adequately treat El Paso's mentally ill.²⁶⁵ The lawsuit is currently pending in El Paso District Court.²⁶⁶

The entire Borderlands region experiences this lack of mental health care. The table *Estimated at Risk, Eligible, and Served by the TDMHMR in 2002* shows the numbers of people served for certain border counties. A higher percentage of adults who are at risk and eligible are served than children, 35 percent for adults and 20 percent for children. These statistics are even more shocking when compared to non-border counties who serve 38 percent of their eligible and at risk adults and 26 percent of their children.

Estimated At Risk, Eligible, and Served by TDMHMR in 2002

	Adults			Children		
	Estimated Adults At Risk and Eligible for MHMR Services	Adults served	Percent of Adults Who Were Served	Estimated Total Children At Risk and Eligible for MHMR Services	Children served	Percent of Children Who Were Served
Brewster		144	80%		27	55%

	180			49		
Cameron	5,979	2,199	37%	2,965	417	14%
Culberson	55	27	49%	23	*	*
Dimmit	180	76	42%	85	20	24%
El Paso	12,343	5,705	46%	5,577	1,322	24%
Hidalgo	10,033	1,993	20%	5,331	613	11%
Hudspeth	59	14	24%	28	*	*
Jeff Davis	44	21	47%	12	6	48%
Kinney	65	10	15%	21	*	*
Maverick	797	315	40%	451	129	29%
Presidio	130	86	66%	61	11	18%
Starr	902	212	24%	526	201	38%
Terrell	21	*	*	7	*	*
Val Verde	804	259	32%	373	96	26%
Webb	3,371	1,250	37%	1,861	535	29%
Zapata	216	96	44%	103	69	67%
BORDERLANDS	35,182	12,407	35%	17,473	3,446	20%
TEXAS	397,166	150,241	38%	151,464	39,591	26%

Source: Texas Department of Mental Health and Mental Retardation

Estimated at risk and eligible for services was defined using the proportions in the 2003 Strategic Plan for TDMHMR

Lack of adequate coverage for mental health treatment leads to desperate choices. Without proper intervention, children's mental health issues often lead to far worse problems later in life, including involvement in the criminal justice system, which costs the state significantly more in the long-run. For example, in Texas, \$682 million is spent annually on individuals that rotate through jail, hospitals, and detoxification centers. Only \$92 million is used for treatment in community mental health centers.²⁶⁷

Prisons: De Facto Mental Health Care

Over time, a nationwide trend has developed in which mentally ill individuals are sent to prison, contributing to the rising prison population. Only 5 percent of the U.S. population has a mental illness, compared to 16 percent of the prison population.²⁶⁸ In addition, the resources available in the community are not adequate, often leading to

incarceration. Inmates with a mental illness are more than twice as likely to have been homeless prior to incarceration. Almost half of all children in the Texas Youth Commission or the Juvenile Probation Commission have a mental illness.²⁶⁹

Once mentally ill prisoners are booked, how do they receive treatment? Screening mechanisms are often inadequate, due to the significant differences across prison systems.²⁷⁰ Therefore, we do not have accurate numbers on the mental health population in Texas prisons. As of February 2004, 17 percent of Texas inmates were reported to have mental health problems. Typically, prisons have a clinic staffed with a medical nurse and a psychiatrist, but inmates do not get adequate treatment and there is not sufficient follow-up.²⁷¹

A needs assessment indicated the demand for an intensive mental health facility in a Travis County prison, which opened in December 2001. These inmates incur higher costs, but "the special unit reduces the need to outsource, the number of suicides, and bridges gaps within the community," according to the Travis County Sheriff's Department.²⁷² In 2004, the federal government authorized \$50 million to provide grants to fund programs that facilitated collaborations between mental health service providers, the juvenile justice system, the criminal justice system, and substance abuse treatment providers "to improve access to effective treatment for people with mental illnesses involved with the justice system."²⁷³ In 2006, 27 grants were awarded through this program and, in 2007, 26 grants were awarded.²⁷⁴

Unique Challenges of the Borderland

The Mental Health Association in Texas visited a number of towns along the Texas Border to learn more about the unique challenges of the region. Through community forums, residents and service providers outlined the following challenges for those seeking mental health care and those providing that care.²⁷⁵

- The U.S. border with Mexico is somewhat artificial. People can cross back and forth and move about freely within ten miles of either side of the border.
- The number of people living in poverty along the border is very high.
- There is a prevalence of people with substance abuse and comorbid mental health issues.
- Housing for people with mental illness and substance abuse problems on the border is a particular challenge.
- Since drug costs are so high, and prescription drugs are cheaper in Mexico, many people go across the border to have prescriptions filled even though this is against Texas state law.
- Transportation is a significant challenge; there are insufficient resources to hospitalize people with a mental health crisis and transportation to the closest facility is a huge problem.
- Border residents need more integrated services and funding streams.
- The stigma of mental illness in the Borderlands is hard to overcome and there is a great need for more community support.

Recommendations From Forum Participants

- An anti-stigma campaign to provide the public with accurate information about mental illness and the treatments available.
- Increased collaboration between schools, universities, and stakeholders.
- Implement a Family to Family Education Program with Mexico. This is a peer mentoring program that pairs families with a newly diagnosed member with families who have experience living with mental illness.
- Education of younger generations.
- More Patient Assistance Programs, which provide financial assistance for education.
- Review the research and educational materials produced in Mexico to see if Texas can learn from them.
- Make mental health a key priority of the United States - Mexico Border Health Commission.²⁷⁶

Infectious Diseases in the Border Region

Infectious diseases that are unique to the Border cause serious health risks to residents. Multiple factors, including inadequate water and wastewater infrastructure, migration from Mexico, the movement of disease vectors across the Border, genetic predispositions, and inadequate disease surveillance contribute to high rates of some infectious and chronic diseases in Border communities.

Since infectious diseases are not bound by borders, their transmission can occur through a variety of channels beyond person-to-person infection, including livestock, insects, and birds. Border residents deal with outbreaks of mosquito-borne dengue fever and West Nile virus, tuberculosis, and hepatitis A and C, among others. The costly treatment of these unique diseases coupled with high rates of infection pose a double threat to the Border region. The table, *Infectious Diseases Along the US- Mexico Border*, shows those diseases that are known or suspected to have increased prevalence in the region. Border colonias, in particular, suffer from basic infrastructure inadequacies, leaving residents without proper sanitation, a crucial factor in maintaining health standards. In addition, these areas often serve as a hub for frequent travel, increasing the likelihood of outbreaks in crowded living situations.²⁷⁷

Infectious Diseases Along the U.S.-Mexico Border

Known	Suspected
Tuberculosis (TB)	Taeniasis
Drug-resistant TB	Histoplasmosis
HIV/AIDS	Trichinosis
Hepatitis A	Giardiasis

Hepatitis C	Cryptosporidiosis
Cysticercosis	Pathogenic <i>E. coli</i> infection
Brucellosis	<i>H. pylori</i> infection
Dengue fever	Chagas' disease
Salmonellosis	Leishmaniasis
Shigellosis	
Rabies	
Amoebic encephalitis	
Rickettsial diseases	

Source: Doyle, TJ and RT Bryan, *Infectious disease morbidity in the U.S. region bordering Mexico, 1990-1998*, The Journal of Infectious Diseases, November 2000, 1503-10.

Tuberculosis

Tuberculosis (TB) is spread through the air from one person to another, making transmission likely between individuals in close proximity to one another.²⁷⁸ There is a common misconception that TB has long since been eradicated from the U.S., but certain areas within our borders remain susceptible to this disease. Several risk factors, such as being foreign-born, alcohol abuse, diabetes, and HIV/AIDS make individuals prone to TB.²⁷⁹ Between 2003 and 2005, ten Texas counties had incidence rates at least two times higher than the state's average. Seven of the ten counties are located in the Border region.²⁸⁰ Early detection is a key preventative measure in minimizing TB incidence rates in the state. Dr. Eduardo Sanchez, former Commissioner of the Texas Department of State Health Services stated, "[o]ne person with untreated active TB will infect on average as many as 15 people per year."²⁸¹

Dengue Fever

Dengue fever is a disease of tropical origin that is transmitted through mosquitoes. Those inflicted initially experience flu-like symptoms, but complications can lead to hemorrhagic fever. With four possible serotypes, individuals do not obtain cross-protective immunity and can be susceptible to four dengue infections during their lifetime. Dengue fever was absent in the U.S. for several decades. However, the first U.S. case of locally acquired dengue fever occurred on the Texas Border in 2005. In the last few years, the incidence of dengue fever has increased, especially along the Texas-Mexico border.²⁸²

West Nile Virus

West Nile virus was first documented in the U.S. in 1999, when several cases were reported. Like dengue fever, this disease is transmitted through infected mosquitoes and can lead to severe conditions such as encephalitis, meningitis, or meningoencephalitis.²⁸³ In 2007, the two counties in Texas with the highest number of West Nile cases were located in the Border region. Statewide there were 219 reported cases with 36 cases in El Paso County alone.²⁸⁴

Hepatitis A and C

Hepatitis A (HAV) is a viral infection spread primarily by contaminated food and water and can be prevented with improved sanitation and widespread vaccinations.²⁸⁵ Some areas of Texas have historically had higher rates of infection than others. As a prevention effort, 40 counties have begun to require vaccination against HAV prior to children enrolling in public school, 37 of these counties are in the Border region. These efforts have paid off, between 1996 and 2004 the number of reported cases of HAV in the state decreased by 85 percent.²⁸⁶

The hepatitis C virus (HCV), on the other hand, has no vaccine, and is transmitted through contaminated needles, sexual contact, or from mother to child.²⁸⁷ Because of these modes of transmission, HCV poses a more complicated problem for the Border Region. Education has become the primary prevention strategy; the 76th legislature passed a bill that led to the start of a statewide education and prevention effort.²⁸⁸ The table, *Preliminary 2003 Infectious Diseases in the 43 Texas-Mexico Border Counties*, shows the number and rate of diseases listed above.

***Preliminary 2003 Infectious Diseases
in the 43 Texas-Mexico Border Counties***

	Hepatitis A	Hepatitis C (acute)	West Nile Encephalitis	Tuberculosis	AIDS
Number of Cases Reported	128	33	82	376	424
Incidence Rate (per 100,000)	3	0.8	1.9	8.67	9.77

Source: Texas Department of Health, 2004

Addressing the Problem

Due to the unique nature of infectious diseases, combined with the ease of transmission through multiple avenues, the Border region is faced with the challenge of combating these startling statistics and decreasing the impact these diseases have on public health. During the last legislative session there were several bills passed that increased services available to the patients affected by these diseases. Funding was allocated to increase the number of Texans receiving treatment for TB by 14,000 as well as to provide HIV medications to an additional 735 people.²⁸⁹

However, a major obstacle in achieving healthy communities still exists—the weak public health infrastructure in the Border Region. Even if individuals recognize symptoms and seek medical attention, many areas do not have the primary health care professionals necessary to care for these patients. Furthermore, these diseases are very costly for Border hospitals to treat and, if left unaddressed, they will continue to travel north and impact other parts of the state.

With health care costs rising every year, individuals who may already deal with unemployment or low wages must face the added burden of paying for medical treatment they cannot afford. Increasing the monitoring of these morbid conditions and engaging in active efforts to provide adequate education and training to health care professionals is essential.

Hunger in the Border Region

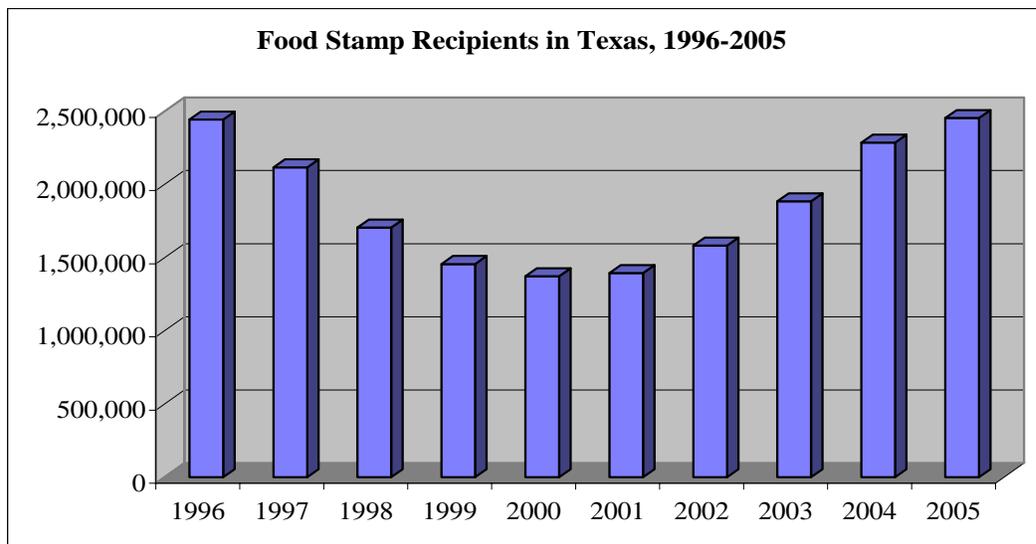
Texas ranks first in the nation in the percentage of the population that is food insecure and fifth in the percentage that is food insecure with hunger.²⁹⁰ Food insecurity is the lack of access to enough food to fully meet basic needs at all times due to a lack of financial resources.²⁹¹ Despite the great need, public food resources are limited. The Texas Food Stamp Program (FSP) average benefit per person is only \$93.40 per month.²⁹²

Still, the FSP is one of the key weapons in fighting hunger in our state. It is one of the only programs whose enrollment is closely tied to the health of the economy. The

FSP is run by the U.S. Department of Agriculture and administered statewide by the Texas Health and Human Services Commission. Annually, about 2.3 million Texans receive food stamps and, in December 2007, El Paso had 139,936 residents participating in the program.²⁹³

Problems with the Food Stamp Program

After 1996, the FSP experienced a decline in enrollment as well as a decrease in benefits. Welfare reform in 1996 changed the way food stamps were administered. This legislation has affected Texans more significantly than people in other states. Since 1996, each state averaged a loss of \$30 million in benefits. Texas, losing \$129 million, is the state with the largest reduction in funding.²⁹⁴ Despite the changes in program policy, there has been an enrollment increase in recent years due to the lagging economy and an increase in the number of Texans who are below the poverty level, as shown in the chart, *Food Stamp Recipients in Texas, 1996-2005*.



Source: Texas Health and Human Services Commission

Not all of those eligible for the FSP are receiving benefits. Nationally, only 61 percent of eligible households participate in the program. Participation rates are even smaller among Hispanics with only about 50 percent of eligible individuals receiving benefits. That means that almost 4 million Hispanics who could be receiving assistance are not.²⁹⁵ As a result, Texas has lost out on \$4.5 billion from the federal grant program.²⁹⁶

There are several reasons for low participation. First, the eligibility rules are confusing. Because the rules have changed several times over the past ten years, with the same people floating in and out of eligibility, many people who are eligible do not realize that they are. The rules regarding legal immigrants with citizen children can also be

confusing and result in many people not receiving their benefits. Community outreach programs are currently putting a great deal of effort in education so that all eligible persons are aware of the program and their access to it.

One of the major changes greatly affecting the Border community is the loss of benefits by legal immigrants. In 1996, the policy changed and legal immigrants were no longer eligible until they had been U.S. residents for five years. Because of this decision an estimated 300,000 people who would have been eligible under previous eligibility standards are now ineligible.²⁹⁷ Cuts like these damage the local economy since \$1.84 of state economic activity is generated for every food stamp dollar spent.²⁹⁸ In El Paso alone, legal immigrants lost 21.5 percent of their purchasing power due to cuts in FSP.²⁹⁹

The FSP also has low participation due to the stigma associated with receiving government assistance.³⁰⁰ The use of fingerprinting adds to this stigma.³⁰¹ This practice was put in place to cut down food stamp fraud. While there has been no evidence that fingerprinting deters fraud, the practice has been a deterrent for people to apply, thus decreasing the number of participants.

Participation is not the only problem facing the FSP. Cuts in benefits have decreased the program's effectiveness. On average, food stamp benefits last 2.3 weeks out of every month.³⁰² Benefits average out to only \$1 per meal, which does not come close to feeding a person for an entire month.³⁰³ Issues like these, as well as accessibility, should be considered in restructuring the FSP. The state should not make it difficult for those who need assistance to receive it.

Oral Health Care on the Border

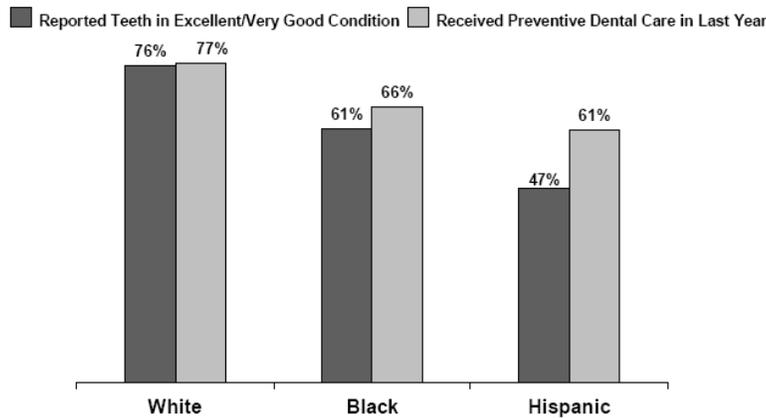
Oral health is a key component of overall health. As former U.S. Surgeon General David Satcher observed in *Oral Health in America*, "the mouth is a mirror," which reflects an individual's overall health.³⁰⁴ Studies have shown a link between oral health and other diseases such as ear and sinus infections, weakened immune systems, diabetes, heart and lung diseases as well as arteriosclerosis, heart attack, stroke, and birth defects.³⁰⁵ Periodontal organisms can enter the bloodstream and cause inflammation in certain organs, including the liver, major blood vessels, and the placenta.³⁰⁶

Along with serious illness, oral diseases can cause debilitation, significant pain, interference with speech and eating, along with poor self-image, nutrition, social development, and quality of life, over use of emergency rooms, valuable time lost from school, and in the worst cases even death. Tooth decay is the most prevalent chronic disease among children in the U.S.³⁰⁷ It is estimated that children with oral disease miss over 51 million hours of school each year.³⁰⁸ The Texas Department of State Health Services (TDSHS) reports that dental caries (cavities) are the leading cause of school absenteeism in Texas.³⁰⁹ Even when they are in class, children with untreated dental problems have trouble concentrating on their schoolwork, thereby hampering their ability to learn.

The Texas-Mexico Border region reflects many national health trends that threaten to overwhelm the current health care delivery system, including dental care. The combination of disproportionately large segments of the population in the lower socioeconomic strata, lower overall education levels, and ethnic groups with genetic predispositions to chronic diseases make the Border region even more susceptible to oral disease. Multiple challenges to Border health care require innovative solutions.

Two segments of the population, the young and elderly, are particularly vulnerable to disease. Pre-school Hispanic children experience higher dental carie rates than any other race or ethnic group.³¹⁰ Hispanic children of all ages are less likely to get dental care than their non-Latino counterparts. The chart *Disparities in Dental Disease and Care for Minority Children* illustrates the high rate of dental decay among Hispanic children.

Disparities in Dental Disease and Care for Minority Children

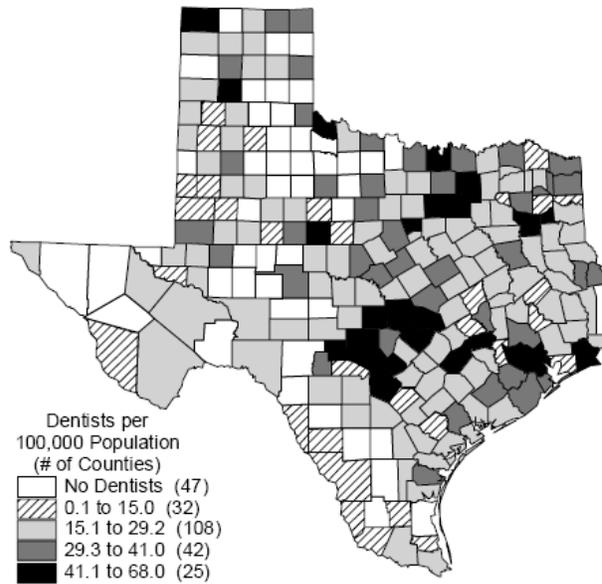


Source: Kaiser Family Foundation Commission on Medicaid and the Uninsured

Expenditures for dental services alone made up 7.5 percent of the nation's health expenditures in 2003—\$67 billion.³¹¹ This is a significant increase from 1998 when expenditures on dental services were \$53.8 billion or 4.7 percent of total health expenditures.³¹² In 2003 30.6 percent of the 22 million Texans spent money on dental services at an average cost of \$523 a person.³¹³

The chart *Dentists per 100,000 Population, Texas, 2007* shows that the Border region faces an extreme shortage of dentists, falling far short of the state average of 36.5 dentists per 100,000 population. In Border metropolitan areas, there are 15.7 dentists per 100,000 population while non-Border metropolitan areas have 41.1 dentists per 100,000. Even worse, Border non-metropolitan areas have only 11.8 dentists per 100,000 population while non-Border non-metropolitan areas have 25.2 dentists per 100,000.³¹⁴

Dentists per 100,000 Population, 2007



Source: Texas Department of State Health Services

Oral Health Statistics in the 43-County Border Region

- 29 of the 43 counties in the Border region are currently designated "Dental Health Professional Shortage Areas" (26 whole counties; 3 partial counties).³¹⁵
- 12 counties in the Border region have no dentists, and 15 counties have no dental hygienists.³¹⁶

Sources of Dental Care in the Border Region

Oral health care consists of education, preventive care, and restorative care. Ideally, all Texans should receive regular preventive care (an annual exam and twice-yearly "prophylaxis" or cleanings) and restorative care (fillings, crowns, dental prosthetics, etc.), as needed.³¹⁷

Like other Texans, most residents of the Border region receive care from dentists in private practice. Although some individuals have coverage from private or employment-based dental insurance, many obtain care on a fee-for-service basis, paying the cost out of pocket. Children in Texas from low-income families are eligible for two state programs that provide dental care coverage: Medicaid and CHIP. Except for certain residents of long-term care facilities or individuals with disabilities, Texas does not provide health or dental coverage for adults.

To the extent that they obtain care at all, adults who are unable to pay for dental care—or children who are not enrolled or do not qualify for Medicaid or CHIP—obtain care in hospital emergency rooms; from non-profit, charitable, or public health dental clinics; or from individual dentists who donate their services. A brief description of major sources of dental care in the Border region follows.

Medicaid Dental Program

Medicaid, the state's largest health care program, provides dental care through the Texas Health Steps Program. In addition to individuals with disabilities and certain residents of long-term care facilities, Medicaid covers children under age 1 to 6 in families with annual incomes up to 133 percent of FPL and children age 6 to 18 in families with annual incomes up to 100 percent of FPL.³¹⁸ The dental program covers a wide array of services and usually pays for as much care as an eligible patient requires.³¹⁹ Dentists must enroll in the Medicaid program in order to receive reimbursement. Reimbursement is based on a statewide fee schedule, and most fees are less than dentists' overhead costs.

CHIP Dental Program

The Children's Health Insurance program, established in 1997, is intended to provide coverage for children in working families that earn too much to qualify for Medicaid, but not enough to afford private insurance. Since the program's inception, CHIP dental benefits have been capped. Currently, preventative care is capped at \$175 for a 12-month period.³²⁰ Therapeutic services are capped based on a three-tier program. The higher the tier level, the higher the maximum allowable amount for therapeutic services. The child's tier level depends on factors including timely renewal, the amount of time a child has been enrolled in CHIP, and recent gaps in coverage. Tier levels for therapeutic services are:

- **Tier I:** Pays up to \$175 of preventative services and up to \$200 of therapeutic services.
- **Tier II:** Pays up to \$175 of preventative services and up to \$300 of therapeutic services.
- **Tier III:** Pays up to \$175 of preventative services and up to \$400 of therapeutic services.³²¹

The caps limit the therapeutic dental care (fillings, caps, root canals and extractions) and preventive dental care (annual oral evaluation, x-rays, prophylaxis and sealants) that children enrolled in CHIP can access.³²²

The Texas Department of State Health Services—Division of Oral Health

The Oral Health Group of the Texas Department of State Health Services (TDSHS) plays a key role in efforts to improve the oral health of residents of the Border region, which includes parts of four TDSHS regions. The Group provides a variety of services from its headquarters in Austin and through regional offices in Uvalde (Region 8), El Paso (Region 9/10), and Harlingen (Region 11).³²³

In addition to helping oversee dental services provided through Medicaid and CHIP, the group helps individual communities around the state optimize the fluoride content of public water supplies by providing financial and technical assistance with the installation and management of their fluoridation systems. Studies have established that fluoridation of public water supplies is the most cost effective means of combating dental disease for people of all ages.³²⁴

School-based Clinics

Some school districts in the Border region employ full or part-time nurses to provide a range of health care services, which can include visual screenings for oral health problems. According to TDSHS, school-based oral health clinics facilitate collection of data about the oral health of school-aged children. School-based clinics also serve as sites for the TDSHS Sealant Program, which furnishes sealants for children to prevent the development of dental decay on the chewing surfaces, where 80 percent of all cavities occur.³²⁵ In TDSHS Region 8, approximately 1,200 eligible children receive preventive dental sealants each year.³²⁶

Charitable Care

Local dental societies and other organizations operate a variety of ongoing and one-day programs to provide dental care to indigent residents of the Border region. In El Paso, the El Paso District Dental Society has been active in initiating several programs for the city's indigent population. These include the El Paso Coalition for the Homeless, where over 35 El Paso dentists volunteer to provide comprehensive dental care for needy patients.³²⁷

Dentists Who Care, a charitable program organized in 1996 by the Rio Grande Valley Dental Society, operates a mobile dental van to provide dental examinations. The program provides access to dental care for hundreds of children who fall in the gap between Medicaid and private insurance in South Texas. By 2004, the program had served over 12,200 children and provided \$1.3 million in charitable care.³²⁸ Each November, reservists from the Texas National Guard and other military units provide free care to indigent residents of remote communities on both sides of the Texas-Mexico border between Del Rio and Presidio. Individual dentists in private practice also provide substantial amounts of care for disadvantaged individuals at no charge or at reduced fees.³²⁹

Access to Dental Care Issues

Like Medicaid programs in most other states, the Texas Medicaid program has a hard time attracting and retaining dentists, resulting in a shortage of providers in some communities. Longstanding problems include low reimbursement rates, with fees often below a dentist's overhead costs, as well as administrative issues, including the burden of dealing with complicated rules and regulations, delays in processing claims or reimbursements, unwarranted or redundant requests for additional documentation, and lost dentist or staff time. Despite these problems, dentists in many communities in the Border region are more likely to participate in the Medicaid program than their counterparts in other parts of the state because of the large number of low-income residents along the Border. While this fact is encouraging, additional Medicaid dentists are still needed in virtually all parts of the Border region.

Legislators and state health and human service officials are well aware of the barriers to greater dentist participation in the Medicaid program and have been working with Medicaid, the Texas Dental Association, and other dental organizations to address those barriers. Remedial efforts to date include simplification of the dental provider enrollment application (reducing it from almost 50 pages to less than 5), increases in reimbursements for dental services, and periodic meetings between state health and human service officials, the Medicaid office, and participating dentists.³³⁰

The Role of Dental Hygienists and Access to Care Along the Border

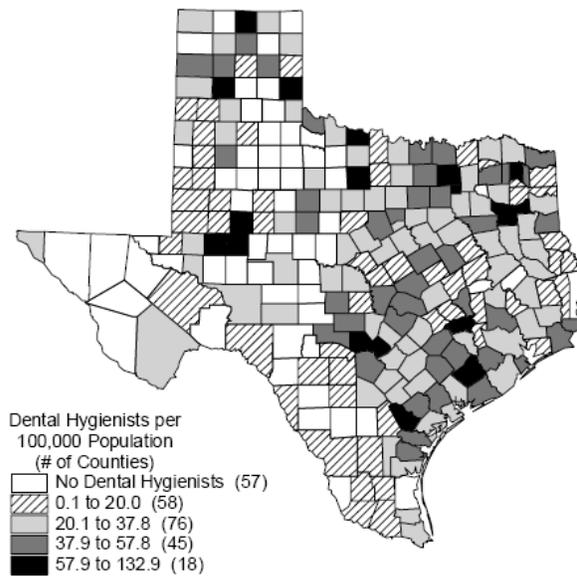
Dental hygienists are uniquely positioned to help close the gap in dental coverage by providing low cost preventive care and educating this population about the need for prevention. Several innovative projects have already been initiated with great success in the Lower Rio Grande Valley by the dental hygiene program at Texas State Technical College (TSTC) in Harlingen and the Texas Department of Health (TDH). Over the past five years, dental hygiene volunteers, dentists, and students have been providing free dental exams, radiographs, prophylaxes, fluoride, and pit and fissure sealants through the Sealants Across Texas program and the dental hygiene clinic at Texas State Technical College. Over 800 children have received free preventive dental care and have been referred to dentists for restorative dental treatment.³³¹

Access to Dental Hygiene Services

Dental hygiene educators have worked hard to meet the growing oral health needs of Texas citizens, and those of the Border region in particular. Twenty one dental hygiene programs exist in the state, and all continue to take the maximum number of students their capacity allows.³³² There are three dental hygiene programs located in the Border Region.³³³ Two dental hygiene programs in the Border region, El Paso Community College and TSTC in Harlingen have graduated dental hygienists at their maximum capacity. From 1992 to 2000, the number of graduates of Texas dental hygiene programs has risen from 250 to 380. In comparison, Texas dental graduates have dropped from 248 in 1992 to 230 in 2000.³³⁴

The chart *Dental Hygienists per 100,000 Population, Texas, 2007* exhibits the ratio of dental hygienists per 100,000 population. The table illustrates that most of the Borderland counties have lower than average numbers of dental hygienists when compared to the state average of 38.7 providers per 100,000 population. For 2007, the number of dental hygienists per 100,000 were 18.6 for metropolitan Border areas, 8.4 for non-metropolitan Border areas, 42.8 for non-border metropolitan areas, and 30.5 for non-metropolitan non-border areas.³³⁵

Dental Hygienists per 100,000 Population, 2007



Source: Texas Department of State Health Services Health Professionals Resource Center, December 2007

It is surprising that given these statistics, recent graduates of many of the dental hygiene programs are unable to find full-time employment. Regulations that require dental supervision, when a documented shortage of dentists exists, limit the ability of dental hygienists to treat those who need it most. The medical community has been very pro-active in utilizing registered nurses to provide low-cost care to a large number of patients. However, many believe that registered dental hygienists are currently underutilized in addressing the disparities in oral health care in the Border region, and could play a much more active role in improving Border health if regulations were reviewed and potentially lifted.

Conclusion

The Texas Borderlands clearly face numerous health-related challenges, many of which are exacerbated by the area's poor access to health care, lack of resources, and dismal health infrastructure. To address these problems and ensure a brighter future for the citizens of the Border region, Texas' state leaders must stop placing the Border behind the rest of the state.

Texas Borderlands 2009

Access to Capital and Credit



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
February 2009

Predatory lending has become one of the most critical issues facing Texans today, particularly for moderate- and low-income communities. Predatory lending is characterized by excessively high interest rates or fees, abusive or unnecessary provisions that do not benefit the borrower, and unsound business practices. Predatory lenders often target their services to the most vulnerable consumers, including seniors, non-English speakers, and people of color. They look for people who are not adept in financial matters and lack the financial sophistication to scrutinize loans. Nearly every federal financial services regulatory agency has publicly denounced predatory lending and called for more effective regulation to address it. States are implementing a number of initiatives to identify and eliminate predatory financial practices within their borders.

Predatory lending, both in the home lending arena and the consumer lending arena, is a systemic epidemic that affects not just consumer borrowing, but also affects local economies, regional resources, and the statewide economic environment.

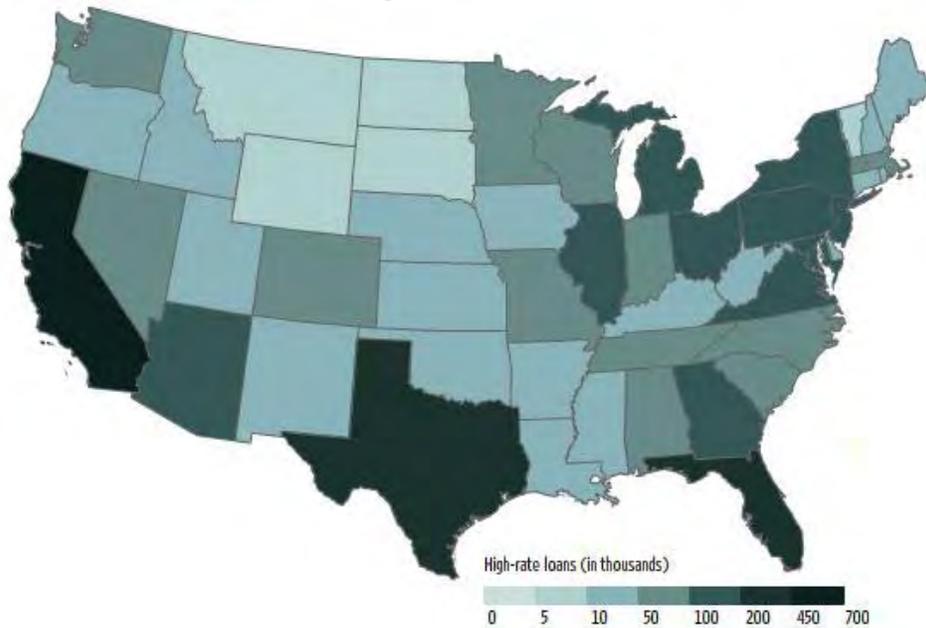
Predatory lending is found in mortgage lending, consumer lending, the refinance loan and credit repair markets, and in business lending and now threatens world economic and credit markets. Some of the very lenders who are involved in subprime lending are also involved in predatory lending. Investment banks eagerly sell high-profit mortgage portfolios to hedge funds that want the high interest payments. Non-rating agencies hope for the best in the housing market and thus provide sterling credit appraisals to those that issue debt, and subprime mortgage brokers become more and more reliant on high volume sales, much as we have seen in the predatory lending market. In each instance, the vicious cycle of providing “crack cocaine” credit to risky borrowers is producing shaky markets in the United States and abroad. This also places future credit markets at risk; the bottom line is clear—income streams do not exist to pay back existing debt.

Countrywide Financial Corporation moved its headquarters to Dallas in December 2004, after receiving a \$20 million grant from the Texas Enterprise Fund. On its way to becoming the nation's largest mortgage lender, Countrywide encouraged its sales department to lead potential borrowers to high-cost and sometimes unfavorable loans that resulted in richer commission for the salesman, outsized fees to company affiliates servicing the loans, and soaring stock prices that made the company's executives among the highest paid in the nation. This begs the question: why are we using scarce state resources to subsidize such risky lending practices? Furthermore, how many bad loans, delinquencies, and foreclosures in Texas and other states have Countrywide's practices caused?

The spike in foreclosures has been associated with declines in stock markets worldwide, coordinated national bank interventions, and bankruptcy of several mortgage lenders. Nouriel Roubini, a professor at New York University and head of Roubini Global Economics, predicts a resulting recession in the near future. He contends that if the economy slips into recession, "then you have a systemic banking crisis like we haven't had since the 1930s. The cost could be as high as \$1 trillion."³³⁶

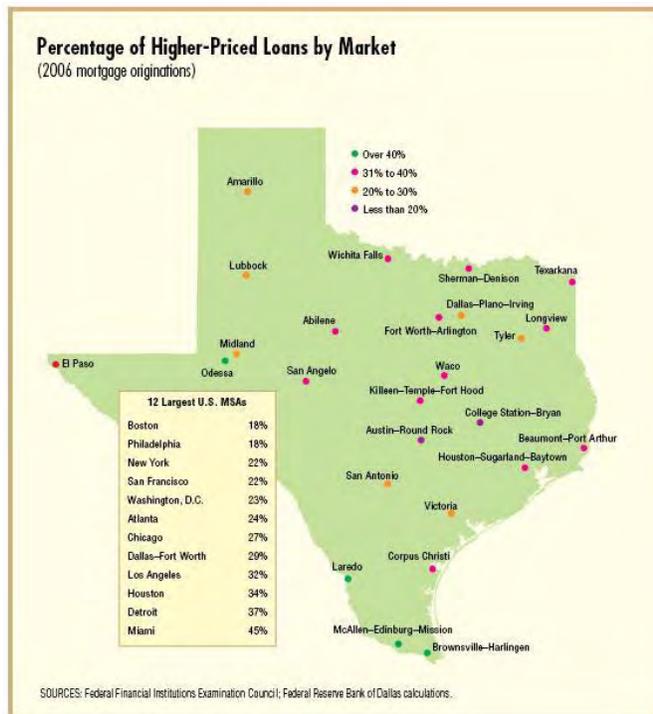
Below, find a national map showing the number of high rate loans issued in 2006, the driving force behind the current foreclosure crisis.

Number of High Rate Loans Issued in 2006



Source: Rick Brooks and Constance Mitchell Ford, "The United States of Subprime," *The Wall Street Journal*, October 11, 2007.

The high number of subprime mortgage loans has finally caught up with Texas and, indeed, the entire country. In fact, the percentage of higher-priced mortgage loans issued in Texas has been above average compared to other states. In Texas' MSAs, 30 percent of loans originated in 2006 were considered higher-priced - at least 3 percentage points above prevailing mortgage rates.³³⁷ As the chart in the next page illustrates, this figure exceeded the percentages in most of the nation's largest metro areas:



Higher-priced loans were heavily used in several of the state's MSAs, particularly along the Texas-Mexico border. In the McAllen-Edinburg-Mission MSA, over 40 percent of the mortgage volume between 2004 and 2006 were high rate loans.

A closer look at the data gives additional insight into which Texans received higher-priced loans. Just under a quarter of upper-income borrowers in Texas were issued higher-priced loans, while nearly half of moderate-income and 44 percent of low-income borrowers received such loans.³³⁸ More than 50 percent of loans issued to Latino borrowers and over 60 percent of loans issued to African-American borrowers were higher priced, while fewer than 20 percent made to Caucasian borrowers were higher priced.³³⁹

The inevitable result of these numbers is higher foreclosures. In August 2007, Texas reported 16,970 foreclosure filings, the fourth highest total in the nation for the month.³⁴⁰ These figures represent a 36 percent increase over July 2007, and the state's foreclosure rate of one foreclosure filing for every 532 households was 9th highest among the states.³⁴¹

The chart below gives foreclosures rates for Texas' 25 MSAs:

Texas Foreclosure Rate 2006 Loans
Average: 17.3%

MSA	Projected 2006 Foreclosure Rate
Abilene	16.0%
Amarillo	17.8%
Austin-Round Rock	17.0%
Beaumont-Port Arthur	17.9%
Brownsville-Harlingen	12.5%
College Station-Bryan	15.2%
Corpus Christi	16.4%
Dallas-Plano-Irving	16.9%
El Paso	15.8%
Fort Worth-Arlington	16.8%
Houston-Sugar Land-Baytown	17.6%
Killeen-Temple-Fort Hood	15.8%
Laredo	13.0%
Longview	14.8%
Lubbock	16.4%
McAllen-Edinburg-Mission	11.6%
Midland	16.4%
Odessa	16.4%
San Angelo	16.4%
San Antonio	17.4%
Sherman-Denison	16.5%
Tyler	16.1%
Victoria	13.3%
Waco	17.1%
Wichita Falls	15.6%

Source: Center for Responsible Lending.
<http://www.responsiblelending.org>

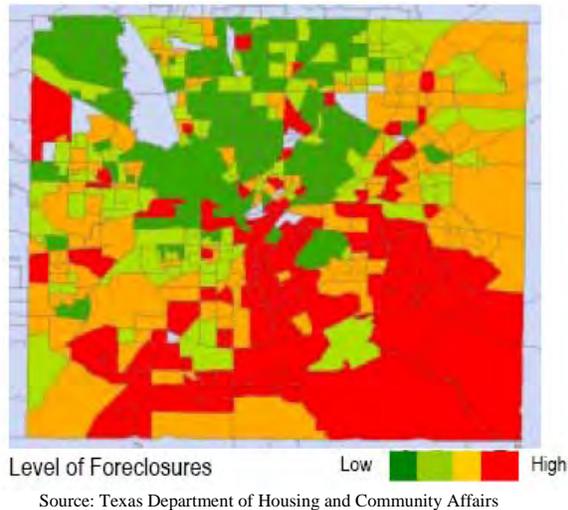
The following chart shows the number of foreclosures in Texas' five largest counties.

Texas Foreclosure Activity - August 2007

County	August 2007 Foreclosures	1 in every # households
Harris	3,176	459
Dallas	3,205	285
Tarrant	2,522	253
Bexar	1,318	435
Travis	678	577

Source: RealtyTrac U.S. Foreclosure Market Report

Here is what the 2005 to 2006 foreclosure activity looked like in Dallas County, the county with the highest number of foreclosures in August 2007:



Nationally, the numbers are alarming as well. In the most recent quarterly report issued by the Mortgage Bankers Association, this quarter's foreclosure starts rate is the highest in the 53-year history of the survey, with the previous high being last quarter's rate.³⁴² According to RealtyTrac, foreclosure filings across the U.S. nearly doubled last month compared with September 2006, jumping from 112,210 to 223,538.³⁴³

The high rate mortgages that are causing the incredible jump in foreclosure rates are not just limited to minority, low-income borrowers. Indeed, a recent analysis by *The Wall Street Journal* shows that, in addition to low-income areas, high rate lending rose sharply in middle-class and wealthy communities.³⁴⁴ The problem is not over, either. As much as \$600 billion in adjustable-rate subprime loans are due to adjust to higher rates by the end of 2008, thus putting more and more borrowers in precarious financial situations.³⁴⁵

As a result of all of these, payday lenders products have come under recent scrutiny by consumer advocates, federal regulators, and the U.S. military. Payday loans are short-term loans with annualized interest rates that range from 300 to 1,000 percent APR. Currently, payday lending operates in 37 states, with a patchwork of state laws and regulations that govern their use. Recent federal actions have spawned significant changes in the payday lending industry. Until recently, payday lending in Texas operated through the "rent-a-bank" or "rent-a-charter" model, in which payday outfits partnered with out-of-state banks to make loans to consumers. This scheme enabled Texas payday lenders to avoid state usury limits and rate limits established by the Office of Consumer Credit Commissioner. Under this arrangement, Texas payday lenders claimed the status of "brokers" and assigned their partner banks as the "lenders".

Since 2005, however, the Federal Deposit Insurance Commission (FDIC), the primary regulatory agency for federally chartered banks, has effectively this practice. In response nearly all payday lenders in Texas registered as Credit Services Organizations, pursuant to Chapter 393 of the Finance Code. This move enabled payday lenders to avoid even limited regulation by the Office of Consumer Credit. This switch also enabled some lenders to turn in their OCC licenses.

Texas' CSO statute was intended to provide guidance for entities that offered legitimate debt repair or counseling services to Texans. As such, the CSO statute is overly broad, and not intended to apply to entities that arrange short-term consumer loans in high volume. Since July 2005, most major payday lenders have registered as Credit Services Organizations (CSOs) under Chapter 393 of the Finance Code. This industry move came as the Federal Depository Insurance Corporation (FDIC) began to prohibit its member banks from serving as financial partners with companies doing payday lending.

As CSOs, these payday outfits are no longer subject to Texas' small loan law or regulation by the Office of Consumer Credit. Although the OCC is obligated to set rates, payday- CSOs are able to circumvent these rates, although Section 342.008 prohibits attempts to evade the law: "A person who is a party to a deferred presentment transaction may not evade the application of this subtitle or a rule adopted under this subchapter by use of any device, subterfuge, or pretense." Under the CSO model, the CSO, or payday lender, charges the consumer with a fee based upon the amount borrowed, and then computes 10% interest on the loan based upon extension of credit made by a third party lender, who has an established relationship with the payday-CSO storefront or Web-based service. The following chart illustrates the fees and interest rates that are often paid on a \$300 payday loan:

Fees and Interest Rates (APR) on a \$300 Payday Loan

	Current Law-	OCCC rates	CSO	rates
8-day loan	189%	\$12.80	1153%	\$75.82
10-day loan	161%	\$14.00	925%	\$76.03
15-day loan	124%	\$15.60	621%	\$76.54

Source for CSO rates:

Cashnet (subsidiary of Cash America) http://www.cashnetusa.com/fee_schedule-texas.html

Source for OCCC rates:

http://www.occc.state.tx.us/pages/int_rates/deferred%20presentment%20transactions%20rate%20charts%20.xls

In a recent Wall Street Journal survey of the nation's top economists, 70 percent said the economy is in a recession and half said that "this year could be worse than the 2001 and 1990-91 downturns."³⁴⁶ While the American public is in line with economists on the realities of the economy, President Bush has only recognized a "slowdown." He also disagrees with "massive government intervention in the housing market,"³⁴⁷ despite a new report from Moody's Economy.com which states that 8.8 million homeowners, or 10.3 percent of the total, are "underwater," meaning that they owe more on their homes than the homes are worth. The report observed that "the last time we saw so many homeowners with so many home values that were worth less than the amount of mortgage they owed was back in the Great Depression." Foreclosures jumped 75 percent nationally for all of 2007,³⁴⁸ and a recent report from the Joint Economic Committee estimates that over \$100 billion in housing wealth will be lost through 2009.

Beyond consecutive month-to-month job losses, a decrease in retail sales, and the housing market crisis, wages remain flat, individual debt is at record levels, and fewer and fewer people have health insurance. Our country faces a very serious and possibly devastating economic downturn. Effective government solutions are needed immediately.

The availability of credit and capital is essential to a healthy economy. Changes in the national and state financial services market have significantly changed the way in which credit and capital are obtained. While market changes have given more people access to a wider variety of services, increased complexity in the lending arena has created a risk for uninformed borrowers. All too often, these borrowers enter into arrangements that provide no net financial benefit and actually result in increased costs. In fact, many borrowers are paying higher than necessary fees and costs or do not have access to adequate financial services, either due to a lack of local services, a limited understanding of available services, or lenders' subjective decisions.

Both the federal and state governments have worked to make capital and credit accessible to borrowers, but legislative actions have yet to make the financial services market fully open to all qualified borrowers. In fact, finding a clear legislative avenue for regulating the financial services industry and developing new programs to make capital more accessible is dangerous. As the following data illustrates, federal laws and regulations often preempt the ability of the state to legislate changes to the financial services marketplace. Further, legislation that might protect or more effectively support consumers has the potential effect of further limiting access to available markets, as state regulation that may burden institutions doing business in Texas threatens to, in effect, drive these institutions to venues with more lenient regulation. The State has the important responsibility to balance the protection of consumers with the development of regulation that supports a thriving financial market.

Growing Population and Changing Demographics

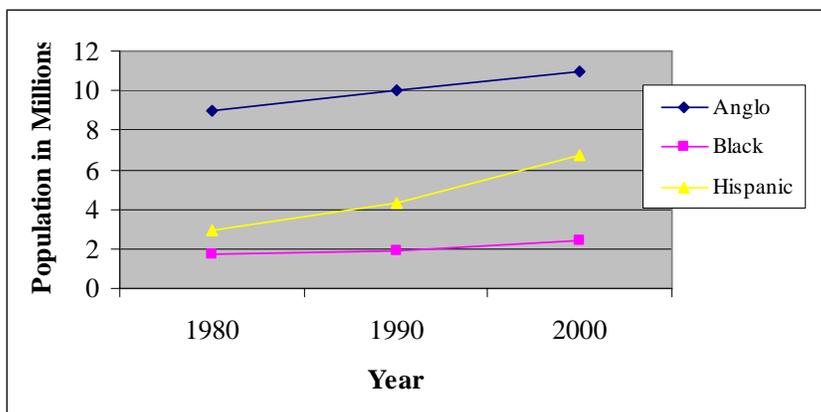
Problems of limited access to capital and credit facing Texas communities will get much worse if significant changes are not made. According to Texas' State

Demographer, Steve Murdock, Texas' demographic trends, including changes in the rates and sources of overall population growth, an increase in the non-Anglo population, and the aging of the population, place considerable pressures on the state to address issues relating to access to capital.

First, population growth alone places stress on the banking industry. Murdock testified that for every 10 year period since 1850, Texas population growth has increased at a rate remarkably faster than growth for the United States as a whole. Texas ranks as the second fastest growing state with regard to population in the country behind California, adding nearly 3.9 million people between 1990 and 2000, and is now the second largest state by population size.³⁴⁹ The addition of so many people translates to new demands on banks for home loans, business loans, and personal loans.

Significant changes in Texas' ethnic makeup over the past two decades also affect access to capital. The Hispanic population grew by 45 percent between 1980 and 1990 and 54 percent between 1990 and 2000.³⁵⁰ The Anglo population has also grown, but at an increasingly slower rate - a 10 percent rate in the 1980s and 7.6 percent rate for the 1990s.³⁵¹ Furthermore, Black residents still comprise a significantly smaller percentage of the state's population than Anglos and Hispanics but grew at a faster rate than Anglos from 16.77 to 22.53 percent growth in the 1990 to 2000 decade.³⁵² The graph, *Population Growth by Ethnicity, 1980-2000*, illustrates the disparities in growth rate.

Population Growth by Ethnicity, 1980-2000



Population Growth by Ethnicity, 1980-2000

Race/Ethnicity	1980	1990	2000
Anglo	9,350,297	10,291,680	11,074,716
Black	1,692,542	1,976,360	2,421,653
Hispanic	2,985,824	4,339,905	6,669,666

Source: Austin Community College, Demographics Study

Finally, the changing demographics of the Border and of Texas as a whole are intimately tied to access to capital concerns, as Hispanics, the fastest growing demographic sector, have historically had the most difficulty accessing capital. In 1989, Blacks and Hispanics had a mean household income of \$23,303 and \$24,354 respectively compared to the mean income of Anglos, which was \$40,680. Moreover, by 1999, Hispanic males' median income of \$18,324 actually fell \$3,477 from the level of earnings enjoyed in 1972, as measured in 1999 dollars. Over the same time period, Hispanic females' incomes remained essentially flat at around \$10,000.³⁵³

For the Texas Border Region, expanded access to capital is even more critical. The Border suffers greatly on most socioeconomic indicators. If it made up a “51st” state, the 43 Border counties would rank 1st in percentage of adult population without a high school diploma, poverty, and unemployment.³⁵⁴ Under current policies, the state demographer predicts that the average Texas household income will decline about \$5,000 to \$6,000 by 2040.³⁵⁵ The population growth and changing demographics, coupled with the dire need for expanded capital on the Border, demand action from financial markets and the State of Texas to increase access to capital and credit.

The Lending Environment in Texas

For families and communities to weather the unstable ebb and flow of the economy and move toward the future with certainty, the ability to rely on lending institutions to access capital is imperative. However, in Texas, limited access to capital is hindering stability and growth. Of the top twenty-five most populous states, Texas ranks third lowest in loan-to-deposit ratio.³⁵⁶ Host state loan-to-deposit ratio is the ratio of total loans within a state to total deposits from the state for all banks with that state as their home state. Texas ranks second in population behind California and has a loan-to-deposit ratio of 75 percent, compared to California's 90 percent, meaning that Texas' financial institutions are essentially loaning out 75 cents for every one dollar deposited. In contrast, Indiana and Ohio both have loan-to-deposit ratios over 110 percent. In fact, Texas is actually ranked 44th among the 50 states for host state loan-to-deposit ratio in 2007, down from 45th in 2004.³⁵⁷ The chart below, *Host State 2005 Loan to Deposit Ratios*, shows Texas' ratio in comparison to the 25 most populous states.

***Host State 2005 Loan-to-Deposit Ratios
25 Most-Populous States***

Ordered by Ratio (population in millions as estimated for January 1, 2007)	2007 Ratio
Indiana (6.3)	116%
Ohio (11.5)	111%
Wisconsin (5.6)	107%
Georgia (9.5)	106%
Michigan (10.1)	106%
Washington (6.5)	103%

Arizona (6.3)	101%
Tennessee (6.2)	97%
Minnesota (5.2)	94%
Maryland (5.6)	93%
New York (19.3)	93%
Illinois (12.9)	91%
California (36.6)	90%
Florida (18.3)	90%
Missouri (5.9)	90%
South Carolina (4.4)	90%
Alabama (4.6)	89%
North Carolina (9.1)	87%
Massachusetts (6.4)	82%
New Jersey (8.7)	81%
Virginia (7.7)	80%
Pennsylvania (12.4)	79%
Texas (23.9)	75%
Colorado (4.9)	74%
Louisiana (4.3)	71%

Population Source: United States Bureau of Census, 2007
Population Estimates; Ratio Data: Federal Reserve, using data
released June 12, 2007

The loan-to-deposit ratio is not a perfect measure for assessing the banking industry's performance in Texas, as there are several other factors that are not quantified in the ratio; however, as the ratio is an indicator of economic growth, Texas' low ranking is problematic. Texas appears to be a net importer of capital but does not generate capital for its own communities. Other high population states may be headquartering a large multi-state bank, so they import capital from other states; Texas, however, is not home to any multi-state headquarters.

To demonstrate how problematic a low ratio can be, The Perryman Group (TPG), an economic consulting firm in Waco, Texas, analyzed the strain on the Texas economy because of the low loan-to-deposit ratio. TPG estimated that in the year 2000, losses to the Texas economy due to the low loan-to-deposit ratio represented:

- \$55.3 billion in annual Gross State Product;
- \$31.7 million in annual personal income; and
- 670,803 permanent jobs.³⁵⁸

As a result of Texas' limited ratio, the state as a whole loses billions of dollars in critical business credit each year and suffers corresponding losses in output, income, and

jobs. According to Ray Perryman of TPG, “if bank lending had been available in Texas on a par with the rest of the country, the overall output of the state would have been 7.4 percent higher; incomes of Texas workers would have been 7.1 percent higher; and employment would have been 6.7 percent higher.”³⁵⁹

Changes in Lending Regulation and Practices

Lending institutions accumulate capital that can be loaned to individuals or businesses by collecting and holding deposits. The Federal Deposit Insurance Corporation (FDIC) reports that in 2007, over \$329 billion in deposits were held by lending institutions across the state.³⁶⁰ Over \$183 billion, well over half the deposits, are held in banks headquartered outside of Texas.³⁶¹

Texans deposit their money into traditional banks, savings banks and associations, thrifts and credit unions; they also rely on insurance companies, pension funds, and investment companies for funds. Today, credit is increasingly being offered by non-traditional for-profit companies. These so-called "fringe" lenders may include check cashing companies, pawnshops, payday lenders, auto title lenders, and related financial services outlets. Such lenders are predominantly found in lower-income and minority communities where traditional depository institutions do not locate or have less flexible business hours. Though some representatives of non-traditional lending companies argue that they offer much-needed services in distressed areas, many community members and traditional financial service providers believe that fringe lenders can actually do damage in these communities.

Significant changes have taken place in the financial industry over the past few decades that require Texas to examine the availability of credit and capital. Among these changes is the 1999 passage of a federal financial modernization act known as the Gramm-Leach-Bliley Act (GLBA) which has a significant impact on consumers by making new lending arrangements possible. The Act allows companies to directly provide a new range of products that previously could only be offered by particular types of firms; in essence, since the passage of GLBA, new entities have entered the financial services market, broadening access but reducing regulation. Additionally, federal legislation now allows financial institutions to extend branches across state lines. These legislative changes, in tandem with changes in the practices and procedures of the banking industry, have had both positive and troubling outcomes for the economic environment of this nation.

Mergers and Expansions. The GLBA makes the consolidation of financial services companies possible and seems to be affecting the overall competition in the financial industry marketplace. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, which allowed nationwide bank branching, is also changing the shape of the market, by allowing banks to conduct business in multiple states. In fact, these two federal laws have created a very different lending environment, and the State of Texas must adjust its approach to regulation of financial services in order to fit into this new environment. In other words, in the age of multi-state banking, Texas must entice

large banking corporations and institutions to choose to make Texas home, thus drawing deposits from other states and increasing the level of local lending in Texas communities.

Community Reinvestment. A longstanding federal law affecting the availability of credit and other banking services to underserved communities is the Community Reinvestment Act (CRA). Enacted in 1977, the Act is intended to prevent redlining and to encourage banks and thrifts to help meet the credit needs of all segments in their communities. Redlining is the practice of financial institutions defining their assessment areas along income levels in the community, thereby providing loans or services only in certain segments of a geographical area, while ignoring the financial needs of other parts of the community. The CRA was passed to support the policy that low and moderate income neighborhoods should have access to credit to the extent that a bank can conduct business in an area without unreasonably jeopardizing that institution's solvency.

In 1990, an amendment to the CRA required that all CRA evaluations be made public. Each bank and thrift must maintain a public file that contains the public section of its most recent CRA performance review, a list of its services and branches, and written comments from the public. Unfortunately, CRA evaluations are not conducted at every branch of a multi-branch or multi-state bank. Thus, a branch of a bank may have been evaluated in North Dakota and the CRA record for that branch will represent multiple branches. In the changing banking environment, with the development of large financial services organizations and the spread of branches, finding CRA information that reflects a local community will become increasingly more difficult. As a result, it is not possible to ensure that low and moderate income communities have equal access to financial services, despite the intent of the CRA.

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. Personal bankruptcies hit an all-time high in 2005, according to Lundquist Consulting, Inc., a bankruptcy analysis firm based in Middlesex, New York. Spurred by a new anti-debtor law going into effect late last year, more than 2 million Americans sought debt relief from Chapter 7 and Chapter 13 bankruptcy. On October 17, 2005, a new law took effect that represents a major reform in bankruptcy law. By restricting the availability of a discharge in Chapter 7 bankruptcy and substantially reducing the relief available in Chapter 13 bankruptcy, there will be far more hoops for the debtor to jump through to get a fresh start. The process will be more expensive for the debtor and the court system, and there will be an extended period of uncertainty as the players work their way through the changes. In a nutshell, the bill makes it more difficult to wipe out debt through bankruptcy by making it harder to file for protection under Chapter 7, which allows debtors to erase their debt almost entirely. Instead, as many as 100,000 debtors not meeting certain criteria would have to file Chapter 13, which requires debtors to repay a portion of their debt, according to the Consumer Federation of America.

Mortgage Lending

Home ownership is one of the strongest indicators of quality of life in our country, and building equity in one's home is one of the largest asset building

mechanisms available to the average family. The textbox on the next page, *What is a Home Equity Loan*, explains this process which is available for some families. In fact, a Federal Reserve Board survey found that in 2004, home ownership represented 50.3 percent of gross assets for families earning \$50,000 or less a year.³⁶² Despite the importance of home ownership, many Texans, especially in the Border Region, find that accessing the necessary credit to buy a home and build equity in a home is virtually impossible. In fact, Texas ranks 44th in the nation for homeownership, despite ranking 4th in home affordability.³⁶³

What is a Home Equity Loan?

Home equity is the current value of a home less the outstanding mortgage balance. Essentially, it is the amount of ownership that has been built by the holder of the mortgage through payments and appreciation. A home is typically bought through a mortgage. This mortgage is then paid off over a number of years, usually 15 or 30. Once the mortgage is completely paid off, the property belongs to the mortgagor (the buyer). In the interim, the buyer builds up equity in the home.

When a home owner needs an additional loan, one option is to get a home equity loan. This allows the homeowner to borrow against the equity accrued in a mortgaged home. Home equity loans offer significant tax savings due to the fact that the interest paid on the loan is tax deductible. They are often used to consolidate other debt with high interest rates, like credit card debt, to finance large expenses, or to purchase other costly items.

There are two types of home equity loans. The first, most commonly known as a second mortgage, lends out a lump sum of money that must be paid back over a fixed period. Funds borrowed from this loan start accruing interest immediately after the lump sum is disbursed. The second loan is the home equity line of credit, which provides the borrower with a check book or credit card that is used to borrow funds against the home equity on an ongoing basis. Funds borrowed from a home equity line of credit do not begin accruing interest until a purchase is made against the equity.

Texans have been able to borrow against the equity in their homes and use the funds for any purpose since 1998, when a constitutional amendment authorizing home equity loans took effect. No state agency currently has the authority to interpret home equity law, leaving the resolution of questions over the meaning of the law exclusively to the judiciary.

In Texas, factors preventing increased home ownership rates, equity accumulation, or access to adequate housing include: poverty, substandard housing conditions, high housing prices, and the over-use of subprime refinance loans. Additionally, the home-mortgage market has changed significantly since the 1980s when borrowers essentially went through one market for home mortgage loans. In the early 1980s, demand for mortgages exceeded supply. As more lenders were able to originate loans and sell them on the secondary market, however, the market evolved. Packages of home mortgages can be converted into securities and sold to investors. This process, known as securitization, offers much less risk for traditional lenders and is now widespread.

As a result of securitization, non-bank lenders entered the home-mortgage market. Because mortgages could be sold, lenders did not need significant deposits and financial reserves. Therefore, mortgage bankers, finance companies, and others can make and sell loans. The most promising customer base for such lenders exists where traditional banks are not currently located and where unmet demand might exist, typically among low or moderate income borrowers with some level of credit risk.

Subprime Lending

The liberalization of mortgage lending laws, coupled with a higher demand for housing capital, has led to a significant increase in subprime lending and niche market lending. The subprime lending market is an alternative market for accessing capital where the defining characteristics are higher rates and fees. According to the Federal National Mortgage Association (Fannie Mae), subprime mortgages are routinely three to four percentage points or more higher than a comparable prime market loan. Generally, subprime lenders are companies that make loans to borrowers with damaged credit. Borrowers labeled subprime may move and change jobs often, have no credit history or poor credit, and are often low-income individuals. Subprime lending for home purchases reached \$140 million in 2000, up from \$35 million in 1994.³⁶⁴

Texas homeowners and homebuyers are receiving significant amounts of mortgage credit from subprime lenders, generally headquartered in other parts of the country.³⁶⁵ As of March 2002, Texas had a total of 1,212 subprime lenders.³⁶⁶ The chart

below, *Subprime Loans in Texas in 2000*, outlines the amount of subprime lending occurring in this state.

<i>Subprime Loans in Texas in 2000</i>		
Type of Loan	Number of Loans	Total Value of Loans
Home purchase	23,309	\$2,082,169,000
Home improvement	2,795	\$53,439,000
Refinancing (includes home equity loans)	25,195	\$1,637,951,000

Source: Dallas Morning News, June 26, 2002, using Home Mortgage Disclosure Act data.

The impact of a subprime loan on a borrower can be immense, as demonstrated by the chart on the next page, *Economic Consequences of a Subprime Home Mortgage Loan*. Each additional interest point on a home mortgage means tens of thousands of dollars on the total cost of a mortgage over the life of the loan. These higher payments reduce funds families have for education and other critical living expenses. Moreover, many subprime loans are made by unregulated lenders who are not prohibited from certain practices that can cost homeowners large sums in fees and penalties. In fact, prepayment penalties alone cost homeowners \$1.3 billion annually in lost home equity. Such penalties can reach \$7,500 on a \$150,000 house, as federal regulations do not limit these amounts. While the Texas Constitution protects persons who obtain home equity loans from such prepayment penalties, Texas does not have the same protections for non-home equity loans. The chart on the next page, *Economic Consequences of a Subprime Mortgage Loan*, describes the fiscal impact of this type of lending.

<i>Economic Consequences of a Subprime Home Mortgage Loan</i>				
30-Year Fixed-Rate Loan				
House Value:		\$85,000		
Down Payment:		\$4,250 (5%)		
Loan Amount:		\$80,750		
Annual interest rate	Monthly payment	Annual payment	Annual difference from 8%	Lifetime difference from 8%
8%	\$ 592.51	\$ 7,110.18	N/A	N/A
9%	\$ 649.73	\$ 7,796.79	\$ 686.61	\$ 20,598.43
10%	\$ 708.64	\$ 8,503.67	\$ 1,393.49	\$ 41,804.69
11%	\$ 769.00	\$ 9,228.01	\$ 2,117.83	\$ 63,535.05
12%	\$ 830.60	\$ 9,967.26	\$ 2,857.08	\$ 85,712.32

Source: Texas Low Income Housing Information Service, July 2002, using data from Fannie Mae.

There are legitimate reasons for subprime loans. For example, a higher interest loan is the market's way of providing credit to borrowers who pose a greater risk of default. According to a September 13, 2005 Federal Reserve Board study, subprime loans have "greatly expanded the availability of home loans to borrowers who, because of weaknesses in their credit profiles, had previously been unable to qualify."³⁶⁷

Subprime mortgage loan originations surged by 25 percent per year between 1994 and 2003, resulting in a nearly ten-fold increase in the volume of these loans in just nine years.³⁶⁸ In hard numbers, subprime mortgage-backed securities grew from \$18 billion in 1995 to over \$134 billion in 2002. Moreover, *Inside B&C Lending*, an online publication, estimates that a record \$665 billion in new subprime mortgages were originated in 2005, a 25.5 percent jump from 2004's \$530 billion in total production. The table *Increase in Loans Nationwide* shows that subprime lending has grown faster than prime lending in the past year, primarily due to the fact that subprime lenders continue to originate growing numbers of refinance loans.³⁶⁹

Increase in Loans Nationwide

	Number Originated in 2001	Number Originated in 2002	Percent Increase
Prime Loans	700,638	933,025	33%
Subprime Loans	6,073,987	8,062,713	25%

Source: ACORN

Despite the legitimate need for a subprime lending market, the rapid growth of that market is cause for concern. The increase in subprime lending is joined by a marked increase in home foreclosures. Over the last two decades, homeownership has increased by less than five percent, but foreclosures per home have jumped over 300 percent. In fact, according to the Mortgage Bankers Association, about one in every 15 subprime loans were in foreclosure in 2003, or 6.6 percent of subprime loans, compared to .53 percent for prime loans.

Moreover, the rapid growth of the more expensive subprime market is attributed by many critics to misdirecting borrowers towards the subprime market. The U.S. Department of Housing and Urban Development (HUD) estimates that in any given year 30 to 50 percent of subprime borrowers nationally could have qualified for a prime loan. Using HUD's lower estimate of 30 percent, the Texas Low Income Housing Information Service (TLIHIS) estimates that in 2000 Texas homeowners overpaid \$16 billion in home mortgage payments due to subprime rates, based on 20,767 subprime home purchase loans initiated that year.³⁷⁰

Subprime lending particularly plagues Texas' Border Region. A May 2002 national study provided startling data about subprime home refinance loans in the Texas Border Region. The study reports that several Texas Border cities have the highest rates of subprime home mortgage refinance loans in the nation, with El Paso ranking worst among the nation's 311 major cities.³⁷¹

The chart on the next page, *MSA Ranking by Overall Percentage of Subprime Refinance Loans* shows that out of 331 MSAs nationwide, 11 out of the 30 MSAs with the largest percentages of subprime loans are in Texas; seven of these 11 are in the top 10, four of which are Texas Border cities. Nationally, subprime lending comprises about 25 percent of all refinance lending.

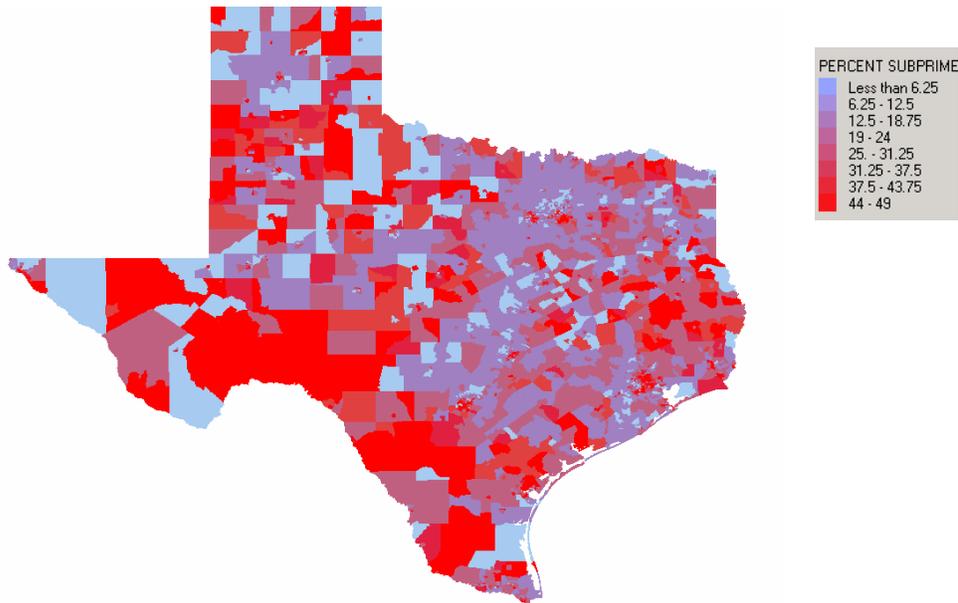
MSA Ranking by Overall Percentage of Subprime Refinance Loans

Rank	MSA Name	Population	Conventional Refinance Loans	Percent Subprime
1	El Paso, TX	679,622	1,767	47.82
2	Corpus Christi, TX	380,783	1,061	46.84
3	Laredo, TX	193,117	342	45.32
4	Killeen-Temple, TX	312,952	683	44.80
5	Beaumont-Port Arthur, TX	385,090	1,160	44.48
6	Miami, FL	2,253,362	10,701	42.67
7	Columbus, GA-AL	274,624	1,799	42.63
8	San Antonio, TX	1,592,383	5,270	41.90
9	Memphis, TN-AR-MS	1,135,614	7,577	41.86
10	Galveston-Texas City, TX	250,158	944	41.63
11	Fayetteville, NC	302,963	1,814	41.23
12	Enid, OK	57,813	427	40.75
13	Jamestown, NY	139,750	737	40.71
14	Rocky Mount, NC	143,026	872	39.68
15	Buffalo-Niagara Falls, NY	1,170,111	5,218	39.36
16	Daytona Beach, FL	493,175	3,477	38.77
17	Danville, VA	110,156	802	38.53
18	McAllen-Edinburg-Mission, TX	569,463	1,345	37.62
19	Sumter, SC	104,646	734	37.33
20	Victoria, TX	84,088	220	37.27
21	Goldsboro, NC	113,329	681	37.00
22	Lakeland-Winter Haven, FL	483,924	3,234	36.92
23	Florence, SC	125,761	963	36.55
24	Pine Bluff, AR	84,278	364	36.54
25	New York, NY	9,312,235	23,104	36.50
26	Orlando, FL	1,644,561	10,275	36.18
27	Hickory-Morganton-Lenoir, NC	341,851	3,481	36.08
28	Charlotte-Gastonia-Rock Hill, NC-SC	1,499,293	14,789	36.07
29	Brownsville-Harlingen-San Benito, TX	335,227	795	35.97
30	Houston, TX	4,177,646	14,552	35.70

Source: Texas Low Income Housing Information Services, using data from the May 2002 *Risk or Race? Racial Disparities and the Subprime Refinance Market* report by the Center for Community Change.

Subprime lending does not only occur in the Border Region. In fact, as the map, *Subprime Lending Across Texas*, on the next page shows, subprime lending spans the state of Texas.

Subprime Lending Across Texas



Source: ACORN

The growth in subprime loans may be accounted for, in part, by the lack of availability of prime lenders in parts of Texas. As the chart, *Number of Home Purchase Loan Originations by Lender Type in 2000*, shows, prime loans accounted for 62 percent of all home purchase loans in Texas, for a ranking of 37th nationally.

<i>Number of Home Purchase Loan Originations by Lender Type, 2000</i>				
State	Number of Loans	Prime Lenders, Conventional Loans	Prime Lenders, Government Insured Loans	Subprime Lenders, All Loans
California	605,632	430,040	101,791	65,983
Florida	374,918	268,855	65,714	28,194
Texas	368,880	228,479	85,370	20,767
Illinois	208,326	155,626	36,419	13,695
New York	183,827	140,780	29,174	10,184

Source: Texas Low Income Housing Information Services, July 2002, using data from the May 2002 *Risk or Race? Racial Disparities and the Subprime Refinance Market* report by the Center for Community Change.

The lending market has changed considerably over the past few decades, bringing new types of lenders into the market and expanding available avenues for accessing credit and capital. However, dangers lurk for uninformed consumers looking to access capital and credit. Paying higher fees and interest rates to own a home leaves consumers struggling to realize the American dream of homeownership.

What makes a subprime loan “predatory”?

It is important to establish that not all subprime loans are “predatory”. Because these loans are targeted at people with imperfect credit histories, the subprime lenders can legitimately charge a higher interest rate than a conventional bank loan as a way to compensate for added risk. Nevertheless, empirical studies have shown that there is a weak correlation between the interest rate paid by the subprime borrower and the financial losses wrought by default. In other words, interest rates are extraordinarily high for reasons other than credit risk. A study by Alan M. White for the Fannie Mae Foundation shows that actual losses due to default compose less than one percent of the outstanding loan balance per annum.³⁷² Clearly, the risk of lending to a person with weak credit is not the only factor that influences the interest rate for subprime loans.

It is when the interest rate exceeds the amount it would take to offset risk that a subprime loan can be considered “predatory”. Of course, subprime lending has many distinguishing characteristics. One of these characteristics is prepayment penalties. Experts estimate that roughly 80% of all subprime lenders contain prepayment penalties, which lock the borrower in a higher interest rate even when that person has improved his/her credit score and is in a better position to pay off the principal. Prepayment penalties cost borrowers thousands of dollars in interest payments that would have been avoided in a conventional prime loan.³⁷³

Subprime Lending On the Border

In the report, *The Border Effect-Subprime and Predatory Lending on the Texas-Mexico Border*, Michelle Marie Milner analyzes the current empirical studies released on subprime lending in the Borderlands. The Report shows that Texas as a whole has seen a spike in subprime lending, but the occurrence of such lending is especially pronounced along the Mexican border.³⁷⁴ One of the studies cited in Milner’s report, A 2002 study by the Center for Community entitled, “Risk or Race: Racial Disparities in Subprime Mortgage Lending” found that 42.2% of mortgages on the Border were subprime.³⁷⁵ The study also found that Blacks and Hispanics were disproportionately represented as holders of subprime mortgages.³⁷⁶ The following charts compare the occurrence of subprime lending in Texas MSAs:

Subprime Home Refinance Loan Incidence in Border MSAs 2000

	<u>Rank</u>	Total Refinance <u>Loans</u>	Total Subprime <u>Loans</u>	Percent <u>Subprime</u>
El Paso	1	1767	845	47.8
Laredo	3	342	155	45.3
McAllen ⁷⁷	18	1345	506	37.6
Brownsville ⁷⁸	<u>29</u>	<u>795</u>	<u>286</u>	<u>35.9</u>
		4249	1792	42.2%

Adapted from: Calvin Bradford, *Risk or Race? Racial Disparities and the Subprime Refinance Market*. (Washington, D.C.: Neighborhood Revitalization Project of the Center for Community Change, May 2002), p. 28. Online. Available: <http://www.communitychange.org>.

Home Refinance Subprime Loan Incidence in Texas MSAs 2000

	<u>Rank</u>	<u>Total Refinance Loans</u>	<u>Total Subprime Loans</u>	<u>Percent Subprime</u>
Corpus Christy	2	1061	497	46.8
Killeen/Temple	4	683	306	44.8
Beaumont/P.Arthur	5	1160	516	44.5
San Antonio	8	5270	219	41.9
Galveston/Tex City	10	944	393	41.6
Victoria	20	220	82	37.3
Houston	30	14552	5195	35.7
Sherman/Dennison	34	509	179	35.1
Amarillo	41	961	328	34.1
Lubbock	45	711	241	33.9
Brazoria	50	829	277	33.4
Wichita Falls	57	412	135	32.4
Texarkana	65	463	148	31.9
San Angelo	71	293	91	31.1
Dallas	75	13276	4049	30.5
Longview/Marshall	78	651	198	30.4
Tyler	94	540	158	29.3
Austin/San Marcos	113	5709	1599	28.0
Odessa/Midland	116	663	185	27.9
Waco	117	564	157	27.8
Ft. Worth/Arlington	143	6485	180	26.1
Abeline	144	292	76	26.0
Bryan-Coll. Station	259	3174	594	18.7
		59,422	15,803	26.6%

Adapted from: Calvin Bradford, *Risk or Race? Racial Disparities and the Subprime Refinance Market*. (Washington, D.C.: Neighborhood Revitalization Project of the Center for Community Change, May 2002), pp. 28-34. Online. Available: <http://www.communitychange.org>

Small Business Lending

Business ownership is an important factor in Texas' economy, and access to capital and credit are essential for the creation and growth of successful businesses. Businesses generate employment in the areas in which they locate, thereby increasing income that fuels the economy. In fact, small businesses create 60 to 80 percent of all new jobs in any given year, according to the Small Business Association. Moreover, the

overall Texas economy is dependent on the success of small businesses in particular, as such businesses employ about 52 percent of the workforce.³⁷⁷ Given the overwhelming presence of small business in the business sector, there is no question that maintaining a healthy economy relies in part on maintaining accessible avenues of capital for small business owners.

Meeting the Capital Needs for Texas' Small Businesses

There were approximately 25 million small businesses in the United States in 2004, according to the Small Business Administration. In Texas there are over 440,000 small businesses, defined by the Finance Commission of Texas as non-agricultural, non-depository, for-profit firms operating with 100 or fewer employees. According to the Finance Commission, most small businesses in Texas are retail and service oriented, generating revenues of less than \$500,000. They are likely to have small payrolls of less than ten employees under a sole proprietorship structure.³⁷⁸

In 2003, lending institutions loaned over \$275 billion to small businesses across the county. In all loan size categories, large banking institutions issued the majority of loans to small businesses. Despite the 800,000 loans issued to small businesses in 2003, not all small businesses can access necessary capital. In some Texas communities, a small business has a much greater chance of obtaining funding than it might in other communities.

Lending decisions are based on many factors, and analysis is required to determine and compare lenders' performance, but these differences can result in some communities having better economic environments than others. The chart on the next page, *Comparison of Seven Regions in Texas: Small Business Lending by Commercial Banks, 2000*, shows the differences in amounts of small business loans per capita. The variations show that even when population is accounted for, small business owners in some communities appear to have less access to capital.

Comparison of Seven Regions in Texas: Small Business Lending by Commercial Banks, 2000

MSA	Number of loans	Amount of Loans (\$000)	Number of Loans Per Capita	Amount of Loans Per Capita
El Paso	7,272	191,937	0.0107	\$282.42
Corpus Christi	6,052	163,590	0.0159	\$429.61
San Antonio	24,567	708,340	0.0154	\$444.83
Brownsville/Harlingen/ San Benito	4,860	166,883	0.0145	\$497.82
McAllen/Edinburg /Mission	7,756	316,784	0.0136	\$556.29

Austin/San Marcos	25,989	793,885	0.0208	\$635.23
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Source: Testimony of Mayor Ray Caballero, City of El Paso, to the Subcommittee, on Senate Business and Commerce Committee, Interim Charge #4. May 2002. Data collected from Census Bureau and Federal Financial Institution Examination Council.

Factors Influencing the Flow of Small Business Capital

Mergers and Acquisitions

Recently, banks, bank holding companies, and other lending institutions have begun to merge, creating giant conglomerates that struggling small business owners must face in trying to access much needed capital and credit. A February 12, 2004 report by the United States Small Business Administration Office of Advocacy states that bank consolidation can limit small business access to credit. In regions with high levels of consolidation, the study found reductions in small business access to bank credit, especially in credit limits.³⁷⁹ The chart on the next page, *Comparison of Market Shares for Deposits, Amount of Small Business Loans in Selected Texas Markets*, illustrates the correlation between large market shares held by the huge banking institution that was created by the merger of JP Morgan Chase and Bank One in Spring 2004 and the amount of small business lending for that area. It is clear that the amount loaned out to small businesses is far less than the amount of local deposits held. As small businesses are a driving force for local economies, it is imperative that lending institutions support them.

Comparison of Market Shares for Deposits, Amount of Small Business Loans in Selected Texas Markets

(Business Loans to Entities with less than \$1 million in Revenue)
As of June 30, 2003

Market	Deposit Share for Chase and Bank One	Dollar Share in Small Business Loans
Austin	20.81%	8.57%
Dallas	21.97%	11.58%
Fort Worth	21.54%	7.96%
San Antonio	4.50%	5.58%
Houston	42.99%	12.78%

Source: Deposit Share information, Texas Department of Banking

Bank Branch Locations and Creating Relationships with Lenders

For small businesses trying to access capital through traditional lending sources, one of the most important tools available is the relationship the business owner can develop with the lender. Small businesses trying to satisfy the criteria to qualify for loans face great challenges because many do not have the publicly available, transparent information for lenders to review. Therefore, in credit approval gathering information about the firm's owner becomes just as important as gathering information about the firm

itself. Lenders find that developing a working relationship with a firm head allows the lender to have a better understanding of the business operations and potential.

Where bank branches are located is an important determinant in small business lending patterns. CRA requirements and guidelines ensure that banks provide services to customers in their assessment areas; further, banks must identify their assessment areas in terms of their location. In other words, a bank must serve its neighborhood. Because of these statutory requirements that lending institutions must serve their local communities, as branches spread and move to new neighborhoods, new relationships are developed. Customers from low and moderate neighborhoods who are now getting the opportunity to create relationships with their local bank are increasing their access to lending.

Credit Scoring and Securitization

Credit scoring is a system creditors use to help determine whether to extend credit to a borrower. By implementing a formula, the goal is to reduce the inherent biases of lenders' decision makers. Information about the borrower's credit experiences, such as bill-paying history, the number and type of accounts held, late payments, collection actions, outstanding debt, and the age of accounts, is collected from a credit application and a credit report. Creditors compare this information to the credit performance of consumers with similar profiles and awards points for each factor that helps predict who is most likely to repay a debt. A total number of points -- a credit score -- helps predict how creditworthy the borrower is.

Credit securitization, where pools of loans are used as collateral for securities that are then purchased by investors, does not yet account for a large amount of small business credit, and it is not clear how securitization will ultimately affect small business lending.

The inflexibility of credit scoring and securitization could very easily result in arbitrary and unreasonable decisions as to which borrower a bank chooses to finance. Business lending decisions necessarily must be based on a wide array of criteria, ranging from the owner's history, to the economic environment, to the sector or industry market in the area.

A Small Business' Ability to Provide Financial Information and a Credible Business Plan

Lenders consider a number of factors in assessing a business' worthiness for a loan. They evaluate the supporting financial information submitted by the business, the availability of collateral that can be offered as security, indications of the business' ability to succeed in the future, and related items. Successful borrowers can demonstrate their viability as a borrower through their business plans and the thoroughness of their applications. Business owners who lack access to accounting systems or specialists in law, accounting, and other professions could be at a disadvantage in obtaining credit.

The success of small businesses is paramount to the development and maintenance of a healthy Texas economy. For the small business sector to succeed as a whole, capital and credit must be made readily available. While lenders certainly need to maintain the autonomy to assess borrowers and lend according to sound business standards, capital still needs to reach the pockets or tills of small businesses. The financial community, the State, and local communities must work to help small businesses gain access to capital and succeed.

Predatory Lending

Market changes in the financial services industry that have given more people access to a wider variety of services have also created a complex web of available services that can be confusing to even the most savvy consumer. The complexity of the emerging financial services market creates a particular danger for the uninformed or inexperienced borrower who may enter into lending arrangements that give him no net financial benefit, cause him to pay more than necessary given his credit risk, and potentially lead to foreclosure, bankruptcy, and the loss of his home. This complexity and the abuse of inexperienced borrowers have created one of the most critical policy issues facing the financial services industry and the regulatory agencies charged with monitoring that industry – predatory lending.

There is no thorough definition of what constitutes predatory lending. Instead, it is usually defined in terms of lending practices that, in combination, are said to impose substantial hardships on the borrower with little or no accompanying benefit. Developing a clear understanding of predatory lending is difficult because of the complexity of determining the appropriate level of fees and costs for a given level of risk. Generally speaking, predatory lending is characterized by excessively high interest rates or fees, harmful loan terms, including balloon payments, large pre-payment penalties and underwriting that ignores a borrower's ability to repay the loan, and abusive or deceptive practices. Identifying an excessively high rate or fee as opposed to one that is appropriate, given a borrower's credit rating, is very subjective, however. While traditional loans result in fees that are about one to two percent of the loans, excessive fees can total up to eight percent of a traditional loan. For certain types of loans, some lenders try to justify charging fees that total almost as much as the loan itself. Still, lenders argue that the risk associated with certain loans justifies the addition of high fees.

Additionally, extremely high interest rates can signal predatory lending practices. Excessive interest rates indicate that the loan is high risk, but no risk should justify an interest rate so high that paying back the loan becomes impossible. In scenarios where the rate is this exorbitant, it is more prudent for the borrower to be turned down for a loan than to take the loan, default, and then be in a less stable economic situation. However, where we see the highest interest rates are in lending situations that cater to the most vulnerable borrower.

Finally, the practice of referring borrowers to the higher interest subprime market is particularly insidious because those borrowers least afford to be stripped of their equity or life savings and have the fewest resources to defend themselves against predatory practices. Speculation that the subprime market is a breeding ground for predatory lending rings true when statistics show that subprime lending is disproportionately concentrated among minorities, low-income, and elderly homeowners.³⁸⁰ Many in the industry argue that the disproportionate concentration is only a reflection of the greater risk posed by these borrowers based on their credit ratings; Fannie Mae, on the other hand, has stated that the racial and economic disparities in subprime lending cannot be justified by credit quality alone. According to Fannie Mae, loans to lower-income borrowers perform at similar levels as loans to upper-income people, and recent research has shown that once the lower prepayment risk is taken into account, mortgages to low- and moderate-income borrowers perform better than other mortgages.³⁸¹ In other words, low- and moderate-income borrowers do not pose a greater risk of default than upper-income borrowers.

The Relationship Between Subprime Lending and Predatory Lending

While not all subprime lenders engage in predatory practices, these problems do pervade much of the subprime industry. In 2002, two of the largest subprime mortgage lenders – Household Financial Corporation and The Associates – announced settlements of \$484 million and \$240 million, respectively, for engaging in predatory lending practices. Both cases assert claims regarding the sale of credit insurance in connection with mortgage loans and personal loans. The Household settlement requires the company to provide restitution to borrowers and modify its future loan procedures. In addition to ceasing the sale of credit insurance, Household will also limit prepayment penalties on home loans to the first two years of the loan, limit points and origination fees to 5 percent, and improve disclosures made to consumers.

The Associates case settles claims brought against the lender by the Federal Trade Commission (FTC), and a nationwide class action settlement of litigation brought in California by private litigants. The FTC charged that The Associates, one of the nation's largest subprime lenders, engaged in systematic and widespread deceptive and abusive lending practices. Further, the class action suit alleged that The Associates packed mortgage loans with unwanted and unnecessary insurance products and engaged in improper loan refinancing practices. In addition to the prohibited settlement provisions, Citigroup Inc., who acquired The Associates in 2000, voluntarily adopted a series of consumer-oriented initiatives meant to address any lingering public opinion concerns. These two settlements are the largest in American history for any type of consumer complaints, and indicate a changing regulatory environment in which predatory lenders will be held accountable for their actions. However, they still fall horribly shy of the amount of financial damages inflicted on vulnerable borrowers.

Types of Predatory Lending

Payday Loans. Predatory lending practices are more widespread than just high interest rates or high mortgage fees. Payday loans are one of the more prominent and prolific

forms of abusive lending. Deferred presentment transactions, or payday loans, are designed to be short term, emergency loans for people who have no alternative. By catering to the most vulnerable community of borrowers, payday lenders have free reign to charge excessive interest rates without concern that their customers will reject the services. In fact, many payday loans result in triple digit percentage rates because the borrowers are identified as extremely high-risk, and lenders feel justified in charging incredibly high interest rates. The financial burden on the borrower and the damage to his credit if the check bounces create a serious pressure on the borrower to refinance loans he cannot pay back, creating an onerous cycle of increasing fees. The chart on the next page, *Payday Loan Rates*, outlines the typical interest rates associated with these loans.

Payday Loan Rates

Loan Amount	Equivalent Rate – 7 days	Equivalent Rate – 10 days	Equivalent Rate – 14 days
\$ 100	569.92%	413.55%	309.47%
\$ 150	396.29%	292.00%	222.48%
\$ 200	309.47%	231.23%	178.98%
\$ 250	257.17%	194.62%	152.99%
\$ 300	222.48%	170.33%	135.57%
\$ 350	197.70%	152.99%	123.13%
\$ 400	178.98%	139.89%	113.87%
\$ 450	164.54%	129.78%	106.60%
\$ 500	152.99%	121.69%	100.79%

Research shows that the payday lending business model is designed to keep borrowers in debt, not to provide one-time assistance during a time of financial need. According to a December 2003 Center for Responsible Lending study of payday lending industry data, borrowers who receive five or more loans a year account for 91 percent of the lenders' business. In fact, payday lenders collect the vast majority of their fees from borrowers trapped in a cycle of repeated transactions, where borrowers are forced to pay high fees every two weeks just to keep an existing loan outstanding that they cannot afford to pay off.³⁸²

Members of the military and their families are prime targets for payday lenders. Military personnel are paid regularly, never get laid off, and face penalties for failing to repay debts, making them a wise investment for payday lenders because the chances of

default are very slim. Lenders know they will recoup their money because they can call the commanders of soldiers who do not pay their debts. Soldiers who do not pay can face a court-martial and, in some cases, can be discharged. In 2005, Senator Shapleigh was able to protect Texas' military personnel and their families from predatory payday lenders with the passage of S.B. 1479. S.B. 1479 prohibits lenders from taking certain actions against military personnel, including barring collection activities during deployment and requiring lenders to make disclosures to military customers regarding these restrictions.

The Air Force has recently stepped in to curb the influence of payday lenders. The Air Force Aid Society has begun to offer its own short-term loans to members of the Air Force who are having trouble meeting monthly expenses. The Society's new Falcon Loans offer as much as \$500 interest-free loans to meet essential payments such as food, rent, utilities, emergency travel, or repairs. No permission from superior officers is necessary to receive a Falcon Loan, eliminating the risk of court martial that is often associated with defaulting on payday loans.³⁸³

Despite the lax regulations in the general community and the ability to prey on vulnerable borrowers without much oversight, payday lenders in Texas continue to grab for more opportunity. In the 78th Legislature, an industry-supported "regulation" bill was introduced that would have actually allowed lenders to legally charge over 800 percent annual percentage rates. The bill was created and supported by the industry in anticipation of coming regulations at the federal level. By creating "regulations" in Texas, lenders could argue that no federal rules are needed because states are meeting that need. However, when compared to the current environment in Texas, the bill was exposed as a wolf in sheep's clothing. Current regulation allows up to 222 percent interest rates on these loans, which is problematic in and of itself, but far better than the proposed 800 percent rates. Moreover, the bill did nothing to protect Texans from out-of-state lenders setting up shop in Texas and not abiding by any of our State's lending protections and would have created a false sense of consumer protection.

The industry-backed bill failed when a majority of Texas Senators, rallied by Senator Shapleigh, agreed to block its passage. However, a few months later, the industry found another way to avoid potential regulation. In July 2005, Texas-based payday lenders regrouped as businesses operating under Texas' Credit Service Organization Act. As a Credit Service Organization (CSO), a payday lending company dodges both federal guidelines restricting payday loans and the interest rate limits established by the Texas Finance Commission (TFC).

Prior to the July business model changes, virtually all Texas-based payday lenders operated under the "rent-a-bank" model, partnering with banks headquartered in other states with lax or no usury laws. Under that model, payday lenders, claiming to work as brokers, were able to evade Texas usury laws and other state lending regulations. While this previous model has been incredibly lucrative for payday lenders, who were free to charge exorbitant interest rates and do business with virtually no regulation, recent FDIC regulations and recent actions by state regulators around the country have begun to chip away at the free-reign of the payday lenders.

The proposed bill last Spring would have tripled the interest rates that payday lenders could charge under Texas law and eliminated the need for an out-of-state bank partner, thereby eliminating the pressure to comply with new FDIC guidelines. This defeat, along with a recent Eleventh circuit court decision to uphold a Georgia law prohibiting the "rent-a-bank," prompted payday lenders to change tactics and adopt the CSO model. According to a letter by the Attorney General of Texas, state law will have to change to close this predatory lending loophole.

Loan Flipping. Another practice, known as loan flipping, is commonly carried out through non-traditional lenders. On *ABC News, Prime Time Live* a most egregious incident of loan flipping was disclosed in 1997.

"...an elderly gentleman who had never learned to read or write wanted to purchase meat on credit. A home equity lender loaned him the money...The gentleman did not understand he was mortgaging his home and pledging 50 percent of his monthly income. Seventeen days later, the lender contacted the gentleman again and convinced him to take out a larger loan, at a higher rate of 19 percent, to pay off all his debts. The gentleman was 'flipped' again in 42 days and again 26 days later. Each time he was charged a 10 percent financing fee... He was flipped 11 times in less than 4 years. By the time he was interviewed...he had a \$50,000 mortgage on his home, which he had owned free and clear, and \$25,000 of this amount was financing fees."³⁸⁴

This is an unfortunate example of the industry preying on the elderly, who often are not given complete information.

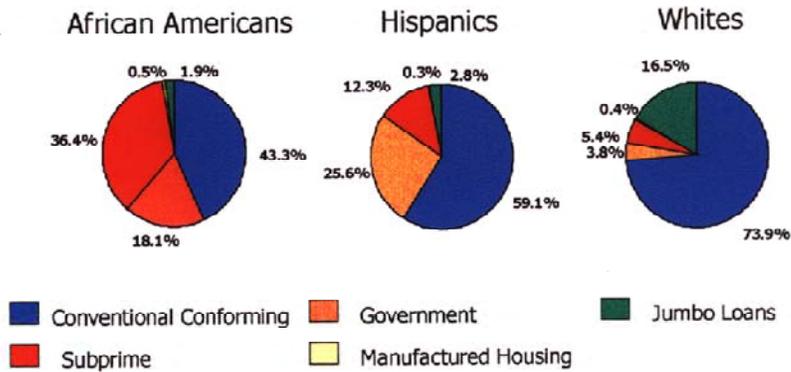
Targeting Minorities. Targeted marketing to households on the basis of race, ethnicity, age, gender, or other personal characteristics unrelated to creditworthiness, unreasonable or unjustified loan terms, and outright fraudulent behavior often indicate predatory lending³⁸⁵. In Texas, there are indications that targeting minorities for higher interest rate loans is a regular practice. African-Americans and Hispanics still have homeownership rates that are significantly lower than rates for the general population--about 48 percent compared to the national rate of 68 percent.

While lending patterns do vary by geographic location, the disproportionate level of higher interest rate loans in minority areas is troubling. In urban areas and in high African-American census tracts around the country, lending is dominated by government programs such as FHA and/or by subprime lenders.

A recent study, *Risk or Race? Disparities and the Subprime Refinance Market*, substantiates that minority borrowers, specifically Hispanics and African Americans, historically suffer from the highest percentages of subprime home refinance loans. The chart below, *Subprime and Government Loans Dominate Minority Lending Across the*

Nation, demonstrates the high levels of subprime lending to minorities, with 12.3 percent of Hispanics receiving loans from subprime lenders, compared to only 5.4 percent of Whites.

Subprime and Government Loans Dominate Minority Lending Across the Nation



Source: Michael T. Hernandez, March 14, 2002, Report to the Subcommittee on Interim Charge 4, of the Senate Business and Commerce Committee.

Due to the particularly large population of Hispanics in the Border Region and Texas as a whole, high rates of subprime lending to minorities have profound implications for these areas. In fact, of the ten MSAs with the largest percentages of subprime loans made to Hispanic borrowers, six are in Texas.

<i>Percentage of Subprime Refinance Loans for All Hispanic Census Tracts</i>				
Rank	MSA	Population	Number of Conventional Refinance Loans	Percent Subprime
1	Corpus Christi, TX	380,783	118	75
2	San Antonio, TX	1,592,383	678	60
3	El Paso, TX	678,622	534	59
4	Albuquerque, NM	712,738	210	52
5	Laredo, TX	193,117	267	48
6	Brownsville-Harlingen, TX	335,227	229	43
7	McAllen-Edinburg, TX	569,463	649	42
8	Tucson, AZ	843,746	225	41
9	Miami, FL	2,253,362	1,919	41
10	Orange County, CA	2,846,289	101	38

Source: John Henneberger, Texas Low Income Housing Information Services, using data from the May 2002 *Risk or Race? Radical Disparities and the Subprime Refinance Market* Report by the Center for Community Change

Though some representatives of non-traditional lenders argue that they offer much needed services in distressed areas where traditional lenders are inaccessible, many community members and traditional financial service providers assert that fringe lenders do nothing to help build wealth in their communities. The irony of the decay of the traditional lender rests in the fact that it is the inaccessible nature of the mainstream lending market that has led to the proliferation of fringe lenders and the growth of predatory lending. As James Carr in a report for the Fannie Mae Foundation said, "Predatory lending is an outlying consequence of the ineffectual financial markets that exist in many lower-income and minority communities. Predatory lending practices thrive in an environment where competition for financial services is limited or lacking, and where excessive marketing of subprime loans and fringe financial services are occurring."³⁸⁶ Mainstream financial service companies may denounce predatory lending and nontraditional lenders, but the mainstream market is, in essence, reason for its proliferation.

Pawnshops and Sale/Leaseback Agreements. In the 1980s, Congress and most states threw out interest-rate caps and other vital protections. Supporters of deregulation said it would spark competition and drive rates down. While deregulation did spark competition, studies show that the competition is more about who can charge the most. Since deregulation, fringe lenders and potential predatory lenders have exploded onto the scene. Today all but two Southern states allow pawnshops to charge annual rates of 240 percent on loans. The number of pawnshops has doubled in the past decade to about 10,000. At least five pawn chains are publicly traded. "Rent-to-own" stores have replaced small neighborhood merchants with a new, cleaner look...and higher prices. These stores sell TVs and furniture on installment plans at prices that consumer advocates say equal interest rates of 100, 200, even 300 percent. The number of rent-to-own stores has grown from about 2,000 to 7,500 since the early 1980s. While not overtly predatory, like loan flipping, pawnshops, "rent to own" stores, and sale/leaseback businesses still prey on the vulnerable borrower with poor or no credit history.

High Interest Credit Cards. Credit cards have become a common form of currency for millions of Americans. Between 1989 and 2001, according to the Center for Responsible Lending, credit card debt in the U.S. almost tripled from \$238 billion to \$692 billion.³⁸⁷

While some cardholders use their credit for occasional purchases, working families of limited means have come to rely on "plastic" to weather economic downturns or to simply make ends meet. College students and other minors have also become attractive targets for the marketing of cards that contain hidden transfer charges, exorbitant late fees and exploding interest rates. In effect, the credit card industry has identified its ideal customers as those who no longer pay off their balances, but instead grow increasingly indebted to their creditors by making inadequate minimum monthly payments.

Average card debt per household with at least one credit card topped \$9,300 in 2004, more than triple the average in 1990. Consumer bankruptcies have skyrocketed from 287,463 in 1980, the dawn of card-industry deregulation, to just over 1.5 million in 2004. And, changing laws and regulations have given credit card companies virtual carte blanche to charge fees and fines. Universal default, allowing all creditors to raise interest rates if a borrower is late on any payment, and limitless late fees are just two examples of how credit card lenders are predatory.

Fighting Predatory Lending

Predatory lending has been publicly denounced by almost every federal financial services regulatory agency and is included on the legislative agendas of many consumers' and special interest groups. In Texas, the Consumer's Union, Appleseed Texas and the AARP have all declared predatory lending to be a major concern for their constituents.

Moreover, the United States Congress and several states have also attempted to curb predatory lending practices through legislative action, and some courts are beginning to side with consumers against lenders using abusive practices. Laws that specifically relate to predatory lending include:

- the federal Fair Housing and Equal Credit Opportunities Act, 15 U.S.C. §1691c(c), which prohibits discrimination against applicants for credit on the basis of age, race, sex, marital status, or other prohibited factors;
- Section 5 of the Federal Trade Commission Act, 15 U.S.C. §45, which prohibits unfair or deceptive acts or practices in or affecting commerce; and,
- the Home Ownership Equity Protection Act (HOEPA).

HOEPA is the most comprehensive statute for addressing fair lending in high-cost loans secured by homes. In response to the anecdotal evidence about abusive practices involving high-cost home secured loans, in 1994, the Congress enacted the HOEPA, which imposes disclosure requirements and substantive limitations (for example, restricting short-term balloon loans) on home-equity loans with rates or fees above a certain percentage or amount. The law, as amended by the Federal Reserve Board in 2001, regulates first-lien mortgage loans if the Annual Percentage Rate (APR) exceeds the rate for treasury securities with a comparable maturity by more than eight percentage points.

Additionally, some predatory lending practices might violate various federal and state consumer protection laws like the Truth in Lending Act, which requires certain disclosures and establishes substantive requirements in connection with consumer credit transactions. Every state has adopted at least one statute that generally prohibits unfair or deceptive business practices. These statutes are usually broad and interpreted liberally; therefore, they can be used for attacking alleged abusive lending practices. Moreover, some states do attempt to regulate the lending industry in a way that protects consumers. For instance, Chapter 342 of the Texas Finance Code includes some general measures meant to protect consumers against problematic lending practices. Unfortunately,

Chapter 342 is overly broad in some areas and includes multiple exceptions that leave great loopholes in the regulatory scheme.

Although these laws represent advances, still, determining which law covers which practice is difficult. Unfortunately, the laws do not clearly define what acts are illegal and do not cover many abusive or coercive acts. The complex regulatory environment of the United States' dual banking system leaves great gaps in oversight and regulation.

Federal Preemption

In general, state laws apply to the operations of national banks. As far back as 1869 and as recently as 1997, the United States Supreme Court affirmed that national banks “are subject to the laws of the State, and are governed in their daily course of business far more by the laws of the State than of the nation.”³⁸⁸ While federal regulatory control over banking has expanded over time, the Supreme Court affirmed in Atherton v. FDIC, 117 S. Ct. 666 (1997), that historically, its decisions have held federal banks subject to state law.

However, a state law is preempted, and does not apply to national banks, if it creates a direct conflict with a federal law, discriminates against national banks, or significantly interferes with or places an undue burden on the authorized activities of national banks. Under the Supremacy Clause of the United States Constitution, when the federal government acts within the sphere of its authority, federal law is paramount over, and preempts, inconsistent state law. Although the nature and degree of inconsistency necessary to require preemption has been expressed in a variety of ways, the controlling issue has been summarized as whether, under the circumstances of a particular case, the state law may “stand as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.”³⁸⁹

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Riegle-Neal Act) establishes specific rules to govern the applicability of certain types of state laws to the interstate operations of national banks and out-of-state banks. Under this Act, the laws of a host state concerning community reinvestment, consumer protection, fair lending, and the establishment of intrastate branches apply to each host state branch of an out-of-state national or state chartered bank “to the same extent as such State laws apply to a branch of a bank chartered by that State.”

The Office of the Comptroller of the Currency (OCC) is the agency responsible for ensuring, through examinations and administrative enforcement proceedings, that national banks comply with federal and state laws. Therefore, unless expressly authorized by federal law, states do not have authority to examine national banks, or to take administrative actions for the purpose of enforcing state law against national banks. However, it is also clear that authorized state officials can bring judicial actions (e.g., actions for declaratory or injunctive relief) to enforce their laws against national banks.³⁹⁰

However, in January of 2004, states' rights to combat abusive lending practices were further limited through the expansion of federal control. In January 2004, the OCC issued a rule identifying types of state laws that are preempted for national banks, including mortgage lender/broker licensing laws and anti-predatory lending laws. In addition, the OCC has reserved for itself enforcement of all rules against national banks and their operating subsidiaries. State regulators no longer have authority to pursue wrongdoing in this area against these entities.

In essence, Texas is now barred from licensing, examining, and otherwise regulating state-chartered corporations that are subsidiaries of national banks. This shields non-banking firms like title companies, finance companies, leasing companies, and mortgage brokerages that are owned by national banks from state licensing and examination requirements that ensure professional conduct and protect consumers.

Moreover, Texas is no longer able to respond to local economic needs. Instead, the OCC preemption has undermined states laws and state oversight, thus eliminating the unique American dual banking system and moving America towards a centralized, European-style regulatory model. This "one size fits all" approach requires problems in one or a few states to be solved with federal legislation applicable to all states. Such an imbalance threatens the viability of the states' historic role in serving as laboratories for innovation in new products and consumer protection, as well as a safety valve against the imposition of out-dated or rigid regulatory control.

Nationwide Crackdown on Payday Lending

Due to the negative social costs associated with payday lenders, many states are beginning to place strict regulations on such businesses. The New Hampshire Senate recently passed a 36% cap on annual interest rates, placing New Hampshire among almost a dozen other states that have capped rates at around 36%. According to the Center for Responsible Lending, such a cap on interest rates is the only proven way to end the common practice of trapping borrowers into a long-term cycle of high-interest debt. Other states, such as Virginia and Kentucky, are forcing payday lenders to reduce their loan costs at the risk being shut down. A new Virginia law, if signed by the Governor, would reduce payday costs by 18%, making the typical payday lending firm in Virginia 15% less profitable. The hope is to reduce the costs to borrowers while also slowing the growth of payday lending businesses. Taking one step further, the Kentucky Legislature is attempting to deny payday lenders access to electronic bank accounts to secure their loans, making it increasingly difficult for such lenders to expand the scope of their business.³⁹¹

Such crackdowns have also been occurring in states closer to Texas. In March 2008, Arkansas Attorney General Dustin McDaniel issued a stern message to all payday lenders in the state: shut down or face lawsuits. The Arkansas Constitution prohibits charging interest rates about 17%, as does the Arkansas Deceptive Trade Practices Act. Payday lenders will argue that the Check Cashers Act gives them immunity, as it says that checks written before the date that it is cashed does not count as "interest". The

attorney general, however, is determined to shut them down. "Charging consumers interest in the range of 300 to 500 percent is unlawful and unconscionable and it is time that it stops", McDaniel said in a statement released by the attorney general's office. It is unclear whether Texas will follow suite and place strict regulations on predatory lending practices in the upcoming legislative session.³⁹²

Exorbitant Interest and the Bible

It is fair to say that faith-based groups have a substantial voice in Texas politics. Those interested in fighting predatory and subprime lending, therefore, could attract support among religious groups by emphasizing the Bible's prohibition against usury. For instance, Exodus 22:25 and 22:26 read respectively: "If you lend money to any of My people who are poor among you, you shall not be like a moneylender to him; you shall not charge him interest," and "If you ever take your neighbor's garment as a pledge, you shall return it to him before the sun goes down". A broad political coalition will likely be needed to curb the growth of predatory lending in Texas, and this issue has the potential to bring economic liberals and religious conservatives together. An appeal to Biblical scripture concerning usury could be an effective strategy for consumer advocates who are eager to end predatory lending in Texas.³⁹³

The Bush Administration's Role in Predatory Lending Practices

In a February 2008 Op-Ed in the Washington Post, Governor Eliot Spitzer of New York accused the Bush Administration of actively protecting mortgage lenders who engaged in predatory lending. New York, in addition with several other states, enacted laws aimed at banning loans with misrepresented terms, hidden costs and fees, and "teaser" rates that ballooned exponentially. The Bush Administration, however, set out to prevent such a crackdown on banks that engaged in predatory lending. Through a small federal agency called the Office of the Comptroller of the Currency (OCC), the Administration called upon the 1863 National Bank Act as a means of rendering all state legislation against predatory lending practices inoperative. The Administration's actions were so appalling that all 50 state attorneys general actively fought the new rules. Governor Spitzer attempted to open an investigation into possible discrimination cases in subprime lending in New York, but was halted by an OCC federal lawsuit. This is but one example of how the Bush Administration was able to stymie state action against predatory lending at the expense of the consumer. As the subprime crisis continues to ripple through the economy, many are wondering why the federal government defended the very banks that are now set to foreclose on the homes of countless American families. Had the states been able to pursue their anti-predatory lending agendas without the Bush Administration's roadblocks and lawsuits, Governor Spitzer argues that the current subprime and foreclosure crisis could have been avoided.³⁹⁴

Alternatives to Payday Lending: Non-profit Financial Cooperatives

Non-profit financial cooperatives have proven to be an effective, consumer-friendly alternative to payday lending. The specific case of the State Employees' Credit

Union (SECU) of Raleigh, North Carolina is a promising example. As opposed to payday lenders who thrive on their members' insolvency, The stated mission of the SECU is to break the cycle of debt completely. This is achieved by adding a savings component to the loan, which automatically deducts 5% of the borrowed amount and places it in the member's savings account. This assists the member with future expenses, and perhaps more importantly, teaches financial literacy to people who are highly vulnerable to racking up a lifetime of debt. The SECU of Raleigh allows members to borrow up to \$500 a month at a low interest rate of 12%, which can be paid back with funds from their next paycheck. As a result, the members are able to avoid the exorbitant interest rates of payday lenders, and are in a much better position to pay off the principal on their loan.

The difference in the amount of savings provided by the SECU in comparison to a typical payday lender is extraordinary. A payday lender usually charges about \$15 per \$100 borrowed, which translates into a cost of \$150 million per every \$1 billion loaned to customers. For every \$1 billion loaned by SECU, in contrast, customers are only charged \$5.9 million. This is a difference of roughly \$149 million, and this money would stay in the hands of customers, not payday lenders.

SECU customers, protected from the exorbitant interest rates of payday lenders, have been given the opportunity to break the cycle of debt. In fact, many SECU members have already done just that. To date, members of a special SECU program who had no previous savings now have a cumulative savings exceeding \$13.2 million. Clearly, the SECU's emphasis on financial literacy and automatic savings deductions has allowed many to escape the cycle of insolvency that keeps payday lenders profitable but perpetuates negative savings.³⁹⁵

Latino-Oriented Banks

Raleigh, North Carolina is the home of a new movement in personal finance: the Latino-oriented bank. Started by David Flores, a former senior vice president at Chase Manhattan Bank, Nuestro Banco offers services specially tailored to the needs of the growing Hispanic population in the United States. For instance, Nuestro Banco offers check cashing services for new immigrants, as well as small business loan applications in Spanish. Furthermore, a bilingual and bicultural staff is intended to make Hispanic customers feel comfortable when making financial decisions. Nuestro Banco, though clearly a niche bank in Raleigh, is hoping to become mainstream as the Hispanic population in the US grows. It is predicted that the Hispanic population in the US will triple by 2050, reaching 102 million people. Much of this population will be first and second-generation Americans, who require different financial services and needs than other groups. Latino-oriented banks are one way to offer the Hispanic community access to capital and financial services tailored to their needs.³⁹⁶

The Cost of Payday Lending on El Paso

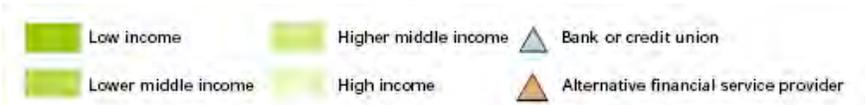
The major financial institutions of El Paso are located in the affluent areas, where the risk of default on loans is relatively low. Sound financial institutions such as banks

and credit unions are rare in low-income neighborhoods of El Paso. Consequently, lower income neighborhoods have a higher proportion of payday lending institutions to banks than do affluent areas. The following study by the Center for Public Policy shows the relationship between neighborhood income and the presence of different financial institutions:

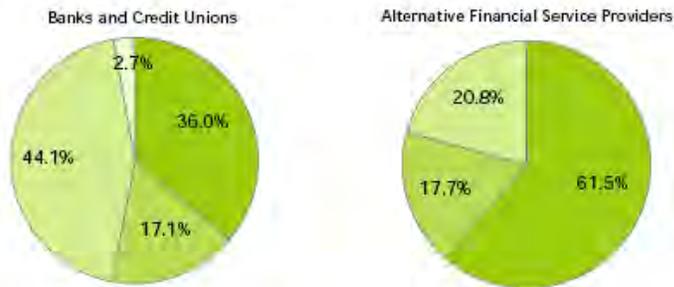
City Profile: El Paso

Basic Financial Services Infrastructure (estimates)

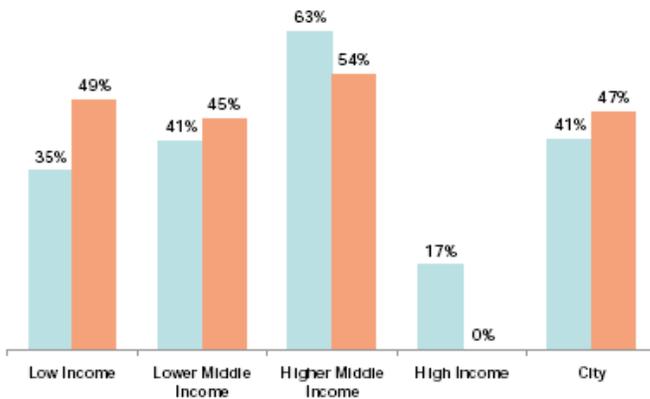
Number of non-bank check cashers	61	Number of payday lenders	59
Total value of checks cashed	\$140,666,436	Total value of payday loans	\$103,083,777
Total fees on checks cashed	\$3,516,661	Total fees on payday loans	\$16,751,114
Number of pawnshops	40	Number of banks and credit unions	111
Total value of pawn loans*	\$9,617,234	Major banks, by number of branches	Bank of America, Wells Fargo, First National, Chase, State National



Distribution of Financial Services Branches, by Neighborhood Income



Proportion of Neighborhoods Containing a Financial Services Branch, by Neighborhood Income



Source: <http://www.cppp.org/files/2/ElPaso.pdf>

It is apparent from these figures that the cost of payday loans in El Paso is substantial. The high degree to which El Pasoans rely on payday lenders for financial assistance should be a major source of concern for policy makers, as payday lending often leads to long-term indebtedness for its costumers.

The Growing Payday Loan Business in Texas

Because the Payday Loan Industry is unregulated in Texas, the requirements for receiving a loan are minimal. To qualify, borrowers must simply have a checking account and proof of regular employment. The borrower typically writes a postdated check for the loan, including a fee. The borrower then returns on payday to pay off the loan (partially or entirely), or else the lender will cash the check. The incentive to return on payday is substantial, for a bounced check could mean criminal charges and additional fees. Texas does not place a cap on the amount of interest a payday lender can charge, meaning that interest rates can reach up to 700% percent annually.

What is especially alarming is that almost 99% of payday lending clients are repeat customers. A recent study by Morgan Stanley also found that the average customer of paycheck lenders took out nine short-term loans a year. In short, taking a payday loan is practically never a one-time solution to a financial problem. The ballooning of interest payments traps thousands of people in debt that is virtually inescapable.

Payday lenders, however, have everything to gain from a repeat customer rate of 99%. The Center for Responsible Lending estimates that the typical payday lending firm enjoys a profit margin of 34%. The environment of large profits and minimal government interference in Texas ensures that this industry will continue to grow, especially in the low per-capita income areas of the Borderland.³⁹⁷

Texas' Authority

While Texas' regulatory powers are limited, the State and localities can develop and implement creative solutions for increasing access to capital and wealth for low-income residents. For struggling small business, grants or low-interest rate loans are available for start-up capital. For first-time homebuyers, the state has developed targeted programs to assist specific constituencies.

Many states work to combat predatory lending and increase access to capital through financial literacy programs designed to develop a better informed and more conscientious consumer base. Without the knowledge and skills to make strategic financial decisions, Texans cannot make the transition from home renters to homeowners, small business dreamers to small business owners, check cashing customers to depository customers, and from high risk, high interest rate borrowers to competitive borrowers.

Most financial institutions are for-profit entities that must determine the viability and security of potential borrowers before any lending can occur. In assessing a borrower's credit worthiness, the fiduciary soundness and savvy of that borrower is paramount. Given the importance of this soundness, increasing the knowledge and skills of the borrower greatly increases his ability to access credit and build capital. While states and regulators must tread carefully so as not to drive legitimate lenders out of tightly regulated markets, strengthening the borrowing power of the consumer through financial literacy programs can be done in a way that benefits both borrower and legitimate lender. Many states have created such programs, either through legislation or regulatory changes.

In 2005, under the leadership of Senator Shapleigh and Representative Beverly Woolley (R-Houston), Texas passed two important pieces of legislation to fight predatory lending by increasing consumer literacy.

S.B. 851

S.B. 851 by Senator Shapleigh directs the Texas Education Agency (TEA) to establish a financial literacy pilot program in up to five school districts to provide students with the knowledge and skills necessary to make critical personal financial decisions. The bill also requires TEA to report to the legislature by January 1, 2007, on the implementation and effectiveness of the pilot program. Senator Shapleigh envisions pilot projects that incorporate personal financial lessons at various grade levels, creating a comprehensive multi-year approach to teaching financial literacy. Moreover, a pilot program will allow schools to develop and test programs, helping develop a strong and effective model for teaching financial soundness that other schools can then emulate. S.B. 851 marks a great step toward creating a financially savvy and successful workforce for tomorrow. This bill took effect on June 17, 2005.

H.B. 492

Senator Shapleigh sponsored H.B. 492 by Representative Beverly Woolley (R-Houston), which amends the Texas essential knowledge and skills to require instruction in personal financial literacy in one or more courses required for high school graduation. This requirement will help to provide students with the knowledge and skills necessary to make critical financial decisions.

Increasing access to capital and credit is important for all Texans, but particularly for Texans and Texas communities struggling to improve their economic stability and success. The State faces significant challenges in ensuring that all areas of Texas have access to capital and credit. Given the changing demographics in the state, and historical patterns of lending, it behooves the state's economy to explore all available avenues for achieving a healthy lending environment. Steps should be taken to ensure that all Texans are knowledgeable consumers capable of generating positive credit histories; lenders

offer fair and reasonable credit terms; and borrowers have access to capital sufficient for their legitimate needs.

Texas Borderlands 2009

“Investing in Our Future”
Public Education



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
May 2008

Public education is one of the most critical functions of state and local government. Since the days of Thomas Jefferson, when the radical idea of a free public education system swept across America, education has defined the future of Americans and built a middle class.³⁹⁸ Texas is no different. Our public schools have educated generations of Texas leaders, from Ann Richards to Henry B. González; from Lyndon Johnson to Barbara Jordan. Statewide, our public education system serves 332 charter school campuses and 8,061 campuses in 1,037 independent school districts.³⁹⁹

For years, Texas has battled to find a school finance system that equitably funds public schools. The reliance on local property taxes for the majority of funding, however, places a particular strain on communities with low property values—including Texas' Borderlands. In 2006, the Legislature passed its most recent version of a finance system, which aimed to provide a general diffusion of knowledge through an efficient system of public schools. Unfortunately, many of the provisions increasing equity in the school finance system may never fully kick in. As a result, Texas schools are instead left to rely upon a funding system that has only a distant relationship with districts' true needs.

More than half of our state's 4.57 million students are economically disadvantaged, and 15 percent are considered limited English proficient.⁴⁰⁰ These figures are predicted to grow dramatically over the next thirty years.⁴⁰¹ Unless the current generation of Texas leaders makes a committed effort to ensure that the funding needed to bring high-quality, experienced teachers and rigorous academic programs to the areas of the state that need it most, Texas will fall behind the rest of the nation in producing graduates ready for a 21st century workforce and higher education.

Financing Public Education

Article VII, Section 1, of the Texas Constitution defines the state's obligation to provide a system of public schools:

A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.⁴⁰²

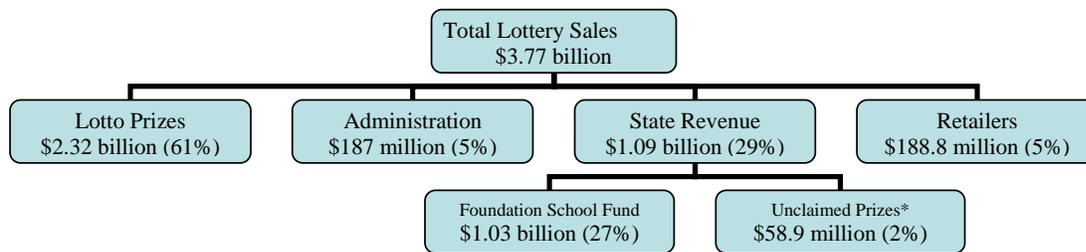
Inherent in this provision is the state's obligation to finance public schools in Texas. Funding for our public schools comes from three sources: local, state, and federal. The local portion of funding is derived from taxes on local property wealth. The tax rate is set by the school board that serves their school district. The federal portion is directed for specific programs such as child nutrition, special education, technology funding.⁴⁰³ Federal funding made up approximately 11.5 percent of district revenue during the 2005-06 school year.⁴⁰⁴

In 2007, the state legislature appropriated \$50.3 billion towards public education for the 2008-09 biennium. The funding, which represented a \$12.8 billion, or 34 percent,

increase over the 2006-07 biennium, was appropriated to the Texas Education Agency, the state agency that manages Texas' public education system.⁴⁰⁵ \$14.2 billion worth of this funding was dedicated to fund school district property tax relief.⁴⁰⁶

Of the \$50.3 billion in total funding, \$31.5 billion is paid from the General Revenue Fund, which serves as the state's primary operating fund.⁴⁰⁷ The General Revenue Fund is comprised of revenue raised by the state from the state sales tax, the franchise tax, motor vehicle sales taxes, alcohol and tobacco taxes, the oil production tax, the natural gas tax, and motor fuel taxes. Additionally, proceeds from the Texas lottery are considered part of the General Revenue Fund and dedicated to public education. However, of the \$50.3 billion in public education funding, lottery proceeds account for only \$2.07 billion, or 4 percent.⁴⁰⁸ The chart below, *Texas Lottery Expenditures, 2007*, demonstrates how money collected from the lottery is spent:

Texas Lottery Expenditures, 2007



* Unclaimed lottery money goes to fund other state programs.
 Source: Texas Lottery Commission⁴⁰⁹

While the state's appropriations to public education have increased over time, most of the increases in public education spending, until recently, have come from local tax revenue, which is entirely funded by the school district property tax. As the chart *State and Local Revenue for Texas Public Schools* shows on the next page, in 2000 the state share was 47.0 percent of local and state education spending. By 2006, that percentage had dipped to a mere 33.8 percent.

**State and Local Revenue for Texas Public Schools
In Millions**

Fiscal Year	Local	State	Total	% State Share
2000	\$11,717.4	\$10,391.4	\$22,108.8	47.0
2001	\$13,336.6	\$10,247.6	\$23,584.2	43.5
2002	\$14,430.0	\$9,720.3	\$24,150.3	40.2
2003	\$15,777.4	\$10,381.6	\$26,159.0	39.7
2004	\$16,631.4	\$9,774.0	\$26,405.4	37.0
2005	\$17,548.7	\$10,454.0	\$28,002.7	37.3
2006	\$19,912.8	\$10,147.7	\$30,060.5	33.8
2007	\$20,322.7	\$13,338.2	\$33,711.0	39.7
2008*	\$17,706.3	\$17,656.9	\$35,363.2	49.9
2009*	\$19,219.6	\$17,657.6	\$36,877.2	47.9

*Estimated

Source: Legislative Budget Board⁴¹⁰

In 2006, however, legislation required school districts to lower their maintenance and operations tax rates by 11.3 percent in 2007 and 33.3 percent in 2008. The Legislature then replaced the lost local revenue with state aid. This change increased the state share of school finance to just below 40 percent in fiscal year 2007 and to an estimated 49.9 percent in fiscal year 2008, the highest percentage of state aid since 1985.⁴¹¹

Although total spending has increased significantly in recent years, per student spending in Texas still falls well below the national average. As the chart, *Public School Expenditures Per Enrolled Pupil, 15 Most Populous States*, on the following page demonstrates, Texas ranks 43rd nationally and spent over \$1,500 less per student than the national average.

Public School Expenditures Per Enrolled Pupil, 15 Most Populous States
2005-06 School Year

State	Total Per Pupil	National Ranking
New Jersey	\$13,781	1
New York	\$13,551	2
Pennsylvania	\$10,711	10
Ohio	\$10,034	13
Michigan	\$9,880	16
Illinois	\$9,456	20
Virginia	\$9,275	21
U.S. AVERAGE	\$9,100	
Indiana	\$8,935	22
Georgia	\$8,534	26
California	\$8,486	28
Washington	\$7,958	34
Florida	\$7,762	40
North Carolina	\$7,675	42
Texas	\$7,547	43
Arizona	\$5,585	49

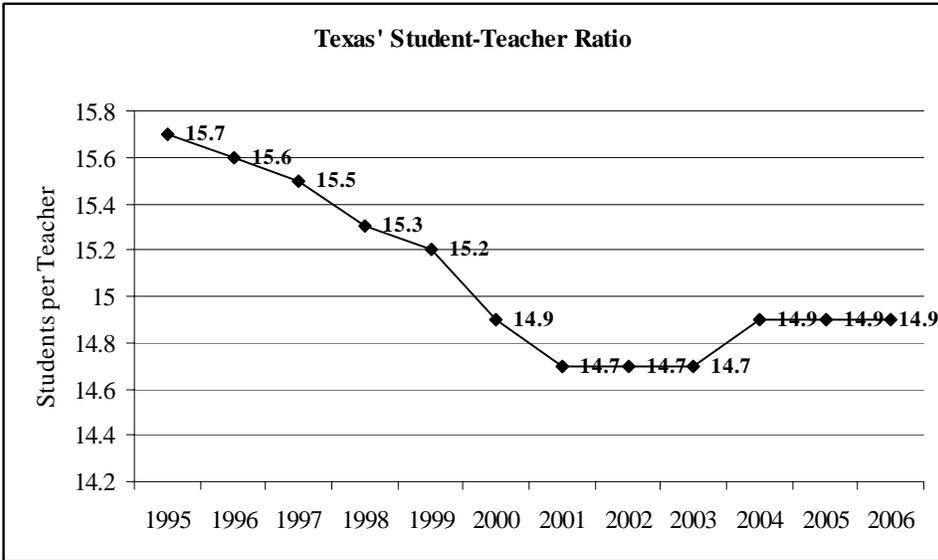
Source: Legislative Budget Board⁴¹²

Rising Costs of Education

There are various uncontrollable factors that contribute to the rising cost of public education in Texas including population growth, rising construction and fuel costs, increased accountability standards.

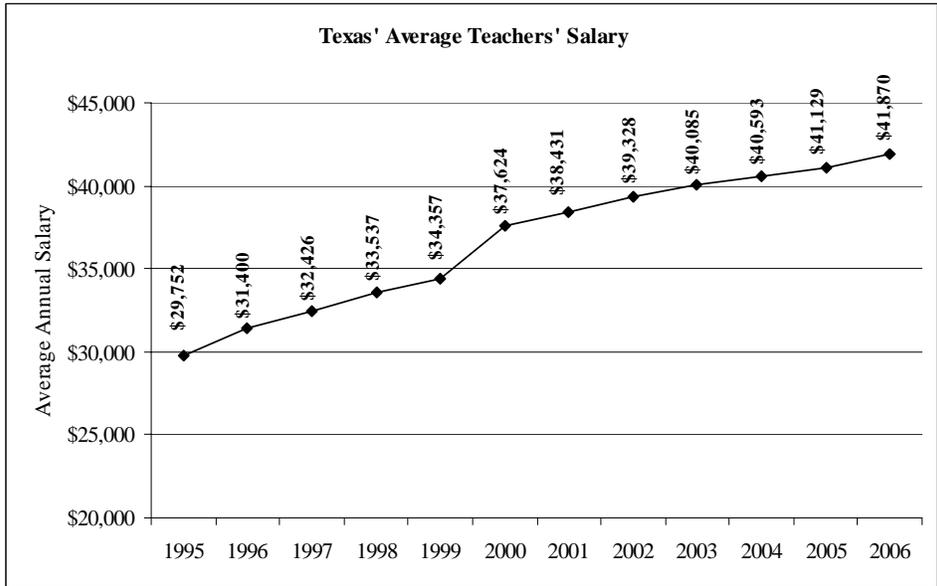
Texas ranks second behind only California among the 50 states and the District of Columbia in the number of students enrolled in public schools.⁴¹³ From Fall 1996 to Fall 2005, Texas experienced a 17.7 percent nine-year growth rate, fourth highest among the 15 most populous states.⁴¹⁴ As you add more students to the public education system, the cost obviously rises. The rising cost of energy also severely impacts Texas school districts, as busses must be fueled and schools must be heated and cooled.

Accountability standards and high academic expectations also contribute to the rising cost of education. The chart on the next page, *Texas' Student-to-Teacher Ratio*, shows that the student-to-teacher ratio in public schools has declined from seventeen students per teacher in 1988 to less than fifteen students per teacher in 2007.⁴¹⁵ Texas law requires that grades kindergarten through fourth grade are limited to 22 students a class.⁴¹⁶ In order for school districts to provide smaller classes, they must provide additional classrooms and hire additional teachers.



Source: Texas Education Agency⁴¹⁷

The need for increased teachers' salaries also contributes to the rising cost of education. Districts must offer attractive salaries in order to compete with the private industry for the limited pool of teachers and staff. As the chart *Texas' Average Teachers' Salary* shows on the following page, average teachers' salaries have steadily increased in Texas during the past decade.



Source: Texas Education Agency⁴¹⁸

Even with the increases, however, Texas' average teachers' salaries still rank below the national average. Many school districts face competition not only with the private sector, but also with other states in their efforts to attract educated and talented people to the teaching profession. According to the National Education Association, in the 2005-06 school year, Texas' average teacher salary was \$41,744—\$9,282 less than the national average.⁴¹⁹ Average teacher salaries in Texas rank 34th among the states and last among the 15 most populous states.

Average Teacher Salaries, 15 Most Populous States
2005-06 School Year

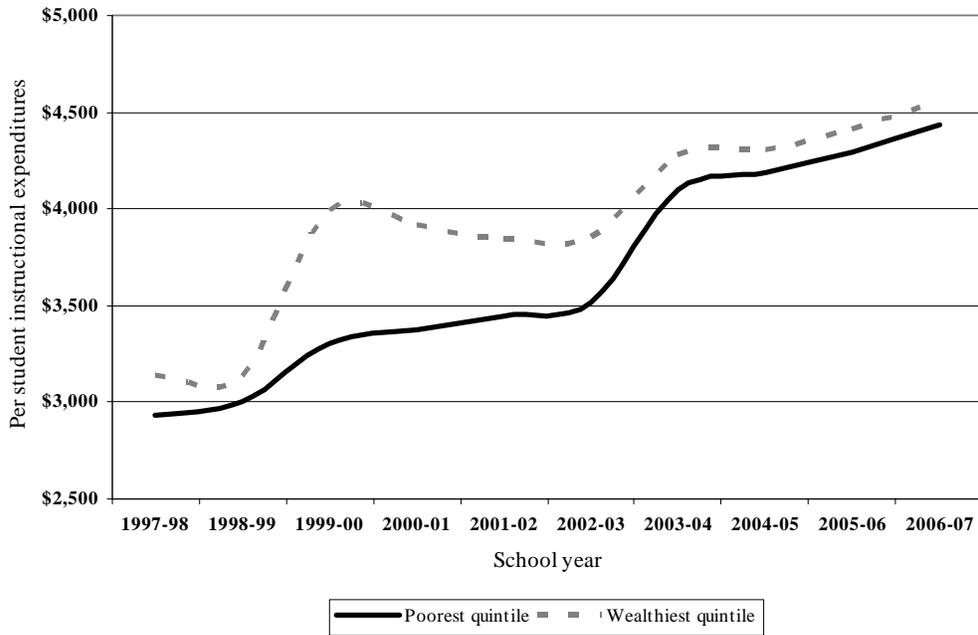
State	Total Per Pupil	National Ranking
California	\$59,825	1
Illinois	\$58,686	3
New Jersey	\$58,156	4
New York	\$57,354	5
Michigan	\$54,739	7
Pennsylvania	\$54,027	11
Ohio	\$50,314	13
Georgia	\$48,300	17
Indiana	\$47,255	18
Washington	\$46,326	21
Arizona	\$44,672	23
North Carolina	\$43,992	26
Virginia	\$43,823	27
Florida	\$43,302	28
Texas	\$41,744	31

Source: Legislative Budget Board⁴²⁰

Disparities in Public School Finance

Public school finance has always been a major issue facing Texas. But within the school finance issue there has been the question of how to ensure that all Texas children are well-educated while funding that education through a local property tax. Because property wealth is not evenly distributed across the geography of the state, some school districts had the advantage of taxing a larger tax base than others. In essence these districts are property-wealthy, relative to other school districts that do not have as large a tax base. This has led to some school districts being able to provide a more comprehensive and rigorous education for their students than other school districts. The chart below, *Per Student Instructional Expenditures*, highlights the difference in per student instructional expenditures between the wealthiest quintile of school districts and the poorest quintile of school districts.

Per Student Instructional Expenditures
Property Wealthiest Quintile v. Property Poorest Quintile



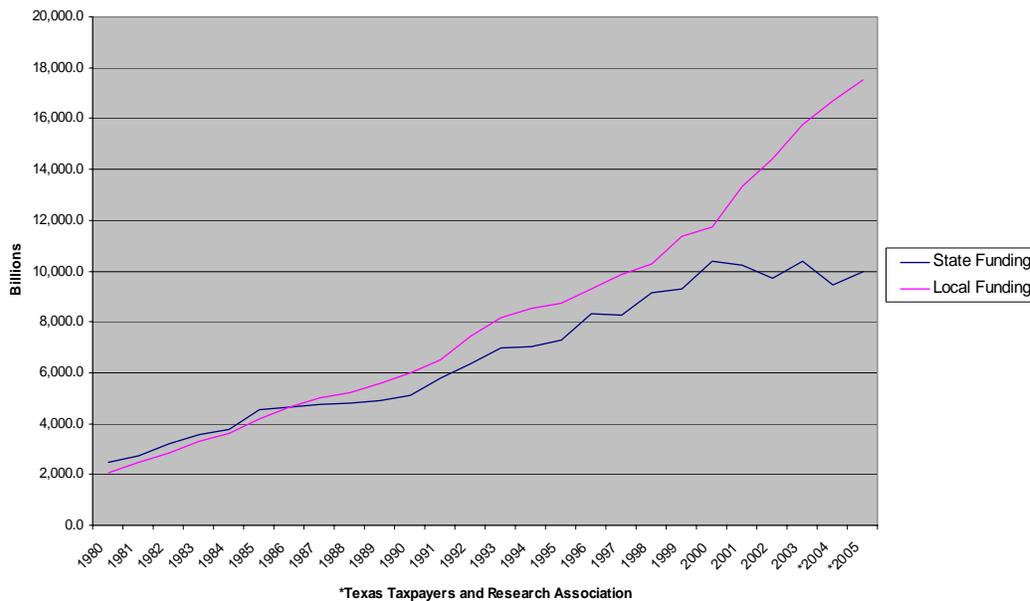
Source: Texas Education Agency⁴²¹

As a result, a series of legal challenges were raised against the state’s school finance system to force the state to provide more equitable public school funding. These challenges resulted in the Texas Supreme Court ruling that at a minimum, "districts must have substantially equal access to similar revenues per pupil at similar tax effort."⁴²²

In response to that decision the state developed a school finance system that took into account the characteristics of the districts themselves, such as size, as well as the characteristics of the students each district educated, such as a student’s risk of dropping out. This formula driven system made use of recapture, also known as “Robin Hood,” that requires school districts over a certain threshold of property-wealth to share their property-tax revenue with property-poor districts.

This system works well. However, as can be seen in the chart below, beginning in the year 2000, the state failed to provide increased funding for public education and instead used increases in property values at the local level to fund increased costs in public education from factors such as increased state requirements, enrollment growth, and inflation. In order to make up for the lack of state support, many school districts gradually raised their local tax rates to or near the maximum of \$1.50 per \$100 of property valuation.

Twenty Five Years of State and Local Funding for Texas Public Schools



In 2001, both property-wealthy and property-poor school districts sued the state, alleging that they were forced to adopt higher rates in order to meet state requirements and therefore the local property tax had become a *de facto* state property tax, which is prohibited by the Texas Constitution.⁴²³ Other districts joined the suit, alleging that the state had failed to support an adequate level of funding. They point to the provision in the Texas Constitution that requires the state to “make suitable provision” for an education system that ensures “a general diffusion of knowledge.”⁴²⁴ On November 22, 2005, the Texas Supreme Court, in a 7-1 opinion, found that the school finance system had evolved into an unconstitutional state property tax and gave the Texas Legislature a deadline of June 1, 2006 to correct the constitutional violation.

In response, the 79th Legislature entered what was then the fourth special session on public education finance to address the opinion of the Supreme Court. That session eventually passed House Bill (HB) 1, which made adjustments to the state school finance system that included provisions to increase equity and infused additional state dollars into the system to reduce the local property tax to \$1.00 per \$100 of the value of a property.

However, because it was possible under the new finance system, established under HB 1, for some school districts to receive less funding than they were receiving prior to the passage of HB 1, the Legislature enacted a “hold-harmless” provision in the bill. The hold-harmless provision basically assured that no district would receive less money per student in future years than it did in either the 2005-06 school year or the 2006-07 school year, whichever provided higher funding levels. However, this provision

was meant to be temporary until the state was able to provide formula funding in excess of the amounts districts received through the hold-harmless funding levels.

As a result, the school finance system established under HB 1 has not been fully implemented and school districts are currently funded through hold-harmless funding. No mechanism was established in HB1 to eliminate the hold-harmless funding method, nor has the state provided additional funding above those levels established in the hold-harmless. This has led to a complete abandonment of a formula driven school finance system, and little rhyme or reason as to the funding levels a district receives. The chart below, *Target Yields by Wealth*, shows the wide-ranging and almost random levels of funding school districts receive through the hold-harmless provision despite the fact that all districts are evaluated using identical criteria. For example, for the 2007-08 school year, Clint ISD's maintenance and operations revenue on a weighted average daily attendance (WADA) basis is \$5164 per student. In Highland Park ISD, however, they receive \$5906 per student. This allows Highland Park to access much more revenue than Clint. Clearly, the return to a formula driven, equitable school finance system is one of the single biggest challenges facing public school finance in Texas today.



An enrichment tier also exists in addition to the hold-harmless funding portion. The enhancement tier provides an enhanced state guaranteed yield on additional pennies levied at a district's discretion.⁴²⁵ State aid guarantees that school districts will generate the same amount per penny per WADA as Austin ISD—up to four pennies in fiscal year 2008 and six pennies in fiscal year 2009. The Austin ISD yield is estimated by TEA to be \$46.94 in fiscal year 2008 and \$50.98 in fiscal year 2009.⁴²⁶ Funding generated above

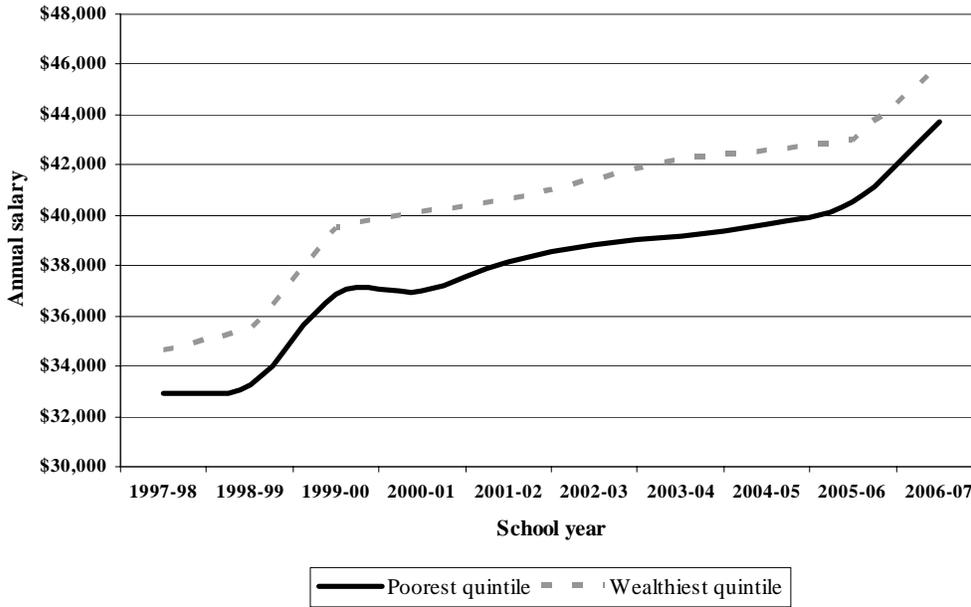
the Austin ISD yields are not subject to recapture, a provision of the school finance system which requires districts to give the state locally collected property tax revenue for redistribution to less wealthy districts. If these pennies were not equalized to the Austin ISD level, Clint ISD's per penny yield would be only \$4.74 per penny per WADA. Highland Park ISD, however, is able to raise \$141.98 per penny per WADA, thus exacerbating the inequity already present from the differences in the revenue generated per student.

The first four of these pennies, which if accessed would raise the local property tax to \$1.04 per \$100 valuation, can be accessed by a school board without the need for a vote by the district's residents. Beyond those four pennies and up to the maximum of 17, however, a vote called a "rollback" election is required to access the remaining 13 pennies of the 17-penny enrichment tier. Those 13 pennies (11 in 2009) are equalized at \$31.95 per penny per WADA, a figure set in statute.⁴²⁷

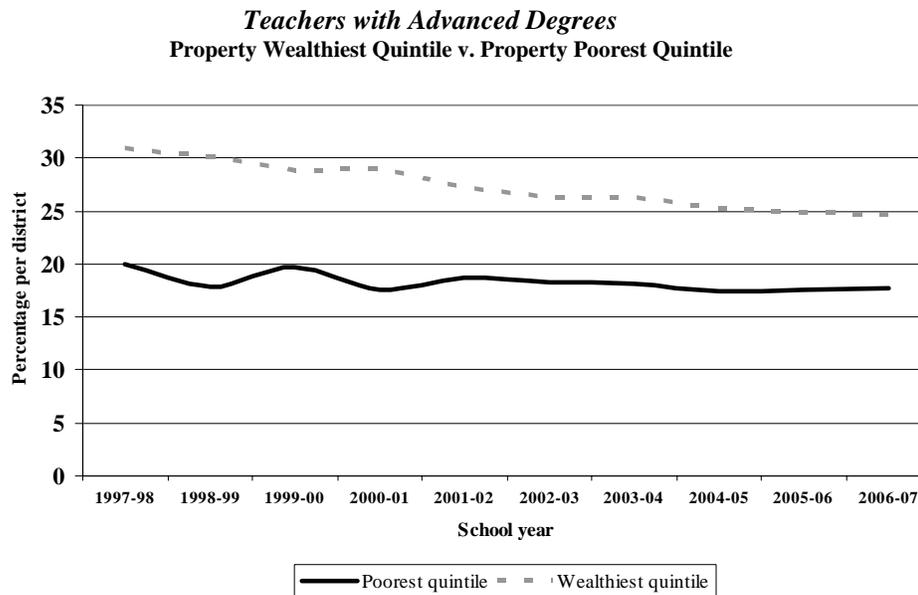
The Impact on Public Education

Funding disparities have a huge impact on teacher and student performance. As the charts *Average Annual Salary for Teachers* and *Teachers with Advanced Degrees* show, the extra money spent by property-wealthier districts provides them with the opportunity to pay their teachers more, which means that they can also afford to hire teachers with advanced degrees.

Average Annual Salary for Teachers
Property Wealthiest Quintile v. Property Poorest Quintile



Source: Texas Education Agency⁴²⁸



Source: Texas Education Agency⁴²⁹

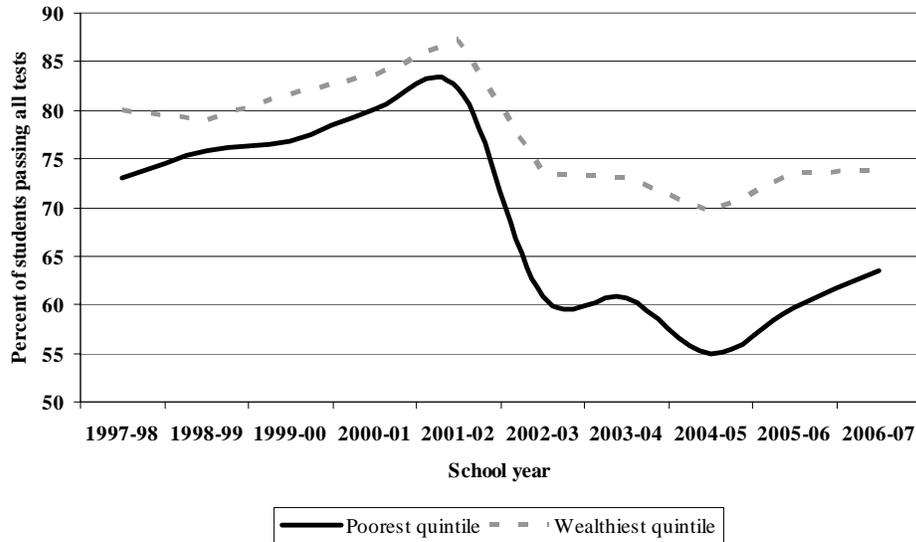
Teacher quality in low-income and high-minority districts and schools continues to be a major issue. In February 2008, The Education Trust released a study showing that “Hispanic, African-American, and low-income students are less likely to be assigned to teachers who know their subject matter, less likely to be in classrooms with experienced teachers, and less likely to attend schools with a stable teaching force.”⁴³⁰

The Borderlands, which are predominantly Hispanic and suffer from high poverty rates, are thus detrimentally affected by the lack of experienced teachers.⁴³¹ Brand new teachers have been found to be less effective in helping their students meet state standards when compared to teachers with only a few years experience.⁴³² Further, researchers have shown that “having a high-quality teacher throughout elementary school can substantially offset or even eliminate the disadvantage of a low-socioeconomic background.”⁴³³ Unfortunately, 42 of Texas’ 50 largest school districts disproportionately place brand new teachers in high-poverty and high-minority schools.⁴³⁴ Throughout the state, Texas must make efforts to ensure that high-quality, experienced teachers are placed in schools where they are most needed.

Because higher revenue provides property-wealthy districts the opportunity to supply their schools with greater academic resources, including more experienced teachers, these districts also enjoy greater educational outcomes. As the chart

Performance on the TAAS and TAKS shows, when compared to students in property-poor districts, students in property-wealthy districts performed better on the Texas Assessment of Academic Skills (TAAS) and Texas Assessment of Knowledge and Skills (TAKS), the assessment test that replaced the TAAS in 2003. The large decline in the passage rate from the 2001-02 school year to the 2002-03 school year can likely be attributed to the transition for the students from the TAAS to the TAKS.

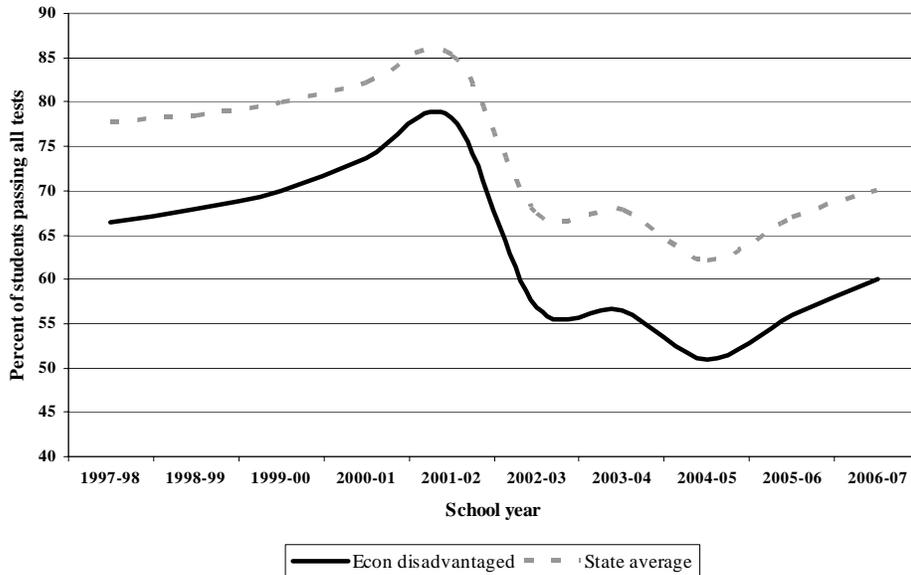
Performance on the TAAS and TAKS
Property Wealthiest Quintile v. Property Poorest Quintile



Source: Texas Education Agency⁴³⁵

Family poverty, along with other factors, helps to determine educational outcomes. The chart *The Effect of Poverty on Test Scores* on the following page examines the performance gaps between economically disadvantaged students and the statewide average by comparing the percent of student in each group that passed all of the TAAS and TAKS subjects. Over the past decade, economically disadvantaged students have consistently lagged behind the state average by 7 to 10 percentage points.

The Effect of Poverty on Test Scores
Economically Disadvantaged Students v. Statewide Average



Source: Texas Education Agency⁴³⁶

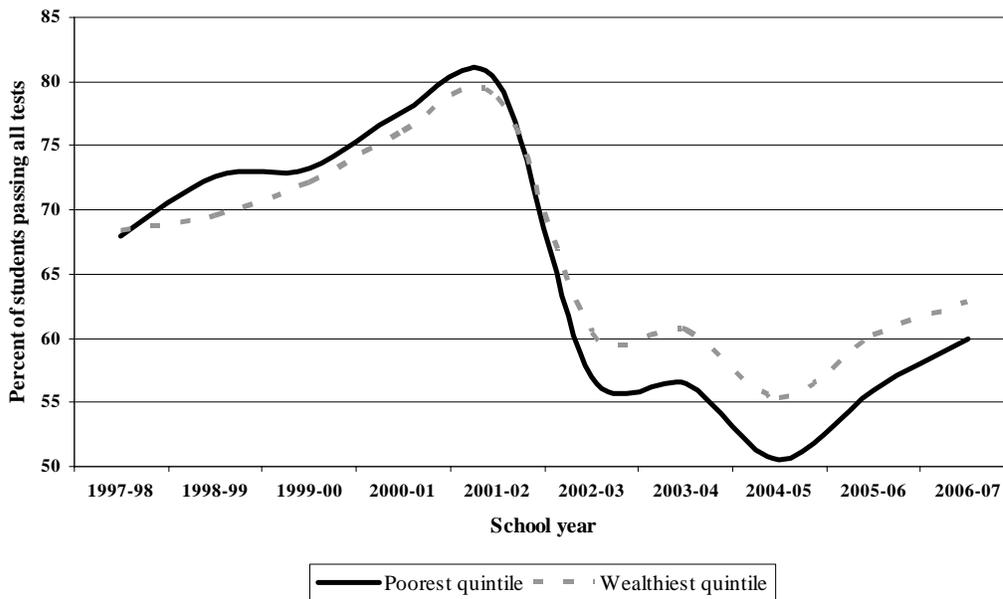
Districts with high concentrations of economically disadvantaged students need additional financial resources for the educational challenges they face, such as providing more instruction time, recruiting and training highly-effective teachers, and purchasing the most up-to-date technology and materials. Despite this need, a recent study by The Education Trust found that Texas was one of 16 states nationwide where funding equity actually decreased between high- and low-poverty districts from 1999 to 2005.⁴³⁷

This fact is significant for schools in the Borderlands region since the area is comprised of a much higher percentage of low-income students than the average Texas school district. The two Education Service Centers that serve most of the Borderlands region include Region 1 (Cameron, Hidalgo, Jim Hogg, Starr, Webb, Willacy, and Zapata counties) and Region 19 (El Paso and Hudspeth counties). Since the mid-1990s, more than 80 percent of the students in Region 1 were considered “economically disadvantaged,” as were at least 70 percent of the students in Region 19, compared to a

current statewide average of 55 percent.⁴³⁸ Economically disadvantaged students are those who are reported as eligible for free or reduced-price meals under the National School Lunch and Child Nutrition Program, or other public assistance.⁴³⁹

The chart *Hispanic Students' Performance on the TAAS and TAKS* further illustrates the effect of district property-wealth on education. Although Hispanic students in property-wealthier districts performed the same or slightly worse on the TAAS test than Hispanic students in property-poorer districts, that trend ended with the transition to the TAKS exam. Now, Hispanic students in property-poorer districts pass all TAKS subjects at a rate between 3 to 5 percentage points lower than Hispanics in property-wealthier districts.

Hispanic Performance on the TAAS and TAKS
Property Wealthiest Quintile v. Property Poorest Quintile



Source: Texas Education Agency⁴⁴⁰

Early Childhood Education and Dual Language Immersion

In addition to quality teachers, poll after poll shows that registered voters in Texas want public schools to have rigorous academic programs, technology and modern facilities, small classes and well-rounded programs.⁴⁴¹ For instance, research shows that children who receive an early childhood education have better attendance in school, less need for remediation, higher scores on standardized tests, are more likely to graduate from high school, and have lower unemployment rates than children who do not participate in an early childhood program.⁴⁴² The state, therefore, has compelling reasons to increase the number of children enrolled in early childhood education programs and

encourage the development and enrichment of young children at home and in other settings.

As the chart below, *2005-2006 Enrollment*, shows, the first grade enrollments for some of the largest school districts in the state - Austin, Dallas, El Paso, Houston, and Cypress-Fairbanks Independent School Districts (ISDs) - ranged from 40 to 82 percent Hispanic.⁴⁴³ From 30 to 48 percent of these first grade classes were classified as Limited English Proficient (LEP), the term for students with limited English language skills.⁴⁴⁴ The data for these school districts represents a growing statewide trend that will pose significant challenges to educators of children who must learn in a language other than which is spoken primarily in the home.

First Grade Enrollment at Selected Texas Districts, 2007-08 School Year

07-08	1st Grade Enrollment	LEP Student Count	LEP %	Hispanic Student Count	Hispanic %
AUSTIN ISD	7273	2953	40.6%	4486	61.7%
DALLAS ISD	14633	7067	48.3%	10039	68.6%
EL PASO ISD	4816	2265	47.0%	3957	82.2%
HOUSTON ISD	17817	8130	45.6%	11242	63.1%
CYPRESS-FAIRBANKS ISD	7618	2403	31.5%	3047	40.0%

Source: Texas Education Agency⁴⁴⁵

Dual language immersion programs provide instruction in both English and the native language of the non-English speaking students. These programs promote bilingualism, biliteracy and grade-level academic achievement by placing both native English-speaking and non-English speaking students together in one classroom. In a study by Wayne Thomas and Virginia Collier, 700,000 records of students in various bilingual education programs were examined. The study found that those students who received grade-level cognitive and academic instruction in both their first and second languages for many years were succeeding at the end of high school.⁴⁴⁶ In fact, non-native English speakers in dual language programs were found to outperform native English speakers in standardized tests by the eighth grade.⁴⁴⁷

Educational Attainment

The Texas Borderlands lag behind the rest of the state in educational attainment. In the Texas Border region, 33.6 percent of residents age 25 or older had fewer than nine years of education, as compared to 24.3 percent of the state as a whole.⁴⁴⁸ Only 11.2 percent of the Border region population have a bachelor's degree and only 6.3 percent have a postgraduate degree, while the state average for adults with a bachelor's degree is 15.6 percent and postgraduate degree is 7.6 percent.⁴⁴⁹

Educational Attainment Levels in the Borderlands

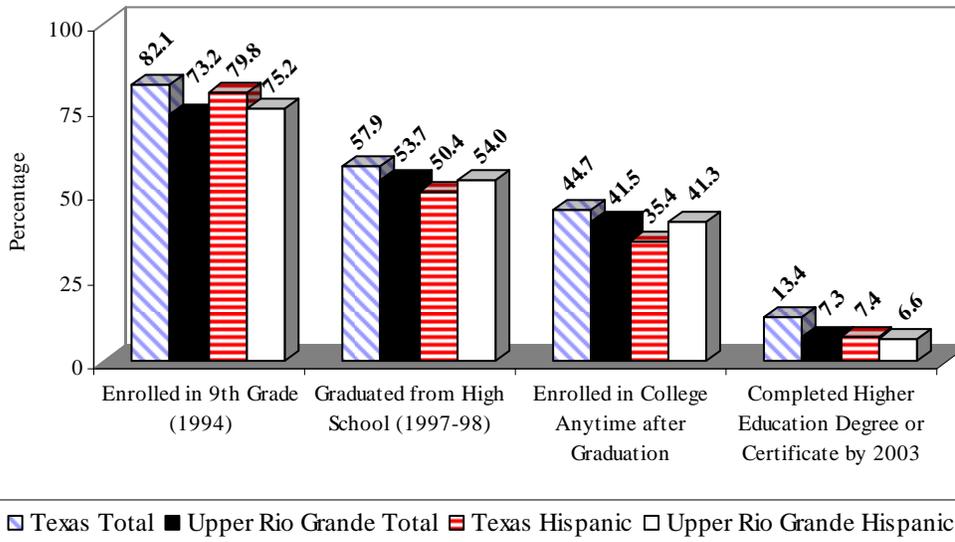
Population (25 yrs. and older)	43-County Texas Border	Texas	211-County Non-Border
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	Region		Region
Without a High School Diploma	33.6%	24.3%	22.2%
With Some College But No Degree	20.7%	22.4%	22.7%
With an Associate's Degree	4.9%	5.2%	5.3%
With a Bachelor's Degree	11.2%	15.6%	16.6%
With a Post-Graduate Degree	6.3%	7.6%	7.9%

Source: Texas Comptroller of Public Accounts⁴⁵⁰

The chart below, *Educational Pipeline*, highlights the disparities in educational attainment when you compare Texas and the Upper Rio Grande Region. The Upper Rio Grande Region, as defined by the Texas Higher Education Coordinating Board, consists of El Paso, Hudspeth, Culberson, Jeff Davis, Presidio, and Brewster counties. The chart further illustrates the need to raise the educational attainment of Texas' Hispanic population, which will be the source of the majority of population growth in the state over the foreseeable future.⁴⁵¹

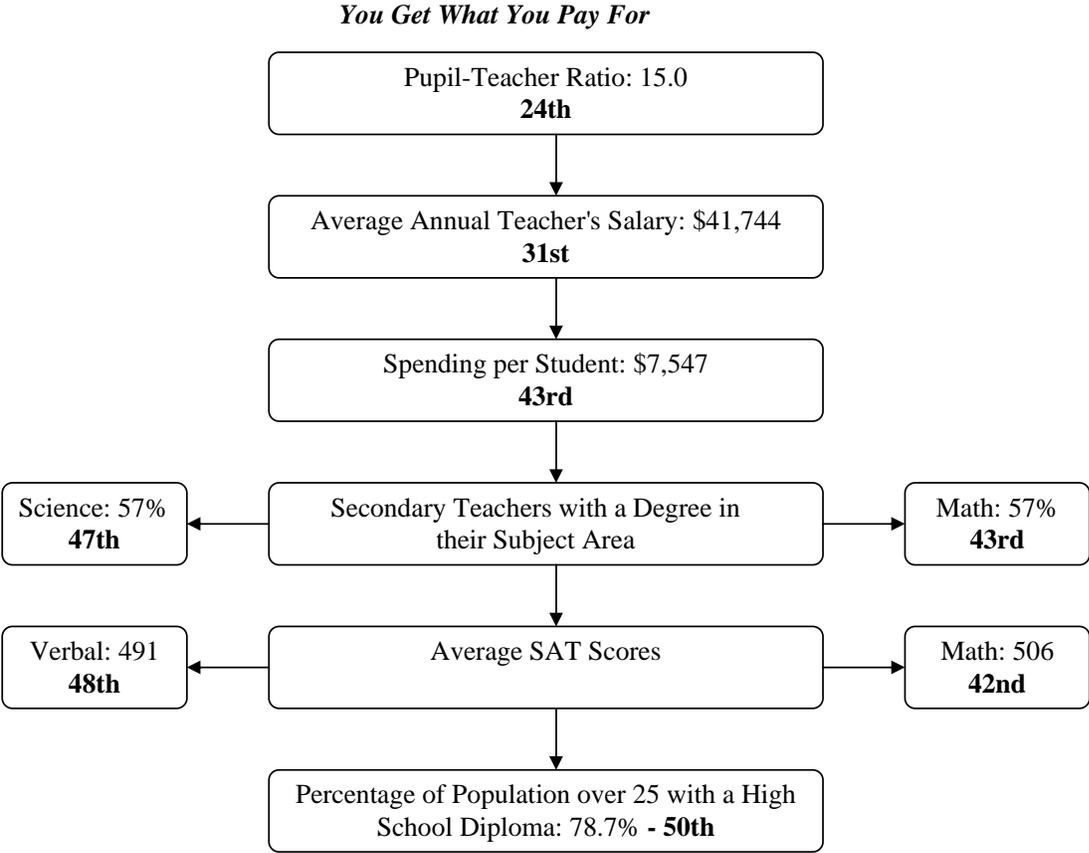
Educational Pipeline
Academic Year 1992 7th Grade Cohort Tracked Through Academic Year 2003 Higher Education
Texas v. Upper Rio Grande Region



Source: The National Center for Higher Education Management Systems⁴⁵²

In order for Texas to provide an education that prepares its students to compete in the new knowledge-based 21st century economy, it must find ways to improve education outcomes. However, all of these demands add to the cost of providing a quality

education and create enormous pressure on school districts' budgets each year. As the chart, *You Get What You Pay For*, on the following page shows, Texas currently ranks 50th in the nation for the percentage of population over 25 that have their high school diploma. In addition, Texas ranks 42nd in math and 48th in verbal when compared to average national SAT scores.⁴⁵³ As a result of these poor academic indicators, the economy is negatively impacted because companies that want well-educated, skilled workers will not locate in a state where high school students do not graduate or perform well on the SAT.



Sources: U.S. Department of Education⁴⁵⁴; Legislative Budget Board⁴⁵⁵; Legislative Budget Board⁴⁵⁶; U.S. Department of Education⁴⁵⁷; College Board⁴⁵⁸; U.S. Census Bureau⁴⁵⁹

Conclusion: Equity in Education Works for All Texans

The provisions to increase equity provided through the school finance plan passed in 2006 has the potential to help property-poor school districts with increased funding. Until that plan is fully implemented, however, and school districts are not forced to rely on hold-harmless funding, it will be difficult to realize system-wide gains in equity. Make no mistake, however: increased funding is needed. All school districts, and especially property-poor districts, need funding to decrease class sizes, pay for high-quality, experienced teachers, and implement the latest technology to improve education standards in their schools. Equitable school funding helps ensure that factors such as a child's race, language, family income, and where she resides are not barriers to a great education.

This is especially significant in light of future trends in public education. In the 2007-08 school year, Hispanics comprised 46 percent of the total student population and were the largest ethnic group enrolled in Texas public schools.⁴⁶⁰ The second largest ethnic group, whites, comprised only 36 percent of enrollment.⁴⁶¹ By the year 2040, the former state demographer, Dr. Steve Murdock, predicts that Hispanics will comprise 66.3 percent of the public school enrollment in Texas.⁴⁶² Further, enrollment in selected school programs is also expected to increase by the year 2040. Bilingual education programs will increase by 187 percent, Limited English Proficiency classes will increase by 188 percent and the number of economically disadvantaged students will increase by 120 percent.⁴⁶³

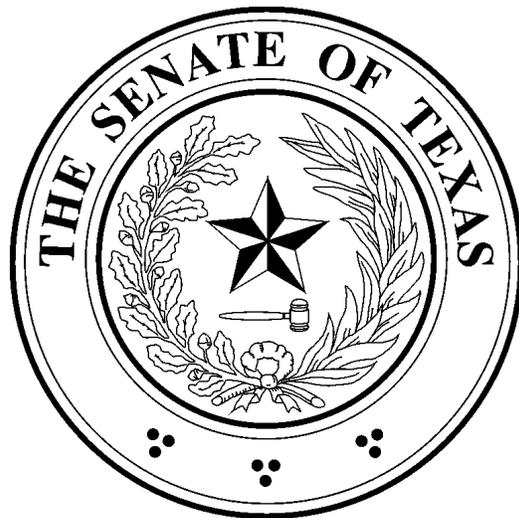
The educational attainment levels of Hispanics in Texas, however, show that in 2000 only 49.3 percent of the Hispanic population were high school graduates.⁴⁶⁴ Because of this significant projected impact on population, Dr. Murdock has stated:

*If the current relationships between minority status and educational attainment, occupations of employment, and wage and salary income do not change in the future from those existing in 1990, the future workforce of Texas will be less educated, more likely to be employed in lower-level state occupations, and earning lower wages and salaries than the present workforce.*⁴⁶⁵

In order to ensure Texas' future prosperity, the state must continue to provide public schools with the resources to meet the needs and successes of all students.

Texas Borderlands 2009

The Environmental and Economic Consequences of Border Industrialization

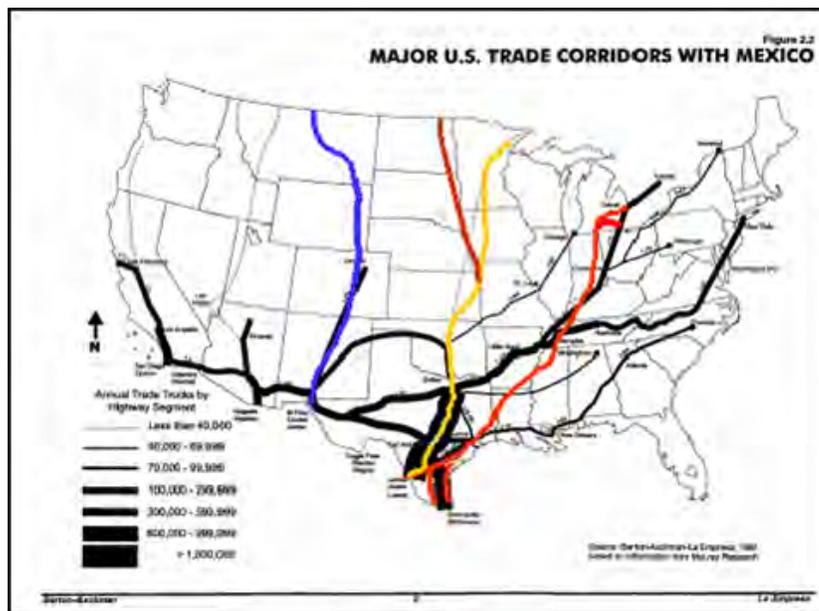


Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
May 2008

Introduction

The North American Free Trade Agreement (NAFTA) was implemented in January 1994, removing many barriers to trade between the U.S., Mexico, and Canada. As a result of NAFTA, trade and investment have increased dramatically in the Texas Borderlands. As a part of the NAFTA environmental agreements, institutions such as the Border Environment Cooperation Commission (BECC), and the North American Development Bank (NADB) were established, and Environmental Protection Agency (EPA) Border offices were put in place. In addition, the EPA and its Mexican counterpart have developed a series of plans designed to improve environmental conditions along the U.S.–Mexico Border.

The question remains, however, what strain on the Border's environmental infrastructure has been brought about by the industrialization of the region? While experts' answers differ, it is clear that the burden on environmental infrastructure and institutions has been enormous. Many critics argue that the mechanisms set up to deal with the consequences of industrial and population growth have proven to be woefully inadequate. And although the effects are felt most acutely on the Border, the chart *Major U.S. Trade Corridors with Mexico* shows that NAFTA has had an impact throughout the United States.



This chapter examines the history of trade liberalization in the Border region, binational institutions developed to address the resulting environmental stress, and finally, an overview of environmental and economic conditions along the Border in the post-NAFTA era.

History of Border Industrialization

In the early 1990s, some cities lacked wastewater treatment facilities, and millions of gallons of untreated sewage fouled waterways and beaches along the Border. In Ciudad Juarez, 55 million gallons of raw sewage per day were released into the Rio Grande. A sizeable population of Border residents suffered from health problems, such as asthma and high blood lead levels. Emissions from vehicles, industrial sources, burning trash, residential heating, and dust from unpaved roads contributed to poor air quality. The chart *The U.S.-Mexican Border Environment* provides a brief overview of programs and legislation designed to assist those living in the Border region.

The U.S.-Mexico Border Environment

1889-1965	
1889	International Boundary Commission (IBC) created
1944	International Boundary and Water Commission (IBWC) created
1964	Maquiladora program initiated in Mexico
1965-1990	
1982	SEDUE (Mexican environmental agency) established
1983	Agreement on Cooperation for the Protection and Improvement of the Environment in the Border Area (La Paz Agreement) signed
1986	Mexico joins the General Agreement on Tariffs and Trade (GATT)
1988	Mexico General Law for Ecological Equilibrium and Environmental Protection enacted
1990	U.S.-Mexican Border environmental working groups established
1990-1992	
1990	Presidents Bush and Salinas agree to pursue a North American Free Trade Agreement

1992	First U.S.-Mexico Border environmental plan (Integrated Border Environmental Plan for U.S.-Mexico Border Area) initiated Secretaría de Desarrollo Social (SEDESOL) created Good Neighbor Environmental Board created
1992-1993	Negotiations of NAFTA and environmental side agreements begin
1992 Early NAFTA Era	
1993	Negotiations of environment and labor side agreements begin The Commission on Environmental Cooperation (CEC), the Border Environment Cooperation Commission (BECC), and the North American Development Bank (NADB) established
1994	Mexico joins the Organization for Economic Cooperation and Development (OECD) President Zedillo administration begins, Secretaría de Medio Ambiente, Recursos Naturales y Pesca (SEMARNAT) created (Mexico's environmental agency)
1995	Staff and operating procedures established for CEC, BECC, and NADB
1996	Second Border environmental plan initiated: U.S.-Mexico Border XXI Program
1996	Mexico's General Ecology law revised
1998	<i>OCED Performance Review of Mexico</i> published
2000	<i>U.S.-Mexico Border XXI Progress Report</i> published U.S. Mexico Border Health Commission created
Post-2000	
2001	Third Border environmental plan, <i>Border 2012</i> , initiated
2004	President Bush signs H.R. 254, allowing for expansion of the NADB/BECC jurisdiction to include communities in Mexico up to 300 km from the Border.

Source: Southwest Center for Environmental Research and Policy

Against this backdrop, the United States, Mexico, and Canada negotiated a free trade agreement, which some advocates saw as an opportunity to enhance economic growth and generate new resources to address infrastructure and environmental problems on the Border. These problems, long recognized at the local level, gained national visibility as the trade debate intensified.

While certain mechanisms for improving Border environmental conditions have been put in place as a result of trade negotiations, the resources and scope of these mechanisms fall woefully short of what is needed. Expanded trade, population growth,

and increased industrialization continue to tax the already stressed Border environment, and efforts, leadership, and resources to address these consequences are inadequate.

The Maquiladora Program—A Precursor for Border Industrial Growth

Increased stress on the Border environment began soon after the Mexican maquiladora program began in 1964. Maquiladoras are product assembly factories, the majority of which are located in the Mexican Border region. The program has grown dramatically since its inception. The expansion of the maquiladora sector, however, occurred without corresponding development of basic infrastructure, such as water and wastewater treatment plants, municipal and hazardous waste management facilities, or roads. The maquiladoras are also a magnet for domestic migration. The population growth resulting from industrialization with its associated urban sprawl, congestion, waste, air pollution, and increased depletion of natural resources was a major source of environmental stress.⁴⁶⁶

The overall result of Border industrial expansion was serious pollution, as well as increased demand for land, energy, water and environmental services. These environmental consequences, however, were slow to draw the attention of the U.S. and Mexican governments. Within Mexico, there was a perception that its northern Border, with its low unemployment and relatively high wages, did not merit particular attention. Moreover, since virtually all tax revenue from the maquiladora sector is federal, the decisions on how to use the resources are not made in the Border region. Compounding the problem is the fact that, since materials are imported to the maquiladoras, the factories do not have local suppliers. There are comparatively few entrepreneurial opportunities to create locally generated profits that could be cycled back into these communities.

The 1983 La Paz Agreement

The 1983 agreement between the United States and Mexico for the protection and improvement of the environment in the Border area (known as the La Paz Agreement) established the first binational framework for cooperation on environmental issues. The U.S. EPA and Mexico's environmental counterpart, SEMARNAT, acted as the national coordinators of efforts to address Border environmental problems. Under the La Paz Agreement, a Joint Advisory Committee (JAC) made up of 20 members, 10 from each country, was created to make recommendations on improving air quality in the Paso del Norte air shed. Other formal workgroups comprised of federally appointed governmental and academic experts make additional policy recommendations concerning water, air, contingency planning, emergency response, hazardous waste, enforcement cooperation, and pollution prevention. However, because the La Paz Agreement lacks any formal venue into national policies, some critics continue to see it as more symbolic than practical.

Programs Negotiated with NAFTA

Integrated Border Environment Plan (IBEP) 1992-1994

The IBEP was the first binational federal initiative created under the assumption that increased trade liberalization would create additional stress for the Border environment. The plan was initiated in 1992 amid NAFTA negotiations. It proposed strengthening enforcement of environmental laws, increasing cooperative planning, expanding wastewater treatment facilities, and developing a computer tracking system on transboundary movement of hazardous wastes. Because the IBEP lacked an implementation plan, it was widely criticized as nothing more than a plan to plan. There was also concern that the plan's policies were dictated by the federal capitals, rather than by residents of the Border region.

Good Neighbor Environment Board (GNEB)

The Good Neighbor Environmental Board was created in 1992 to advise the President and Congress on environmental issues and infrastructure needs in the U.S. Border states. Board membership includes representatives from certain U.S. government agencies; Arizona, California, New Mexico, and Texas' state governments; and private organizations, including community development, academic, health, environmental, and other non-governmental entities. The board has made numerous recommendations, and while EPA workgroups and other Border institutions have implemented some of these recommendations, it does not have high visibility among federal officials.

The North American Free Trade Agreement (NAFTA)

NAFTA negotiators reached an initial agreement in August 1992. The task of selling NAFTA to the U.S. Congress fell to then President-elect Bill Clinton, who would take office in January 1993. As a candidate, Clinton had announced conditional support for NAFTA, dependent on the establishment of satisfactory side agreements on environment and labor. A statement that Clinton made in October 1992 at North Carolina State University became the basis of the U.S.' negotiating position for the environmental side agreements:

Before we implement the agreement, we must establish an environmental protection commission with substantial powers and resources to prevent and clean up water pollution. The commission should also encourage the enforcement of the country's own environmental laws through education, training and commitment of resources and provide a forum to hear complaints. Such a commission would have the power to provide remedies, including money damages and the legal power to stop pollution.⁴⁶⁷

NAFTA was the first major trade agreement between developed and developing countries and between partners with significant economic inequalities. NAFTA's primary goal was to promote trade and cross-Border investment by reducing tariffs and other barriers. The NAFTA Agreement included provisions concerning:

- tariff liberalization;
- rules of origin for content in manufactured goods;
- foreign investment;
- financial services;
- intellectual property;
- government procurement;
- trilateral side agreements on labor and the environment; and
- bilateral agreements on the Border environment.

However, NAFTA did *not* include:

- A labor agreement. Although some 63 professional occupations were able to move freely within the NAFTA region, there were no provisions for unskilled labor.
- An agreement to develop the human and physical capital of the poorer regions of the NAFTA areas to achieve convergence and full integration.
- A program for Border regional development to directly benefit Border residents.⁴⁶⁸

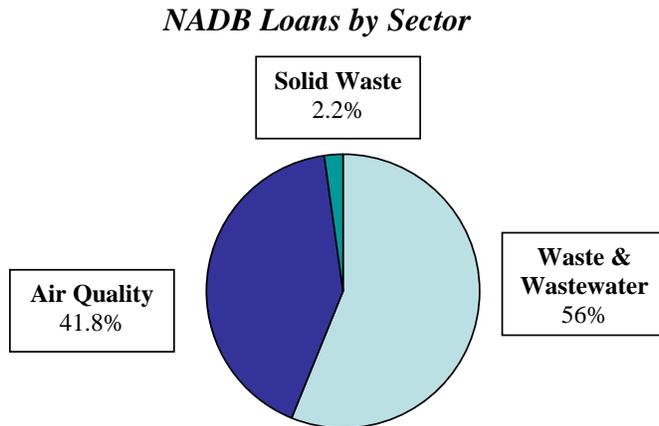
Many environmental and consumer groups feared that NAFTA would result in a reduction of U.S. environmental standards, or that companies would relocate to Mexico to reduce labor costs and avoid U.S. environmental regulations. Critics viewed Mexico as a pollution haven and argued that by promoting investments in Mexico with its limited enforcement of environmental and labor standards, NAFTA would exert a downward pull on environmental, labor and health standards throughout the region.

The Environmental Side Agreements

The Commission on Environmental Cooperation (CEC), which was created under the NAFTA side agreements, obligates countries to enforce their laws and regulations. Provisions of this agreement allow for citizen complaints when this obligation is not met. This side agreement also establishes a council of environmental ministers and an independent secretariat to assist in implementing the overall agreement, to manage dispute settlements, and to assess the environmental effects of NAFTA.

The Border Environment Cooperation Commission (BECC) was established to prepare and certify environmental infrastructure projects, and the North American Development Bank (NADB) was established to leverage private-sector capital for financing construction of BECC-certified projects. The institutional design of the BECC and the NADB was a departure from earlier approaches to binational infrastructure development, which previously had been largely administered through the International

Boundary Water Commission (IBWC). Since NADB has not had the full faith and credit of United States-backed loans, a common criticism is that the cost of money from that bank is higher than the market. This has severely restricted the flow of infrastructure money to Border communities with great need. The NADB was capitalized with \$225 million from each country and given the ability to draw on additional callable capital.⁴⁶⁹ The chart *NADB Loans by Sector* shows where the greatest environmental resources are invested as of December 2006.



The NADB was augmented in 1997 by the creation of the Border Environmental Infrastructure Fund (BEIF), which provides grants for water and wastewater projects. The NADB has also established an Institutional Development Program (IDP), which is primarily for utility capacity building.

The BECC, with headquarters in Ciudad Juarez, Chihuahua, was designated to assist local communities and other sponsors in developing and implementing environmental infrastructure projects and to certify projects for NADB financing. The BECC was augmented by grant funds from EPA for its Project Development Assistance Program (PDAP). To be certified by the board of directors, project sponsors must comply with general standards in several areas, including: (1) the environment and human health, (2) technical feasibility, (3) financial feasibility, (4) community participation, and (5) sustainable development. The chart *BECC Certification Criteria* further describes the criteria and requirements for BECC certification.

BECC Certification Criteria

Criteria	Brief Description of Requirements
Human Health & Environment	<ul style="list-style-type: none"> • human health and environmental need • environmental assessment • compliance with applicable environmental and cultural resource laws
Technical	<ul style="list-style-type: none"> • appropriate technology • operation and maintenance • compliance with applicable design regulations and standards
Financial & Project Management	<ul style="list-style-type: none"> • financial feasibility • fee/rate models • sound project management
Community Participation	<ul style="list-style-type: none"> • comprehensive community participation plan, including steering committee and public meetings to guarantee local community support
Sustainable Development	<ul style="list-style-type: none"> • compliance with principles of sustainable development • institutional and human capacity building • natural resource conservation • community development

Source: Southwest Center for Environmental Research and Policy

The federal governments of the U.S. and Mexico, recognizing that most communities in the Border area were not able to finance projects on their own, also committed to providing assistance for construction. As the BECC and NADB evolved, the U.S. government, through the EPA, made the decision to administer much of the U.S. portion of these appropriations through the BECC via its Project Development Assistance Program and the NADB.

Working alongside the BECC and NADB to ensure coordination is the Texas Commission on Environmental Quality (TCEQ). The TCEQ has a Division of Border Affairs to ensure that the BECC's certification process of Texas Border environmental infrastructure projects and the TCEQ's regulatory review of the projects are compatible.

Post-NAFTA Environmental Programs

Border XXI

The Border XXI Program was an effort to get the U.S. and Mexico to work cooperatively toward sustainable development through protection of human health and the environment as well as the proper management of natural resources in both countries. It is the follow-up program to the IBEP.

The principal goal of Border XXI was to promote sustainable development in the Border region by seeking a balance among social and economic factors, and

environmental protection in Border communities and natural areas. The central strategy of Border XXI consisted of three components: public involvement; decentralization of environmental management through state and local capacity building; and improved communication and cooperation among federal, state, tribal, and local government agencies. Border XXI defined five-year objectives for the Border environment, as well as mechanisms for fulfilling those objectives.

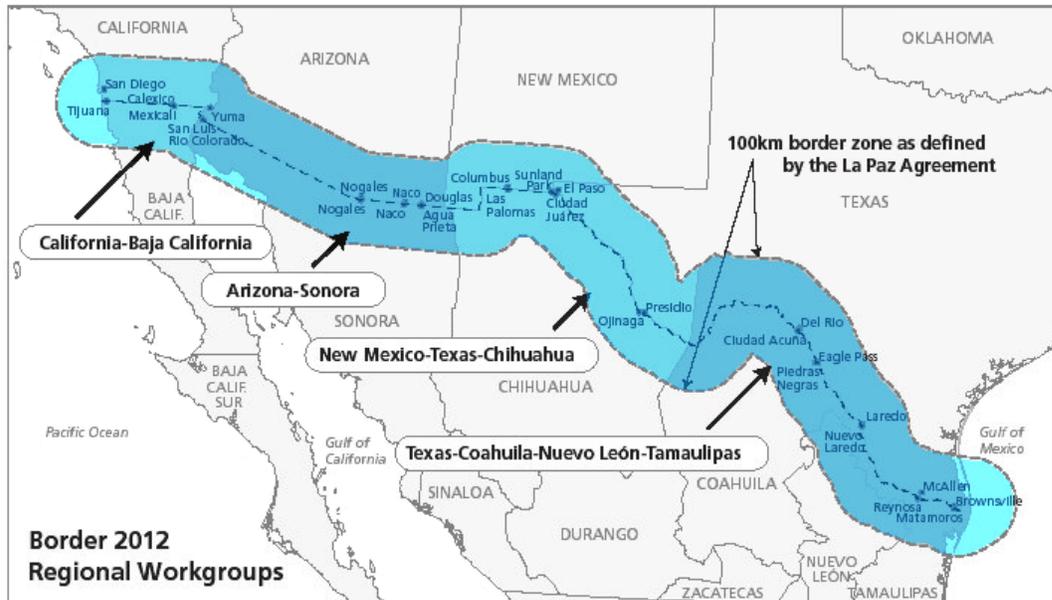
Nine binational Border XXI workgroups implemented the program by integrating the efforts of participating entities and defining specific projects to meet Border XXI objectives. Each workgroup operated under the guidance of a U.S. and Mexican co-chairperson. The workgroups ensured effective coordination of bilateral efforts by bringing together federal agencies from both countries with interests in a given issue.

Border 2012

Border 2012, the next iteration of the Border XXI program, was initiated in 2002. As a U.S.-Mexico binational partnership involving federal, state, local and U.S. tribal governments, the program's mission is to protect public health and the environment in the U.S.-Mexico Border region. The guiding principles behind Border 2012 are to:

- achieve concrete, measurable results;
- foster transparency and public participation;
- adopt a bottom-up approach for setting priorities and in decision-making;
- measure program progress;
- reduce the highest public health risks;
- recognize the sovereignty of U.S. tribes;
- recognize historical debt of indigenous peoples in Mexico;
- address disproportionate environmental impacts;
- improve stakeholder participation; and
- strengthen capacity.⁴⁷⁰

The program's specific goals are to reduce water contamination, air pollution, and land contamination; improve environmental health; reduce exposure to chemicals as a result of accidental chemical releases and/or acts of terrorism; and improve environmental performance through compliance, enforcement, pollution prevention, and promotion of environmental stewardship. As shown in the picture below, Border 2012 operates as a regionally-based program working to achieve a specific set of environmental and human health objectives. A three-tiered level of organization consisting of regional workgroups, local task forces and Border-wide policy forums carries out the programmatic work.



Stakeholders bring their perspectives to bear in the evaluation of projects proposed to address the environmental priorities within each region. The stakeholders represent local, state, tribal and federal governments, as well as communities, businesses, environmental organizations, academia and other interested entities. U.S. and Mexican federal agencies participate in regional workgroups. The regional workgroups are supported by local task forces.

Under the program, U.S. and Mexican federal agencies address issues that may be more effectively approached from a Border-wide perspective in a series of policy forums. This effort is led by the EPA, SEMARNAT (Mexico’s version of the EPA), the 10 Border states, 26 U.S. Border tribes, and other federal and state agencies. The Border 2012 program funds task forces, workgroups and policy forums on such topics as the integration of sustainable development principles into Border programs.

On the U.S. side, at the policy forums, citizens expressed a range of concerns including water quality and quantity, wastewater, power plants, unpaved roads, wood burning, exposure to pesticides and toxic metals, used-tire piles, and hazardous-materials transportation through populated areas. They called for solutions to air basin and watershed problems. Citizens generally supported the proposal for regional task forces but expressed concern about sufficient funding. Tribal participation, industry involvement, participation of natural resource agencies, and environmental education were also named as priorities. After revising the Border plan to reflect stakeholder input, the draft plan was finalized in 2003, and has been partially implemented.

In addition to the Border XXI and Border 2012 Programs, there is the Southwest Center for Environmental Research and Policy (SCERP). With the assistance of an

advisory council composed of experts from multiple disciplines, SCERP conducts research on the environment and develops Border policies to promote a higher quality of life for Border residents. In order to improve the environment and keep ecological systems intact, SCERP uses input from binational, state, tribal, and local policy-makers. SCERP is currently conducting numerous environmental studies dealing with such Border issues as agricultural burning, sewage treatment and levels of enteric disease, and thermoplastic waste in manufacturing in the El Paso-Ciudad Juárez Area.

Climate Change

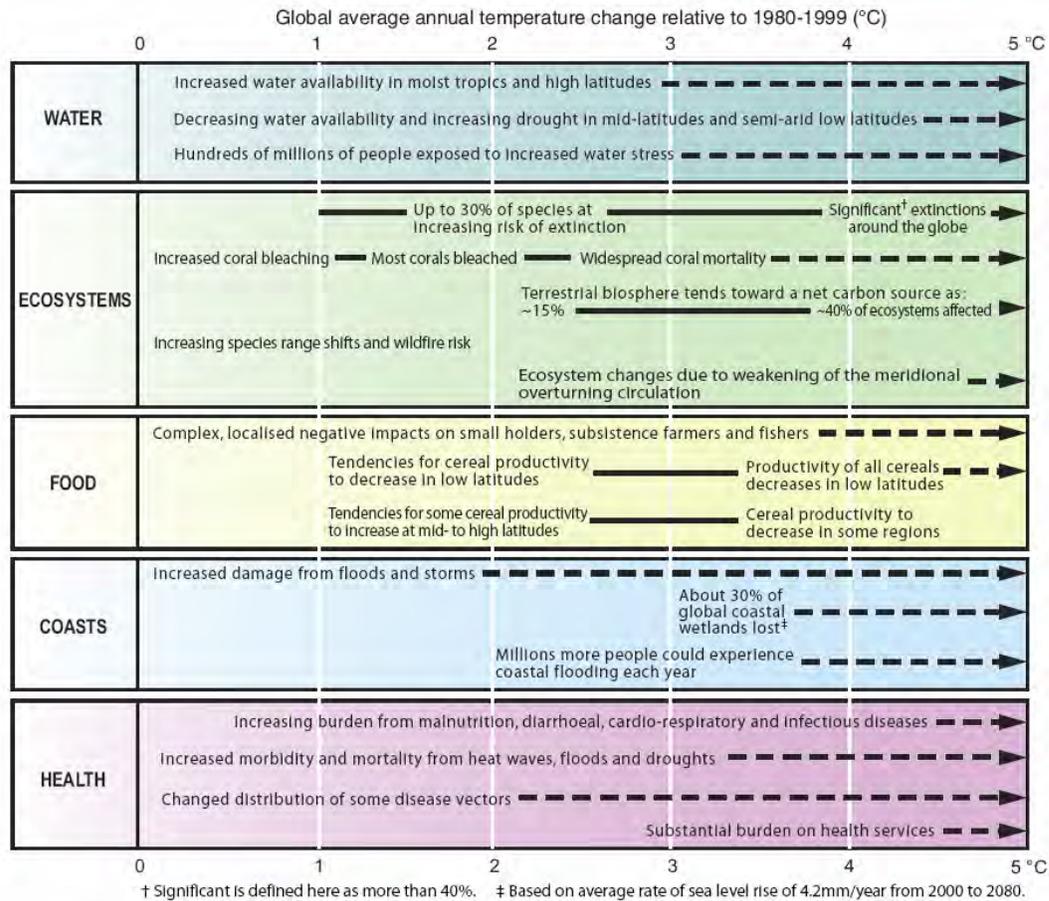
Regardless of whether the scope of the discussion is global, national or regional, climate change is an integral component of any assessment of the environment. Global warming refers to the overall increase in the temperature of the Earth's atmosphere related to additional heat being trapped by greenhouse gases, much of which is tied to human activities (*e.g.*, fossil fuel combustion and deforestation). "Climate change" can be used interchangeably with "global warming" because the changes in temperature affect the weather patterns that people and ecosystems have become accustomed to over time.

The United Nations' Intergovernmental Panel on Climate Change (IPCC) recently released an assessment of climate change. The February 2007 report—the fourth report published by the IPCC—indicates that global warming is occurring at a rate quicker than previously anticipated, and we may pass the threshold for devastating climate change as soon as a decade from now. This threshold is commonly defined as an increase of two degrees centigrade above pre-industrial temperatures. Beyond this two-degree increase, scientists predict that millions, especially the poor, will be negatively affected by increases in temperature and sea level, water shortages from changes in rainfall, and subsequent changes in agricultural viability. Other related effects include increased incidence of various diseases and species extinction. The IPCC's report states:

If warming is not kept below two degrees centigrade, which will require the strongest mitigation efforts, and currently looks very unlikely to be achieved, the substantial global impacts will occur, such as species extinctions, and millions of people at risk from drought, hunger, flooding.

The IPCC report predicts water shortages will affect nearly two billion people and place almost one-third of animal and plant species at risk. The first chart below highlights these and various other effects resulting from climate change. The second chart summarizes regional impacts of climate change in North America.

Examples of impacts associated with global average temperature change
(Impacts will vary by extent of adaptation, rate of temperature change and socio-economic pathway)⁴⁷¹



Projected Regional Impacts for North America⁴⁷²

Warming in western mountains is projected to cause decreased snowpack, more winter flooding and reduced summer flows, exacerbating competition for over-allocated water resources.
In the early decades of the century, moderate climate change is projected to increase aggregate yields of rain-fed agriculture by 5 to 20%, but with important variability among regions. Major challenges are projected for crops that are near the warm end of their suitable range or which depend on highly utilised water resources.
Cities that currently experience heat waves are expected to be further challenged by an increased number, intensity and duration of heat waves during the course of the century, with potential for adverse health impacts.
Coastal communities and habitats will be increasingly stressed by climate change impacts

interacting with development and pollution.

In sum, for North America, scientists predict the temperature rise will increase crop yields, but increase economic damage from extreme weather events (e.g., flash floods, hurricanes) and increase competitiveness for water resources in areas already experiencing water shortages. In addition, U.S. Centers for Disease Control and Prevention (CDC) officials have testified to Congress that we can expect a broad range of health-related issues resulting from increased temperature and sea level, including: increases in water-borne and vector-borne diseases (e.g., cholera and malaria) as well as the emergence of new diseases; increases in air pollution related to drought conditions; and increases in mortality rates from heat stress, heart failure, and injuries related to extreme weather events.⁴⁷³

Over the last 100 years, average global temperatures have risen by one degree Celsius as a result of human activities. Remarkably, scientists expect an additional half-degree rise in temperature by the end of the next decade.⁴⁷⁴ According to the IPCC report, 1996 to 2006 were the warmest years in recorded history. In fact, the first six months of 2006 were the warmest period on record for the United States, and five states, including Texas, experienced record warmth. Many of our cities are already facing potential water shortages in meeting the needs of our growing cities, as well as meeting the needs of the agriculture and manufacturing sectors. Texas can expect the state's winters, on average, to warm between two and five degrees Fahrenheit, and summers between four and 11 degrees Fahrenheit by mid-century. As the temperature rises, the evaporation of water increases, including key water sources such as aquifers, reservoirs and rivers.

Colorado River

In addition to rises in sea level and the rate of water evaporation, global warming will also negatively affect mountain snowpack. The snowmelt from the Rocky Mountains—the major source for the 1,450 mile-long Colorado River—provides the water supply for Colorado, Utah, Wyoming, New Mexico, Arizona, Nevada and California.⁴⁷⁵ The Colorado River serves 30 million people as well as the agricultural, industrial and municipal needs of this region. Many experts are concerned that the future of the Western and Southwestern regions of the country will be in jeopardy as population growth continues at a rapid pace and lengthy droughts deplete existing water resources.⁴⁷⁶

According to a recent study published by U.S. Geological Survey scientists Gregory J. McCabe and David M. Wolock,⁴⁷⁷ “[t]he Colorado River may shrink in this century to its lowest level in at least 500 years because of global warming, threatening water supplies to California and six other states.”⁴⁷⁸ Using a water-balance model and multi-century tree-ring reconstruction of stream flow for the basin, the scientists examined the potential effects of global warming on water-year stream flow in the Colorado River basin. They found that if the atmospheric temperature increases by 0.86 degree Celsius and precipitation rates do not increase accordingly, then the water levels of the Colorado River basin will be lower than at any time from 1490 to 1998. However,

as mentioned earlier, the IPCC report predicts that temperatures will rise by two degrees Celsius during this century.

Sierra Mountains

The Sierra Mountains constitute another snowpack that will be greatly affected by global warming. In 2006, using the emission scenarios established by the IPCC, the Union of Concerned Scientists carried out a climate modeling project examining the effects of global warming on the Sierra Mountains snowpack. The scientists found that California would lose 30% of the snowpack under the low emission scenario and 90% under the high emission scenario. These results were quite shocking, and given that the Sierras are the primary water source for much of California, the study ultimately resulted in statewide caps on emissions.⁴⁷⁹

Further Implications for the Texas Border Region

Despite these international and national reports, Texas' 2007 State Water Plan did not address the potential effects of climate change because "the effect on the state's water resources over the next 50 years is probably small enough that it is unnecessary to plan for it specifically." In direct contrast to the state agency's position, recent studies focused on Texas indicate climate change will have significant impact on Texas' water supply. For example, a 2001 study by Bruce McCarl, a Texas A&M agricultural economist, found that a temperature rise of 3.2 degrees Fahrenheit and a decrease in rainfall of 4.10 inches a year (also known as "HAD 2030," a widely used Hadley Centre climate change model) would reduce recharge of the Edwards Aquifer by 20% to 24% per year.⁴⁸⁰ Given that the IPCC report predicted a potential increase of three degrees in Texas by 2020, this reduction in the capacity of the Edwards Aquifer is likely to occur within a few decades.

The Hueco Bolson (aquifer) is a primary water source for the Border region encompassing El Paso and Ciudad Juarez. In April 2008, Ruben Chavez Guillen, the Groundwater Director for Mexico's National Water Commission, reported that the Hueco Bolson is being used at a rate significantly greater than the aquifer is being recharged.⁴⁸¹ Approximately 254 million cubic meters are taken out while only 170 million cubic meters are added per year. This historical, excessive pumping has caused a reduction in the aquifer of approximately 15 to 105 feet over the last decade and a half. Moreover, surface run-off pollutants have diminished the quality of the water available from the aquifer. The governments of El Paso and Ciudad Juarez have implemented very different strategies to address the reduction of available fresh water from the Hueco Bolson.

In addition to the Hueco Bolson, El Paso is dependent on surface water from the Rio Grande. However, the water supply from the Rio Grande is limited to certain parts of the year and by drought. Recognizing the need for additional fresh water sources and because of the large amount of brackish water available in the Hueco Bolson, El Paso Water Utilities began studying the possibility of desalinating the brackish water in the

bolsons in the early 1990s. Brackish water contains more salt than is allowed in drinking water, but significantly less than ocean water.

In 2007, to ensure sufficient water supply for at least the next half-century, El Paso Water Utilities and Fort Bliss (U.S. Army) opened the world's largest inland desalination plant. This desalination plant produces 27.5 million gallons of potable water from brackish water on a daily basis—a 25% increase of El Paso Water Utilities' fresh water production.⁴⁸² Because the desalination process incorporates the most comprehensive water treatment technology currently available, other potential pollutants are also removed. The facilities augment existing supplies to make sure El Paso and Ft. Bliss have sufficient water for growth and development for 50 years and beyond.

In contrast, the government of the Mexican state of Chihuahua has decided to address future water shortages in the Ciudad Juarez area in a different manner. The Chihuahua government awarded a contract to Carso Infrastructure and Construction Company (CISCA), which is part of Mexico billionaire Carlos Slim's Grupo Carso, to supply residents of Ciudad Juarez with potable water.⁴⁸³ CISCA will invest \$100 million dollars to construct the Conejos-Medanos Aqueduct, which will transport water from the Conejos-Medanos Aquifer (also known as the Mesilla Aquifer in the U.S.) to the Ciudad Juarez area. In return for the investment, the Chihuahuan government gave CISCA a 10-year concession to sell water to Ciudad Juarez's municipal government. Many groups and individuals have expressed concerns that privatization of the water supply will result in poor service and high rates as seen in other Mexican cities that have pursued this strategy. Furthermore, because the Conejos-Medanos Aqueduct involves the drilling of 23 new deep wells on the Mexican side of the Border, the project will have significant consequences for nearby Las Cruces, New Mexico and other U.S. Border communities that depend on the aquifer.

Impacts of Industrialization on the Texas Border Environment

About 13 million residents live in the Border region. With a population growth rate twice that of either nation alone, the population is expected to increase to 19.5 million by 2030. The U.S. General Accounting Office reported in 1999 that \$3.3 billion would be needed to meet existing infrastructure requirements on both sides of the Border for potable water, wastewater treatment, and solid waste disposal. About 77 percent of this amount would be needed for wastewater treatment.⁴⁸⁴

Water

Population and industrial growth along the Border stimulated by NAFTA has created large demands for clean and safe drinking water. In the United States, the lack of access to safe drinking water is associated primarily with colonias—small, peri-urban communities that are located mainly along the Border. A 1998 Texas A&M University document reported that 50 percent of the estimated 350,000 colonias residents lacked access to safe drinking water. In addition, due to population growth, major Border sister

cities such as El Paso/Ciudad Juarez may face serious drinking water shortages unless additional water sources of potable water are found.⁴⁸⁵

One of the greatest threats to water quality in the Rio Grande also stems from the increase in Border population, which is straining community water and wastewater treatment plants. Without adequate service, raw or poorly treated wastewater is more likely to enter the river, increasing bacteria levels and contributing to an increase in levels of waterborne diseases such as hepatitis A and shigellosis. For example, the rate of incidence statewide in Texas was less than half of that in the 14 counties directly on the U.S.-Mexico Border.⁴⁸⁶

On the U.S. side, the majority of municipalities have EPA approved, publicly-owned wastewater treatment plants. U.S. colonias, which are usually outside of established water districts, generally do not have access to sewer and wastewater disposal systems. On the Mexican side of the Border, Mexico's National Water Commission estimated that in 1997, while 69 percent of the population lived in residences connected to sewage collection systems, only 34 percent of the collected wastewater was treated. In a few communities, raw or insufficiently treated wastewater eventually flowed into surface and drinking water sources shared by both countries.⁴⁸⁷

The International Boundary and Water Commission released in 2004 the final report in a series of studies of pollutants in the Rio Grande. The report on the *Rio Grande Toxic Substances Study* can be accessed on the IBWC's web page.⁴⁸⁸

Local Initiatives

Another issue of import in the Border region is flooding resulting from increased extreme weather events. In 2006, El Paso and Ciudad Juarez experienced torrential rainstorms and subsequent flooding, which resulted in significant hardships, costs and damage to many areas on both sides of the Border. The flooding, which was caused by runoff overwhelming existing storm water drains, created numerous health and safety issues for the residents of El Paso. In response, legislation was passed to assist the city with creating storm water districts, which will manage and control storm water drainage.

After experiencing two years worth of rain in a matter of days, the resulting damage to homes, businesses, infrastructure and other property in the El Paso area was estimated in the tens of millions of dollars, and the region was declared a Federal Disaster Area. Unfortunately, homes, businesses and other property were located in arroyos or floodplains fed by arroyos. Those that were allowed to build in arroyos saw the most devastation during the rainfall as rushing water destroyed property and created significant health hazards. In response, legislation was passed during the 80th Legislative Session to ensure that counties adopt regulations for flood plain management that are not less stringent than those set forth by the National Flood Insurance Program. Counties must also provide for the imposition of penalties on landowners that violate such measures.

Air Pollution

Air quality also continues to be a major problem, as many residents in Border cities are exposed to health-threatening levels of air pollution from a variety of sources. According to the EPA, 14 Border cities in 1999 exceeded or were expected to exceed at least one of the ambient air quality standards set by their respective federal governments. Rapid urbanization and industrialization are responsible for most of the air pollution problems in the Border region. The citizens of El Paso/Ciudad Juárez have long been exposed to high levels of air pollution. According to the Joint Advisory Committee on Air Quality (JAC), the sources of this pollution are emissions from the increasing vehicular traffic in the area, dust from unpaved roads and the surrounding desert, open burning, fireplaces and wood-burning stoves, and industrial activity.⁴⁸⁹

The Ninth Report of the Good Neighbor Environmental Board identifies the increasing vehicular traffic at Border crossings as a particular area of concern.⁴⁹⁰

Along the U.S.–Mexico border, vehicle traffic has been steadily increasing over the past 15 years due to population growth, a booming economy, and rapidly expanding bilateral trade that is carried primarily by trucks. Mobile sources are major contributors of urban air pollution, and cause the formation of carbon monoxide, ozone, nitrous and sulfur dioxide, hydrocarbons and particulate matter. The increased traffic, passenger-vehicle fleet characteristics, and an aging drayage fleet (short-range commercial trucks used to deliver freight across the border) have concerned public and health officials. A health study conducted in November 2003 by the Commission for Environmental Cooperation of North America in the El Paso, Texas — Ciudad Juárez, Chihuahua urban region observed a significant association between ozone ambient levels and respiratory-related emergency visits by children.

Efforts are underway to reduce harmful diesel truck emissions. For example, the U.S. and Mexican governments are working to reduce sulfur levels in gasoline and diesel fuel beginning in 2006. U.S. EPA regulations require new heavy-duty diesel engines to be equipped with advanced pollution controls starting in 2007. While these actions will reduce emissions from Border truck traffic, there may continue to be localized “hot-spots” of pollution due to the sheer magnitude of traffic at Border crossings and the slow turnover of diesel engines.

The EPA identifies six criteria pollutants: ozone, nitrogen dioxide, sulfur dioxide, particulate matter, carbon monoxide, and lead. If a geographical area is not in compliance with one of the criteria pollutants, the EPA may designate it as a “non-

attainment area.” In addition to the criteria pollutants, the EPA maintains a list of pollutants also potentially harmful to public health and the environment, called hazardous air pollutants (HAPs). The HAPs are also referred to as air toxics. Big Bend National Park and Guadalupe National Park in West Texas have problems with regional haze, and citizens in the Laredo area have expressed concern about carbon monoxide, even though the area is in compliance.

Historically, El Paso and Ciudad Juárez perpetually suffered from non-attainment for federal air quality standards. However, over the last decade air quality in the El Paso and Juárez region has systemically progressed, a success which is a direct result of the collaboration of several entities on both sides of the Border who share a common objective—clean air. Although the Border cities' recent turnaround is commendable, air quality in El Paso and Ciudad Juárez still requires improvement and constant monitoring.

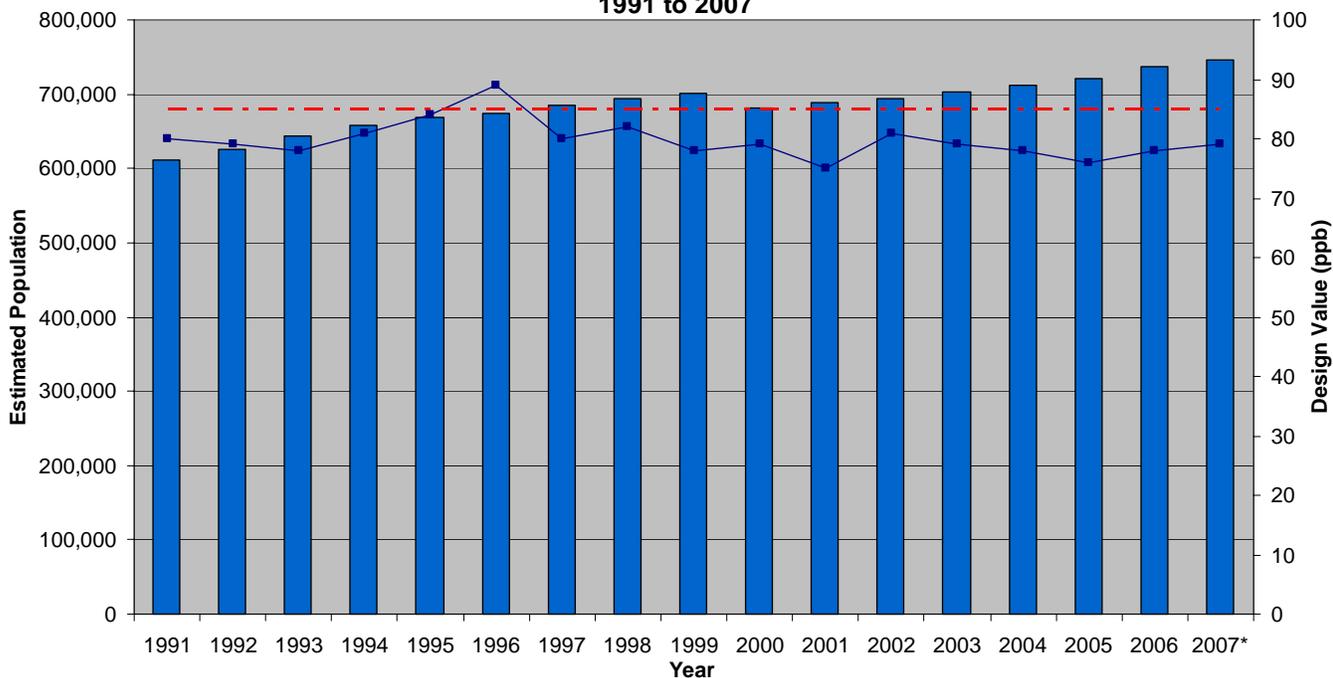
Currently, three out of the six EPA identified criteria pollutants—ozone, particulate matter (PM) and carbon monoxide (CO)—comprise the main focus of air quality groups in the Border cities. Although El Paso was in compliance with the 8-hour National Ambient Air Quality Standard for ground-level ozone of 80 parts per billion (ppb), the EPA recently announced a new 8-hour ozone limit of 75 ppb, effective May 27, 2008.⁴⁹¹ The EPA will propose a separate rule in June 2008 to address monitoring requirements necessary to implement the new standard; the final rule will be issued by March 2009. To comply with the new standard, all states must submit recommendations to the EPA by March 2009 for areas designated "attainment," "non-attainment," or unclassifiable. The EPA will issue final classifications by March 2010. If the EPA does not have the requisite information to make these decisions, then the EPA must issue designations by March 2011. All states must submit State Implementation Plans (SIPs) delineating how they will reduce pollution to meet the standards by the date that the EPA will set in a separate rule. That date can be no later than three years after the EPA's final designations. Thus, if the EPA issues final designations in 2010, then SIPs would be due in 2013. The dates by which states must meet the 8-hour standard will vary based on the severity of the problem specific to each state.

The EPA decided to lower the ozone limit subsequent to a consensus reached by numerous scientists and medical groups that agreed that the current limit, which was set in 1997, is no longer safe for the public health. These groups include the American Academy of Pediatrics, the American Medical Society, the American Thoracic Society, the American Lung Association, and all 23 members of the EPA's scientific advisory panel.⁴⁹² The EPA's scientific advisory panel unanimously recommended lowering the standard to 60–70 ppb to ensure the protection of millions of citizens who would otherwise be vulnerable to aggravated asthma, bronchitis, heart attacks, respiratory problems and premature deaths.⁴⁹³ Although the EPA chose to only lower the standard to 75 ppb, the agency reports that this reduction in ozone will prevent as many as 900 to 1000 premature deaths and 5600 hospital or emergency room visits annually. The EPA estimates that reducing the ozone standard will cost \$8.5 billion, but save between \$2 and \$19 billion in health care costs.⁴⁹⁴

In striking contrast, the Texas Commission on Environmental Quality (TCEQ), has actively fought the lowering of the ozone standard, stating it would not improve public health, and the modifications necessary to adhere to the lower ozone standard would be detrimental to the state's economy. Even though federal law prohibits the EPA from considering economic costs when setting and/or evaluating the 8-hour ozone standard, the TCEQ has vigorously argued that these costs should be included in the decision-making process. In addition, the state's Governor and Attorney General are considering joining a lawsuit against the EPA.

While the debate continues, one thing is almost certain, El Paso will once again fall into non-attainment for this particular pollutant, as demonstrated below.⁴⁹⁵ From 2004 to 2006, El Paso County had a three-year average of 78 ppb. With an 8-hour ozone standard of 75 ppb, El Paso County along with about 344 other counties will fail to meet the standard.⁴⁹⁶

El Paso -- Estimated Population and 8-Hour Ozone Design Values, 1991 to 2007

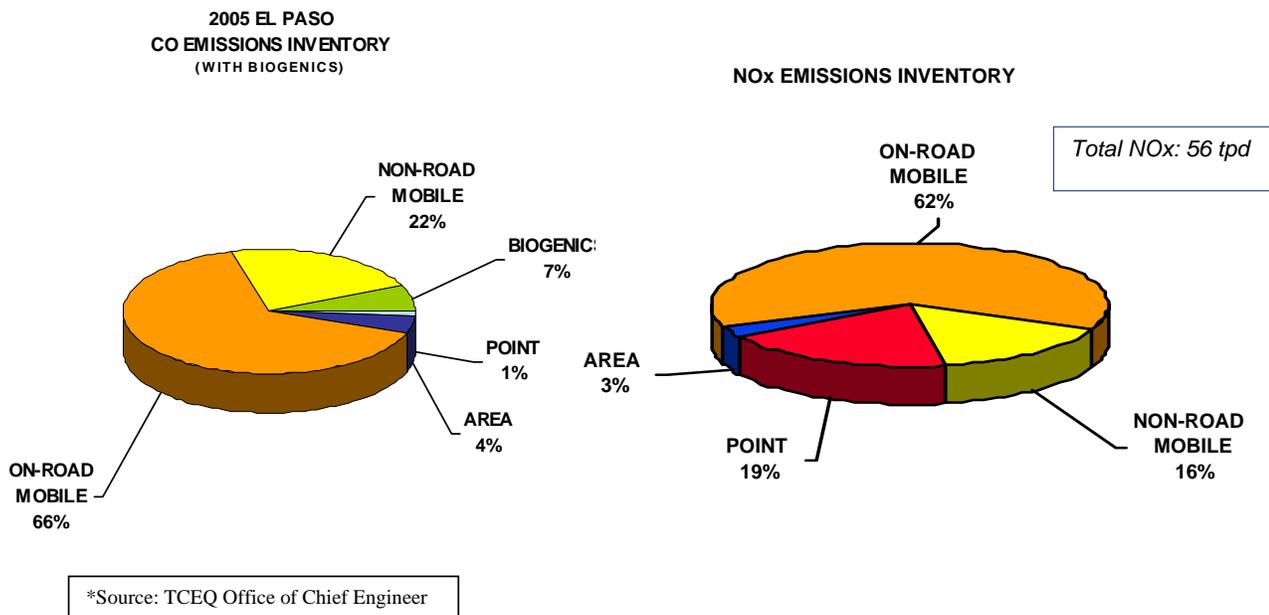


*Source: Ozone -- EPA and Mother database. 2007 data is current as of November 19, 2007 and is subject to change.
 1991-2006 Population --<http://www.census.gov/popest/archives/1990s/MA-99-03b.txt> and <http://www.census.gov/popest/counties/CO-EST2006-01.html>, July 3, 2007
 2007 Population --<http://www.window.state.tx.us/ecodata/popdata/popfiles.html>

Even though Juarez's ozone emissions have decreased over the last several years, the city still designates ozone as one of the two air pollutants of major concern to the city due to its effects on the health of its citizens, the magnitude of concentrations of the

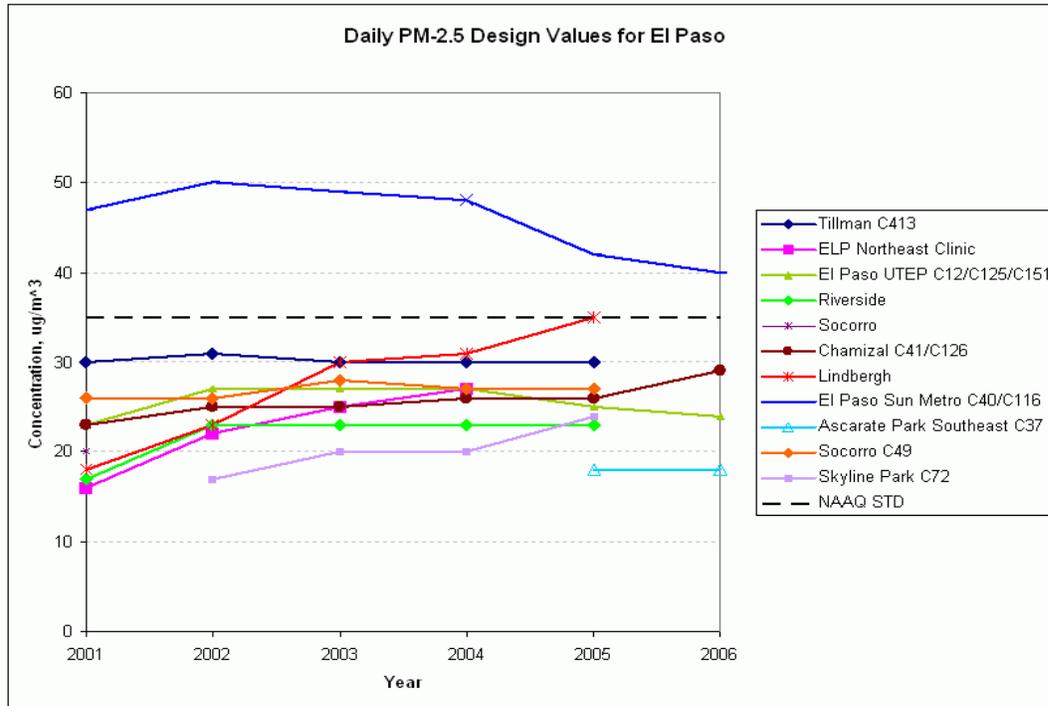
pollutant in the air, and the frequent exceedances of federal air quality standards.⁴⁹⁷ For more information on the health and environmental effects caused by ozone, please refer to the EPA's website <http://www.epa.gov/air/oaqps/gooduphigh/bad.html#7>.

In contrast to prior years, El Paso and Juárez are both currently in compliance with the 8-hour CO Design Values and demonstrate a downward trend in CO levels over the last seven years. Yet, with the expansion of Fort Bliss brought about by Base Realignment and Closure (BRAC), which is expected to bring 65,000 additional troops and dependents to the city by 2011,⁴⁹⁸ and the influx of students and professors expected to reside in El Paso due to the expansion of the Texas Tech Medical School to a four-year institution, preventive measures to control contaminants such as CO and nitrogen oxide (NOx) should remain intact or be enhanced to solidify El Paso's compliance for CO, NOx and other contaminants in the near future. As the figures below show, the main source of CO and NOx emissions are produced by on-road mobile sources, which are expected to increase due to the expected influx of people.

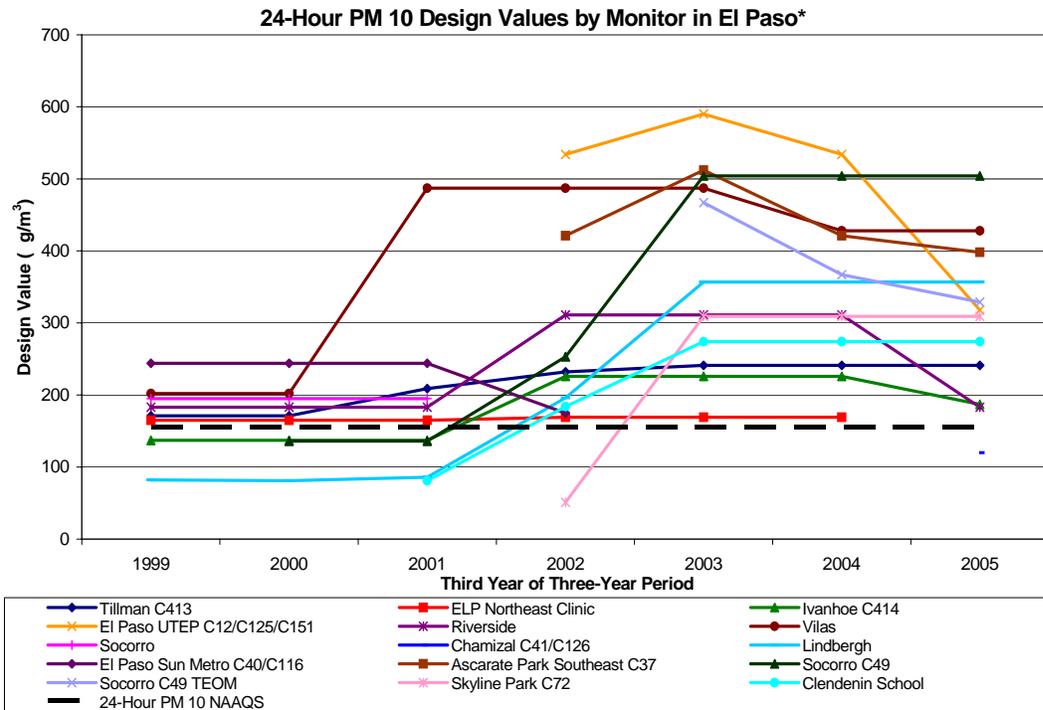


According to the EPA, particle pollution, also known as particulate matter (PM), is a complex mixture of extremely small particles and liquid droplets in the air. When breathed in, these particles can reach the deepest regions of the lungs. If exposed to PM, a variety of significant health problems might ensue, ranging from aggravated asthma to premature death in people with heart and lung disease.⁴⁹⁹ In addition to health related problems, the EPA has declared PM as the major cause for reduced visibility in most parts of the United States.

PM is the primary concern for both El Paso and Juárez air quality entities, specifically $PM_{2.5}$, which are fine particles 2.5 micrometers in diameter or smaller, and PM_{10} , which are coarse particles smaller than 10 micrometers in diameter but larger than 2.5. As shown in the figure below, daily $PM_{2.5}$ levels in El Paso are generally on an upward trend. A prime example is the Lindbergh monitoring station, which was shut down in 2006 due to the fact that it was on the threshold of exceeding the designated limit.



In terms of PM_{10} , El Paso is still in non-attainment. Various monitoring stations are in exceedance of the 24-hour PM_{10} Design Values, as the graph below demonstrates. Meanwhile, on the other side of the Border, monitoring sites in Juárez through the 2000-2004 period observed fluctuating exceedances of PM_{10} design values ranging from 11 to 15, consequently resulting in Juárez's non-attainment for PM_{10} .⁵⁰⁰ One of the drivers behind the high level emissions of PM in Juárez is outdoor burning by rudimentary brick kilns. In an effort to reduce the PM emissions in Juárez by obsolete outdoor brick kilns, the El Paso Electric Company spawned a program using a design by a New Mexico State University professor for a revised structure that reduces pollutants by 80 percent.⁵⁰¹ Although all of the kilns are not presently in use, El Paso Electric has built 28 new kilns in Juárez.⁵⁰²



*Data includes complete and incomplete data. Only complete data can be used for designation purposes.
 **Data downloaded the EPA AQS database by Bryan Lambeth of the Monitoring Operations Division of the TCEQ.

Due to the magnitude of the problem and the potential health implications caused by PM exposure, the City of El Paso has implemented the following preventive and action measures:

- street paving;
- street sweeping generally and as soon as possible after winter frost events;
- parking lot paving;
- industrial roadway paving; and
- burn/no-burn programs during the winter.⁵⁰³

While ozone, CO and PM remain the predominant focal points for air quality entities in El Paso and Juárez, other serious contaminants are present in the air. For example, monitoring site CAMS 36 (located at 8470 Plant Rd., El Paso, Texas 79915) is included in TCEQ's Air Pollutant Watch List area. This site has continuously reported hydrogen sulfide (H₂S) concentrations above the state regulatory standard (80 ppbv) as well as the odor threshold (5 ppbv) since 2004.⁵⁰⁴ According to the Texas Department of State Health Services (DSHS), exposure to the measured levels of H₂S at site CAMS 36 could potentially cause negative health effects (*e.g.*, eye irritation, decreased lung function, headache) in sensitive individuals.⁵⁰⁵ The possibility of the measured levels of H₂S at CAMS 36 adversely affecting the health of sensitive individuals is amplified due

to the site's proximity, 1.5 miles east, to J.P. Shawver Park, where a substantial amount of people engage in various sporting and leisurely activities that are available for all ages throughout the entire week.

Both El Paso and Juárez have made tremendous strides in their endeavor to reach compliance of National Ambient Air Quality Standards (NAAQS), but with $PM_{2.5}$ & PM_{10} still pressing issues and an influx of people expected to move to El Paso in the near future, members of the JAC recommend the following in order to continue the air quality progress of the Border cities:

- The construction of a fly-over at the US-54 South/Loop 375 interchange. Such a fly-over would mitigate congestion on I-10 East by redirecting eastbound I-10 traffic onto US-54 South and onto Loop 375 East. This would provide an alternate eastbound traffic artery while substantially reducing CO, hydrocarbon, and nitrogen oxides concentrations in the area while also reducing the traffic congestion east of the I-10/US-54 interchange.
- Expanding the number of monitoring stations in El Paso and Juarez; there are currently ten sites in El Paso and three in Juarez. Monitoring sites in the Northeast, Northwest, and Central El Paso would enable the JAC and other air quality entities to develop a more comprehensive analysis of the air quality in El Paso.
- Develop more binational collaboration and funding for Mexican air quality entities to allow air quality monitoring in Juárez and assess air quality impacts caused by the rapid growth of Ciudad Juárez.

Big Bend and Carbon I and II



main coal-producing area of Mexico. The U.S. National Park Service (NPS) has expressed concern about the pollution from these power plants, especially the substantial reduction in visibility they cause. The Carbon II power plant is located approximately 20 miles south of the U.S.-Mexico Border from Eagle Pass. The pollution it produces is more than any other modeled by the NPS. Air quality models show emissions from Carbon I and II are affecting air quality in Big Bend National Park. Summertime visibility in the park can be affected as often as one in five days and for a duration of up to one week. The operation of Carbon I and II is estimated to add between 200,000 and 250,000 tons of sulfur dioxide per year to the atmosphere, an amount equivalent to the seventh largest source in the United States. Despite the fact that the plants comply with Mexico's environmental laws, neither power plant is equipped with scrubber devices or other technology to reduce emissions.⁵⁰⁶

Two large coal burning plants, Carbon I and II, are located near Allende, Coahuila, the

Two major field studies have been done to establish the causes of the haze at Big Bend National Park. The Big Bend Regional Aerosol and Visibility Observational (BRAVO) Study, funded by the U.S. Environmental Protection Agency and the National Park Service, took place during July to October 1999. The primary goals of BRAVO were "to understand the long-range, trans-boundary transport of visibility-reducing particles from regional sources in the U.S. and Mexico and to quantify the contributions of specific U.S. and Mexican source regions and source types responsible for poor visibility at Big Bend NP."⁵⁰⁷

While the BRAVO report⁵⁰⁸ concluded that the Carbon power plants had a bigger impact on the pollution levels at Big Bend than any other individual source, it also showed that power plants in Texas and other parts of the U.S. also had important contributions.⁵⁰⁹ To date, the TCEQ has taken no action to address the pollution coming from Texas sources that harm air quality at Big Bend National Park.

Land Contamination

Waste returned to the U.S. from maquiladoras under terms of the La Paz Agreement still concerns Border residents. While the amount returned is small in comparison to waste generated in the U.S., most waste either passing through or for disposal in Texas returns primarily through three ports of entry in El Paso, Laredo, and

Brownsville. Of 216 facilities in Texas that treat commercial hazardous waste or provide on-site industrial treatment, only eight are in the Border Region.

Border residents are also concerned about the transportation of hazardous materials. Concerns are heightened because residents often do not know the types and amounts of hazardous materials being transported through or temporarily stored within their communities while awaiting transfer to Mexico.⁵¹⁰

Many communities in the Border Region also still lack the infrastructure to collect and properly dispose of solid waste. Solid waste disposal problems in Texas are mainly restricted to colonias, where solid waste collection is often inconsistent and inadequate. Compared to the rest of the state, municipal solid waste (MSW) issues stand out as a Border concern. In those areas, access to and affordability of proper MSW collection and disposal systems are limited, frequently resulting in improper waste disposal.

Municipalities and counties with populations over 30,000 must assure that solid waste collection services are provided to all persons under the jurisdiction of the county or municipality. Chapter 364 (County Solid Waste) of the Health and Safety Code permits a county to offer and require the use of solid waste disposal services within its territory and to charge a reasonable fee for the service. This helps to maintain the health and safety of the community and avoids the illegal dumping and burning of residential trash. Under Section 364.034(e) (Solid Waste Disposal Services: Fees) of the Health and Safety Code, individuals who have entered into a pre-existing solid waste collection agreement with a third party are exempt from receiving county-mandated solid waste services. This provision has hampered the efforts of counties to ensure that all residents receive and utilize solid waste disposal services because residents may sign up for a service and then discontinue it shortly thereafter.

Legislation passed during the 80th Legislative Session allows for an exemption for a person receiving services at the level that is the same as or higher than the level of services that would otherwise be required by the county/municipality. After service is terminated under that contract, the person has 15 days to notify the county/municipality of termination. This does not pertain to a private entity that contracts to provide temporary solid waste disposal service to a construction project.

Illegal dumping also continues to be a major issue in the Border Region. A 1997 assessment found illegal dumping to be the most frequently reported Border-wide MSW concern.



Used-tire disposal is a rampant problem, with almost four million scrap tires generated in Texas annually. This issue is more acute in the Border region than in the rest of the state.⁵¹¹ Ciudad Juarez has the largest tire pile in the Border region with approximately 4 to 5 million tires.

Tire piles cause increased vector-borne disease (e.g., mosquito-borne disease) and the increased possibility of fire, which in turn, pollutes the air. Tire pile cleanup and tire reuse efforts through the Border 2012 initiative—almost half a million dollars invested in eight projects—have removed 2.2 million tires. Some of these tires were used to generate tire-derived fuel while others were utilized in reuse demonstration projects. Despite significant progress, these piles remain. According to the latest assessment of Border 2012, approximately 60,000 tires are removed every month but 30,000 tires are added in Ciudad Juarez.

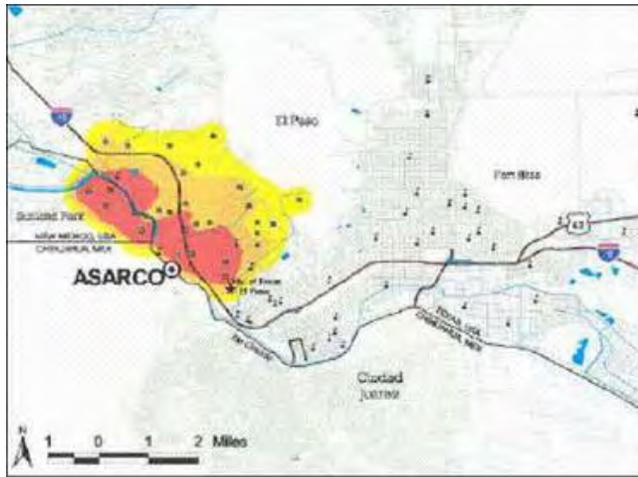
ASARCO

Perhaps the most well noted battle over illegal dumping and excessive waste on the Border Region deals with ASARCO. Founded in 1899, ASARCO grew to be known as a copper giant, who had plants across the county including one in El Paso, TX. ASARCO has been the target of federal, state and local complaints involving at least 94 sites in 21 states.⁵¹² In 2005, ASARCO filed for bankruptcy—one of the nation's largest environmental bankruptcies. As of October 2007, ASARCO had pending nearly \$11 billion in environmental claims. ASARCO has left communities in 75 communities in 16 states with environmental liabilities, which are the subject of the pending Chapter 11 bankruptcy in filed in Corpus Christi, Texas. One of the cities most affected is El Paso.

With respect to ASARCO's operation in El Paso, here are the facts:

- In the early 1970s, children living near the smelter were found to have very high blood-lead levels, resulting in the relocation of the families and the razing of their homes.
- ASARCO has contaminated at least 1,097 El Paso homes and businesses with lead and arsenic.
- Between 1992 and 1997, ASARCO illegally burned hazardous waste in their El Paso smelter. ASARCO and its Corpus Christi subsidiary, Encycle, had a permit to extract metals from hazardous waste, but instead simply sent it to El Paso to be burned in an attempt to save money. As a result, more than 5,000 tons of waste was illegally burned in my city, including more than 300 tons of chemical warfare agents from the Rocky Mountain Arsenal outside Denver, Colorado. ASARCO thus was fined \$20 million by the EPA in 1999.
- The Texas Commission on Environmental Quality (TCEQ) recently continued ASARCO's march toward the reopening of the company's century-old copper smelter. Standing unified in opposition to the reopening of the smelter are Governor Bill Richardson, Congressman Silvestre Reyes, and the mayors of El Paso, Juarez, and Sunland Park, amongst others. The reopening of ASARCO will define the region, and particularly El Paso, for the next generation.

Serious concerns about on- and off-site lead contamination exist in El Paso, and residents worry that both the EPA and the negligent TCEQ will leave El Paso landowners and taxpayers with significant liabilities because their interests were not adequately protected in the bankruptcy. Based on the length of ASARCO's operations in Omaha and Tacoma, the footprint of contamination in El Paso is believed to be far larger than the EPA has reported. For example, in Tacoma, the state is dealing with 1,000 square miles of contamination. In Omaha, over 32,000 properties were tested. Compare this to the 3-kilometer testing radius and fewer than 3,700 properties tested in El Paso. Herein below is the EPA map, which shows the lead contamination in El Paso.



For years, an El Paso-based fertilizer company, Ionate, sold a fertilizer that was used on the lawns all across our community. This fertilizer was laden with lead, arsenic, and other hazardous heavy metals. The now out-of-business company used slag from the Oglebay Norton slag-crushing company in west El Paso as part of the fertilizer. Oglebay Norton obtained the slag, a byproduct of the smelting process, from ASARCO. The fact is the EPA never established the eastern boundary of lead contamination in El Paso. The full extent of lead in El Paso yards remains unknown, but it is significantly more than what ASARCO reports in the Corpus Christi bankruptcy court.

Cactus Rustling

The current trend in home landscaping has focused on Xeriscape, a concept that conserves water and protects the environment. Select trees, shrubs, and groundcovers are selected based on their adaptability to a region's soil and climate. The desert Southwest has used its native desert plants as a new means of conserving water under the Xeriscape landscape model. Stringent Arizona laws regulating desert plant trade have made the West Texas desert a prime target for the illegal harvesting of cacti and other succulents. So called "cactus rustlers" take desert plants from private and/or public land with out permission. The plants are then sold for profit in Texas and other states, especially Arizona and California. Some private landowners also harvest desert plants on their own land. The Chihuahuan Desert is one of the most biologically rich deserts in the world, home to almost a quarter of the 1,500 cactus species known to science, including many species found nowhere else. The removal of these plants in such large numbers is seriously damaging the delicate desert ecosystem. Removing too many of these crucial cacti and desert plants deprives desert dwellers, such as mountain lions, hummingbirds, woodpeckers, and bats, of food and shelter and disrupts the ecological balance of the area.

The United States ranks among the world's largest cactus producers; markets with the highest concentration of growers and harvesters are located in the Southwest. Between 1998 and June 2001, almost 100,000 succulents worth an estimated \$3 million were shipped from Texas to Arizona. These included both cacti harvested from the wild in Texas and illegal imports from Mexico. Mexican authorities seized almost 800 cactus specimens from travelers entering or passing through the U.S. from Mexico in 1998. The cacti trade is massive, and it is likely that it will continue to grow due to the existing high demand for landscaping plants. It is expected that this demand for desert plants will soon surpass the desert's natural supply. Recognizing what a valuable asset our desert is for our standard of living, Senator Shapleigh filed S.B. 689 during the 80th Legislative Session. This bill directed the Texas Department of Agriculture to administer and adopt rules necessary to enforce a system of inspections to ensure that each desert plant sold in or leaving Texas has been legally harvested. While this measure passed the Senate, it was not given a hearing in the House Agriculture and Livestock Committee.

Transportation

As U.S. and Mexican trade has increased due to NAFTA, the growth has led to more commercial vehicle traffic at U.S.-Mexico ports-of-entry. U.S.-Mexico trade is mostly moved across land via commercial vehicle. In Texas, 23 international crossings serve as ports-of-entry for trade with Mexico and handle approximately 80 percent of U.S.-Mexico overland trade. This percentage is not expected to change any time in the foreseeable future. Rather, the number of commercial vehicle crossings will grow exponentially over the next 10 to 15 years, creating choke points for trade and negative consequences for the environment.⁵¹³

Enhanced trade has increased the number of northbound commercial vehicle crossings from 2.7 million in 1994 to more than 4.3 million in 2001. In Texas, the Federal Motor Carrier Safety Administration reported that the state had 3.1 million Border crossings in 2000. This is three times more than California, which has the second busiest Border. In fact, Texas was home to the top two busiest crossings – Laredo, with 1.3 million and El Paso, with 725,000 crossings. In this same year, Border bridges at Texas ports-of-entry recorded over 6.7 million commercial vehicle movements, more than half of which had U.S. origins or destinations outside of the state.⁵¹⁴

In June 2004, the U.S. Supreme Court opened the way for Mexican trucks to travel throughout the U.S., granting the free access intended by NAFTA in 1995. Critics expressed concern, not only because of projected dramatic increases in congestion at ports-of-entry, but also because Mexican carriers do not have to meet U.S. standards for safety, driver certification, pollution controls and hazardous material transport.⁵¹⁵

In Alpine, Texas, many residents fear that the increased traffic will destroy a growing tourist economy centered almost exclusively on nearby Big Bend National Park. The highway going through town that averaged 50 trucks per day in 2002 is projected to carry as many as 500 trucks per day in the next five years.⁵¹⁶

Another cause for concern is increased rail traffic carrying hazardous materials. Texas hazardous materials incidents have risen dramatically since 1996, from 1,004 to 1,450 in 2000.⁵¹⁷ The breakdown of these accidents can be seen in the table *Total Rail Accidents/Incidents, 2000*. These accidents appear to correspond with the steady increase in incoming rail container crossings of the U.S.-Mexico Border, which went from 127,570 in 1996 to 239,421 in 2000, in Texas alone.⁵¹⁸

Total Rail Accidents/Incidents, 2005

Accidents/Incidents	Fatalities	Injuries
1241	72	662

Source: Bureau of Transportation Statistics, *State Transportation Profile*⁵¹⁹

Homeland Security

Homeland security concerns have also significantly increased congestion along Texas trade corridors. With no reliable means to filter illicit cross-Border activity from the legitimate exchange of goods and people, the response has been to restrict the binational transportation arteries.

The complex nature of the U.S.-Mexico Border presents undeniable risks from a homeland-security perspective. With heightened awareness of the need to protect water supplies, there is concern about important watercourses and reservoirs associated with the Rio Grande. Infrastructure such as pipelines, rail lines, dams, and canal systems may easily be viewed as targets. In addition, the heavily industrialized nature of some Border communities raises concerns about the dangers posed by the transport and storage of hazardous materials.

The merits and effectiveness of specific homeland security measures are subject to debate. But there is no question that some of those measures have had unintended adverse consequences for the environment along the U.S.-Mexico Border. And although the effects are felt across the entire nation, they are acutely felt by U.S.-Mexico Border communities. Prolonged waits at the Border have compounded existing air-quality problems by increasing emissions from idling vehicles, resulting in a negative impact to residents' health.

Border Fence

On September 29, 2006, the Senate approved the Secure Fence Act (H.R. 6061), which authorized the building of 700 miles of fence along the U.S.-Mexico border. Many land and business owners, law enforcement officials, and environmentalists oppose the new law. A *Washington Post* article published in October of 2006 highlighted the new law's most significant flaws:

- Such a barrier would have a negative ecological impact on the region's wildlife. The fence will disrupt the habitats of numerous plant and animal species including pronghorn sheep, jaguar, and pygmy owls.
- The cost of maintaining the fence would be extremely expensive, especially in areas where summer flash floods are likely to repeatedly uproot sections of the fence.
- In order to build the fence, new roads would have to be built in some regions of the border, thus creating new routes to illegally enter the United States.
- The passage of H.R. 6061 ignores the availability of cheaper and more effective technology to guard the border.

Thus far, Homeland Security Secretary Michael Chertoff has waived over 30 federal laws, including several environmental laws, to advance the Bush administration's plan to build approximately 700 miles of fencing before the next President takes office.

*Effects on the Mexican Border Environment*⁵²⁰

As noted earlier, U.S. and Mexican government officials argued that increased trade and investment under NAFTA would generate the resources needed to clean up the environment. They also argued that NAFTA would remove incentives for concentrating industrial development along the U.S.-Mexico Border, dispersing environmental damage already occurring there. It is clear, however, that NAFTA-related activity has increased air and water pollution and generated tons of hazardous waste in Mexico. Instead of industrial development being more dispersed throughout the country, it intensified along the Border, inflicting still more environmental degradation in already heavily polluted areas. During the NAFTA era, the number of maquiladora factories nationwide more than doubled from 1700 plants in 1990 to 3600 in 2001, with 2700 plants located along the Border. According to Mexican government figures, the cost of NAFTA-related environmental damage was an estimated \$47 billion in 1999 alone. Meanwhile, the institutions that were set up to facilitate and fund environmental cleanup and protection programs have proven themselves to be wholly inadequate.

Since NAFTA, spending on the environment in Mexico has fallen 45 percent in real terms and plant-level environmental inspections declined at a similar rate. Under Mexican law, hazardous waste created by U.S. companies in the maquila zones must be shipped back to the U.S. for treatment. However, Mexico's Institute of Natural Ecology (INEGI) calculated in 1997 that only 12 percent of eight million tons of hazardous wastes generated in the maquila zones received adequate treatment and as little as 20 percent is actually returned to the country of origin. The only tool to monitor waste flows was the U.S. Government's "Haztracks" database, but it was cancelled in 2003.

While Mexico's general population increased 40 percent between 1980 and 2000, the Border population has more than doubled. Mexico's overcrowded Border cities have struggled to meet their basic sewage and waste disposal needs. The lack of adequate sewer systems means that water sources are contaminated with garbage and human wastes. The rates of diseases related to unsafe water, such as hepatitis A and shigellosis, and those related to failed public health infrastructure, such as tuberculosis, have skyrocketed, with hepatitis A infection rates along the Border more than double the Mexican national rate. Contamination from toxic waste and industrial chemicals has been linked to a concentration of clusters of high cancer rates, birth defects and lupus along the Border.

The new water projects and sewage treatment facilities that NAFTA promised in 1993 have been hamstrung by the cumbersome rules of the institutions designed to fund them. The NADB has an estimated lending capacity of almost \$3 billion, but by the end

of 2001 had only loaned \$15 million, in large part because the impoverished communities involved could not raise the required equity financing and user fees. Meanwhile, between 1991 and 2001, there was a 218 percent increase in truck traffic carrying goods northward from Mexican assembly plants, which has contributed to smog problems along the Border.

An INEGI study estimates the financial costs of environmental degradation at 10 percent of Gross Domestic Product (GDP) from 1988 to 1999, an average of \$36 billion U.S. dollars of damage each year. The impact overwhelms the value of economic growth, which has been 2.5 percent annually, or \$14 billion U.S. dollars per year. The environmental side institutions created by NAFTA set some important precedents, but were not equipped to address these problems and are buried by environmental needs totaling \$36 billion U.S. dollars.

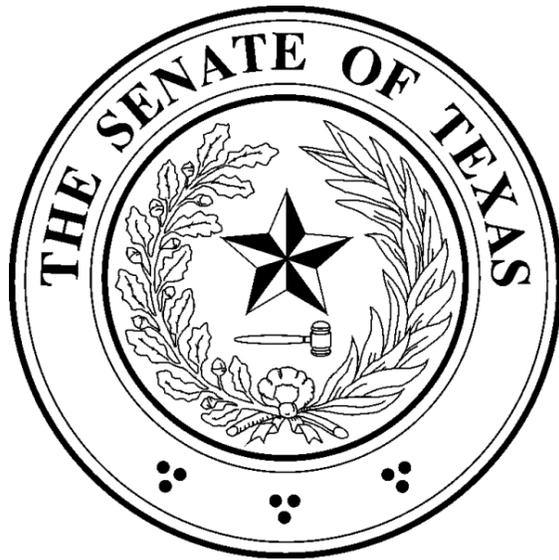
Environmental degradation is occurring because the proper mechanisms were not put in place to help Mexico manage its economic growth in an environmentally sustainable manner. In preparation for NAFTA, Mexico doubled spending on environmental protection and started a much-needed industrial environmental inspection program. However, shortly after NAFTA was signed and fiscal woes set in, attention to the environment plummeted. According to INEGI, real spending on environmental protection declined by the equivalent of \$200 million U.S. dollars since 1994.

Conclusion

Over a decade after the signing of NAFTA, Border communities are increasingly alarmed by the broken promises of NAFTA. Even though proponents of free trade agreements prefer to address only economic issues, it is impossible to separate economic issues from social, political, legal, demographic, and environmental issues. Perhaps the greatest failure of NAFTA is that it was not a more comprehensive agreement with emphasis on social and environmental infrastructure investment and on economic and political reform. While such a comprehensive approach was probably not possible given the political realities of the time, the NAFTA approach may make economic convergence and sustainable development unattainable for the foreseeable future.

Texas Borderlands 2009

The Border Workforce - Issues, Challenges, and Opportunities



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
February 2008

The Border Workforce - Issues, Challenges, and Opportunities

Introduction

The 43 counties in the Texas Border Region have a lower average per capita income than anywhere else in the state. The Border's fast growing labor force, coupled with limited job opportunities, creates high unemployment and lower wages.

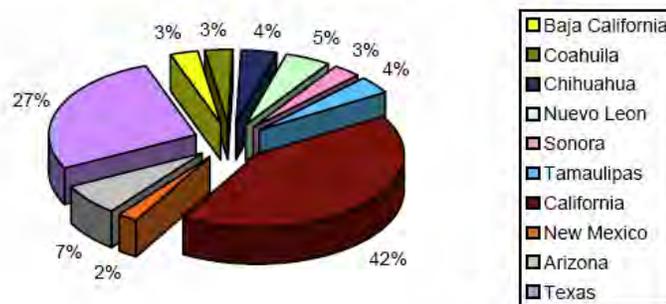
Workers living in the Border Region face great challenges in finding and retaining stable employment. Without the opportunity to develop skills through training, many Border Texans enter the workforce at a disadvantage. In today's knowledge-based economy, not having access to technology training is a major barrier. Additionally, with a large number of Border Texans speaking Spanish as their primary language, there is a great need for bilingual skills development curriculum and training.

Unfortunately, workforce training along the Border has not been funded at a level that allows such programs to be developed and maintained. In addition to this barrier, limited access to child care and transportation poses another impediment to the achievement of a thriving workforce. This chapter highlights the current issues in the Border's workforce and discusses some of the most immediate challenges and opportunities in moving human capital and families to prosperity.

Population, GDP, and Per Capita income of the "Border Region"

The Science and Technology Committee of the Border Governors Conference defines the Border Region to include California, New Mexico, Arizona, and Texas and the Mexican states of Baja California, Coahuila, Chihuahua, Nuevo Leon, Sonora, and Tamaulipas. Population is an important component in measuring an area's potential economic growth. The population of the Border Region is estimated 86 million people. The distribution of the general population is shown below:⁵²¹

Figure 1 – Distribution of the Border Region Population



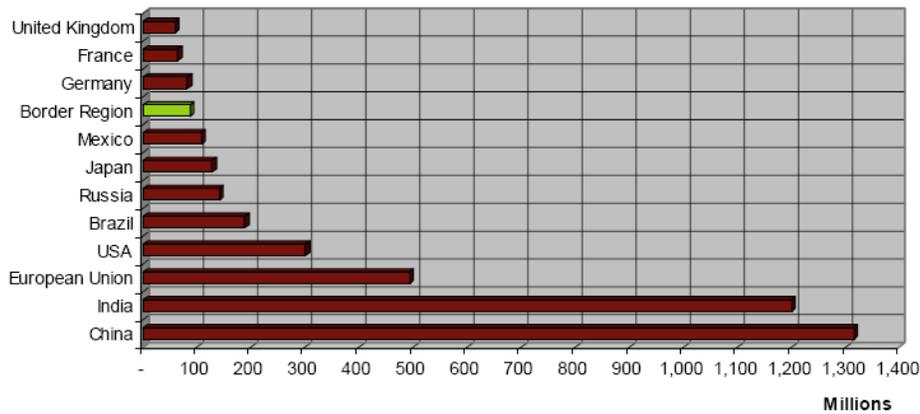
A significant share of the population of the Border Region is in the workforce, meaning that they are employed or are actively seeking work. The distribution of this workforce among the 10 states is shown below:

Table 1 – Distribution of Total Workforce in the Border Region

State	Workforce	%
California	17,000,000	42.4%
Texas	11,900,000	29.7%
Arizona	2,953,249	7.4%
Nuevo Leon	1,800,000	4.5%
Tamaulipas	1,481,000	3.7%
Baja California	1,235,598	3.1%
New Mexico	1,034,000	2.6%
Sonora	990,000	2.5%
Coahuila	958,000	2.4%
Chihuahua	707,000	1.8%
Total	40,058,847	100%

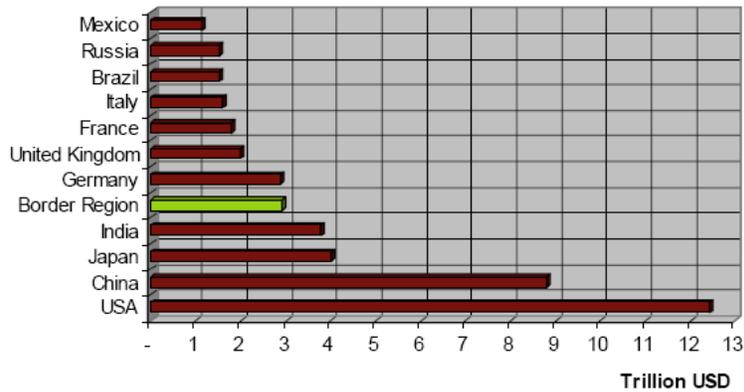
The Border Region's population is almost as large as the population of Mexico and comparable in size to that of a Western European nation, as is shown in the graph below:

Figure 2 – Population in Some Countries and in the Border Region



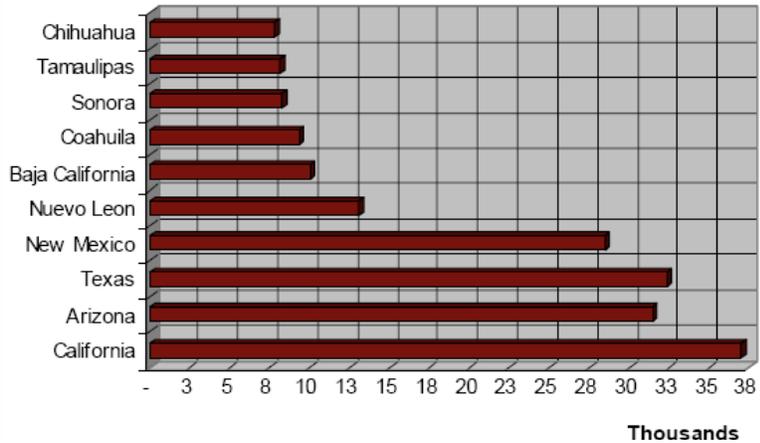
If the Border Region were its own country, its Gross Domestic Product (GDP) would be greater than many of the top industrialized nations of the world:

Figure 3 – GDP in the World



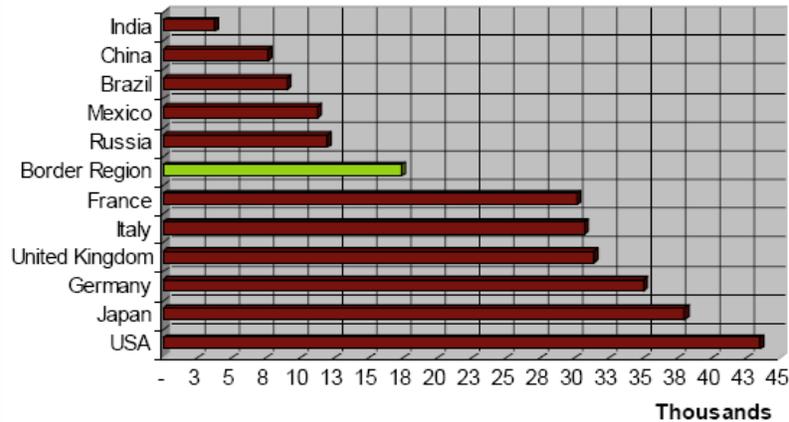
However, the GDP of the Border Region does not reflect the great disparities of wealth that exists in the region. Below is a breakdown of per capita income within the Border Region:

Figure 4 – Income Per Capita in Each State of the Border Region



Moreover, the per capita income of the Border Region is significantly lower than that of the United States and other industrialized nations:

Figure 5 – Income Per Capita



SOURCE: All of the figures in this session are from the *Border Region's Growing Role in Global Economy*, Border Governors Conference of 2007, Science and Technology Committee presentation, slides 38-43.

Wages in the Border Region

In addressing the workforce and poverty crisis, communities in the Texas-Mexico Border Region face unique and complex challenges. First, workers along the Border experience a great wage disparity. The Border has lower average wages than the rest of the state. A comparison of the per capita income between Border and Non-Border counties are listed in the table below:

Border Region	2005 Per Capita Personal Income	2006 Per Capita Personal Income
Actual Border	\$19,585	\$20,376
Border	\$24,859	\$26,125
Non-Border	\$35,297	\$37,357
Sub-border	\$19,586	\$20,434
Texas	\$33,253	\$35,166

Source: Bureau of Economic Analysis, compiled by Comptroller of Public Accounts

Moreover, the Border does not fare well when compared with wages around the country. According to the Texas Health and Human Services Commission, the average salary for workers in El Paso in 2002 was \$ 26,812. The national average for the same time period was \$36,167, a difference of \$9,355 a year.⁵²² As the chart below shows, salaries for employees in Border counties are not only less than the statewide average, but far less than the salaries of workers in other parts of the State.

Comparison of Average Salaries

2002 Texas statewide average salary: \$35,658

2002 U.S. average salary: \$36,167

Border County	Average Salary 2002	LESS Than Average State Salary by:
Hudspeth	\$ 24,781	\$ 10,877
El Paso	\$ 26,812	\$ 8,846
Webb	\$ 24,469	\$ 10,189
Starr	\$ 18,012	\$ 17,646
Hidalgo	\$ 22,911	\$ 12,747
Cameron	\$ 22,565	\$ 13,093
Non-Border County		MORE Than Average State Salary by:
Tarrant	\$ 37,844	\$ 2,186
Travis	\$ 40,734	\$ 5,076
Harris	\$ 43,222	\$ 7,564
Dallas	\$ 45,031	\$ 9,373
Williamson	\$ 37,519	\$ 1,861

(source: <http://www.hhsc.state.tx.us/research/dssi/ESI/Avgwage.html>. Accessed May 16, 2008)

Low wages translate into low per capita incomes for Border Texans, which results in poor communities. In the Texas Border Region, per capita income is among the lowest in the nation, ranging from 38 percent of the U.S. per capita income in Eagle Pass to 60 percent in El Paso, compared with a state average of 94 percent.⁵²³ Income along the Border hovers below or near poverty. Just four years ago, the state per capita income average was \$19,617; however, only three of the 43 Border counties had higher averages.⁵²⁴ In fact, seven Border counties had an average per capita income that was less than 50 percent of the state average.⁵²⁵

Equalizing wage differences is more complex than just equalizing wages, as the cost of living differs across communities. However, as the chart *Relative Price Levels Compared to National Average* indicates, the average costs of living do not differ enough to justify the great wage disparities found in the Border Region. Specifically, the chart outlines the cost of living by comparing how much different expenditures cost in different cities. The composite index includes the costs for groceries, housing, utilities, transportation, health care, and miscellaneous goods and services, which includes everything from toothpaste to a night of bowling. Combined, the categories produce a composite index that can be used to measure the overall relative cost of living in a given city. A given city's index, for example, is listed as a percentage of the composite average for all participating cities. In the chart, 100 percent is the average composite index for the nation and each city's index indicates the relative price level for consumers in that community.

The difference in cost of living index points between El Paso and Dallas is only 3.7, yet the wage difference is significantly larger, suggesting that El Pasoans must sacrifice a greater proportion of their income for a given amount of goods compared to those living in Dallas who purchase the same goods. Similarly, the cost of living in San Antonio is lower than that of El Paso, yet the average wages in San Antonio are higher than those in El Paso.

Cost of Living in Selected Cities Compared to National Average

	Composite Index	Grocery	Housing	Utilities	Transportation	Health Care	Misc. Goods and Services
Dallas, Tex.	95.2	93.6	84.4	97.1	102.5	102.3	101.5
El Paso, Tex.	91.5	105.6	80.3	98.7	95.0	100.0	91.7
San Antonio, Tex.	94.2	83.5	97.2	80.4	89.1	97.3	100.5

Source: "Cost of Living Index for Selected US Cities." www.infoplease.com. Accessed: February 4, 2008.

Though the cost-of-living in El Paso is lower than in cities like Dallas or Austin, many families in El Paso still have difficulty getting by without public assistance. The Center for Public Policy Priorities conducted a comparative study of the cost-of-living for different family types in the 25 metropolitan statistical areas (MSAs) of the state. The study found that families in the El Paso MSA must earn over twice the federal poverty level in order to meet their basic needs. The table below shows the cost-of-living in the El Paso MSA for families who have *no* employer-sponsored health coverage.

	One Adult No Children	Two Adults No Children	Single Parent, One Child	Single Parent, Two Children	Single Parent, Three Children	Two Parents, One Child	Two Parents, Two Children	Two Parents, Three Children
Expenses¹								
Housing²	\$492.00	\$492.00	\$587.00	\$587.00	\$842.00	\$587.00	\$587.00	\$842.00
Food³	\$173.69	\$318.43	\$248.92	\$355.70	\$418.97	\$397.38	\$490.93	\$542.58
Child Care⁴	\$0.00	\$0.00	\$402.55	\$713.38	\$1,141.39	\$402.55	\$713.38	\$1,141.39
Medical Insurance⁵	\$360.54	\$772.60	\$636.44	\$636.44	\$636.44	\$1,048.50	\$1,048.50	\$1,048.50

Medical out-of-pocket⁶	\$44.37	\$88.75	\$55.30	\$73.57	\$87.58	\$99.67	\$117.94	\$131.95
Transportation⁷	\$285.00	\$396.00	\$285.00	\$285.00	\$285.00	\$396.00	\$396.00	\$396.00
Other Necessities⁸	\$166.05	\$230.50	\$230.50	\$356.29	\$359.04	\$356.29	\$359.04	\$383.78
Total Monthly Expenses	\$1,521.65	\$2,298.28	\$2,445.71	\$3,007.38	\$3,770.42	\$3,287.39	\$3,712.79	\$4,486.20

Federal Taxes

Payroll Tax	\$136.94	\$200.44	\$205.26	\$243.59	\$308.19	\$280.26	\$353.48	\$369.71
Income Tax	\$131.33	\$121.50	\$180.50	\$214.92	\$299.92	\$234.25	\$336.43	\$327.01
Earned Income Tax Credit	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Child Tax Credit	(\$0.00)	(\$0.00)	(\$83.33)	(\$166.67)	(\$250.00)	(\$83.33)	(\$166.67)	(\$250.00)
Child and Dependent Care Credit	(\$0.00)	(\$0.00)	(\$65.00)	(\$115.00)	(\$100.00)	(\$55.00)	(\$100.00)	(\$100.00)
Monthly Tax Payments and Credits	\$268.27	\$321.94	\$237.43	\$176.84	\$258.11	\$376.18	\$423.24	\$346.72
Necessary Monthly Income	\$1,790	\$2,620	\$2,683	\$3,184	\$4,029	\$3,664	\$4,136	\$4,833
Household Hourly Wage¹¹	\$11	\$16	\$16	\$19	\$24	\$22	\$25	\$29
Necessary Annual Income	\$21,479	\$31,443	\$32,198	\$38,211	\$48,342	\$43,963	\$49,632	\$57,995
Poverty Guidelines¹²	\$10,210	\$13,690	\$13,690	\$17,170	\$20,650	\$17,170	\$20,650	\$24,130
Income as percent of Poverty Guidelines	210%	230%	235%	223%	234%	256%	240%	240%

1. Where appropriate, monthly expenses were adjusted to 2007 dollars.
2. Source: 2007 Fair Market Rents, U.S. Department of Housing and Urban Development
3. Source: June 2006 Thrifty Food Plan, U.S. Department of Agriculture
4. Source: 2005 Texas Child Care Market Rate Survey, Texas Workforce Commission
5. Source: 2007 Full-time Employees Premium Rates, Texas Employees Retirement System
6. Source: 2004 Medical Expenditure Survey, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services
7. Source: 2001-2002 National Household Travel Survey, U.S. Bureau of Transportation Statistics; 2007 Internal Revenue Service Mileage Reimbursement
8. Source: 2004-2005 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics
9. Credits are represented in parentheses.
10. When eligible, tax credits are only received on an annual basis when filing a federal tax return. For illustrative purposes, we calculated tax credits as part of the monthly expenses.
11. Represents the necessary combined hourly wages of all workers in household
12. 2007 Poverty Guidelines, U.S. Department of Health and Human Services

(The Family Budget Estimator can be found at:
<http://www.cppp.org/fbe/insurance.php?ss=2>)

Additionally, there has been some evidence of the State itself participating in a low-wage cycle. Just a few years ago, employees hired by state government contractors could earn different amounts of money for identical services depending on the region where the work was performed. For instance, a construction worker in a Strategic Investment Area earned less money than he would for the same work performed in a more affluent area. Before the 2001 passage of S.B. 464, by Senator Shapleigh, to determine the prevailing per diem wage rate to be paid for the construction of a public work, the State either conducted a survey of the wages received by workers employed on similar projects in the same political subdivision of the State, or used the prevailing wage rate as determined by the United States Department of Labor in accordance with the Davis-Beacon Act. The State could apply either of these two wage rates in deciding what to pay contract workers.

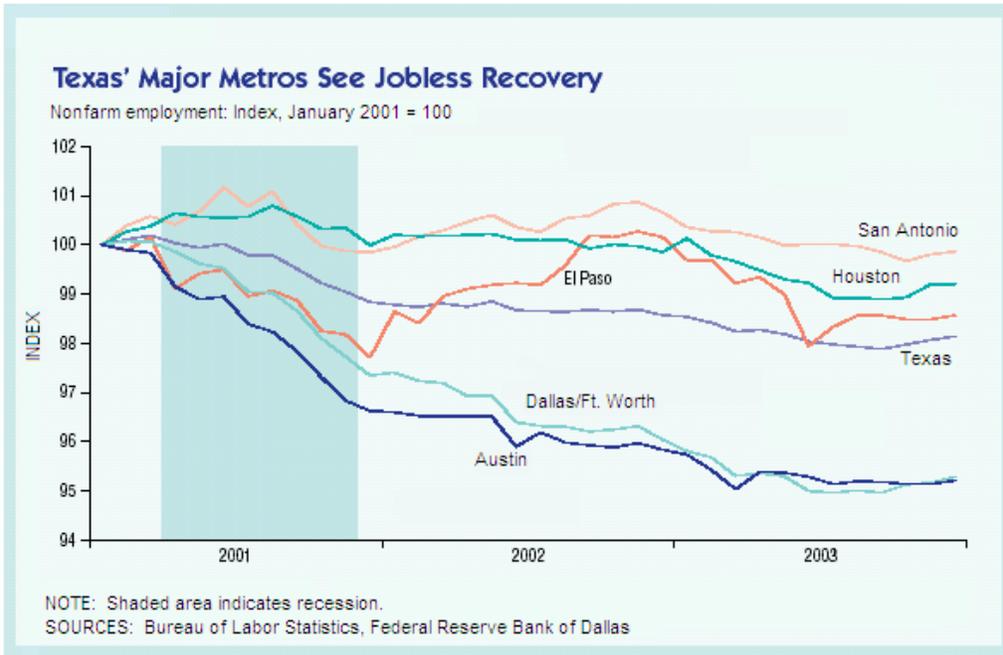
Senate Bill 464 closed the gap in pay for similar work performed in different parts of the State. The bill directed the State to use the higher figure of the following prevailing wage rates:

1. the wages paid to workers employed on similar projects in the same political subdivision of the state where the work is to be performed;
2. the average of the local wage rate and the statewide rate; or
3. the average of the local wage rate and the federal wage rate.

Unemployment Trends in the Border Region

To create a stable and prosperous society, people must have access to jobs. In the Border Region, an unstable economy and high jobless rate, coupled with a young, undereducated workforce contributes to some of the highest unemployment rates in the country. In 2002, the 211 non-Border counties had an unemployment rate of six percent, compared with a rate of 7.9 percent for the 43 counties in the Border Region and over 10 percent unemployment for the 14 immediate Border counties.⁵²⁶ Texas' Border Region also lags behind the nation's employment rate. In 2002, the national unemployment rate was 5.8 percent, almost half of the Border's unemployment rate.

Although the United States economic recovery officially began in December 2001, it has largely been a jobless recovery, both in Texas and across the nation. While Texas indicators suggest that the overall economy began improving in early 2003, job growth has remained meager across the State. The graph *Texas' Major Metros See Jobless Recovery*, on the following page, illustrates that the economic recovery in Texas has been largely jobless to date. The movement in the employment rates is recorded as a comparison to the employment levels of the base month, January 2001. The graph clearly shows that job rates have not increased across the State.



Source: Southwest Economy: Issue Two. Federal Reserve Bank of Dallas. March/April 2004.
<http://www.dallasfed.org/research/swe/2004/swe0402a.pdf>

More recent employment figures from the Federal Reserve of Dallas are provided below:

TEXAS PAYROLL EMPLOYMENT—TOTAL NONFARM (NAICS)
 CHANGE, SEASONALLY ADJUSTED (TWO-STEP), THOUSANDS OF PERSONS

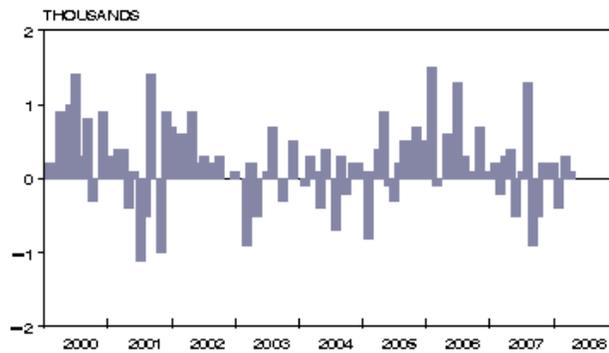


LAST DATA ENTRY MARCH 2008

<http://www.dallasfed.org/data/data/tae000000.htm>

Brownsville Nonfarm Employment (NAICS)

Monthly Change, Seasonally Adjusted (two-step), THOUSANDS

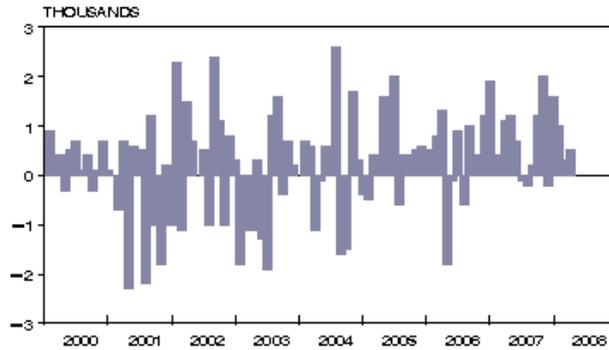


LAST DATA ENTRY MARCH 2008

<http://www.dallasfed.org/data/data/brosa.htm>

El Paso Nonfarm Employment (NAICS)

Monthly Change, Seasonally Adjusted (two-step), THOUSANDS



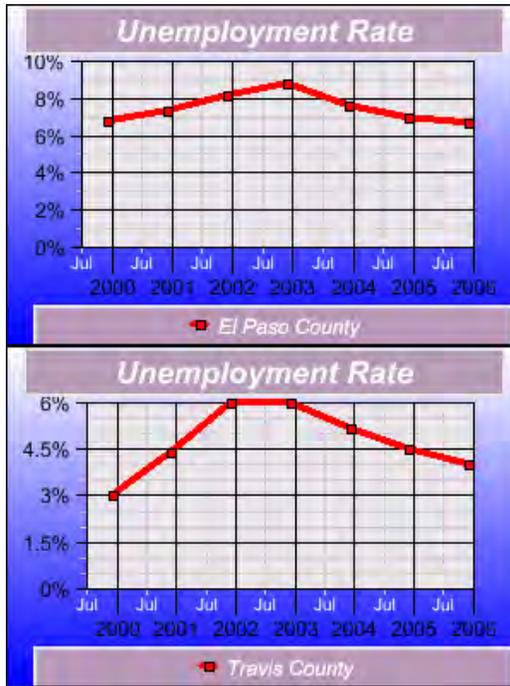
LAST DATA ENTRY MARCH 2008

<http://www.dallasfed.org/data/data/elpsa.htm>

Nevertheless, Border unemployment rates have avoided the volatility that other areas of the State have experienced. In the mid- to late 1990s, when the U.S. economy prospered, Texas performed better than the nation, in part because a large share of the booming high-tech industry was in the State. Communities that saw great growth in the late 1990's also saw great job loss several years later. However, a small share of high tech sector jobs sheltered the Border Region from the job loss. El Paso has a higher unemployment rate than the rest of the state, but the rate has actually fallen slightly,

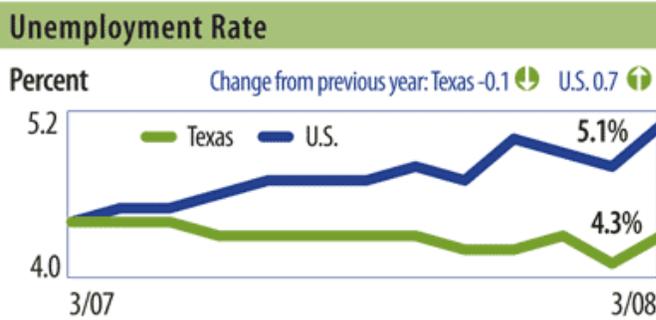
while Texas' overall rate has risen. The graph *Unemployment Rates*, on the following page, compares employment statistics for Travis County and El Paso County.

Unemployment Rates



Source: Texas Workforce Commission, Labor Market Information
<http://www.tracer2.com/cgi/dataanalysis/labForceReport.asp?menuchoice=LABFORCE>.
Accessed: February 4, 2008.

Recently, Texas has been able to keep unemployment below the U.S. level:



Sources: Texas Workforce Commission, U.S. Bureau of Labor Statistics

High unemployment rates are exacerbated by the makeup of the population in the Border Region. Generally, the Border has a young, poor and fast growing population – all elements that present challenges in the workforce. Over 21 percent of the Border population is school aged. Of those school children, almost 29 percent are living in poverty.⁵²⁷ For a child living in poverty, succeeding in school and working to break the cycle of poverty is difficult, as indicated by the low high school graduation rates in the Border Region.

Only 18.6% of the unemployed in Texas collected Unemployment Insurance (UI) benefits in 2006; the second-lowest rate in the United States. Though Texas has a well-funded UI Trust Fund, the method that calculates UI eligibility prevents many from collecting benefits. Texas used the Standard Base Period, which disregards an applicant's past 3-6 months of earnings and work history. Many labor advocates are pressing Texas to adapt the Alternative Base Period, which considers an applicant's recent work history and earnings.⁵²⁸ The Alternative Base Period has already been adopted by 20 states, and if adopted by Texas, could enable an estimated 30,000 workers to apply for \$38 million in UI benefits.⁵²⁹

Moreover, the Border's high population growth rate indicates that the labor market is becoming more and more saturated with people trying to enter the workforce. The Border's overall population, projected to be 6.3 million by 2020, is growing at a faster rate than the rest of the State. The region experienced a 2.2 percent growth rate from 1990-1999, compared to the two percent statewide rate. With the struggling economy, economic growth will not keep pace with the needs of this young, under-educated workforce.

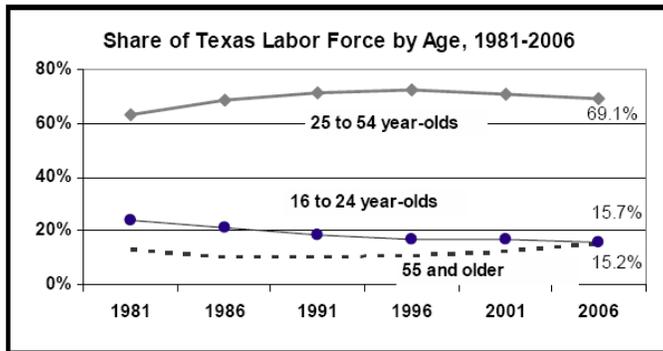
Traditionally, the economic environment along the Border has been focused on manufacturing, trade and transportation. Because of this focus, the economy is largely affected by economic fluctuations in Mexico, which in turn is driven by industrial production in the United States. Thus, when U.S. production drops, the economic ripples

greatly impact Border communities. Economic development programs have attempted to diversify industry in the Region. However, the labor force must have the skills and training to attract new industry to the Border.

Texas Workforce Composition: Age, Gender, Race, and Ethnicity

Age

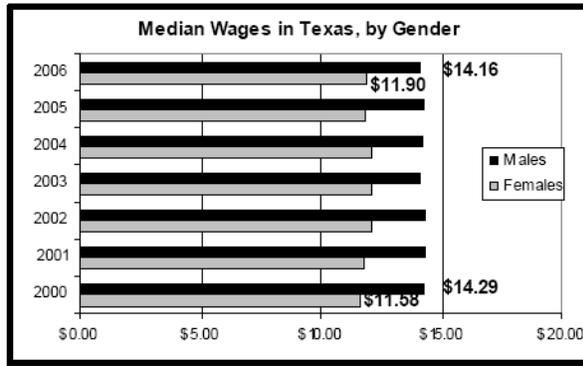
Texas workers are slightly older than the national average, with 69.1% of the workforce between the ages of 25 and 54.



Due to this large share of older workers, Texas must prepare for a wave of retirement in the near future that is unlikely to be offset by an increase in younger worker participation.

Gender

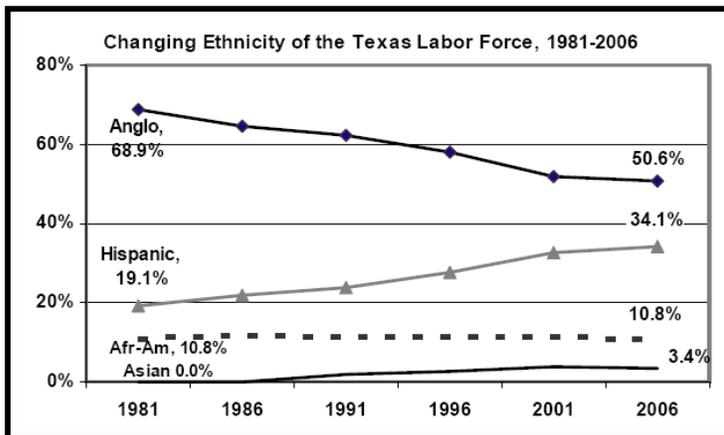
Women in Texas have lower wages and experience higher levels of unemployment than men. In 2006, the unemployment rate for women in Texas is 5.2%, while it is 4.5% for men. However, women have a lower long-term unemployment share of 12.6%, while men experience a 18.1% rate. Women have also made steady wage gains on men since 2000:



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

Race and Ethnicity

Since 1980, the ethnic composition of the Texas labor force has changed dramatically. The share of Hispanic and Asian workers has been steadily increasing, while the share of Anglo (non-Hispanic whites) has been decreasing. The share of African-American workers has remained relatively constant.



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

The share of Hispanics in the Texas labor force is 34%, which is more than double the share of Hispanics in the US labor force, which stands at 14%.



Source: Economic Policy Institute analysis of Current Population Survey Data, 2007.

The labor force in Texas has undergone dramatic changes over the past two decades. Experts expect trends in gender, age, and ethnic composition to continue well into the 21st century.⁵³⁰

Educational Attainment: The Key to Increasing Prosperity in the Border Region

The key to increasing earnings in the Border Region is to attract and foster knowledge-based industries that pay family-supporting wages. To attract these jobs, Texas must increase educational attainment among the Border workforce. However, according to the Texas Comptroller, as many as 43 percent of people aged 25 or older living in the 14 counties adjacent to the Border do not have high school diplomas. The chart, *Educational Attainment in Texas*, shows the disparity between the Border counties and the rest of Texas.

Educational Attainment Levels in the Borderlands for 2000

POPULATION (25 YRS. AND OLDER)	14-COUNTY IMMEDIATE BORDER REGION	32-COUNTY SUB-BORDER (LA PAZ) REGION	43-COUNTY TEXAS BORDER REGION	TEXAS	211-COUNTY NON-BORDER REGION
WITHOUT A HIGH SCHOOL DIPLOMA	43.2%	43.2%	33.6%	24.3%	22.2%
WITH SOME COLLEGE BUT NO DEGREE	17.6%	17.5%	20.7%	22.4%	22.7%

WITH AN ASSOCIATE'S DEGREE	4.1%	4.0%	4.9%	5.2%	5.3%
WITH A BACHELOR'S DEGREE	9.3%	9.1%	11.2%	15.6%	16.6%
WITH A POST GRADUATE DEGREE	5.0%	4.9%	6.3%	7.6%	7.9%

SOURCE: Texas Comptroller of Public Accounts, *The Border: Snapshot, November 2003*, using data from the 2000 U.S. Census.

There are limited opportunities for traditional educational attainment along the Border. Border universities and professional schools lack the programs and the capacity to accommodate the population on the Border, and the state does not allocate adequate resources for infrastructure growth. Post-graduate opportunities for allied health and nursing, medical, and legal education, as well as financial assistance, are severely lacking along the Border as well.

Doctoral and Professional Programs, 2007

PROGRAM	UT-BROWNS-VILLE	UT-PAN AMERICAN	UT-SAN ANTONIO	UT-EL PASO	TEXAS A&M-INTERNATIONAL	UT-AUSTIN
BUSINESS	0	1	5	1	1	5
EDUCATION	1	1	3	1	2	11
ENGINEERING	0	0	3	5	0	19
LIBERAL ARTS	0	0	3	3	1	24
HEALTH SCIENCES	0	0	0	2	0	2
SCIENCE	0	0	5	5	0	15
ARCHITECTURE	0	0	0	0	0	4
MEDICAL	0	0	0	0	0	0
LAW	0	0	0	0	0	1
TOTAL	1	2	19	17	4	81

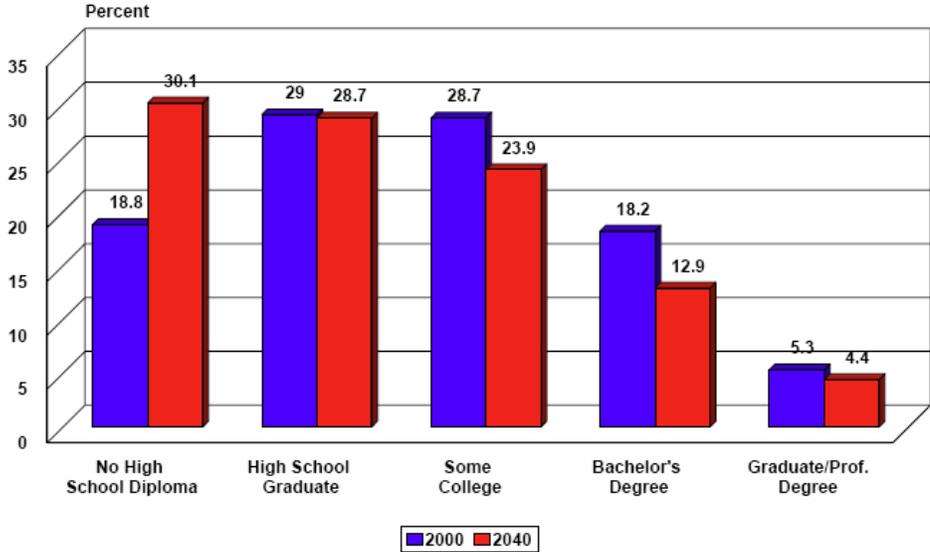
SOURCE: Texas Higher Education Coordinating Board, *Program Inventory*. Online. Available at: <http://www.thecb.state.tx.us/InteractiveTools/ProgramInventory/DegInv.cfm>. Last accessed: January 23, 2008.

In addition to a lack of higher education opportunities, skills development training is not readily available in the Border region.

If educational attainment is not vastly improved, workers in Texas can expect to see wages and economic growth stagnate. In a 2007 report entitled, *Population in Texas: Implications for Human and Socioeconomic Resources in the 21st Century*, The Institute for Demographic and Socioeconomic Research at the University of Texas at San Antonio has calculated the effects of lower educational attainment in Texas, and has made

projections for the next 3 decades. Below, a graph from this report illustrates the projected decline in educational attainment among the workforce in Texas:

Projected Percent of Labor Force by Educational Attainment in Texas, 2000 and 2040

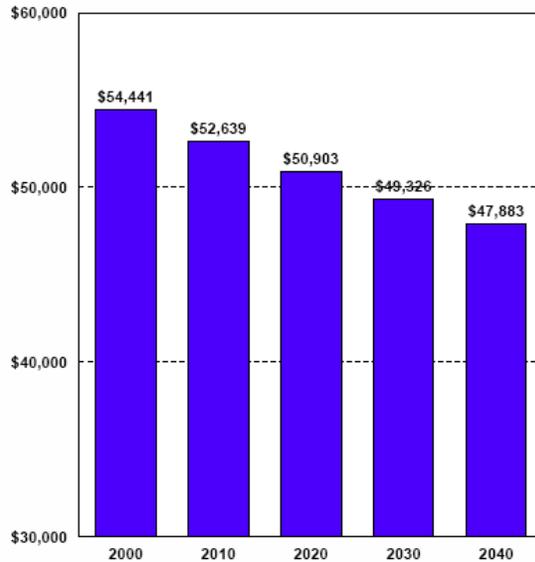


* Projections are shown for the 1.0 scenario

Source: Murdock, Steve. Institute for Demographic and Socioeconomic Research, UTSA. http://txsdc.utsa.edu/download/pdf/presentations/2007_08_20_Ernst_and_Young_Bastrop.pdf, slide 52.

Not surprisingly, this decrease in educational attainment will cause average household income to fall:

Average Household Income in Texas, 2000-2040* (in 2000 Dollars)



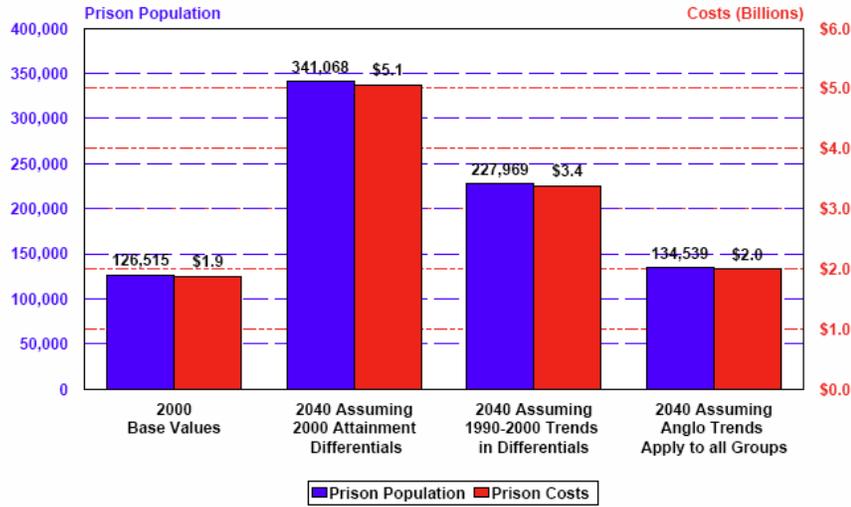
* Projections are shown for the 1.0 scenario

Source: Murdock, Steve. Institute for Demographic and Socioeconomic Research, UTSA.

http://txsdc.utsa.edu/download/pdf/presentations/2007_08_20_Ernst_and_Young_Bastrop.pdf, slide 53.

This projected decline in household income will have serious implications for the state. First, the downturn in household income will decrease revenue sources that fund state and local governments. Second, in the wake of revenue shortages, policymakers will face considerable difficulty finding government services that can be eliminated or scaled back. State prisons are a telling example. The same UTSA report that projects a substantial decrease in household income in Texas over the next 30 years also projects that prison costs in the year 2040 could hit \$5.1 billion, up from \$1.9 billion in 2000.

Prison Population and Prison Costs for Population 25 Years of Age or Older in Texas in 2000 and Projected Under Alternative Educational Attainment Assumptions for 2040*



*Projections are shown for the 1.0 scenario

Source: Murdock, Steve. Institute for Demographic and Socioeconomic Research, UTSA. http://txsdc.utsa.edu/download/pdf/presentations/2007_08_20_Ernst_and_Young_Bastrop.pdf, slide 63.

These projections underscore the urgent need to increase educational attainment in Texas. Most experts agree that high-tech industry will continue to fuel the global economy, placing low-skill workers at a tremendous disadvantage against workers trained in the hard sciences. As a result, policymakers must recognize how Texas' low educational attainment will eventually prevent the state from gaining an edge in a high-tech, 21st century economy.⁵³¹

First, Texas must invest more in public education. Texans can earn more if they learn more. Currently, of the four largest states in the nation, Texas spends the least amount of money per child in education:

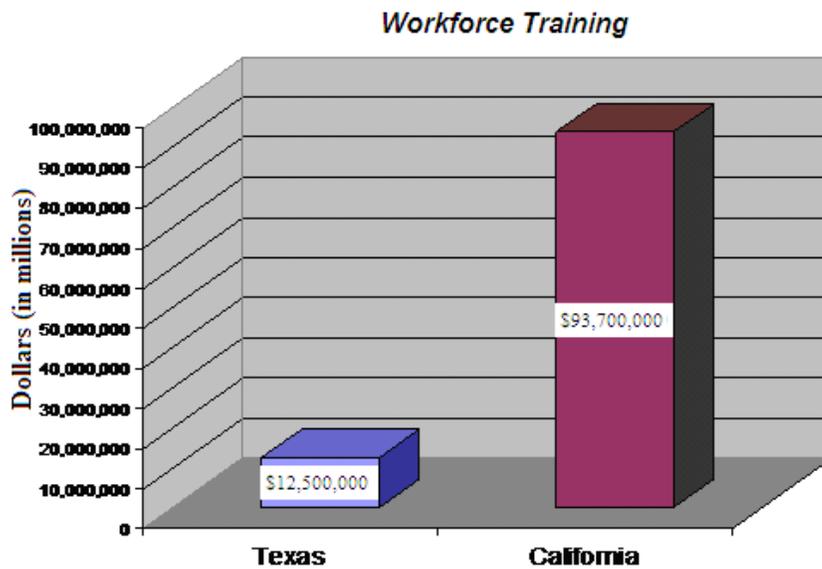
	California	Florida	New York	Texas
Enrollment	591,574	370,986	165,618	122,773
Total Spent (million)	\$644	\$299	\$77	\$15
Cost Per Student	\$1,223	\$896	\$719	\$484

Source: Texas Border Infrastructure Coalition 80th Legislature Proposed Texas Workforce and Economic Development Legislative Strategies "Texas' Competitive Edge is a Skilled Workforce".

The state also must increase its commitment to community colleges and ensure that higher education remains affordable.

Finally, the state needs to assist families for whom formal education is not an immediate answer, with policies that help low-wage workers move into jobs with family-supporting wages. Texas can do this by expanding the focus of its workforce programs from just finding people jobs, to targeting jobs with wages that provide basic economic security to workers and their families.

Currently, Texas' commitment to workforce development and training programs pales in comparison to other large states. For example, California invests \$7.50 for every \$1.00 that Texas spends to train the workforce. The graph below illustrates this disparity.



Source: Texas Workforce Commission, Government Relations. Provided: March, 2004.

To meet the specific needs of the Border Region, Texas must invest in targeted and proven programs. This approach must be coupled with effective employer-driven skills development. A more efficient use of state and local funds would be to focus on preparing workers for higher-skilled, better paying jobs.

One such workforce program is the Skills Development Fund (SDF), administered by the Texas Workforce Commission. The SDF is a customized, employer-driven program that engages providers, community colleges, and employer consortia in training new and incumbent workers for specific jobs with in-demand skills. From 2002-2004, the SDF served over 44,000 trainees. In 2005, the average SDF trainee earned \$17.01 per hour, up 37% from its 2000 level.

The Texas Workforce Commission also administers the Self-Sufficiency Fund, a training program geared toward current and former recipients of Temporary Assistance for Needy Families (TANF) cash assistance. From 2002-2004, the Self-Sufficiency Fund served about 2,500 trainees per year and placed them in upgraded and new jobs.⁵³²

The Role of the Maquiladora Industry in the Border Economy

Maquiladora industries make the Border Plex the third largest manufacturing center in North America measured by the number of workers. The nature of the maquiladora industry is such that goods and people move across the border frequently and in large quantities. The interconnected economies and cultures of the Border Plex allow the maquiladora industry to capitalize on the competitive advantages of both the United States and Mexico.

In the early 1990s, Reform Party presidential candidate Ross Perot famously warned that the North American Free Trade Agreement would produce a “giant sucking sound”—the noise made by a large number of high-wage jobs leaving the US for low-wage Mexico.⁵³³ The debate over whether the U.S. and Mexican economies compete with or complement each other still rages on today. Despite this debate, the symbiotic relationship between the sister cities on the Texas-Mexico border is well documented by the U.S. Bureau of Labor Statistics and the U.S. Bureau of Economic Analysis. Research done by the Mexican government is less conclusive, in part because of the manner in which the government collects data. Mexico stopped publishing data on the maquiladora industry in March 2007, and has scrapped previous data collection methods in favor of a new, more comprehensive system. Beginning in March 2008, maquiladora data will be included in Mexican manufacturing reports, officially titled the Maquila Manufacturing Industry and Export Services, or IMMEX. IMMEX data will allow researchers to quantify with greater precision the degree to which the Mexican and U.S. border economies are complementary.⁵³⁴

Studies conducted by U.S. government agencies provide insight into the interconnected and complementary nature of border economies. A 2005 report by the Federal Reserve of Dallas, *Border Cities: Economic Competitors or Complements?* explores the similarities between four Texas border city-pairs, El Paso-Juarez, McAllen-Reynosa, Laredo-Nuevo Laredo, and Brownsville-Matamoros. Almost one-third (32 percent) of all maquiladora jobs in Mexico exist in these four Mexican cities, leading the U.S. border economies to establish industries supporting the maquiladoras and their workforce. For instance, the economies of El Paso, Laredo, and Brownsville all support high concentrations of transportation-related industries, which facilitate the movement of goods produced by maquiladoras into the United States and Canada. In addition, all four of these U.S. border cities have high concentrations of retail trade. Many Mexican nationals with disposable income who work in the maquiladora industry prefer to shop for clothing in the United States, flocking to the outlet malls of these Texas cities. As

wages and employment rise in Mexico, U.S. retailers can expect to see the volume of customers increase. Lastly, the report shows that real estate in these four U.S. cities is also a large component of the border economy. Many Mexican nationals invest in real estate on the U.S. side of the border as a way to hedge against the peso. In addition, the Mexican government often hires U.S.-based real estate companies to help locate an appropriate industrial park for a startup maquiladora. The economies of these city-pairs are not only complementary; they are interdependent. U.S. firms rely on Mexico to produce cheap goods, while Mexico relies on U.S. firms to transport these goods. The performance of the maquiladora industry has a serious impact on both the United States and Mexico, as thousands of workers in the region are directly affected by fluctuations in the industry.⁵³⁵

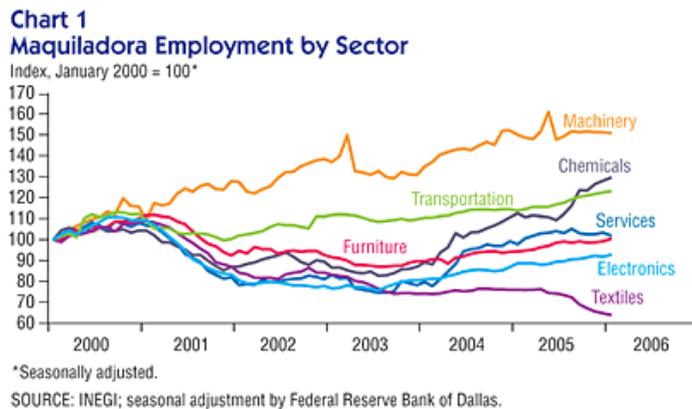
These four U.S.-border cities experienced high levels of employment growth in the 1990s. Yet, this growth was not accompanied by increases in wage rates. The average per capita income for these four cities in 2002 was \$17,222, almost half of the national average of \$30,906.⁵³⁶ On the Mexican side of the border, the same period yielded large increases in employment, growth, and income levels.⁵³⁷ Policymakers have struggled to explain the stagnation of wages along the border. One study by the Dallas Federal Reserve examined the breakdown of jobs and industries in El Paso to help determine why border towns have not achieved parity with peer U.S. cities. The report, *Low-Wage Occupations Remain a Hallmark of El Paso Economy*, shows that El Paso exceeds the national average in wages for only a small number of industries, including construction and extraction, installation and repair, and health care support. None of these industries attract workers with knowledge-based skills who fill the kind of jobs that drive the globally competitive, high-tech economy. Some cities in the Southwest have been able to transform into high-tech economies, and have seen large growth in employment and wages as a result. During the 1990s, Albuquerque was able to establish a high-technology industry by encouraging scientists from nearby government research facilities to launch private businesses in the area. Albuquerque now produces semiconductors, aircraft, aircraft avionics and engines, electronics, and medical equipment. El Paso, by contrast, transformed itself in the 1990s from a low-wage manufacturing economy to a low-wage service economy.⁵³⁸

Recent research authored by Gordon Hanson of the *Journal of Urban Economics* has shown that a 10 percent increase in maquiladora output in a Mexican border city would cause a 1.1 to 2 percent employment increase in the corresponding U.S. border city. This same 10 percent increase in maquiladora output would also increase wholesale trade employment in the U.S. border city by 2.1-2.7 percent, transportation services by 1.7-2.7 percent, manufacturing by 1.2 to 2.1 percent, and retail trade by 1 to 1.8 percent.⁵³⁹ Clearly, the maquiladora industry is a substantial contributor to the local economies of El Paso and other cities in the Border Region.

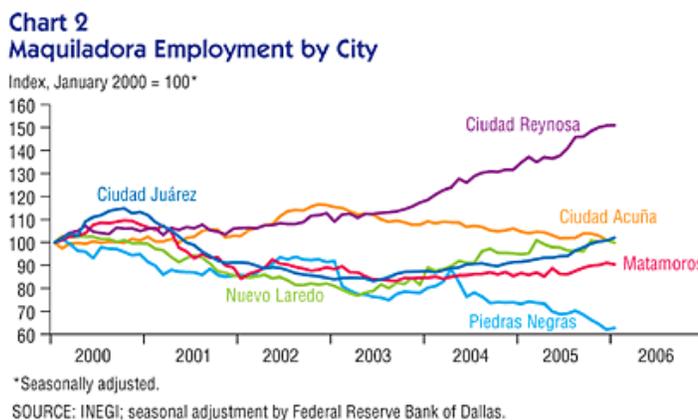
After a period of outsourcing low-skilled, manufacturing jobs to take advantage of low-wage production plants, the maquiladora industry has rebounded and continues to expand. Analysts attribute much of this growth to proximity to just-in-time US markets.

Following growth of 2.8 percent in 2005, maquiladora employment increased at a 4.3 percent annualized rate in January 2006, a gain of about 4,100 new jobs.⁵⁴⁰

Looking at job growth by sector, as the following chart indicates, electronics added the most jobs in January 2006 (3,590), expanding by 0.9 percent. The transportation sector was second, adding 1,326 jobs (0.5 percent growth). The service and furniture sectors both recorded employment growth of 1.2 percent. Textiles continued its downward trend (-1.3 percent) as the industry continues to shrink by loosing jobs to Asia, mainly China. Machinery employment remained flat.⁵⁴¹



Looking at job growth in the maquiladora industry by city, Ciudad Juárez added the most jobs (3,000), and additional gains were recorded in Ciudad Reynosa and Piedras Negras. The increases outpaced employment declines in Matamoros, Ciudad Acuña and Nuevo Laredo (*Chart 2*).⁵⁴²

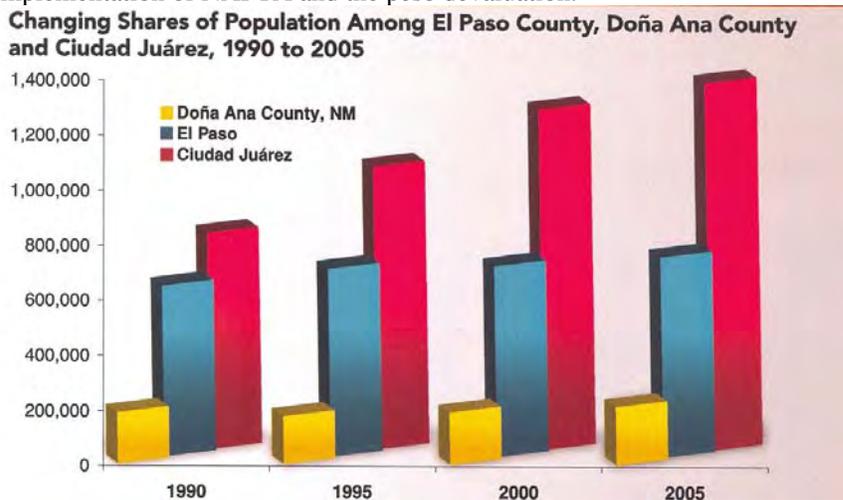


Overall, as the April issue of the Federal Reserve Bank of Dallas illustrates, the outlook for the maquiladora industry remains positive. U.S. industrial production—a driver of maquiladora employment—bounced back in February 2006 at a 7.9 percent annualized rate.

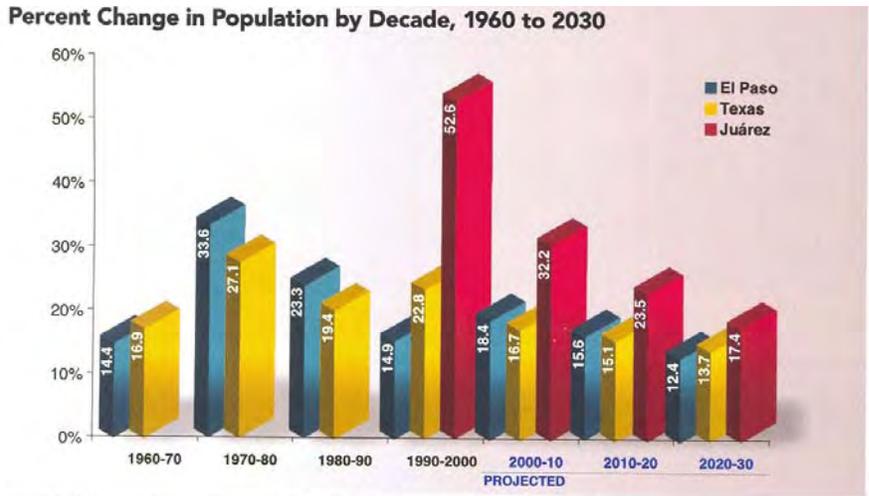
Focus on El Paso

Population Trends

From 1990 to 1995, the population of El Paso grew 15.8 percent. Ciudad Juárez saw its population grow even more over the same period, increasing 26.7 percent. Population growth slowed in El Paso from 1995 to 2000, increasing only 1.6 percent. Many experts believe that this slowdown in population growth was a direct result of the implementation of NAFTA and the peso devaluation.



It is projected that El Paso will grow at the same rate as Texas from 2005 to 2030, while Ciudad Juárez will continue to outpace El Paso in population growth.⁵⁴³



Source: U.S. Census Bureau, Texas State Data Center; Consejo Nacional de Población, Población total de los municipios a mitad de año, 2000-2030

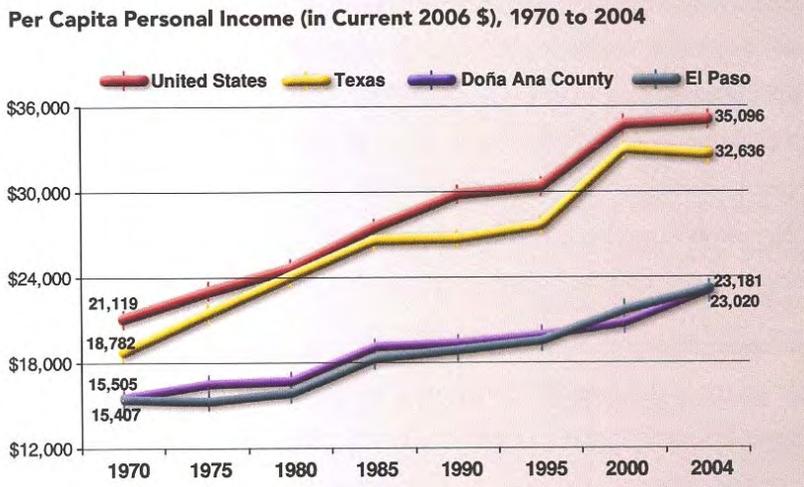
(Source: *Higher Education and the Economic Future of El Paso*, Prepared for the Paso del Norte Group. December 2007 By the National Center for Higher Education Management Systems, p.21.)

El Paso's Low-Wage Economy

El Paso's historic dependence on industries that employ low-skilled workers has depressed wages across all industries, resulting in a lower-than-average wage scale in every major area of employment. Currently, El Paso is struggling to develop a strategy to attract high-skilled workers to a city where all of the wages have been severely depressed and per capita income lags behind state and the U.S. levels.

El Paso's current concentration of low-wage, low-skilled service sectors such as installation and repair, health care support, and construction and extraction are not likely to keep the El Paso economy competitive in the long-run. Further, these industries are not likely to raise per capita income in El Paso or the Border region.

Per capita income in El Paso has lagged behind Texas and U.S. levels for decades:

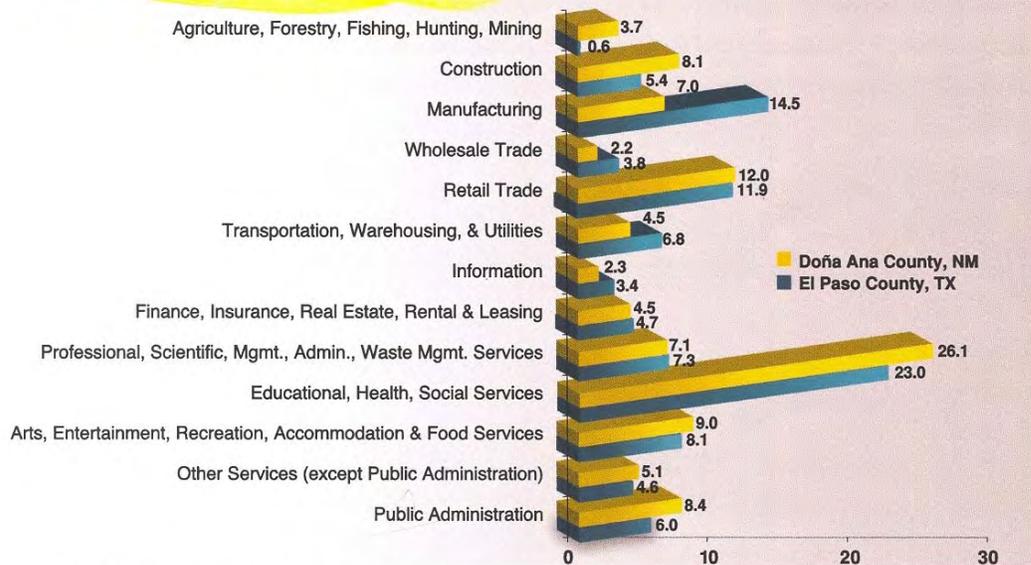


(Source: *Higher Education and the Economic Future of El Paso*, Prepared for the Paso del Norte Group. December 2007 By the National Center for Higher Education Management Systems)

Workforce Characteristics and Employment Trends in El Paso

In El Paso, the “educational, health, and social services” industry employs 23 percent of the workforce, the highest of all the city's various industries. Manufacturing, no longer the dominant industry of El Paso, nonetheless remains a major employment sector. Below is the breakdown of employment by industry in El Paso County:

Percent Employment by Industry, 2000



Source: U.S. Census Bureau, 2000 Decennial Census

(*Higher Education and the Economic Future of El Paso*, Prepared for the Paso del Norte Group. December 2007 By the National Center for Higher Education Management Systems)

In 2006, the most recently collected demographic labor force data showed that El Paso labor market was at a disadvantage compared to other parts of Texas. As the chart below shows, the portion of the population working in El Paso was far less than the portion working in Austin.

Labor Force Statistics for 2006, Austin vs. El Paso

Year 2006	Austin	El Paso	US
Percent of Population in the Labor Force	73.6%	54.4%	65.0%
Population 25 years and over: High School Grad or Higher	83.7%	70.7%	84.1%
Population 25 years and over: Bachelor's degree or higher	42.9%	19.9%	27.0%
Per Capita Income (In 2006 Inflation adjusted dollars)	\$28,250	\$15,756	\$25,267

Source: U.S. Census Bureau, Fact Sheet for El Paso City and Austin. Online: <http://factfinder.census.gov/>

Since 1800, El Paso has experienced an ebb and flow in certain industries. Mining, farming, copper refining, and plastic-injection molding plants have all, at one point, been the top industry in El Paso. Though these industries are notably diverse, they all ultimately closed down and relocated to other cities and countries. Thousands of El Pasoans were left unemployed. The apparel industry is a good example the rise and fall of industry in El Paso. In the 1990s, the apparel industry employed 21,000 people in El Paso, and the city was widely regarded as being the “slacks capital of the world.” However, increased competition from abroad forced the apparel industry to shut down its El Paso operations in the late 1990s and relocate to Asia, where labor costs were significantly cheaper⁵⁴⁴. The inability to sustain a particular industry over a long period of time partly explains why El Paso has lower wages and higher unemployment than similar cities in the Southwest.

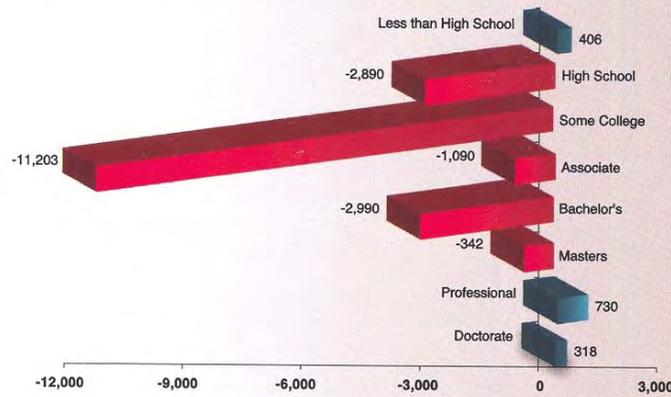
Though the constant turnover of industry presents clear challenges for El Paso, unemployment has been falling steadily since 1997, where it peaked at 12.1 percent. In 2007, the unemployment rate fluctuated between 5 and 6 percent.⁵⁴⁵ This was achieved in part by the creation of 3,000 new jobs in 2007, which were distributed evenly between the service, construction, and mining sectors. Though this is an improvement for El Paso, the city still lags behind Texas' unemployment rate of roughly 4.5 percent in 2007.⁵⁴⁶ It is clear that attracting sustainable industries, much like the semi-conductor plants in Austin and Phoenix, is the key to achieving stable economic growth and low rates of unemployment. It is also the key to raising area wages. Currently, more than 200,000 El Pasoans live in poverty, despite the fact that most are employed.⁵⁴⁷ Bringing sustainable, globally competitive industries to El Paso should be a top priority for the city and for Texas.

The "Brain Drain"

El Paso suffers from an inability to attract and retain educated workers; in fact, the city exports more of its college-educated residents that it retains. Between 1995 and 2000, El Paso had a net migration of 18,565 adults with a high school education or above, including 11,203 with some college education and 2,990 with a Bachelor's degree. El Paso's "brain drain" trend must be reversed if the city is to break out of its low-wage, low-skilled economic paradigm.⁵⁴⁸

The region is a net exporter of educated people

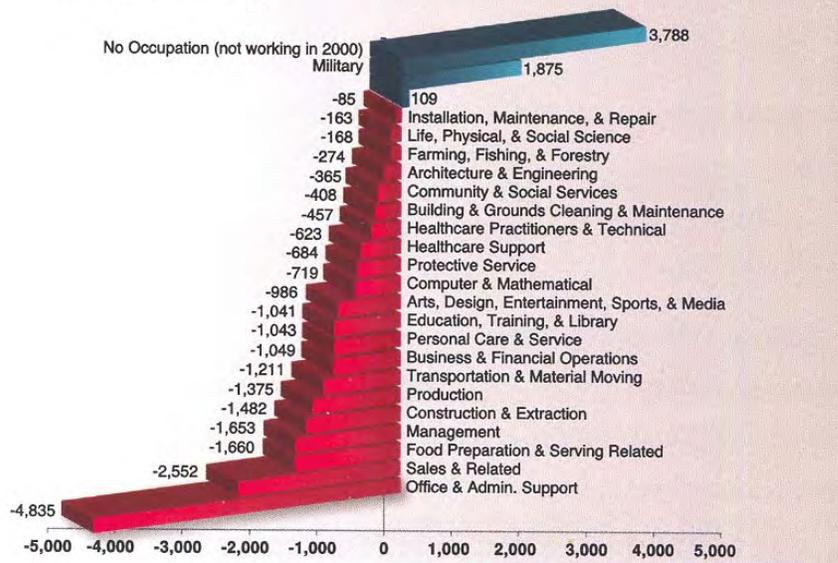
Net Migration of Adults Age 18-64 By Educational Attainment, 1995-2000 El Paso County



Source: U.S. Census Bureau, 2000 Public Use Microdata Samples (based on 2000 Census)

Most of these migrants work in office and administrative support occupations:

Net Migration of Adults Age 18-64 by Occupation, 1995-2000 El Paso County

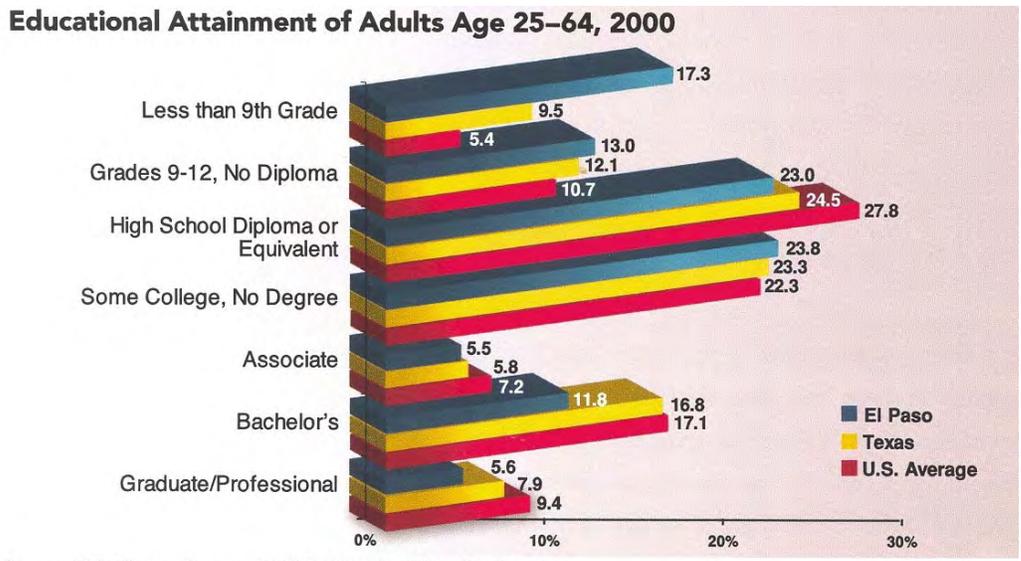


(Source: U.S. Census Bureau, 2000 Public Use Microdata Samples (based on 2000 Census); *Higher Education and the Economic Future of El Paso*, Prepared for the Paso del Norte Group. December 2007 By the National Center for Higher Education Management Systems, p.11, 41.)

Despite the net migration of El Paso’s workforce, there is evidence that the city has a “hidden labor reserve” of 94,990 people. Among this group, 67,470 are under-employed, 18,320 are unemployed but willing to work, and 9,200 are recent college graduates. Of those who are under-employed, 7.8 percent had graduate or professional degrees, 21.2 percent had Bachelor's degrees, 8.9 percent had Associate degrees, and 39.4 percent had some college. These figures suggest that many people from El Paso would like to stay in El Paso (or in the case of migrants, would return to El Paso) if jobs with more competitive wages and more appropriate to their educational backgrounds were available.⁵⁴⁹

Educational Attainment in El Paso

The educational attainment of adults in El Paso ages 25-64 lags far behind state and national levels. Only 7.2 percent of El Paso adult residents have a bachelor’s degree, compared to 11.8 percent statewide and 17.1 percent for the nation. In contrast, the share of the adult population with less than a ninth-grade education (17.3 percent) is triple that of the nation (5.4 percent).



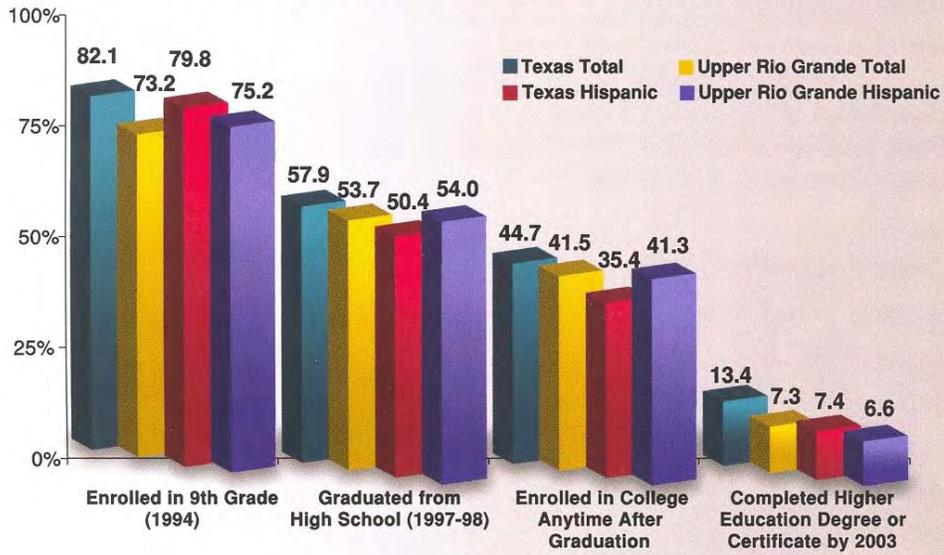
Source: U.S. Census Bureau, 2000 Public Use MicrodataSamples (based on 2000 Census)

(Source: *Higher Education and the Economic Future of El Paso*, p. 26. Prepared for the Paso del Norte Group by the National Center for Higher Education Management Systems, December 2007.)

The high dropout rate in El Paso and the Upper Rio Grande Region presents a major challenge to increasing educational attainment. In 1993, out of every 100 7th graders in the Rio Grande Region:

- Only 73 (compared to 82 in Texas) made the transition to 9th grade,
- Only 54 (compared to 58 in Texas) graduated from high school in four years, and
- Only 7 (compared to 13 in Texas) completed a higher education degree of certificate by 2003

Education Pipeline—AY 1992 7th Grade Cohort Tracked Through AY 2003 Higher Education, Texas and Upper Rio Grande Region



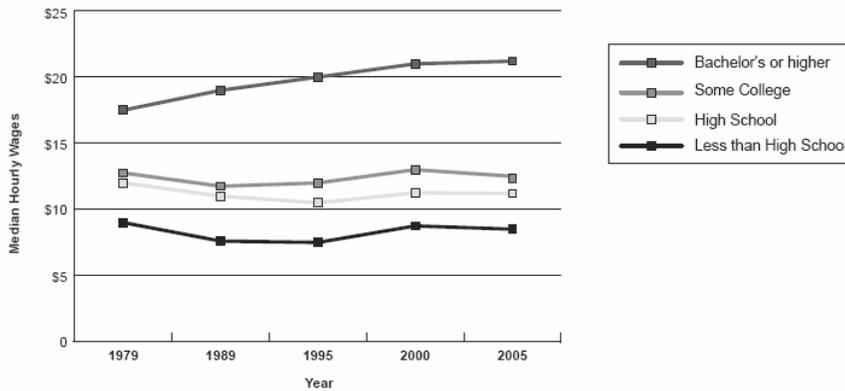
Source: THECB

(Source: *Higher Education and the Economic Future of El Paso*, p. 46, Prepared for the Paso del Norte Group by the National Center for Higher Education Management Systems, December 2007.)

High school dropouts are very costly to Texas. Dropouts are significantly more likely to be unemployed, and therefore collect benefits more frequently and in larger volumes than graduates. About 4 in 10 dropouts are on government assistance (year 2001, ages 16-24). Dropouts are also 8 times more likely than graduates to be incarcerated. One study, entitled *Texas Survey Project: A Summary of Findings*, calculated that the dropouts from the class of 1986 cost Texas a sum of \$16.89 billion dollars.⁵⁵⁰

Dropouts are also less likely to see their wages increase over time. Over the past 25-30 years, wages in Texas have only grown .5%, adjusted for inflation. In contrast, wages nationwide grew 9% over the same period. The only workers in Texas to experience long-term wage growth were those with a bachelor's degree or higher, as the graph below indicates:

Median Hourly Wages in Texas, by Education Level, 1979-2005

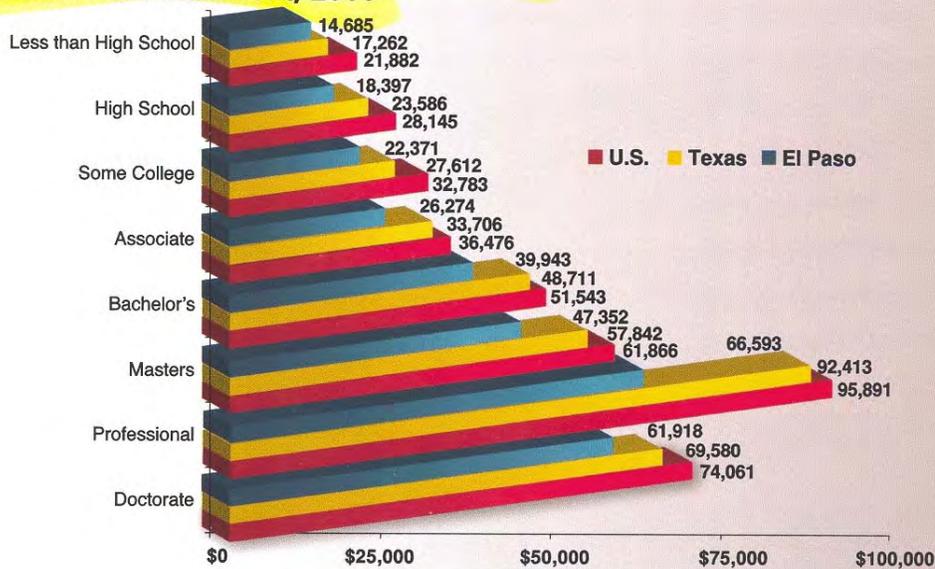


Source: Economic Policy Institute Analysis of Current Population Survey Data

(<http://www.cppp.org/files/2/workingtexas269.pdf> Accessed May 29, 2008)

The relationship between educational attainment and wage growth has never been stronger, yet the dropout rate continues to soar in Texas. Decreasing the dropout rate will not only increase wages and household income; it will also save the state government tens of billions of dollars in the long-run.

Average Annual Earnings of Adults Age 18-64 by Educational Attainment, 2000



Though still far behind the state and the nation, almost one-quarter of El Paso adults have “some college,” which is promising. If demand for high-skilled labor increases in the near future, this could serve as an incentive for members of this group to complete their degrees. However, because the current economy of El Paso does not provide the same returns on education as other cities, El Pasoans who complete their degrees may choose to leave El Paso to find better jobs elsewhere. Thus, efforts to increase educational attainment must attack both the demand-side as well as the supply side of the employment equation.

The projected rise in the population of Ciudad Juárez over the next 30 years also underscores the urgent need to increase educational attainment among El Paso's workforce. If El Paso's workforce does not have a sharp educational edge over workers from Ciudad Juárez, jobs will continue to flow out of El Paso and into Mexico where employers can pay lower wages.

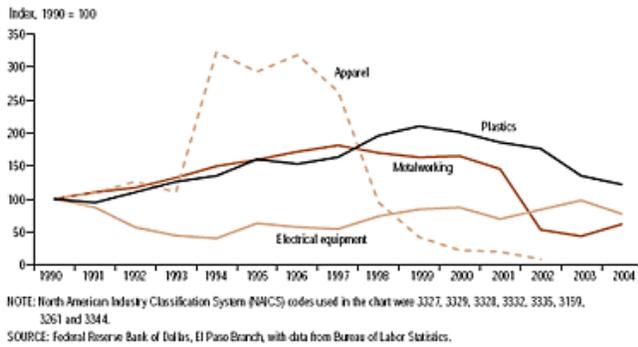
El Paso depends heavily on local institutions to provide its educational services. To increase educational attainment, the city will have to strengthen its collaboration with regional higher education institutions such as UTEP, EPCC, and NMSU.

The Impact of Maquiladoras on El Paso's Economy

El Paso is the second largest port of entry on the Texas-Mexico Border. Many workers in El Paso commute from Mexico daily, and many of the managers of maquiladoras work in Mexico but live in El Paso.

The performance of the maquiladora industry has a direct impact on the El Paso economy. Though maquiladoras typically manufacture inputs for U.S. firms, the role is sometimes reversed, as is the case in El Paso. Starting in the late 1990s, factories in El Paso have increasingly been manufacturing rubber, plastics, electronics, and electrical equipment for sale as inputs for maquiladoras across the border.

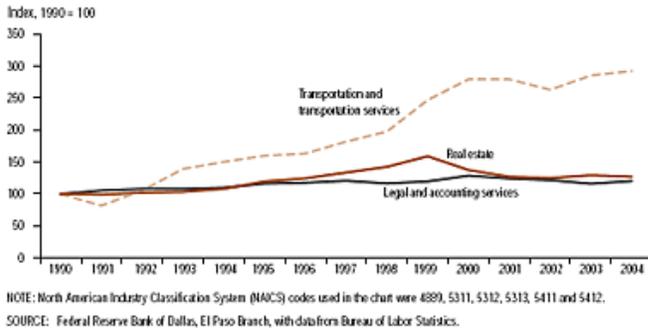
Chart 3
Maquiladora Suppliers in El Paso



http://dallasfed.org/research/pubs/fotexas/fotexas_canas.html Accessed: February 8, 2008.

The El Paso service sector also has a strong interest in fostering a robust maquiladora industry in Mexico. Typically, maquiladora managers in Mexico use U.S.-based engineers, lawyers, and banks during the initial stages of development.⁵⁵¹ The following graph illustrates the boom to the service sector in El Paso during the large resurgence of the maquiladora industry in the 1990s:

Chart 4
Service Employment in El Paso



http://dallasfed.org/research/pubs/fotexas/fotexas_canas.html Accessed: February 8, 2008

Removing the Barriers to Entering the Workforce

There are many challenges to improving the state of the workforce along the Border, including a lack of training and limited access to technology, affordable and reliable child care, and transportation. State and local governments can and should

address these obstacles so that Border families can work, earn more money, and live the American dream.

Language Barriers

Over the last year, the downturn in our economy, combined with resulting changes in adjacent economies, has resulted in increased competition for available jobs. In some areas, additional pressures, such as continued labor reductions due to trade dislocations, have added to labor market competition. These pressures have largely impacted lower skilled workers. Yet, as competition for jobs tightens, the skills demands required by employers have continued to increase, especially for strong English literacy.

The specific needs of the Border Region can be illustrated with an example from El Paso. According to the United States Census Bureau, El Paso’s population is 78.2 percent Hispanic. Moreover, many people in the El Paso community have limited English or no English communication skills. Data on language use suggests that many in the Border Region lack the basic English language skills necessary to effectively compete in the labor force and to access services. Thirty-eight of the region’s counties show higher proportions speaking non-English languages at home in 2000 than the State as a whole, and in 18 counties the percentage speaking a language other than English at home exceeded 70 percent. More importantly, as the chart *Percentage of Residents Who Speak Primarily Spanish at Home, and Proficiency in English* illustrates, in nearly a third of the counties, more than 20 percent of those speaking Spanish at home either do not speak English at all or do not speak the language well.

Percentage of Residents who Speak Primarily Spanish at Home, and Proficiency in English

Border County	Percent that Speak primarily Spanish at Home	Ability to speak English			
		Very Well	Well	Not Well	Not at All
Atascosa	45%	64%	24%	11%	2%
Bandera	14%	73%	16%	9%	3%
Bexar	43%	66%	20%	10%	4%
Brewster	43%	70%	18%	10%	2%
Brooks	78%	64%	23%	9%	3%
Cameron	79%	55%	20%	14%	11%
Crockett	48%	60%	26%	10%	4%
Culberson	73%	63%	20%	9%	8%
Dimmit	77%	62%	24%	10%	5%
Duval	78%	66%	23%	9%	2%
Edwards	47%	62%	21%	12%	5%
El Paso	76%	55%	21%	14%	10%

Frio	61%	63%	24%	10%	3%
Hidalgo	83%	54%	21%	12%	13%
Hudspeth	74%	46%	16%	19%	19%
Jeff Davis	37%	59%	18%	18%	6%
Jim Hogg	82%	66%	22%	10%	3%
Jim Wells	63%	65%	24%	10%	2%
Kenedy	85%	57%	19%	15%	8%
Kerr	18%	59%	25%	12%	4%
Kimble	18%	63%	13%	18%	7%
Kinney	47%	58%	24%	13%	5%
Kleberg	55%	69%	21%	8%	2%
La Salle	70%	60%	27%	9%	4%
Live Oak	30%	71%	18%	9%	2%
McMullen	27%	68%	17%	14%	1%
Maverick	92%	49%	23%	14%	14%
Medina	37%	68%	22%	8%	3%
Nueces	43%	68%	20%	9%	3%
Pecos	56%	62%	22%	12%	5%
Presidio	84%	46%	20%	13%	21%
Real	20%	70%	17%	9%	4%
Reeves	68%	56%	23%	12%	8%
San Patricio	39%	67%	20%	10%	3%
Starr	91%	43%	27%	13%	17%
Sutton	48%	62%	21%	9%	9%
Terrell	53%	69%	15%	13%	3%
Uvalde	60%	60%	22%	11%	6%
Val Verde	70%	57%	21%	13%	9%
Webb	92%	52%	24%	14%	11%
Willacy	78%	59%	24%	11%	6%
Zapata	79%	54%	24%	10%	12%
Zavala	85%	51%	30%	12%	7%
TEXAS	31%	54%	20%	16%	10%

Source: U.S. Bureau, Census 2000 Summary File 3

Despite the need, there are few standards for the development of an effective adult-level English as a Second Language (ESL) or bilingual curricula. Research has shown that displaced workers should be able to find employment after a three-month intensive bilingual training program, provided that the course includes both a language acquisition component as well as job training that is specific to the skills needed by area employers. In El Paso's case, the manufacturing jobs require specialization in the assembly of complex automotive and electronic products. Despite this fact, Border workers typically spend up to 18 months in English classes that do not teach the skills needed to succeed in the area workforce. This approach depletes scarce workforce training resources and impedes the acquisition of skills necessary for success. Programs

must teach career-specific English as a second language. Further, the outcomes and measures for success of these programs must be whether or not the trainee gains employment, not whether or not he or she learned English.

A successful English literacy workforce skills development plan must:

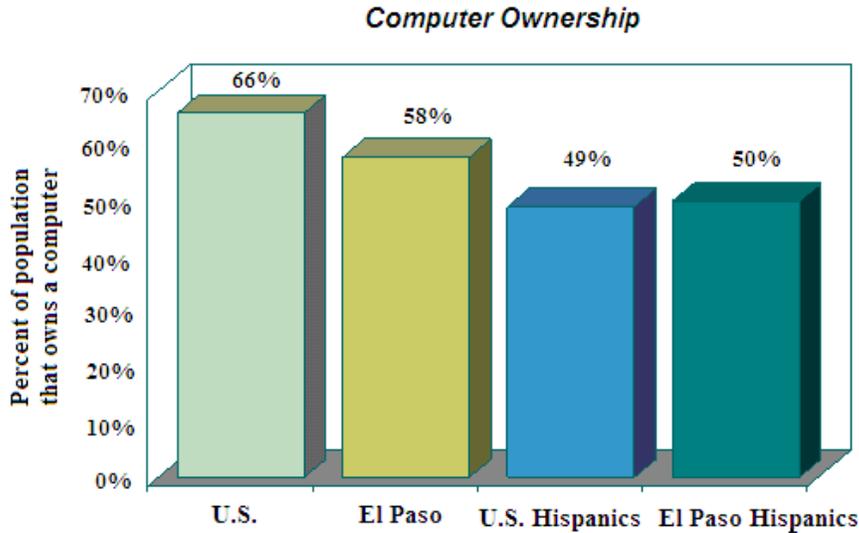
1. identify industry sectors that are most likely to benefit from the development of basic skills curricula;
2. include a curriculum development process that starts with the skills demands of employers; and,
3. have a companion credential development process that will provide both employers and workers with meaningful tools to describe the abilities and competencies required for entry level work.

Positive steps have been taken in this direction with the enactment of Rider 82 by Senator Eliot Shapleigh in the 79th legislature. Working with the Texas Education Agency (TEA), Rider 82 directed TEA to use up to \$800,000 in federal funds to develop a demand-driven workplace literacy and basic skills curriculum. The Texas LEARNS acting on behalf of (TEA) is developing the curriculum. Texas LEARNS has in turn contracted with El Paso Community College (EPCC) to host a Workplace Literacy Resource Center (WLRC). In addition to developing the demand-driven workplace curriculum, TEA contacted the Texas Workforce Commission (TWC) in order to identify current "demand-driven" industries. The industries sectors that were identified are: health care, sales and services, construction, and manufacturing.

To date, EPCC has begun to identify "partner" employers, and the curriculum development process. The next steps include: identifying pilot sites for participation, student lessons, and development of a "blue-print for success" draft. In addition, Texas LEARNS has asked TWC to identify Local Workforce Development Boards willing to volunteer and support a pilot site. With local support services and additional resources from partners, adult learners will make successful transitions into employment training and education programs for which Adult Education funds cannot be used.

Limited Access to Technology

With the dramatic rise of the Information Technology (IT) industry and increased utilization of e-commerce, residents of the Border Region cannot afford to overlook the opportunities that lie within this sector of the labor market. A recent Information Technology Association of America study indicated that minorities represent only 15.4 percent of the IT workforce. More specifically, American Indians represent 0.2 percent, African Americans represent 6 percent and Hispanic Americans represent 3.4 percent of the IT workforce.⁵⁵² These low rates suggest that these communities are virtually an untapped resource in the area of technology. The chart *Computer Ownership*, below, illustrates that Hispanic computer ownership and El Paso's computer ownership lags behind the rest of the country.

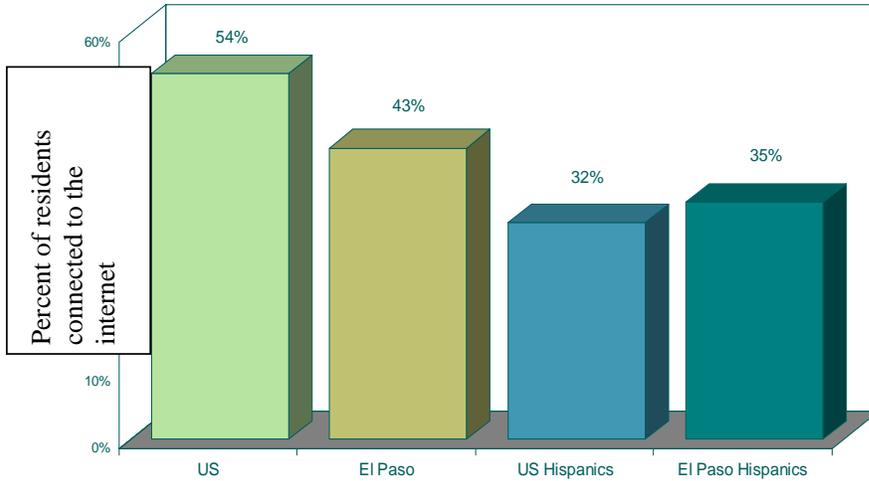


Source: University of Texas El Paso, Institute for Policy and Economic Development
Technical Report, 2003.

A major reason for the substantial lack of participation among minority groups is the digital divide. If communities are already experiencing high unemployment and low wages, limited access to technology only exacerbates the situation. As more young people are eligible to enter the workforce, they must be offered ample opportunities to develop sufficient skills that can be put to use in the ever-growing world of technology.

The first step to bridging the digital divide involves Internet access. Without connectivity, residents have no chance to develop familiarity with technology and are unable to apply their skills in future work opportunities. As the graph *Internet Connectivity*, below, shows, El Paso's connectivity is below the national level of Internet access. Moreover, the disparity between the national average and the average for the Hispanic population reiterates the concern that the digital divide greatly affects minorities and the primary Border population.

Internet Connectivity



Source: University of Texas El Paso Institute for Policy and Economic Development, *Technology report*, 2003

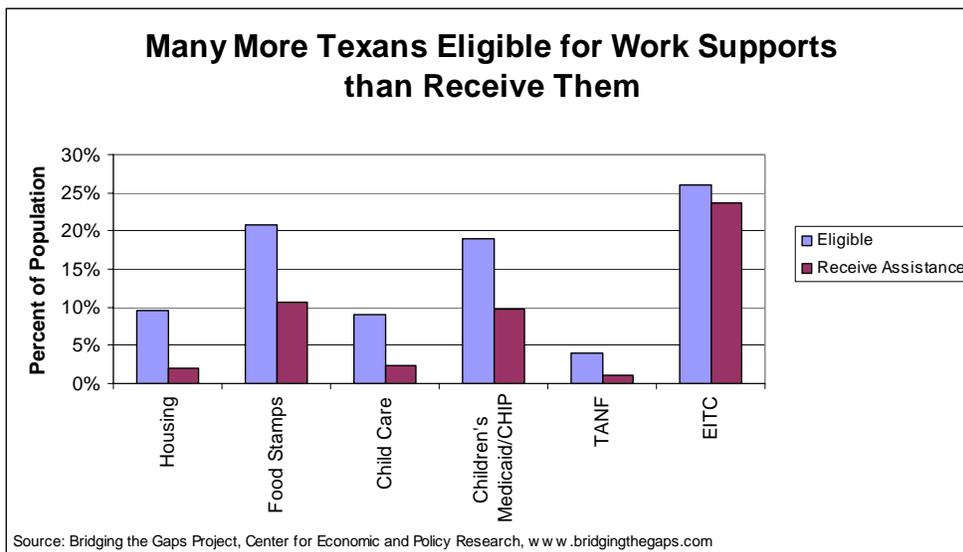
Concentrated efforts in improving Internet access, coupled with an emphasis on workforce training development will equip individuals with the knowledge base to excel in IT professions. Through community-based programs that target underserved communities and offer mentoring in the IT field, individuals can become aware of their potential and gain valuable experience.⁵⁵³ Ultimately, economic opportunities will emerge as individuals gain skills, and barriers are removed. Otherwise, communities face the prospect of falling further behind as the nation's demand for high-tech workers continues to rise rapidly.

Access to Child Care

Along the Border, where an average of nearly 23 percent of school-aged children are living in poverty, the issue of child care is particularly pressing. Since child care costs take up a large portion of a low-income family's resources, parents are often forced to utilize unlicensed care or substandard care for their children. Moreover, many low-wage employees work odd hours or have rotating shifts, exacerbating their child care dilemma. Families along the Border with low incomes often face these challenges on a daily basis.

States operate child care programs that are funded through the federal Child Care and Development Fund (CCDF), the Child Care and Development Block Grant (CCDBG) and the Temporary Assistance for Needy Families (TANF) block grant. The states set the guidelines and thus, subsidized child care varies among the states. In 2000, 2.3 million children received subsidized child care, a mere 14 percent of the estimated 15.7 million eligible.⁵⁵⁴

While some government aid is available to help low-income families afford child care, the funding is inadequate to meet the need. Texas subsidized or fully financed child care for only 114,834 children between September 2007 and March 2008. In March of 2008, about 23,775 children were on wait lists for child care subsidies. The projected number for children on the waitlist in the year 2009 is estimated at 29,089. The Center for Economic and Policy Research estimates that fewer than one-third of Texas families eligible for a child care subsidy receive one.



Across the country, the high cost of child care is forcing many families to find alternative means for caring for children. According to a 2002 United States Census Bureau report, among the nation's 19.6 million preschoolers in 1997:

- grandparents took care of 21 percent;
- 17 percent were cared for by their father (while their mother was employed or in school);
- 12 percent were in day-care centers;
- 9 percent were cared for by other relatives;
- 7 percent were cared for by a family day-care provider in their home;
- 6 percent received care in nursery schools or preschools; and

- More than one-third of preschoolers (7.2 million) had no regular child-care arrangement and presumably were under maternal care.⁵⁵⁵

In the context of creating a stronger workforce, the limited access to child care makes maintaining a steady career difficult. According to the Texas Early Childhood Education Coalition, employers pay up to \$3 billion each year due to parent absenteeism directly related to child care. When a child is sick, the parent often cannot attend work and can risk losing a job; further, the employer suffers a loss as well. Some parents miss work because they simply do not have a facility where they can take their child.

The State must act to provide better and more affordable child care services for our working families, as the current level of funding is leaving many families without employment or child care. During the 78th Regular Legislative Session, major cuts were made in the funding available to Texas families. For example, Temporary Assistance to Needy Families (TANF) was cut by \$52 million; the budget for child care licensing was cut by almost \$10 million; and Prevention and Early Intervention (PEI) Programs were cut by \$29.4 million.⁵⁵⁶ Moreover, the Legislature cut all funding for the Texas Rising Star Program, the Statewide Child Care Resource and Referral Network and Employer Dependent-Care Collaborative grants. These programs were once used to provide training to child care providers and offered parents assistance when choosing quality child care for their children.

Perhaps most troubling is the role that TANF funding has, and has not, played in the child care picture in Texas. With caseloads declining precipitously between 1995 and 2001, Texas found itself with large surpluses in TANF funds—\$400 million in 1997 and \$600 million in 1999. Unfortunately, only a fraction of these funds were transferred to CCDF to expand child care assistance. By 2001 Texas was transferring about \$33.5 million from TANF to CCDF. But with the Appropriations Act for 2002 and 2003, all TANF-to-CCDF transfers were eliminated and offset by increases in federal CCDF funds. This shortsighted budget decision marks a lost opportunity to expand child care assistance in a time of accelerating demand.⁵⁵⁷

While only children and families in poverty can qualify for state child care funds, about \$227 million is allocated based on the total number of children living in an area, regardless of poverty. The chart *Texas Workforce Commission's (TWC) Child care Funding Formula* provides a description of how child care funding works in Texas.

The Texas Workforce Commission's (TWC) Child Care Funding Formula

Matching funds: None of this funding is tied to poverty. One hundred percent of these funds are allocated based on the number of children under the age of 13 living within the workforce area, in relative proportion to the total number of children under the age of 13 years old in the state. (\$152.7 million in Fiscal Year 2001)

Mandatory funds: Half of the funds are not tied to poverty. Fifty percent of these funds (\$62.8 million) are allocated based on the number of children under the age of five living in the workforce area, in relative proportion to the number of such children statewide. The remaining 50 percent is allocated based on the number of people living in the workforce area whose income does not exceed 100 percent of the poverty level, in relative proportion to the number of such people statewide. (\$125.6 million in Fiscal Year 2001)

Discretionary funds: All of this funding is tied to poverty. One hundred percent of these funds are allocated based on the relative proportion of the total number of children under the age of 13 years old in families whose income does not exceed 150 percent of the poverty level. (\$115.3 million in Fiscal Year 2001)

The funding formula should be need-based, not population-based. Since TWC was created, the Texas child care system has been decentralized, leaving local workforce development boards facing many challenges. In addition to their administrative responsibilities, these boards are responsible for finding local money to draw down available federal funds. This shifts the responsibility of drawing down funds from the state and directs it to local communities. Rural and Border areas have limited capacities to generate the maximum funds, and benefit less from increased child care allocations. Basing the formula on the need of the area will ensure that families living along the Border will have access to affordable child care.

Limited Access to Transportation

A critical barrier that prevents people with low-income from finding and keeping a job is the lack of available modes of transportation. Too often, people with low-incomes are unable to get to their jobs, drop off their children at child care, or perform other tasks that many who already have available transportation take for granted.⁵⁵⁸

While many Americans take a job and decide how to get to work afterward, many low-income people find their choice of jobs limited by lack of transportation options. Public transportation may get some people to work, but it is not an option for others, particularly in more rural areas like the Texas Border Region. Moreover, many low income people have shifts outside of regular business hours when available public transportation may not run regularly. Historically, governments, nonprofits and businesses have assumed that low-income workers who do not own cars will turn to public transportation to meet their mobility needs, but in the Border Region, public transportation is not an option for many.

Moreover, the cost of transportation can be burdensome for low-wage workers. Available public transportation, automobile ownership and insurance are particularly costly. According to the Bureau of Labor Statistics (2005), the share of families with after-tax incomes below \$24,102 spent 7.9 percent of their income on gasoline in 2004. Families with after-tax incomes between \$24,103 and \$41,613 spent 4.7 percent of it on gasoline.⁵⁵⁹ As of May 16, 2008, the price of oil had reached a record level of \$128 a barrel. Coupled with the State's new mission to develop toll roads, the skyrocketing price of oil could significantly increase the percentage of income that low-income workers must devote to transportation costs. If transportation leaders do not craft toll policies wisely, they could prove to be a non-sustainable strategy on the Border.

Texas needs to follow the lead of states like Arizona, Florida, and Georgia and develop innovative solutions to transportation and mobility barriers. These states have all supported and invested in car ownership programs - unique programs that recognize that an individual's mobility needs cannot always be met through public transportation options. A car ownership program makes a used car with a value ranging from \$2,000 to \$5,000 available to low-income workers at a reduced cost. Early results from established programs show that car ownership leads to higher wages and more stable employment.⁵⁶⁰

Recommendations

Capitalize on the Expansion of Fort Bliss

In 2006, it was announced that Fort Bliss would undergo a \$2.6 billion expansion to accommodate 23,000 additional troops. The expansion of Fort Bliss will greatly benefit the El Paso area economy, and many local business owners and contractors are hoping to capitalize on the anticipated demographic boom.⁵⁶¹ The Institute for Policy and Economic Development at the University of Texas at El Paso estimates that 34,735 new jobs will be created in El Paso as a result of the expansion of Fort Bliss. The Institute also projects future employment opportunities to be 9.4 percent higher than normal, overall job growth to reach 14.4 percent, and a job market growth of 23.8 percent in the El Paso area, excluding military personnel.⁵⁶² Though the surge in troops will place some strain on the city's infrastructure, the Fort Bliss expansion holds plenty of promise for the El Paso area economy.

Invest in Workforce Training

The changing dynamics of the economy demand that more training be available to the Border Region labor force. As workers compete in an increasingly globalized economy, jobs in the United States are becoming more and more specialized and require at least some form of higher education. Recent employment statistics illustrate this growing trend, as the jobless rate of high-school graduates and dropouts is nearly three times higher than that of workers with a four-year college degree.⁵⁶³

The Frontier of the Americas Program

Innovative workforce training programs should be developed and implemented to meet the Border's unique needs. One example of such a program is El Paso's Frontier of the Americas (FOA) technology training program. The Frontier of the Americas Program's main goal is to bridge the digital divide along the Texas-Mexico Border Region of El Paso by creating laptop lending libraries configured with Internet access and online training for disadvantaged communities. The term "digital divide" refers to the gap between those individuals who can effectively use new information and communication tools, such as the Internet, and those who cannot.⁵⁶⁴ By improving computer literacy in the El Paso region, the gap between the "information rich," those with higher-than-average incomes and levels of education, and the "information poor," those who are younger and have lower incomes and education levels, can be significantly reduced.

La Mujer Obrera

Another innovative Border-specific workforce program is the Mujer Obrera initiative in El Paso. In the past decade, as maquiladoras in El Paso were shutting their doors and many low-wage garment workers were finding themselves out of work and without alternative labor opportunities, a group of innovative women, determined to improve their lot, developed a plan for increasing employment and business opportunities. By pooling their entrepreneurial skills and their unique understanding of the El Paso population, and by tapping into the expertise of seasoned small business owners, Mujer Obrera created a strong organization for supporting El Pasoans. The organization does everything from offering low-interest loans and skills development training, to providing a support network for other small business entrepreneurs.

Project ARRIBA

Project ARRIBA is a not-for-profit economic and workforce development program based in El Paso. Project ARRIBA's mission is to provide long term, high-skilled occupational training to El Paso County residents in an effort to boost wages, decrease unemployment, and provide sustainable career paths. Because the apparel industry no longer drives the El Paso economy, it has become increasingly difficult for workers with limited skills to find jobs with a living wage. Project ARRIBA's vigorous effort to train workers plays an integral role in the restructuring of El Paso's economy, particularly since the city's demand for highly skilled workers is quickly outpacing supply.⁵⁶⁵

Project ARRIBA promotes a partnership between private corporations, civil organizations, and training institutions. By developing specific training strategies for El Paso's hard-to-fill occupations, Project ARRIBA typically finds immediate placement for its graduates. Because of its clear ability to meet public and private needs, the program has received funding from the state and local government, along with a long list of

private corporations in the El Paso area. The total investment in Project ARRIBA since its creation has been \$11.515 million.

Project ARRIBA has produced substantial results since its creation in 1998. At the end of 2006, there were a total of 427 graduates of Project ARRIBA. The average graduate of the program was 34 years old, and earned \$33,100 a year. This is a substantial increase from the average recipient's pre-Project ARRIBA earnings, which were only \$7,100 a year. This \$26,000 increase in annual earnings is proof of the benefits incurred by offering specialized training to low-skilled workers. Ninety percent of Project Arriba participants are Hispanic, and 84 percent are women. Almost two-thirds (64 percent) of participants had children while enrolled in the program, and 74 percent in training were at or below the poverty level. These statistics show that Project ARRIBA has empowered minority women in particular, to overcome poverty and achieve self-sufficiency.⁵⁶⁶

The Institute for Policy and Economic Development at the University of Texas at El Paso calculated the overall economic impact of Project ARRIBA in a report released in 2007. The institute estimated that the 427 graduates of Project ARRIBA have contributed \$185.3 million to El Paso's economy. This represents a \$16.09 return on every dollar invested in the program, which cost only \$11.5 million. Furthermore, the study estimated that these 427 graduates will pay a total of \$87.3 million in taxes over their working years, with 27 percent of this amount going to state and local governments. These statistics point to Project ARRIBA's ability to raise wages and strengthen El Paso's current and future economic health. Project ARRIBA is playing a positive and proactive role in El Paso's transformation towards a skill-based economy, and many other economically strapped Border communities would benefit greatly from enacting similar workforce training programs.⁵⁶⁷

In their study, *Higher Education and the Economic Future of El Paso*, the National Center for Higher Education Management Systems recommended that Project ARRIBA be targeted to the segment of the population who has "some college." Unlike those who have just completed high school, this population is typically older, has practical needs and objectives, and therefore has more motivation to improve their knowledge and skills to get higher-paying jobs. Recent high school graduates, in contrast, usually do not have clearly defined goals and are less motivated to acquire practical, work-specific skills. The National Center for Higher Education Management Systems praises Project ARRIBA's positive contribution on El Paso's economy, and believes that refocusing its services on the "some college" population will only increase the retraining program's success rate.

Invest in Secure and Smart Manufacturing Technology

One way to meet the needs of the population and diversify the economy is for communities along the Texas-Mexico Border to take greater advantage of their strategic location. Political leaders on both sides of the Border have formed the Border Legislative

Conference (BLC), a group that aims to develop strategies and proposals within their respective federal and state legislatures to promote the development of a "Secure and Smart Manufacturing Zone" along the Border.

Texas' close proximity to Mexican states with strong maquila industries implies that these states now form Texas' largest trading partners. The most recent figures from the United States Department of Commerce declare that Texas leads all states in cross-border commerce with \$108.6 billion in goods from Mexico, which constitute 68 percent of its total imports. The maquiladora industry contributes \$105 billion of that total. The North American Free Trade Agreement (NAFTA) has also encouraged further expansion of trade and economic integration in the Western Hemisphere.

Unfortunately, the terrorist attacks on September 11, 2001, significantly and adversely affected Texas trade corridors due to the increased security along the Border Region. As a result, the time and costs associated with transporting goods across the Border have amplified, causing a strain on companies' abilities to operate at full potential. The expansion of the Pacific Rim, with countries such as Malaysia, Thailand, India, and China possessing the capability to manufacture goods at costs lower than Mexico, coupled with the increased security constraints, have presented the border region with an economic hurdle to remain competitive in both the domestic and global market. A "Secure, Fast, and Smart" manufacturing zone would shorten this supply chain, which would stabilize the supply lines to companies and boost economic growth. Additionally, the zone would promote considerable infrastructure investment in areas such as transportation, energy, and technology. The high technology available through New Mexico and Texas research laboratories coupled with lower-cost production capabilities along the Border would bring a significant influx of capital and investment to the Border economy. Furthermore, increased broadband deployment along the Border would improve communication and monitoring processes, therefore enhancing the productivity and security between businesses.⁵⁶⁸

The members of the BLC also aspire to work with the North American Development Bank and Border Environment Cooperation Commission to develop and help finance binational projects that will enhance economic opportunities in the Border Region. The BLC also intends to support the efforts of the U.S. Congress to increase the mandate of the North American Development Bank to expand its low interest lending facility. In turn, this will help the Bank issue grants and non-market rate loans to qualified projects and also help extend the zone in Mexico the bank serves from 100 to 300 kilometers. With various state and federal entities throughout the Border working together to gain prosperity, the entire Region will benefit collectively.

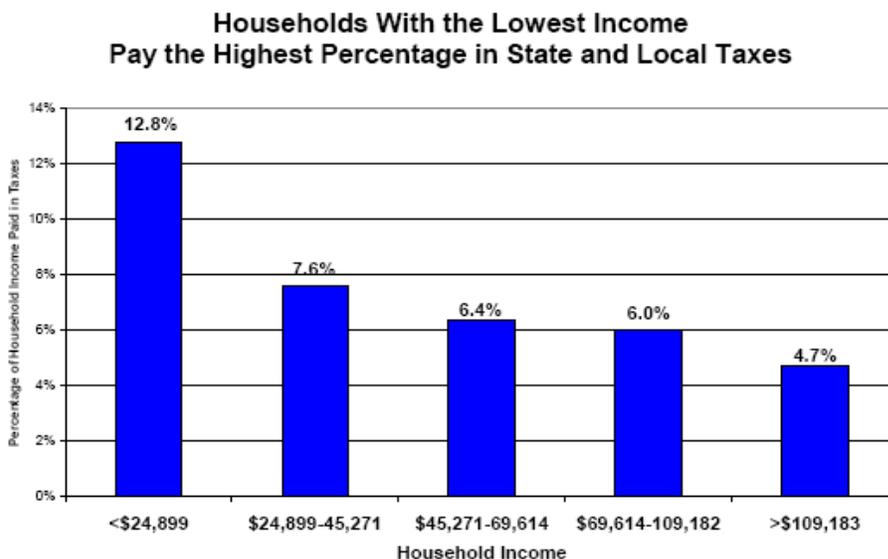
Any solution to the development of a more efficient border trading system would have to be conducted systematically. A successful result can only occur if the fundamental steps to address the border manufacturing and transportation issues are implemented simultaneously. A collaborative effort is also necessary. Individual citizens, businesses, and government officials all have various interests that must be

assembled into a uniform vision. Citizens who have an essential interest in crossing the border on a daily basis should have those needs met and incorporated with the many concerns that business and government officials have. To achieve this feat, a collaborative effort must include all parties working together to ensure that the development of a comprehensive border trade system is realized.

Pertaining to the matter of security, the most important aspect of the border trading system, there must be a consensus on the definition of security. There are five key elements that are of critical importance when evaluating security: protection from man-made or natural threats, allowance for economic growth, consistency and predictability, low energy consumption, and environmental and physical safety.

Reduce the Tax Burden on Low-Wage Earners

In Texas, the greatest tax burden is heaped upon those citizens with the lowest incomes. Because Texas' tax system relies heavily on a consumption tax, lower income Texans are paying more of their yearly income in taxes than Texans who earn more. Both sales and excise taxes are considered "consumption taxes," since the amount an individual pays is linked to the amount that individual consumes. Consumption taxes account for more than 80 percent of all state taxes.⁵⁶⁹ The chart, *Taxes Paid as a Percentage of Income*, on the next page, illustrates the stark regressivity of the Texas tax system.



Source: Comptroller of Public Accounts, *Tax Exemptions & Tax Incidence*, Feb. 2007.
(<http://www.window.state.tx.us/taxinfo/incidence07>)

The following table shows how the progressive tax system translates into government revenue:

State Revenue by Major Tax — October 2007
(Amounts in millions of dollars)

	Monthly	Year-To-Date	Percent change from previous year
Sales Tax	\$1,660.9	\$3,288.6	5.0%
Oil Production Tax	\$89.6	\$167.3	-11.2%
Natural Gas Production Tax	\$161.1	\$342.1	8.6%
Motor Fuel Taxes (Gasoline, Diesel, LPG)	\$251.2	\$527.6	3.2%
Motor Vehicle Sales/Rental and Manufactured Housing Taxes	\$311.9	\$595.0	5.7%
Franchise Tax	\$25.2	\$53.2	-14.3%
Cigarette & Tobacco Taxes	\$141.5	\$187.1	91.3%
Alcoholic Beverages Taxes	\$61.2	\$123.6	6.1%
Insurance Taxes	\$13.0	\$28.3	0.1%
Utility Taxes	\$128.6	\$129.0	-2.4%
Inheritance Tax	\$2.2	\$2.2	128.1%
Hotel and Motel Tax	\$31.3	\$60.8	10.9%
Other Taxes	\$132.4	\$139.1	-19.5%
Total Tax Collections	\$3,010.1	\$5,643.7	5.7%

Source: Texas Comptroller of Public Accounts
<http://www.window.state.tx.us/comptrol/fnotes/fntxstat.html> Accessed February 8, 2008.

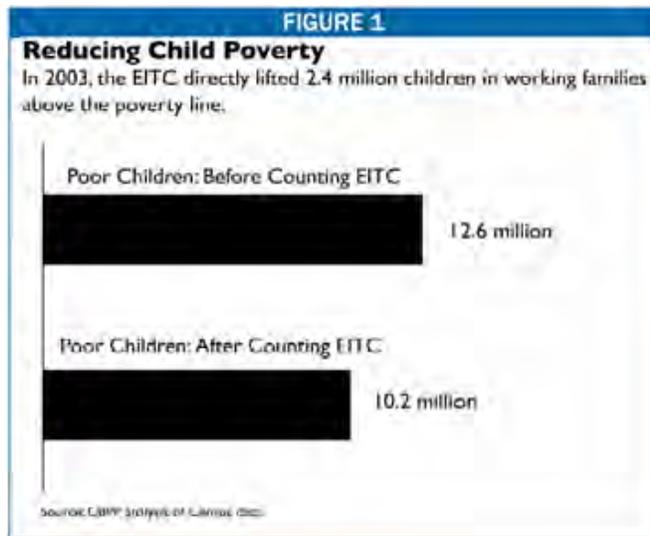
Use the Earned Income Tax Credit to Boost Earnings and Reduce Poverty

The Earned Income Tax Credit (EITC) is the largest single source of federal support for low-income families. It has provided important relief to low-income workers, a growing segment of the U.S. population, and has been successful in alleviating the loss of real wage increases for the working poor. For the 2003 tax year, the credit could reduce the tax burden for qualifying families with two or more children by as much as \$4,204 per year, while families with one child can earn a credit of up to \$2,547. In 2002, the credit provided an estimated \$30 billion in tax relief to low-income working families

in the United States. And in 2001, 1.9 million Texans claimed almost \$3.6 billion through the EITC.⁵⁷⁰

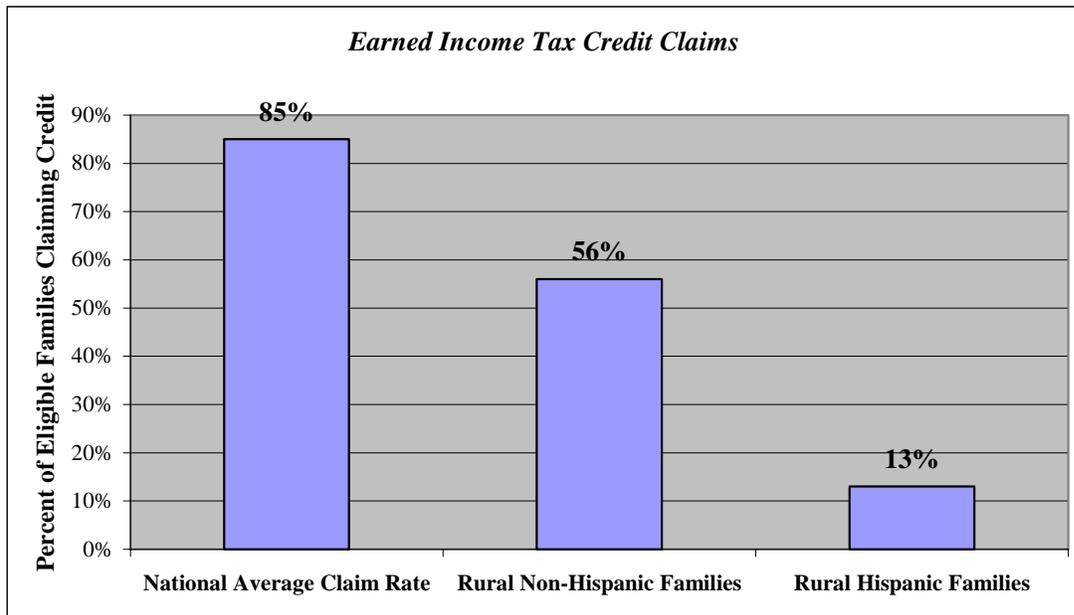
According to a recent study, Texas, along with seven other states, is designated a “high working poverty state.”⁵⁷¹ These states are characterized by significant concentrations of working poor families in every geographical area: large cities, large suburbs, small metropolitan areas, and rural areas. Seven of the states are located in the South, showing that families in the rural South are more likely to have low incomes than those in other parts of the country. The percentage of EITC recipients in these eight states is generally similar among four geographical areas, but Texas in particular seems to have a higher percentage of EITC recipients along the Mexican border, with particularly large concentrations around the El Paso, Laredo, McAllen, and Brownsville areas.⁵⁷²

The EITC has been labeled “the nation’s most successful anti-poverty program” because it lifts an estimated 500,000 working Texans out of poverty each year. The EITC replaces the traditional welfare system by providing a financial incentive to work, thereby laying the foundation for a self-sufficient and stable middle class. The EITC benefits not only the recipient, but the community at large.⁵⁷³ Because the EITC puts money in the pockets of lower-income workers who are likely to spend rather than save their earnings, the EITC stimulates the local economy by increasing consumer spending.⁵⁷⁴ The EITC has also proved effective in decreasing child poverty rates. In 2003, the EITC lifted 2.4 million children out of poverty:



http://www.childrensdefense.org/site/DocServer/RAL_report_TX.pdf?docID=3941 Accessed January 11, 2008.

Though the benefits of the EITC are widely documented, the program fails to reach all eligible workers. One in four tax filers in Texas is eligible for the EITC, yet it is estimated that \$1 billion dollars in EITC payments are unclaimed every year. Due to a combination of high workforce participation, low educational attainment, and a large number of children per household, Hispanics represent the largest potential for EITC eligibility compared to Blacks and Whites. However, Hispanics are the least likely among these groups to be aware of and claim the EITC. The number of eligible rural families who receive the EITC is particularly troubling. Fifty-six percent of eligible non-Hispanic rural families obtain the credit, compared to 13 percent of eligible Hispanic rural families.⁵⁷⁵ This number also stands in stark contrast with the national average claim rate of approximately 80 to 85 percent of eligible families. The chart, *Earned Income Tax Credit Claims*, below, clearly illustrates this troubling disparity.



Source: Robles, Barbara J. *Low-Income Families and Asset Building on the US-Mexico Border*. Session Report: LBJ School of Public Affairs, The University of Texas at Austin. June 6-7, 2003. http://www.utexas.edu/lbj/faculty/robles/research/pdf/Asset_Building.pdf.

(Note: In previous editions, estimated unclaimed EITC dollars were given, as were the estimated percentage of people who don't claim the EITC. Because of methodological issues, The IRS no longer computes the unclaimed dollars or percent of individuals that don't claim. Consequently, these figures have been taken out of this section. However, it is safe to say that the vast majority of people who don't claim the EITC don't file at all with the IRS, according to Don Baylor at the Center for Public Policy Priorities).⁵⁷⁶

Even among those who are familiar with the EITC, there are many who file their tax returns with commercial tax preparers instead of using free tax preparation services provided by the Volunteer Income Tax Assistance (VITA) program. Moreover, not

everyone who claims the EITC receives the full benefit. This is because thousands turn to Refund Anticipation Loans (RALs) to secure their expected refunds in advance. The catch is that these loans come with hefty fees. A RAL offered by commercial tax preparers costs the filer an average of \$100 to \$250 in fees and tax preparation. Nearly 36 percent of EITC filers in Texas (about 1.2 million filers) used a Refund Anticipation Loan to claim their EITC in Tax Year 2004.

The following table illustrates the effect that tax preparation and RAL fees have on Texas cities:

Figure 2: Total Dollars Lost to Tax Preparation and the Purchase of RALs in Cities with the Highest Total Number of Returns Filed, Tax Year 2004

City	Total Returns	EITC Returns	% of EITC Filers who used Paid Preparers	% of EITC Returns with a RAL*	% of Non-EITC Returns with a RAL*	Dollars Lost to Tax Prep and RALs**	Child Poverty Rate
Houston	1,075,839	282,217	75.4%	30.9%	7.6%	\$40,231,770	26.4%
San Antonio	598,819	158,611	67.0%	32.0%	5.7%	\$20,889,120	24.6%
Dallas	499,983	123,858	75.9%	41.2%	9.1%	\$19,021,470	25.5%
Austin	359,067	51,656	60.6%	30.5%	4.2%	\$6,191,370	17.0%
Fort Worth	297,112	71,537	74.9%	39.6%	8.1%	\$10,795,830	21.8%
El Paso	266,845	102,320	73.9%	24.9%	6.6%	\$13,831,440	30.1%
Arlington	150,288	29,195	69.4%	34.8%	7.6%	\$4,012,620	12.7%
Corpus Christi	119,779	33,020	65.2%	37.9%	7.4%	\$4,451,580	23.3%
Plano	111,032	9,712	61.0%	22.0%	3.0%	\$1,087,680	4.9%
Spring	109,355	10,476	58.5%	21.6%	3.4%	\$1,133,130	5.2%
Rio Grande Cities							
Harlingen	28,869	10,781	73.5%	31.8%	7.1%	\$1,523,820	35.0%
Brownsville	63,357	33,323	84.4%	22.9%	6.7%	\$4,962,930	45.3%
Pharr	19,850	11,397	83.6%	21.6%	7.8%	\$1,669,320	46.6%
McAllen	45,476	17,276	77.8%	19.9%	5.7%	\$2,348,010	30.6%
Texas Totals	9,145,683	2,170,290	72.2%	33.5%	7.0%	\$305,145,180	20.5%
US Totals	128,599,631	21,721,218	70.6%	28.8%	4.5%	\$2,896,229,700	16.6%

Source: Internal Revenue Service SPEC Information Database, Tax Year 2004 (December 2006). Poverty figures from US Census Bureau 2000 Census. CDF calculations.

*Of those who received a refund

**Calculated based on a \$150 average tax preparation fee and a \$100 average RAL fee.

http://www.childrensdefense.org/site/DocServer/RAL_report_TX.pdf?docID=3941

Accessed January 11, 2008.

In an effort to boost use of the EITC, Governor Rick Perry declared January 31, 2008, “Earned Income Tax Credit Awareness Day.”⁵⁷⁷ The Border Region and Texas as a whole, would benefit greatly from a comprehensive EITC awareness campaign. The EITC’s proven effectiveness in reducing welfare payments, reducing child poverty rates, and stimulating local economies are all important reasons to promote EITC among the working poor in Texas.

Invest in a New Economic Direction for El Paso

There is an emerging consensus among El Paso's civic leaders that the city must focus on attracting high-paying, highly-specialized, long-term jobs to the border region. There is less of a consensus, however, on which direction the city should take to achieve these goals. In its report, *Higher Education and the Economic Future of El Paso*, the National Center for Higher Education Management Systems laid out specific recommendations for civic leaders in El Paso. The report recommended establishing regional investment funds, such as an Emerging Technology Program fund, which would assist economic development in industries that have high potential for the future of El Paso. The report made the following recommendations on which industries should be targeted and how the city should best oversee such projects:

Health Care: The expansion of Fort Bliss offers a unique opportunity for the health care industry to expand in El Paso, particularly in providing care to military personnel and their families. A concentration on Hispanic health and border health issues could also provide opportunities for the industry. Some see the Texas Tech Medical School addition as an opportunity to develop a much more substantial scientific R&D capacity. Others see opportunities for more applied research based on the clinical medical trials of universities and health care facilities in El Paso. This is an area where a joint proposal from UTEP and TTU regarding future initiatives in this arena, building on the strengths of each in a collaborative endeavor (rather than a merged enterprise), is a recommended first step.

Future Combat Systems: The expansion and evolution of Fort Bliss holds the potential to create many high-skilled, high-wage jobs. The major obstacle, however, is that Department of Defense contractors and employers are able to meet their needs elsewhere, and have not indicated a willingness to form partnerships with the El Paso business community or El Paso educational institutions. El Paso needs to develop strategies on for leveraging high-skilled, high-wage jobs out of the Fort Bliss expansion. These strategies would require a strong relationship between UTEP's engineering school and the defense employers at Fort Bliss. UTEP's newly-created Center for Defense Systems Research would be a critical component of such a strategy. A systems engineering and simulation department at UTEP would also provide an opportunity for El Pasoans to receive training on cutting-edge future combat systems technology. The National Center for Higher Education Management Systems recommends a dialogue among UTEP, the military, and military contractors to identify which academic and research programs are needed and would be most beneficial to the city.

Border Security: The increasing importance of border security as a national security issue holds plenty of promise for El Paso, as the geographical layout of the city lends itself to various Department of Defense and Border Patrol initiatives. Given the Border region's dependence on manufacturing, it is particularly important that ways be found to screen incoming goods for hazardous materials. Researchers on security issues at UTEP and community leaders from both sides of the border must come together to develop methods that ensure quick and secure passage of people and materials across the border,

which is a natural area for development in El Paso. The uncertain future of U.S. immigration policy, however, complicates short-term planning for a "border security" economy in El Paso.

Water Resources: Water will always be a scarce resource in this arid part of the country. The need to maintain and enhance the water supply is an area of consensus in the region. One of the major opportunities is development of cost-effective approaches to inland water desalinization. The National Center for Higher Education Management Systems recommends forming a working group of university, business, and community leaders charged with developing a plan for an initiative in the area.

Business Services: This economic direction would place special emphasis on English/Spanish bilingual capabilities. As the population of Hispanics rapidly expands throughout the entire U.S., El Paso could capitalize on its long tradition of bilingualism and biculturalism to enhance business opportunities.

All of these directions put El Paso on the path to a high-skilled, 21st-century economy. The only way to end the cycle of low educational attainment, low wages, and low per capita income is to attract cutting-edge industries to El Paso and invest in programs that give El Paso's workers the specialized skills they need to succeed in these jobs. Research and practice has demonstrated that such an approach would yield a high return on investment. The recommendations put forth by the National Center for Higher Education Management Systems offer many ways in which El Paso can make this important economic transformation.⁵⁷⁸

Conclusion

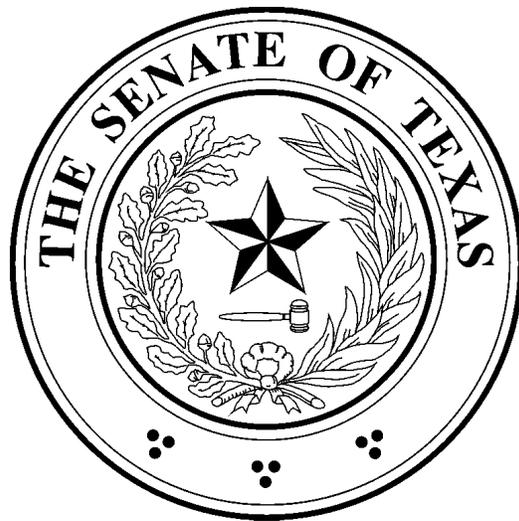
The Border Region plays an essential role in the State's economy as the neighbor of our largest trading partner- Mexico. The opportunity for Texas to thrive by strengthening the economy of the Border Region is limitless. The workforce of the Border must be educated, skilled and able to carry Texas' economy forward. As Robert Reich, former United States Secretary of Labor under President Clinton said,

*...a skilled, flexible, involved work force can create value in ways that matter in the marketplace and offer an enduring competitive advantage. Key to a new model of corporate citizenship is treating workers as assets to be developed, not costs to be cut. Valuing workers means investing in their training...*⁵⁷⁹

This statement rings true in the Texas Border Region, where investment is imperative. Investing in human capital means investing in training, which will increase prosperity for the region and its residents. A bi-cultural, bilingual, and bi-literate population equals potential. If we strive to help the Border workforce reach its full potential, our State's economy will thrive, and all will prosper.

Texas Borderlands 2009

Housing Challenges Along the Border[®]



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
July 2008

HOUSING CHALLENGES ON THE BORDER

The housing crisis in Texas is particularly difficult for families along the Texas-Mexico Border. A dramatic increase in the population coupled with a high poverty rate leaves many on the Border unable to afford decent housing. Additionally, abusive financial practices that hinder the acquisition of wealth necessary to own a home further exacerbates the situation. The soaring number of higher-priced loans along the Border further strains family sustainability along the Border, as well as rising food and gas prices.

A Growing Population Strains Affordable Housing Resources

According to the U.S. Census Bureau, Texas' 43 Border counties added more than 700,000 residents between 1990 and 2000. Between 2000 and 2007, these counties added more than a half million additional residents, for a total population of more than 4.65 million in 2007. If current growth patterns continue, the region's population is projected to increase to more than 6.3 million by 2030, an increase of more than 50 percent from the population counted at the 2000 census.⁵⁸⁰ Yet, the supply of affordable housing has not kept pace with that growth. As a result, a large number of families in today's Border region find they cannot afford the cost of a decent home.

There are six large population centers at the border, centered in the cities of El Paso, Del Rio, Eagle Pass, Laredo, McAllen and Brownsville. The combined population of these six areas in 2007 was 2.2 million people—almost 10 percent of the total population of the state of Texas. As the table *Population Changes in the Border Counties 2000-2007* shows, more than two million people reside in just six of the 43 Border region counties in 2007. The growth rate in these counties as a group was faster than the growth of the state's population as a whole. Recently, among all of the principal border cities, the growth of El Paso has been slowest, but that is likely to change in the next decade, as the Base Realignment and Closure initiative at Ft. Bliss is expected to increase the area's population by 75,000 persons or more.

Population Change in Border Counties 2000-2007

County	Principal City	Population in		Percent Change 2000 to 2007
		2000	2007	
El Paso	El Paso	679,622	734,669	8.1
Hidalgo	McAllen	569,463	710,514	24.8
Cameron	Brownsville	335,227	387,210	15.5
Webb	Laredo	193,117	233,152	20.7
Starr	Rio Grande City	53,597	61,833	15.4

Maverick	Del Rio	47,297	51,656	9.2
Total		1,878,323	2,179,034	16.0
All 43 border counties		4,126,060	4,653,627	12.8
State of Texas		20,851,799	23,904,380	14.6

Source: U.S. Bureau of the Census; Texas State Data Center

Moreover, when considering the population influence of sister Border communities in Mexico, the population explosion is even more evident. Since 1990, the combined populations of El Paso-Juarez grew by 46 percent, Laredo-Nuevo Laredo by 65 percent, and the McAllen-Reynosa area by 57 percent.⁵⁸¹ The number of Texas households has increased by a million between 2000 and 2006 as a result of population growth, from 8.2 million to 9.2 million. Of these households, nearly 1.7 million are in one of the 43 border region counties.⁵⁸²

While the population has exploded and the number of households has increased, the availability of affordable housing has not kept pace. Compounding the problem is the fact that U.S. households have not experienced equal or even similar income gains in recent years. In 2006, after adjusting for inflation, average pre-tax incomes for the top 1 percent of households jumped by about \$60,000 (5.8 percent) whereas the average pre-tax incomes for the bottom 90 percent only increased by \$430 (1.4 percent)—the largest income gap in the U.S. since 1928.⁵⁸³ In addition, the income share of the top one-tenth of 1 percent increased from 6.5 percent in 2002 to 9.1 percent in 2006.⁵⁸⁴ Statewide, the income share of the lowest quintile was 3.3 percent and 50.8 percent for the highest quintile in 2006.⁵⁸⁵ Such income gaps further emphasize the need for affordable housing options.

Housing problems fall most heavily on those households in the bottom quarter of the income distribution (earning \$23,000 or less); in 2005 low-income households accounted for 78 percent of the households that paid more than 50 percent of their income on housing costs.⁵⁸⁶ Even families in households with incomes well above the poverty line often struggle to find housing that meets their needs at costs they can afford. The number of lower middle-income households (earning \$23,000 to \$45,000) spending more than half their income on housing costs increased to 12 percent of owners and 6 percent of renters.⁵⁸⁷

Additionally, the already scarce supply of smaller, less-costly housing is shrinking, particularly among two- to four-unit apartment buildings. Regulatory and environmental constraints on land are driving up land costs in and around the nation's metropolitan areas, limiting development of affordable housing. Restrictive regulations and public resistance to high-density development make it difficult to replace or add lower-cost units. Prospects for additional income supports or housing subsidies are equally bleak. As the federal deficit balloons, the calls to cut spending on social and housing programs are growing even as the demand for and costs of these programs

continues to escalate. Thus, in the Texas Border Region, population growth demands an increase in affordable housing, but regulatory and social constraints hinder its development, creating a crisis.

Poverty and the Housing Crisis

Poverty is strongly related to housing problems, including both substandard housing and excessive housing cost. Families near and below the poverty level simply cannot pay the costs of decent housing in the private market. Moreover, in Texas, there is less than one subsidized housing unit for every five qualified families, leading families to either pay an excessive amount of their income for housing or live in substandard or overcrowded housing.

The effects of the housing crisis on the Border are even graver, where 23 percent of households had incomes at or below poverty in 2006, compared to 14 percent statewide. The 23 percent of households in poverty in the Border counties in 2006 is an increase from 21 percent in 2000, an increase that is reflected in each of the largest metropolitan counties on the Border. See the chart below.

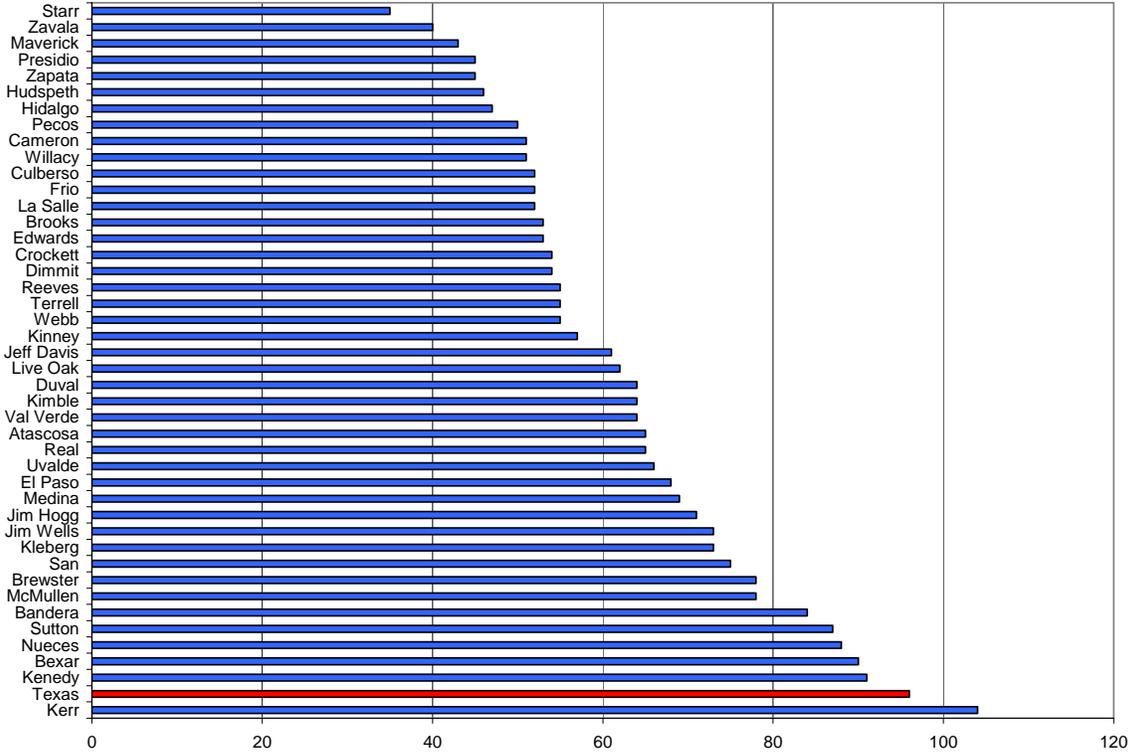
Increases in Household Poverty in Metropolitan Border Counties, 2000 to 2006

Core Metropolitan Counties Adjacent to Mexico Border	Number of Households in Poverty		Percent of Households in Poverty	
	1999	2005/6	1999	2005/6
Cameron County	28,484	37,725	29%	33%
El Paso County	45,267	58,452	22%	25%
Hidalgo County	49,950	68,110	32%	34%
Webb County	14,235	17,499	28%	29%

Source: U.S. Bureau of the Census, 2000 Census of Population; 2006 American Community Survey

In fact, Texas' entire Border Region is plagued by poverty with a per capita income far below the national average, and a marked lack of affordable housing exacerbates an already tenuous economic environment. For decades, per capita income along the Texas-Mexico Border has plummeted so low that in certain areas of the Border it is now the lowest in the nation, ranging from 35 percent of the U.S. per capita income in Starr County, compared with a state average of 96 percent. Per capita income in 42 of the 43 border region counties was below the State average of \$35,166 in 2006.⁵⁸⁸ In fact, seven Border counties had an average per capita income that was less than 50 percent of the state average. Millions of Texans were living on less than \$15,000 a year in 2006. With the average cost of housing totaling over \$7,000 a year, those Border residents struggling to break the poverty cycle are greatly hindered.⁵⁸⁹

Per Capita Personal Income as Percentage of United States Per Capita Income, 2006



Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts, Table CA1

Poor Housing Conditions

Substandard housing abounds across Texas. From the older neighborhoods of big cities and small towns to the fast growing colonias— subdivisions in unincorporated areas within 150 miles of the Border—communities contain dilapidated, deteriorating housing. Unfortunately, this is often the only affordable housing available to low-income families. “Worst case housing needs” are defined by the U.S. Department of Housing & Urban Development as those families who spend more than one-half of their income on housing or live in severely inadequate housing. The number of Texans with worst-case housing needs reached an all time high of more than 650,000 households, and 169,400 households in Texas lacked complete plumbing or kitchen facilities in 2006, including more than 74,000 in the Border region (U.S. Bureau of the Census, 2006 American Community Survey).

Due to the high-level of poverty in the Border Region, colonias flourish along the 1,248 mile stretch from Cameron County to El Paso County. Beginning in the 1950s, colonia developers sold property to low-income families with little or no infrastructure so that residents could build their homes piecemeal with whatever materials they could find or afford. As a result, the more than 1,400 colonias that line the Border suffer from faulty construction, open sewage, lack of sanitary water, dusty unpaved roads, and no plumbing.

Over the past decade, Border counties experienced some progress in eliminating the worst housing conditions. The table *Units Lacking Plumbing Facilities* shows that the number of houses that lacked complete plumbing facilities in the four core metropolitan counties adjacent to the border was 9,410 in 2006. Many houses that have plumbing facilities in place may still lack access to reliable water service, as many residents do not have hookups to their houses because they cannot pass inspections to qualify, and lack the money to make the needed repairs to meet codes. As recently as June 2000, only 54 percent of the Texas colonia residents surveyed had sewer service and more than 50 percent reported having to obtain drinking water from sources other than taps.

Units Lacking Plumbing Facilities

Metropolitan County Adjacent to Mexico Border	Units Lacking Plumbing, 2006
Cameron	2,457
El Paso	1,354
Hidalgo	4,810
Webb	789
TOTAL	9,410

Source: US Bureau of the Census, American Community Survey, 2006

The state has taken steps to address the conditions of colonias, authorizing grants and loans for infrastructure projects; and in 1995, legislation was passed to prohibit

developers from selling lots without water and wastewater treatment services. Unfortunately, many regions containing these colonias still lack the staffing, political will, and other resources to enforce this law.

Impact of Poverty on Children

A 2007 report by the Center for Public Policy Priorities, reported that children residing along the Texas-Mexico border are more likely to live in families experiencing economic insecurity.⁵⁹⁰ As the chart *Border Children Ages 5-17 Living in Families in Poverty (2005)* demonstrates, one-third to one-half of children along the border live in poverty. In 2006, 49 percent of Texas' children were living in low-income families (income below 200 percent of the poverty level) and 61 percent were living in Low-Income families that spend more than 30 percent of their income on housing. Housing impacts the quality of living of a family and it greatly determines whether a child will have access to good schools and after-school programs, safe streets and playgrounds, and positive role models.⁵⁹¹ According to an April 2008 study published in *Health Affairs*, African American and Hispanic children are 12 and 14.6 times more likely than white children to live in poor families and in high-poverty neighborhoods. The greatest disparities among white and Hispanic children were found in McAllen, El Paso, and San Antonio, Texas.⁵⁹²

Border Children Ages 5-17 Living in Families in Poverty (2005)

Counties	Ages 5-17 in Families in Poverty	Percentage
El Paso	54,163	35.2
Cameron	43,288	51.4
Hidalgo	79,000	50.3
Starr	7,553	51.2
Webb	21,015	39.6
Maverick	4,645	36.5
Texas	983,654	22.6

The U.S. Census Bureau, <http://www.census.gov/cgi-bin/saippe/saippe.cgi>, Accessed on July 17, 2008.

Housing Affordability

Affordable housing is scarce along the Border. A statewide shortage of housing units exists, resulting in families spending a greater percentage of their income on housing costs. Households who spend more than 30 percent of their income on housing are considered to be living in unaffordable housing, and those who spend more than 50 percent shoulder severe housing cost burdens. In 2005, the number of U.S. households severely burdened by housing costs jumped by 1.2 million to a total of 17 million.⁵⁹³

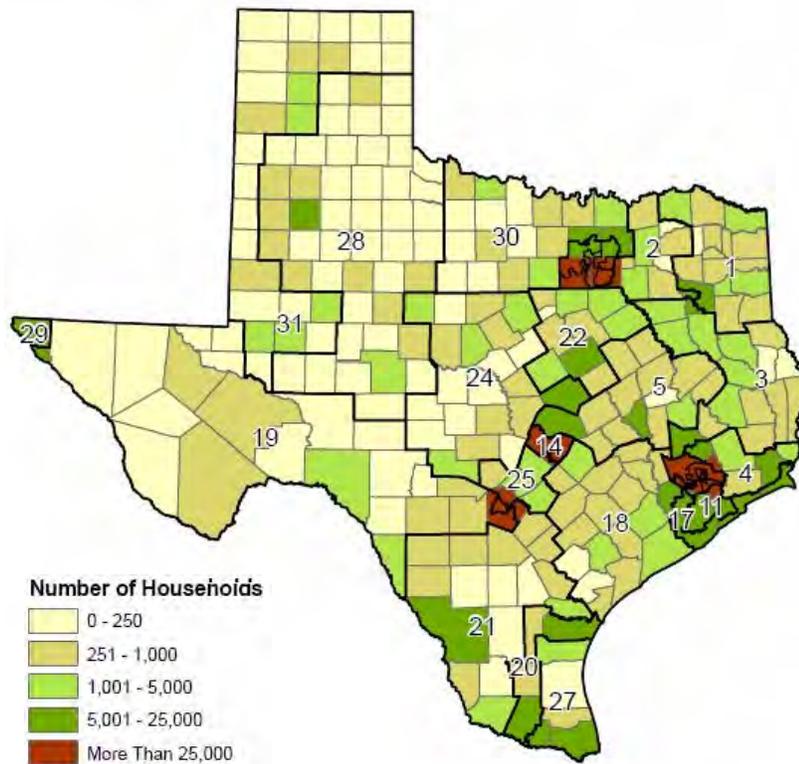
According to a mid-decade progress report by National Low Income Housing Coalition,

the deterioration in Americans' access to affordable housing between 2001 and 2005 occurred at a time of moderate rent growth, historically low mortgage interest rates, and a general economic expansion. Yet, home prices rose significantly during this period and rents continued to increase as the effects of the economic expansion were uneven. On average, incomes of middle income Americans stagnated and real wages for low wage workers declined.⁵⁹⁴

The incidence of severely housing cost-burdened households from 2001 to 2005 increased by 23 percent nationwide.⁵⁹⁵ The increase affected all income levels and both renters and owners. However, the proportion of Moderate and Upper Income households facing severe housing cost burdens remained the same at 2 percent for homeowners and 1 percent for renters. By contrast, the proportion of Extremely Low Income, Very Low Income, and Low Income households bearing severe housing cost burdens increased for both owners and renters.

In Texas, in 2005, the median housing costs as a percentage of income for Low Income households in the bottom quartile was 47 percent.⁵⁹⁶ The share of Low Income households that were severely burdened was 46 percent. The map *Number of Households Spending More Than 50 Percent of Their Income on Housing Costs with Senate Districts* illustrates the breakdown of areas where housing affordability is particularly scarce.

Number of Households Spending More Than 50 Percent of Their Income on Housing Costs with Senate Districts



Source: Texas Legislative Council, 2000 Census

For many full-time workers across the state, the cost of rent far exceeds their budget, especially in the Border region. In Texas, the Fair Market Rent (FMR) for a two-bedroom apartment is \$781. To afford this level of rent and utilities without paying more than 30% of income on housing, a household must earn \$2,603 monthly or \$31,242 annually.⁵⁹⁷ The minimum wage in Texas is \$5.85. Therefore, a minimum wage earner must work 103 hours per week, 52 weeks per year in order to afford the FMR of a two-bedroom apartment.⁵⁹⁸ Or, a household must include 2.6 minimum wage earners working 40 hours per week year-round in order to make the two-bedroom apartment FMR affordable.⁵⁹⁹ While the rent for a two-bedroom apartment is lower in the Border region, the rent burden is still significant given that more than 400,000 households along the Border have incomes of less than \$20,000.⁶⁰⁰

According to the Texas Low Income Housing Information Service, Texas has a deficit of more than one quarter of a million housing units affordable to Extremely Low Income (ELI) households (less than 30% of state's median family income) and a deficit of

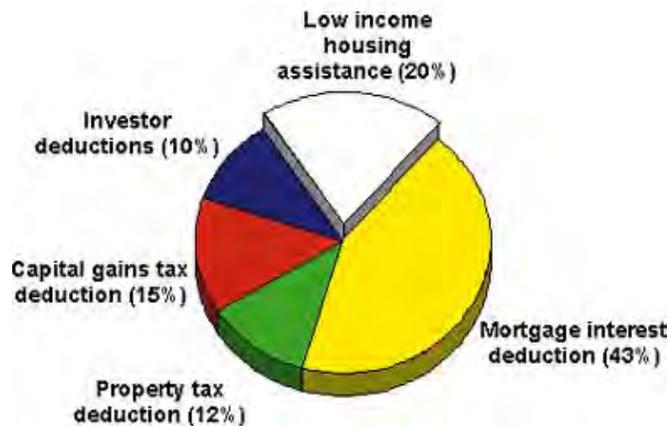
129,068 housing units affordable to Very Low Income households (31%-50% of state's median family income).⁶⁰¹ The occupation of low income housing units by households that are not low income further reduces the number of affordable and available units. The table below demonstrates that the shortage of affordable and available housing units for ELI households is 436,978. Statewide, there are only 33 affordable and available units for every 100 ELI Texas households.

Texas			
Household income level	Deficit of affordable units	Deficit of affordable and available units	Affordable and available units per 100 households
Extremely Low Income (<30% of median)	261,336	436,978	33
Very Low Income (31%- 50% of median)	129,068	454,573	60

Source: Texas Low Income Housing Information Service, Tabulations of 2005 US Census Bureau American Community Survey PUMS

Low incomes, high poverty rates and few affordable housing options create a great need for subsidized housing. According to the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, five out of six low income Texas families who qualify for government housing assistance do not receive it because of the shortage of subsidized housing in Texas.⁶⁰² Moreover, as the graph *Federal Tax Expenditures for Housing* shows, only 20 cents of every dollar of federal tax expenditures for housing is spent on low-income housing assistance. The other 80 percent of federal housing dollars are dedicated to reimbursing taxpayers in all tax brackets who meet the criteria to claim income tax deductions. Finally, Texas spends a paltry \$3 million of state general revenue funds for low-income housing. In contrast, other states, which have dedicated sources of revenue, earmark many more millions. For example, Ohio has a Housing Trust Fund of \$30 million and Florida has a fund of about \$350 million. Increasing the availability of subsidized housing units for low income Texans is essential in ensuring we have healthy productive families.

Federal Tax Expenditures for Housing



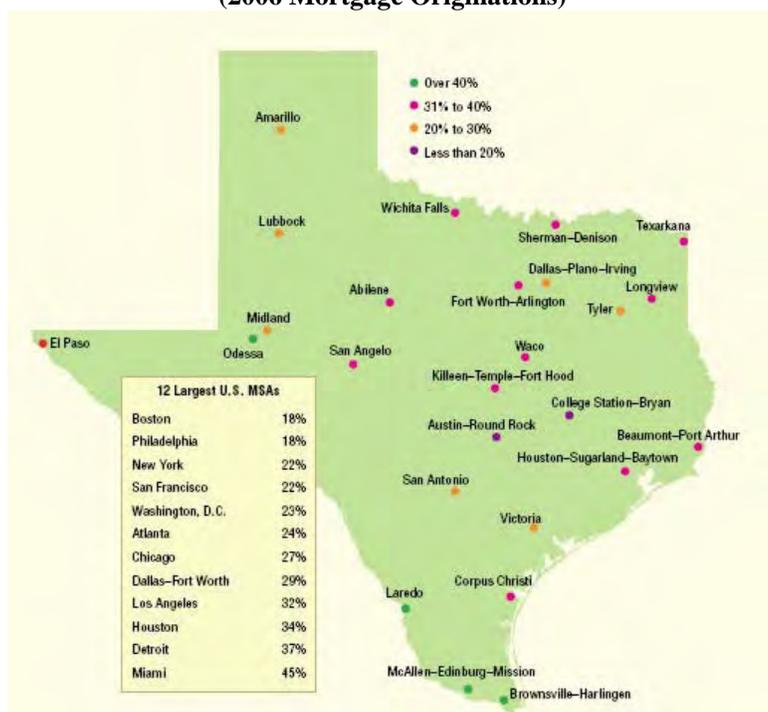
Source: Texas Low Income Housing Information Service.

Mortgage Crisis

Low interest rates, mortgage innovations, and home price appreciation helped push the national homeownership rate up to 68.9 percent in 2005, but it has since decreased by 0.1 to 68.8.⁶⁰³ Increased market demand from both investors and homeowners led to a growing number of new homes. However, unlike other states, Texas did not benefit from rapidly rising home prices, and Texans gained relatively little equity on their homes, giving them little financial cushion when the housing boom went bust in 2006.⁶⁰⁴ The housing downturn was a result of softening home sales and higher mortgage interest rates. In Texas, the downturn had the greatest effect on low-income Border counties; these owners were often the targets of high-interest, predatory loans.

The percentage of higher-priced mortgages in Texas has been above average compared with other states.⁶⁰⁵ In Texas' metropolitan statistical areas (MSAs), 30 percent of loans originating in 2006 were considered higher-priced loans. Texas, as a whole, has a higher percentage of higher-priced loans than most of the 12 largest U.S. MSAs (see map). Over 40 percent of the loans originating in 2006 in Laredo, McAllen-Edinburg-Mission, and Brownsville-Harlingen were higher-priced loans. The map below demonstrates that higher-priced loans were heavily issued along the Texas-Mexico Border.

Percent of Higher Priced Loans by Market (2006 Mortgage Originations)



Source: Federal Reserve Bank of Dallas, *Southwest Economy*, Issue 1, January/February 2008, <http://www.dallasfed.org/research/swe/2008/swe0801.pdf>.

The high number of these higher-priced loans along the Border exacerbate already existing housing affordability issues. The result is an increase in the share of low-income homeowners spending heavily to service debt and an increase in the number of households simply unable to pay their monthly housing costs. Consequently, in the third quarter of 2007, home foreclosures and delinquencies rose statewide. Home foreclosures increased to 0.6 percent, just slightly below the U.S. rate of 0.8 percent, and delinquencies for all loans 90 days past due were 1.6 percent, which was higher than the U.S. rate of 1.3 percent.⁶⁰⁶ Mortgage debt in the Border region is compounded by the low per capita income levels as well as high food and energy costs.

Nationwide, the foreclosure crisis is concentrated in low-income and minority communities. According to data gathered through the Home Mortgage Disclosure Act, subprime loans accounted for 45 percent of all home loans originated in low-income, predominantly minority communities in 2006.⁶⁰⁷ By comparison, the share of subprime loans in high-income, predominately white areas was 15 percent. As a result, low-income and minority communities are much more likely to experience high rates of foreclosure as well as the destabilizing effects associated with foreclosure (*e.g.*, depressed

property values, decreased local property tax revenues, and increased costs of law enforcement and other public services).

Issues Affecting Affordable Housing Availability

There are other pertinent factors that affect affordable housing availability besides per capita income and poverty rates. Confusing and overlapping jurisdictional obligations often leave gaps in services and leave communities without adequate services. Additionally, private lenders contribute to the problem by viewing housing funding through a "strictly business" lens which limits access to capital for mortgages for many middle- and low-income families. Additionally, in low income communities, unscrupulous lenders often target vulnerable borrowers.

Confusing Jurisdictions - Who Helps?

Taking into account the continual downward trend in housing affordability, the public and private sectors are trying to alleviate the housing problem in Texas and throughout the United States through various programs. The Texas Department of Housing and Community Affairs (TDHCA), the Department of Housing and Urban Development (HUD), the Fannie Mae Corporation, the Freddie Mac Corporation, and other various department programs are involved in this effort.

TDHCA implements two programs named Home Investment Partnerships Program (HOME) and Housing Trust Fund (HTF). These programs focus on providing decent and low-cost housing for households below the low-income threshold to remedy homelessness, deteriorating housing stock, and excessive rent burdens. HOME also assists in building a foundation for relationships between state and local governments and private and nonprofit organizations to further help Texas' housing needs. TDHCA employs a third program through the Office of Colonia Initiatives (OCI) which concentrates on the Texas-Mexico Border Region. The OCI aims to help individuals who live in colonias, and who have incomes at or below 60 percent of the annual median family income (AMFI). Similarly, Low Income Housing Tax Credits (LIHTC) exist to benefit very low-income households which are at or below 60 AMFI.

TDHCA also engages in multiple housing finance programs for Texans from moderate to very low incomes. The first of these programs is the Multifamily Bond Program and the First Time Homebuyer Program, which helps moderate, low, and very low income households to finance housing and to purchase first homes, respectively. The Down Payment Assistance Program aids households at or below 80 percent AMFI for subordinate lien financing and households at or below 60 percent AMFI for grants. Additionally, TDHCA provides the Texas Statewide Homebuyer Education Program with counseling services for Texans with various needs.

HUD serves state and local governments by allocating a large portion of their budget to implement various housing and community development programs. HUD provides assistance to single-family home occupants and to multifamily housing occupants through the Single Family and Multi-family Housing Mortgage Insurance Programs. The Department also offers a Community Development Block Grant (CDBG) program to facilitate various neighborhood and community revitalization projects. Section 8 Housing Assistance Payments, Section 8 Family Unification Program (Section 8-FUP), and Section 8 Family Self-Sufficiency Program Coordinators are all various types of grants which help alleviate living expenses. Various other grants include the formula grants Public Housing Operating Subsidy and Public Housing Modernization - Comprehensive Grants Program (CGP) and competitive grants such as the HOPE VI - Revitalization Grants and Comprehensive Improvement Assistance Program (CIAP). HUD assists in housing for Native Americans such as the Indian Housing Block Grants (IHBG) and the Indian Community Development Block Grant Program (ICDBG). Grants for people with special needs are realized through the Supportive Housing for the Elderly (Section 202), the Supportive Housing for Persons with Disabilities (Section 811), the Section 8 Mainstream Program, the Section 8 Designated Housing, Elderly/Disabled Service Coordinator Funds (EDSCF), and Housing Opportunities for Persons with AIDS (HOPWA).

The third entity which plays a major role in increasing the availability and affordability of housing for low to middle-income Americans is the Fannie Mae Corporation. This corporation assists low to middle-income owners and renters with purchasing mortgages with Single Family Mortgage Products, the Multifamily Mortgage Products, Affordable and Special Needs Housing Product, and Community Development Lending. Low and moderate income households also benefit from the Single Family Public Finance program which assists in the purchase of tax exempt revenue bonds and the Investment Tools Program.

Another corporation created by Congress to provide housing aid is the Freddie Mac Corporation. This organization ultimately provides renters and homeowners with improved access to home financing and less expensive housing costs. The Freddie Mac Corporation facilitates mortgage purchasing benefiting low to moderate-income single family owner occupants and/or low to moderate renters in the Affordable Lending and Community Development Lending Programs.

The public sector also provides assistance with loans and grants through a range of other departments. The Office of Rural Community Affairs and U.S. Department of Agriculture offer different community development programs which consist of loans and project grants for housing in rural and farm related areas. The U.S. Department of Veterans Affairs also offers veteran housing programs by providing grants and loans for veterans in need of housing assistance. The Texas General Land Office (GLO), the Texas Department on Aging, the Texas Department of Mental Health and Mental Retardation, and the Texas Department of Human Services all provide loans, grants, and financial or other services which help residents obtain or retain affordable housing. Technical

assistance and information about all forms of grants are available through the State Grants Team and the Office of the Attorney General, which assists in dispute resolution concerning housing for Texas residents.

The table *Affordable Housing Funding Distribution Between Border and Non-Border Counties, 2003-2007* provides a snapshot of affordable housing funds awarded by TDHCA and other state and federal expenditures for Border and non-Border counties.

Affordable Housing Funding Distribution Between Border and Non-Border Counties, 2003-2007

	Border Counties	Non-Border Counties	Total
TDHCA Affordable Housing Awards	\$187,276,296 12%	\$1,360,925,088 88%	\$1,548,201,384
Other State and Federal Affordable Housing Expenditures	\$592,705,950 16%	\$3,132,722,177 84%	\$3,725,428,127
All Funds	\$779,982,246 15%	\$4,493,647,265 85%	\$5,273,629,511

	% of Population	% Total Funds	% TDHCA Funds	% Other Funds
Border	17%	15%	12%	16%
Non-Border	83%	85%	88%	84%

**Reflects data on TDHCA awards from SFY 2003-2007 and non-TDHCA affordable housing expenditures by federal and state entities from 2003-2007 as used in TDHCA Regional Allocation Formula (RAF) for those years.*

Although the public and private sectors have taken strides to improve the affordable housing issue, more assistance is still needed. Problems such as predatory lending and high rates of sub-prime lending hinder the progress achieved by these aid programs.

Home Refinance Loans: Subprime lenders

The decline in lower cost rental units places increasing pressure on lower wage workers to resort to paying excessive housing costs. Poverty or lower incomes may drive individuals to seek home loans through non-traditional, more expensive avenues. In other words, when a family cannot afford to have adequate plumbing and electricity or has been forced, because of limited access to resources, to build on a plot of land that has not been surveyed, that person will not get homeowner's insurance or title insurance, will not have access to any affordable housing financing packages offered through Fannie

Mae, and will be relegated to the expensive and oppressive subprime lending market. A subprime mortgage loan is a loan that has a higher interest rate and fee than a prime loan. According to Fannie Mae, subprime mortgages are routinely three to four percentage points or more higher than a comparable prime market loan.

There are legitimate reasons for subprime loans. For example, a subprime, higher interest loan is the market's way of providing credit to borrowers who pose a greater risk of default. However, targeting households or referring them to the subprime market in cases where applicants could have reasonably qualified for prime market loans undermines the long-term asset-building potential of those households. Each additional interest point on a home mortgage means tens of thousands of dollars on the total cost of a mortgage over the life of the loan. These higher payments reduce funds families have for education or other critical living expenses. The textbox *Impact of Subprime Borrowing on a Typical Household* gives an example of a subprime loan.

Impact of Subprime Borrowing on a Typical Household

A home priced at \$85,000, with a five percent down payment will require a mortgage of slightly under \$81,000. For every percentage point of interest over a base rate of eight percent interest on a 30 year loan, the borrower will pay \$687 per year more. Over the 30 year term of this nine percent loan, the extra amount paid reaches \$21,000.

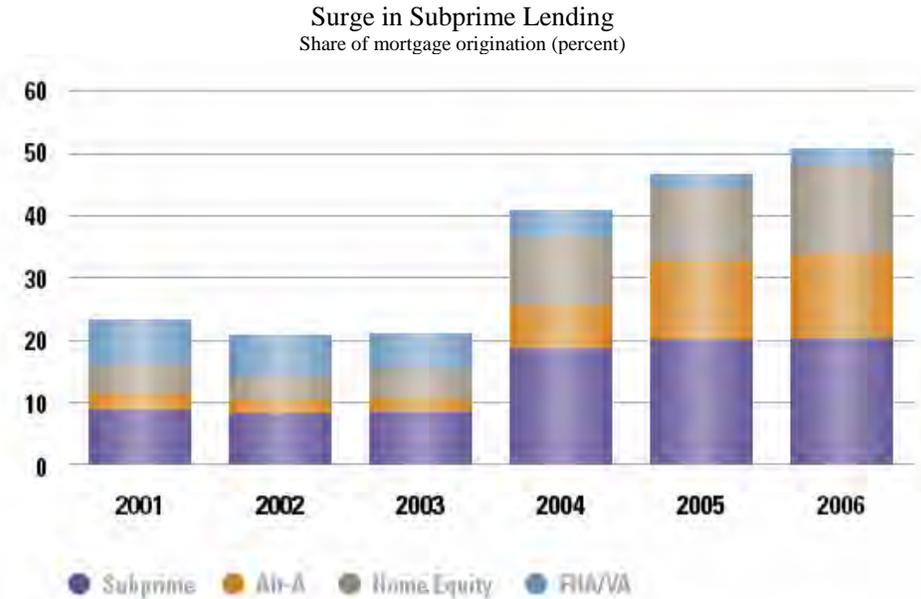
If the same household obtained a loan at six percent, they would have \$57,572 for other discretionary purposes over the life of the loan. A loan with a 12 percent rate, by contrast, would require payment of an additional \$85,712 over the 30 year period. And investing the difference in payments in a savings account each month would yield considerably more over a 30 year period.

Source: Federal National Mortgage Association Explanation

Subprime loans are risky loans, not simply because the borrowers of these loans may have weaker credit, but because they include features that increase the risk of foreclosure. Such features include adjustable interest rates, balloon payments, prepayment penalties, and loans with limited documentation of borrowers' loan qualifications. In 2006, the most common type of subprime loan was an adjustable-rate mortgage (ARM) called a "2/28" that features semi-annual interest rate adjustments after a two-year fixed-rate period.⁶⁰⁸ The initial fixed rate is often a discounted or "teaser" rate, so the rate after the adjustment can lead to a significantly higher payment.

During the housing boom in the first half of the decade many mortgage lenders who were eager to increase their market share increased the number of loans which they supplied to borrowers with tarnished credit. Nationwide, subprime lending soared from near zero in the early 1990s to 8.6 percent of originations in 2001 and 20.1 percent in 2006.⁶⁰⁹ The chart "Surge in Subprime Lending" demonstrates the growth of subprime lending at the end of 2003, when favorable housing conditions were present like low interest rates, and high home price appreciations. Additionally, there was an increase in

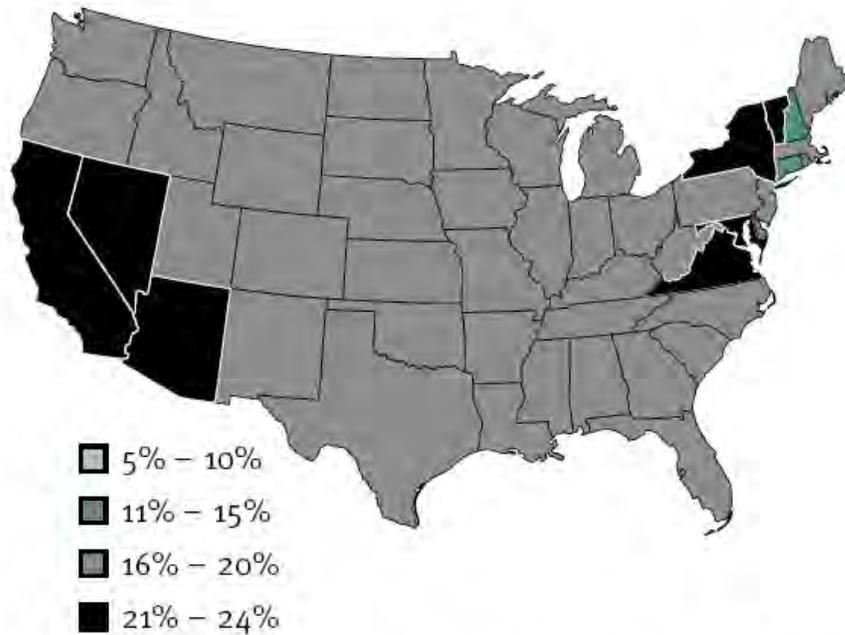
the share of Alt-A loans, which fall between prime and subprime loans on the risk spectrum, while the share of Federal Housing Administration (FHA) loans decreased.



Source: Joint Center for Housing Studies Harvard University, *State of the Nation's Housing 2007*, Figure 19, <http://www.jchs.harvard.edu/publications/markets/son2007/son2007.pdf>.

It's projected that one in every five subprime loans made in 2006 will end in foreclosures, and 2.2 million U.S. households will lose their home due to subprime loans originated between 1998 and 2006.⁶¹⁰ The map on the next page shows the projected state foreclosure rates for loans originated in 2006. In August 2007, Texas was fourth in total foreclosure filings, reporting more than 10,000 foreclosures for the month.⁶¹¹ In addition, Texas had the ninth highest foreclosure rate, with one foreclosure for every 532 households.⁶¹² In the Border region high percentages of subprime home mortgage loans puts many households at risk of losing their home. In three metro areas along the Border: Laredo, McAllen, and El Paso the percent of high-cost home purchase loans originated in 2006 was above 40 percent.⁶¹³

Projected State Foreclosure Rates for Subprime Loans Originated in 2006



Projected foreclosure rates for Alaska and Hawaii are 17% and 21% respectively

Source: Center for Responsible Lending, <http://www.responsiblelending.org/pdfs/FC-paper-12-19-new-cover-1.pdf>.

The Border region is plagued by subprime lending. A 2007 study that examined the extent of high-cost lending for 172 metropolitan areas provides evidence that the large Border metro areas are especially inundated with high-cost refinance loans.⁶¹⁴ The table *Metropolitan Area Ranking by Incidence of High-Cost Refinance Loans, 2006* shows that out of the 172 metro areas studied, seven out of the 12 metro areas with the largest percentages of high-cost refinance loans are in Texas; four of the top five are in Texas Border metro areas. As a result, the Texas Border region will face the largest overall difficulties when mortgage interest rates reset on high-cost loans with adjustable rates.

Metropolitan Area Ranking by Incidence of High-Cost Refinance Loans, 2006

Rank	Metropolitan Area	State	Total Refinance Loans	# High Cost Loans	% High Cost
1	Brownsville-Harlingen	TX	1396	885	63.4%
2	El Paso	TX	3941	2320	58.9%
2	Laredo	TX	518	305	58.9%
4	Jackson	MS	2027	1191	58.8%
5	McAllen-Edinburg-Mission	TX	2416	1403	58.1%
6	Lubbock	TX	842	480	57.0%
7	Wichita Falls	TX	458	256	55.9%
8	Evansville IN	IN	1238	689	55.7%
9	Memphis	TN	8034	4261	53.0%
10	Davenport-Moline-Rock Island	IA	2231	1169	52.4%
11	Corpus Christi	TX	1600	835	52.2%
12	Erie	PA	1060	547	51.6%

Source: ACORN, <http://www.acorn.org/fileadmin/HMDA/2007/HMDAreport2007.pdf>

Furthermore, the same study showed that metro areas with a high incidence of high-cost loans to Latinos in Texas were not only areas that included border cities; 76.6 percent of refinance loans to Latinos in the Lubbock metro area were high-cost refinance loans. Yet, the table *Metropolitan Area Ranking by Incidence of High-Cost Refinancing Lending to Latinos, 2006* shows that more than half of all the refinance loans to Latinos in the largest metro areas along the Border are subprime.

**Metropolitan Area Ranking by Incidence of High-Cost Refinance Loans to Latinos,
2006**

Rank	Metropolitan Area	State	Total # Loans to Latinos	# High Loans to Latinos	Latino % High Cost
1	South Bend-Mishawaka	IN	71	56	78.9%
2	Lubbock	TX	201	154	76.6%
3	West Palm Beach-Boca Raton-Boynton Beach	FL	91	65	71.4%
4	Brownsville-Harlingen	TX	1101	766	69.6%
5	Corpus Christi	TX	669	458	68.5%
6	Buffalo-Niagara Falls	NY	53	35	66.0%
7	Davenport-Moline-Rock Island	IA	76	49	64.5%
8	El Paso	TX	2856	1816	63.6%
9	Abilene	TX	60	38	63.3%
10	Norwich-New London	CT	118	73	61.9%
11	Omaha-Council Bluffs	NE	233	144	61.8%
12	San Antonio	TX	3415	2095	61.3%
13	McAllen-Edinburg-Mission	TX	1990	1211	60.9%
14	Laredo	TX	438	264	60.3%

Predatory Lending

While not all subprime lenders are predatory, just about all predatory loans are subprime, and the subprime industry is a fertile breeding ground for abusive practices. Subprime loans are properly given to people who are unable to obtain a conventional prime loan at the standard bank rate because of credit problems or other circumstances. It is appropriate for such loans to have higher interest rates to compensate for the potentially greater risk that these borrowers represent, and such risk-based pricing can fulfill an important market need. Predatory lending occurs when loan terms or conditions become abusive or when borrowers who should qualify for credit on better terms are targeted instead for higher cost loans.

Predatory lenders impose unfair and abusive loan terms on borrowers, often through aggressive sales tactic and/or taking advantage of borrowers' lack of understanding of extremely complicated transactions. Predatory loans turn the dream of homeownership into a nightmare and in the worst instances end in foreclosure. The damage done by predatory lenders is increased by the fact that predatory loans are made in such concentrated volume in poor and minority neighborhoods where better loans are not readily available, and the loss of equity, and foreclosure can devastate already fragile communities. In fact, predatory lending threatens to reverse the progress that has been made in increasing homeownership rates among minority and lower income families.

Targeting Minority Borrowers

The rise in subprime and predatory lending has been most dramatic in minority communities. Half of all refinance loans made in predominantly black neighborhoods are subprime, compared to just nine percent in predominantly white neighborhoods. Subprime lending, with its higher prices and associated abuses, is becoming the dominant form of lending in minority communities. On the Border, the greatest volume of subprime lending today is in home refinance loans, although a growing number are home purchase loans. The bulk of these loans come from colonia developers. Residents of colonias increasingly use subprime home refinance loans to finance completion of their homes. Although home loans to minorities are growing at double-digit rates, Blacks and Hispanics are still about twice as likely as non-Hispanic whites to be rejected when they apply for a mortgage.⁶¹⁵

While creditworthiness may be a consideration in the use of subprime lenders in these cities, evidence has emerged that Hispanic communities are actually being targeted by subprime and predatory lenders.

In one instance, a major mortgage lender, Citigroup and its subsidiary CitiFinancial were accused of engaging in systematic and widespread deceptive and abusive practices. In 2002, Citigroup settled with the Federal Trade Commission for over \$200 million. Allegations against Citigroup included targeting low-income communities, mainly Black and Hispanic, with abusive sales tactics. In another instance, in a lawsuit against Household International, Inc., a nationwide mortgage lender, the court ordered Household to "provide Spanish language loan documents in all branch offices that are certified by Household to conduct Spanish language transactions... Household shall also make available a one-page loan disclosure of key terms in Spanish in certified branch offices to those Borrowers whose primary language is Spanish."⁶¹⁶ According to anecdotal evidence, Household International, Inc. was engaged in predatory lending practices that preyed on borrowers with limited English proficiency by purposefully developing loan materials that were confusing to Spanish readers and speakers. In general, lenders can often target Spanish speaking borrowers with little detection, as this community is easily marginalized.

Conclusion

Housing is one of the strongest indicators of quality of life in our country and building equity in one's home is one of the most important asset building mechanisms available to the average family. When a family does not have access to any affordable housing financing packages and is relegated to the expensive and oppressive subprime lending market, either because of a poor credit history or substandard housing conditions, the family will pay a greater proportion of its income on housing. As a result, a family's ability to build equity and increase its wealth is hindered. Throughout the Border region, the lack of affordable, decent housing and the limited ability to access the prime lending market has left many Hispanics struggling to build wealth and break the cycle of poverty. Public policy in Texas should focus on removing these barriers, and providing equal opportunity for all Texans.

Texas Borderlands 2008

*"Bridging the Digital Divide
in the Texas Borderlands"*
Technology



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
September 2008

Over the last 30 years, technology advances have significantly affected the production industry and the economic environment in the United States.⁶¹⁷ Communities that have prepared for this growth of technology have fared well economically. Regions where technology advancement has not been a priority have fallen behind. The Texas Border region must make digital literacy a priority in order to succeed.

If the Texas Border made up a "51st" state, the 43 Border counties would rank dead last in the U.S. in per capita income. Without the Border counties, Texas would rank 22nd in the nation.⁶¹⁸ In terms of schoolchildren in poverty and the unemployment rate, the Texas Border would rank first nationally.⁶¹⁹ Bridging the digital divide—the gap in access to and education in technology—is a significant factor in the Border's economic challenges. Communities like those on the Border that do not yet have the infrastructure and training to support a technology-based economy are failing to maintain self-sufficient and prosperous economic environments. Without access to and training in technology, the labor force in the Texas Border will continue to struggle to accrue stability and wealth. Moreover, children of the Border, who are not developing the skills to work in a knowledge-based technology economy, will fall behind.

Information Revolution

The Internet and access to technology has changed our lives and our communities significantly over the past decade. Ready and fast access to information has transformed the way that students learn, people communicate, and businesses operate. More than ever, access to information allows the opportunity for people with various backgrounds and levels of education to compete academically, economically, and socially. The information revolution, spurred by the spread of high-speed Internet, will continue to benefit more people and more communities. With the proliferation of Internet-based services, governments and businesses are able to reach more people and operate more efficiently and effectively.

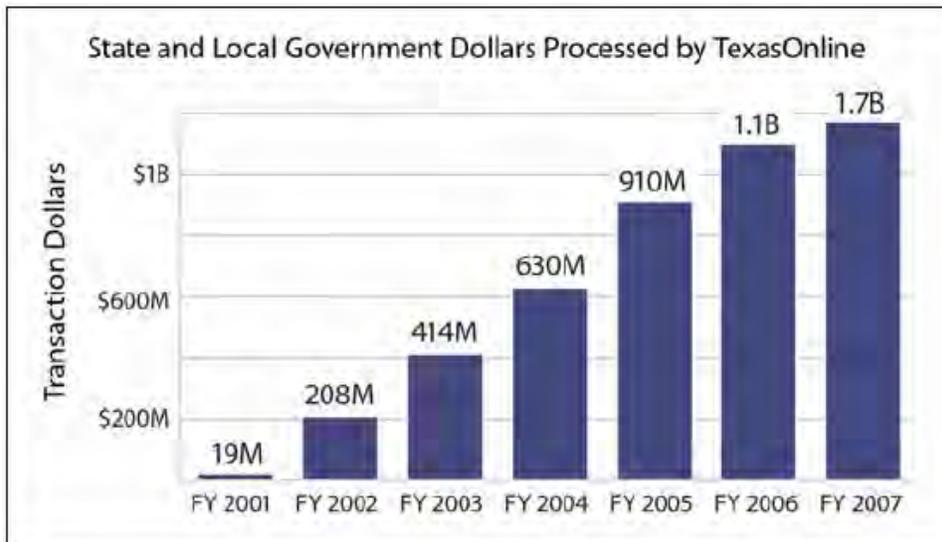
E-government

Local, state, and federal government entities recognize that through the use of technology they can offer broader and more efficient government technologies.⁶²⁰ In August 2000, the State of Texas launched its official e-government site for state and local government business.⁶²¹ The site resulted from Senate Bill 974 of the 76th Legislature, which required an Internet-based system for governments to make payments and review documents.⁶²² The site, TexasOnline, reaches across state agencies, links municipalities, counties, courts, and universities, and is projected to generate between \$12 and \$14 million in revenue for the state in the 2010-11 biennium.⁶²³

For Texans, TexasOnline provides a single port into communicating with state agencies and state officials. Moreover, Texans can complete many necessary tasks online that otherwise would cost them time and money in traveling to a government agency. For

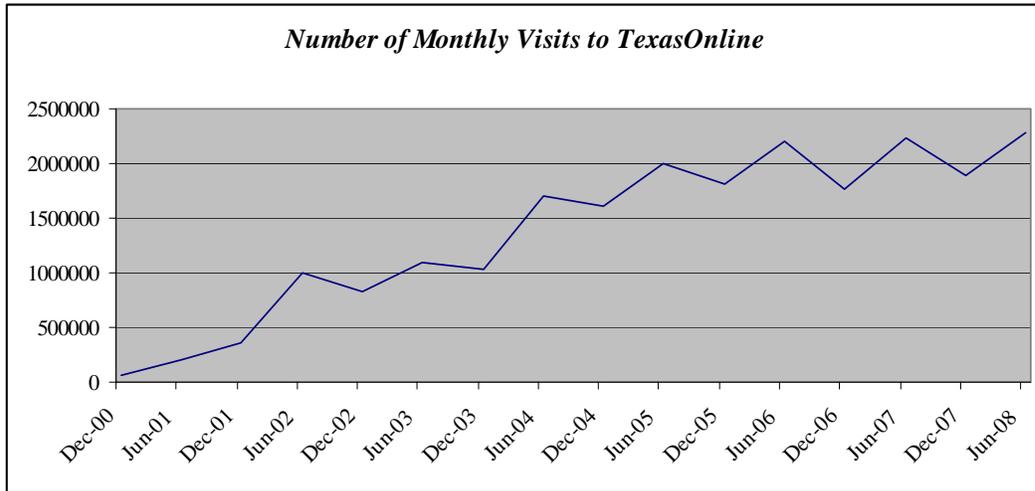
example, Texans with Internet access to TexasOnline can renew a driver's license, pay business sales taxes, and obtain oil and gas drilling permits. In 2006, Brown University's Taubman Center for Public Policy ranked Texas number one in terms of the number of state services accessible by the Internet.⁶²⁴ At the time, TexasOnline offered more than 500 services online. Today, that number is over 800.⁶²⁵

Since its inception, TexasOnline has collected over \$7 billion dollars in state and local government revenue.⁶²⁶ The chart on the following page shows the incredible growth in state and local government dollars processed by TexasOnline.



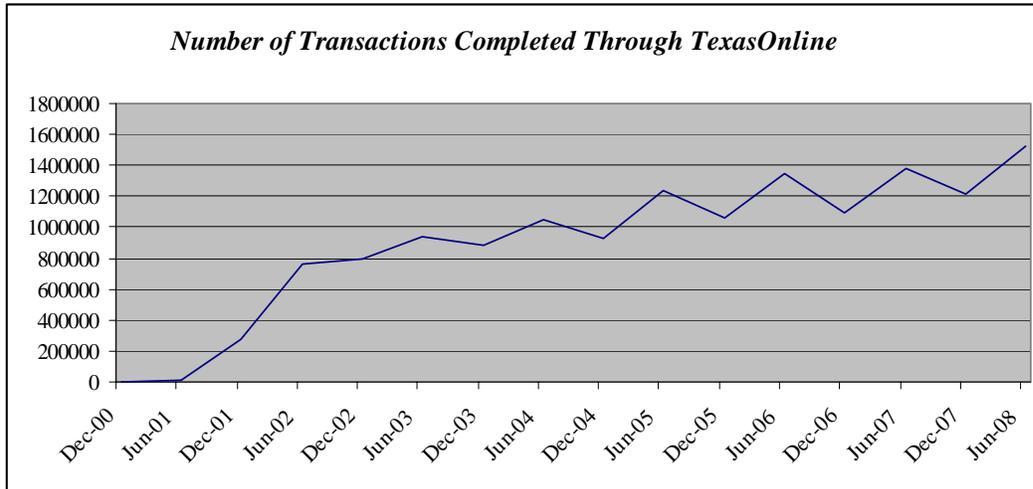
Source: DIR⁶²⁷

When the portal was launched in August 2000, it received less than 25,000 visits monthly.⁶²⁸ By June 2008, however, it received over two million visits each month.⁶²⁹ The chart on the following page, *Number of Monthly Visits to TexasOnline*, illustrates this growth.



Source: DIR⁶³⁰

Additionally, when measuring the success of the portal, TexasOnline analyzes the number of transactions completed through the portal. Again, the growing number of transactions indicate that Texans are using the portal to complete various administrative tasks, as opposed to traveling to State agencies and conducting their business in person. The chart below, *Number of Transactions Completed Through TexasOnline*, shows that since the site's launch in December 2000, business transactions increased exponentially up to over 1.5 million in the month of June 2008.⁶³¹



Source: DIR⁶³²

Texans that do not have access to TexasOnline must work harder and less efficiently to do business with the state. This inefficiency costs both the state and the citizen time, energy, and money. As e-government services become even more prolific and the traditional means of providing government services are phased out, those without ready access to and training in Internet applications will find that communicating with state government will become increasingly more difficult.

Further, with over a quarter of all Texans primarily speaking Spanish at home, the state must not leave those citizens behind.⁶³³ The significant number of Spanish speaking citizens in Texas has caused an increased demand in equal access to state resources. Further, Texas residents are increasingly becoming more dependent on the Internet to address their needs. TexasOnline is making great strides to serve the public's needs in cost effective ways. During the 79th Legislative Session, Senate Bill 213 by Senator Shapleigh required that all state agencies follow federal guidelines requiring that state agencies that have direct and constant contact with Spanish-speaking constituents make vital information and their forms available in Spanish.⁶³⁴ This law took effect on September 1, 2005. As of August 2006, TexasOnline was the only state portal that provided full Spanish content.⁶³⁵

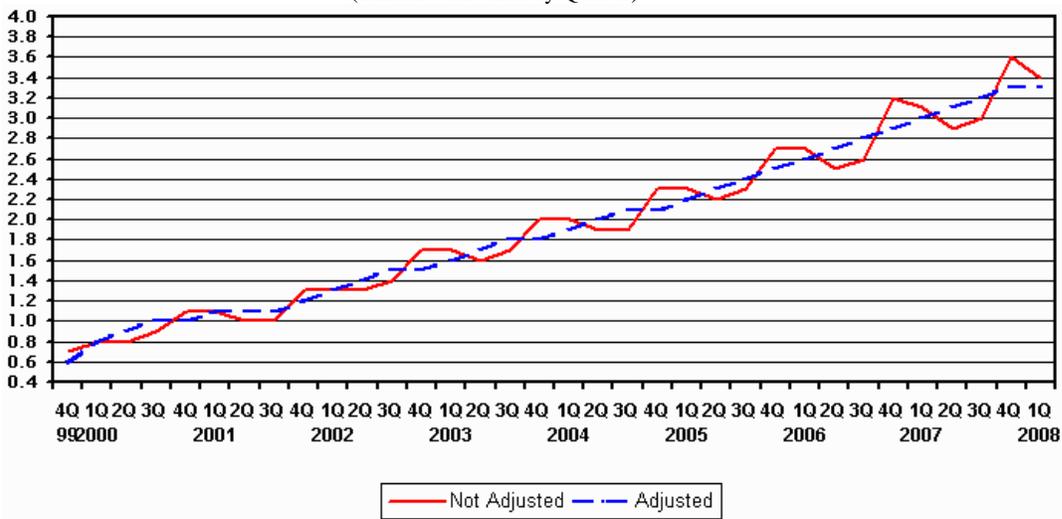
E-commerce

An important aspect of high-speed Internet access is the promotion of e-commerce. E-commerce, or electronic commerce, is a general term for any type of business or commercial transaction that involves the transfer of information across the Internet or other electronic systems.⁶³⁶ This covers a range of different types of businesses, from consumer-based retail sites like Amazon.com, through auction sites like eBay, to business exchanges trading goods or services between corporations. The

incorporation of technology and the improved communications can equate to improved productivity, higher profits, and larger markets.

E-commerce has expanded rapidly over the past decade and this growth is forecasted to continue or even accelerate. In fact, e-commerce retail sales alone in the United States amounted to \$33.8 billion in the first quarter of 2008, up 13.6 percent from the first quarter of 2007.⁶³⁷ As the chart on the following page, *Quarterly U.S. Retail E-commerce Sales: 4th Quarter 1999 - 1st Quarter 2008*, clearly indicates, e-commerce is growing rapidly in the United States.

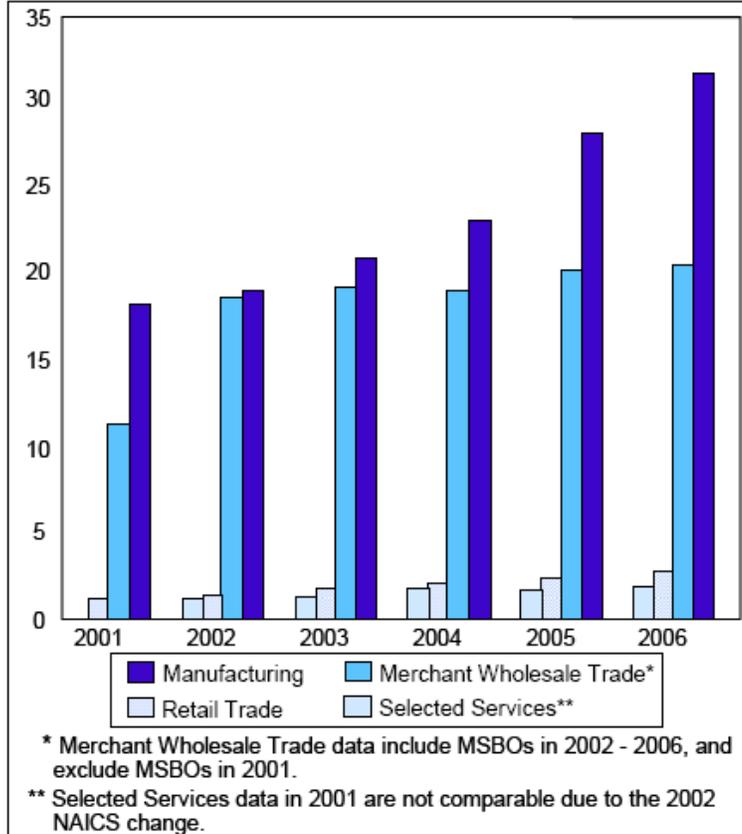
**Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales:
4th Quarter 1999–1st Quarter 2006**
(Billions of Dollars by Quarter)



Source: U.S. Census Bureau⁶³⁸

The U.S. Census Bureau reported that in the first quarter of 2008 total e-commerce retail sales accounted for 3.3 percent of all retail sales, up from 1.9 percent in 2004.⁶³⁹ While these percentages initially appear relatively insignificant, the Census Bureau notes that e-commerce grew faster than the total economic activity in all four major economic sectors measured by the department in 2006 - manufacturing, merchant wholesale trade, retail trade, and selected services.⁶⁴⁰ The following graph, *E-commerce as Percent of Total Value: 2001-06*, illustrates the respective levels of e-commerce activity in each sector.

E-commerce as Percent of Total Value: 2001-06



Source: U.S. Census Bureau⁶⁴¹

As more businesses move parts of their operation onto the Internet, it is likely that, in the future, the boundaries between "conventional" and "electronic" commerce will become increasingly blurred. Businesses and consumers that do not have ready access to the Internet cannot reap the benefits afforded by e-commerce practices. As e-commerce practices grow and the boundary becomes more blurred, communities will lag economically where access to the Internet is not prolific and thus not used by consumers and businesses.

Finally, for economically struggling communities, e-commerce should create a sense of promise. This tool can increase the attraction of rural communities to different investors who may be wary of relocating to an area that is not seen as an economic hub. The increased use of e-commerce, where geographic boundaries are less of a concern, reduces the need for a prime location. Thus, a major factor in business relocation will increasingly be the quality of telecommunications infrastructure present in the area. For

Border communities, strategically located in trade corridors, the use of e-commerce could develop a prosperous manufacturing and wholesale market economy. However, this requires reliable and ready access to high-speed Internet services.

Because of reduced wages and lower regulatory standards, companies are increasingly moving manufacturing and knowledge-based businesses overseas. Where the U.S.-Mexico border once epitomized a flourishing manufacturing region by providing producers a large pool of skilled laborers willing and able to work for reduced wages, outsourcing to China and India is slowly chipping away at the foundation of the region's economy.⁶⁴²

To prevent the continued loss of jobs and economic generators, leaders must demonstrate to the business community that the Border region is a smart location in which to conduct business. Just several hundred miles away from the Border, Austin and the Silicon Valley are leading the technological revolution: developing more advanced services and applications and cementing the economic stability of their regions. Stretching access to these advancing capabilities to the Border and beyond will allow this region to increase the Border's economic stability. Local businesses and manufacturers must have access to broadband technology, effective opportunities for growth, and a growing, vibrant labor force. If manufacturers are to choose to locate, stay, and grow in the region, Border leaders must increase opportunities to use technology to expand and streamline operations. A strong and stable economy will develop.

The Internet and access to technology has changed our lives and our communities significantly over the past decade. Ready and fast access to information has transformed the way that students learn, people communicate, and businesses operate. More than ever, access to information allows the opportunity for people with various backgrounds and levels of education to compete academically, economically, and socially. The information revolution, spurred by the spreading use of high-speed Internet, will benefit more people and more communities than ever imagined. With the proliferation of Internet-based services, governments and businesses are able to reach more people and operate more efficiently and effectively.

One-Stop Inspections: Moving People and Product in Minutes Not Hours

Technology can also help facilitate the movement of people, goods, and services across the U.S./Mexico border. Long waits at international border crossings affect the efficiency of commercial movement along our borders. In an attempt to shorten waiting periods, the "one stop" border concept was created. This idea combines inspection processes conducted by several federal and state agencies into one process. A "one stop" border inspection system would facilitate and expedite commercial traffic to and from the Border, improve efforts to keep the Border secure, and protect public health by decreasing pollution. Large amounts of vehicles idling during their wait to cross release a larger amount of pollution into the air.

Research shows that a one-stop system is feasible at a relatively low cost. Investing in the technology needed to combine various inspection protocols would be an important investment for Border cities like El Paso.⁶⁴³ The bill creating the one stop inspection concept passed in the 76th Texas Legislature as Senate Bill 913.⁶⁴⁴ The bill authorizes the Texas Department of Transportation to maintain and build the facilities necessary for a one stop inspection.

Combined, the El Paso ports of entry had over 28 million private vehicle crossings in 2006.⁶⁴⁵ The construction of more adequately-staffed bridges would facilitate the flow of traffic from Mexico coming into Texas. Additionally, secure manufacturing technology would facilitate expedited cross-border commercial traffic without the need of additional bridges. Secure manufacturing technology tracks the movement of trucks and their product from origin to destination and greatly reduces the volume of commercial traffic at the ports of entry.

Another program that assists fast, secure, smart transportation is the Fast and Secure Trade (FAST) system, which uses Radio Frequency Identification (RFID) technology. FAST lanes provide pre-clearance lanes for high-volume manufacturers and expedite U.S. Customs clearance along designated ports of entry. FAST lanes are used by low-risk travelers and allow inspection agencies to place their attention on cross-border traffic of higher or unknown risk.⁶⁴⁶ Using similar technology, commuters have access to El Paso's designated commuter lanes.⁶⁴⁷

In addition, "smart cards," embedded with biometric identifiers, can be used to allow quick and reliable identification of trusted border citizens who pose no health or safety risk, allowing them to cross more quickly. Enhance driver's licenses (EDLs) are an example of a "smart card." The EDL program is modeled after Washington State's version, which improves crossing over the U.S./Canada Border. On March 23, 2007, the state of Washington established the high-security driver's license pilot program, which had been approved by U.S. Homeland Security Secretary Michael Chertoff.⁶⁴⁸

The Department of Homeland Security's endorsement of the EDL program comes as Border states prepare for new federal security requirements mandating a passport for U.S. citizens who enter the country at land ports. Given the impact the passport requirement has on border life, the Texas legislature passed Senate Bill 11 in 2007.⁶⁴⁹ The bill authorizes the Department of Public Safety (DPS) to initiate a pilot program similar to the program in Washington. Under the new law, DPS may adopt rules to implement the program, and the department is authorized to enter into a memorandum of understanding with any federal agency for the purposes of facilitating the movement of people between Texas and Mexico.⁶⁵⁰

Currently, implementation of the Texas EDL program is opposed by Governor Rick Perry.⁶⁵¹ He has expressing concern that the EDL program may interfere with federal law, although the Department of Homeland Security has stated no conflict exists. Governor Perry has further stated that the State of Texas should primarily begin to work

on securing the borders, then concentrate on the aspect of identification.⁶⁵² Regardless, EDLs would help secure the Border through more efficient monitoring and identification of Border travelers. The program also would afford border residents with a cost-effective alternative to purchasing a separate state drivers license and federal passport or passport card.

On a local level, El Paso County's Secure Border Trade Demonstration Project (SBTDP) utilizes the newest technologies available to increase the security and efficiency related to the movement of goods and people at the U.S.-Mexico border. Specifically, this project will equip 30 heavy-duty tractor-trailers with state-of-the-art intelligent transportation system devices to secure cargo and transmit key data into a central repository where the data will be analyzed by software agents to detect anomalies which may have comprised security of the protected cargo.⁶⁵³

At the core of the El Paso County SBTDP will be a unique software system and related network of technologies utilizing Intelligent Software Agents (ISAs). The ISAs will analyze and collaborate with each other to process vast amounts of wide ranging data which impact cargo movement. Such data is useful to truck operators and maquiladora owners and could be valuable to customs and other border officials. Utilizing an integrated hardware network that has been installed on vehicles and at predetermined load sites, the ISA software system will track cargo as it is loaded and transferred from its origin at the maquila plant, across the border, and on to its ultimate point of destination. It is important to note that the information analyzed from the actual border crossing will be only one part of the larger integrated cargo tracking effort.⁶⁵⁴

The El Paso County SBTDP is designed to meet the minimum needs of the maquila operators in the El Paso/Juarez region. As the largest concentration of maquila operators in the world, software and communication systems that are specifically adapted to meet the needs of local industries will help to insure their long term viability which is essential to the economic health of the region. The El Paso County SBTDP helps assure the region's continuing leadership role in the evolving international trade landscape and is the perfect test-bed for developing and applying technologies to ensure a secure maquiladora industry.⁶⁵⁵

The Digital Divide on the Border

The term "Digital Divide" has become common shorthand to describe perceived and real gaps among geographic regions and population groups in access to, and utilization of, advanced technologies and the Internet. Such gaps are often most pronounced in rural and low income communities, as compared with urban and suburban locales.⁶⁵⁶

The Border Region experiences these gaps in availability and usage and suffers because of the digital divide. There are many areas within the Region where advanced

infrastructure, such as broadband Internet access, have been slow to develop. Also, the costs of developing a high-speed network are prohibitively expensive for many Border communities, and areas along the Border have not benefited extensively from national funding sources that have disproportionately been directed to other regions of the country. Even if communities could develop or lure the commercial market to develop the infrastructure, many low-income people living in the area and many small businesses could not afford the monthly fees associated with high-speed Internet access.⁶⁵⁷

Disparities in Access

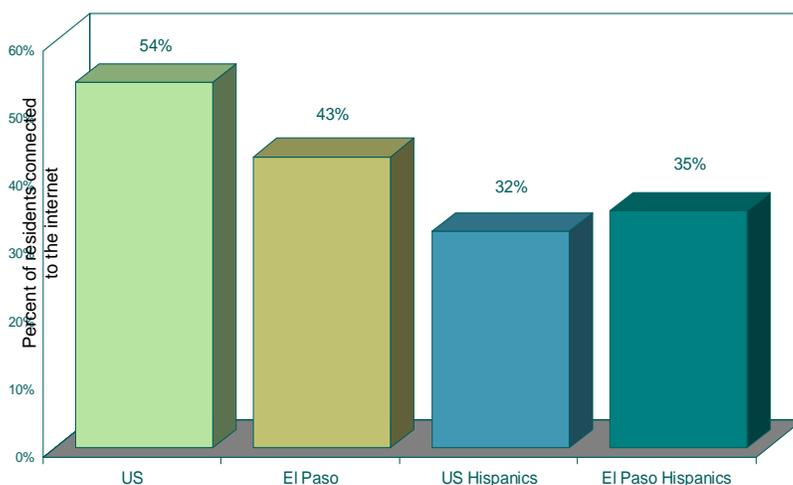
In providing access to technology, Texas is behind the curve. The State lacks a unified, comprehensive approach to providing advanced, high-speed networking across the entire state. While 1999's Senate Bill 560, also known as the Public Utilities Regulatory Act (PURU), did create a vision of a statewide Texas broadband backbone, this vision has yet to be fully achieved.⁶⁵⁸

It is the policy of this state to ensure that customers in all regions of this state, including low-income customers and customers in rural and high cost areas, have access to telecommunications and information services ... that are reasonably comparable to those services provided in urban areas and that are available at prices that are reasonable comparable to prices charged for similar services in urban areas.
Public Utilities Regulatory Act, S.B. 560 (1999)

Despite the vision articulated in PURU, many rural Texans and Texans living in hard-to-serve areas do not have ready access to high-speed information services. The first step to bridging the digital divide involves providing access to the Internet. Without connectivity, residents have no chance to develop familiarity with technology and are unable to apply their skills in future work opportunities.⁶⁵⁹

Communities on the Border do not have the access available to other communities around the state and the country. For example, in El Paso, one of the larger, more urban areas on the Border, connectivity to the Internet lags behind other parts of the country.⁶⁶⁰ The graph on the following page, *Internet Connectivity*, shows that El Paso's connectivity falls below the national level of Internet access. Moreover, the disparity between the national average and the average for the Hispanic population reiterates the concern that the digital divide greatly affects minorities and the primary Border population.

Internet Connectivity



Source: UTEP⁶⁶¹

This failure in providing connectivity plagues communities throughout the Border Region, as the state is not investing the necessary funds to expand needed infrastructure to provide services to the Border. As the rest of Texas becomes increasingly more connected to the Internet with advanced services, Border communities struggle to get access to affordable dial-up services or much less advanced high-speed connections.

Disparities in Usage

The digital divide is not endemic to the Border region. According to the Pew Internet & American Life Project, while the South lags behind much of the country, high Internet penetration can be found along both the Atlantic and Pacific coasts, as well as in the Rocky Mountain States.⁶⁶² These variances can be traced to, among other things, differences among the regions in income and education levels.⁶⁶³ Those regions with a relatively wealthy and highly educated population are more likely to have a larger proportion of its population online.⁶⁶⁴

The Texas Border Region has the nation's lowest per-capita income, the highest percentage of adults without a high school diploma, and the highest poverty and unemployment rates in the country, all factors that would indicate a low Internet penetration rate.⁶⁶⁵ The table on the following page, *Internet Penetration by U.S. Region*, shows that the Border states, in general, rank relatively well in penetration, with 60 percent of adults having access to the Internet. But when one considers the high penetration rates in urban areas like Austin, Dallas, and Phoenix, it is clear that the

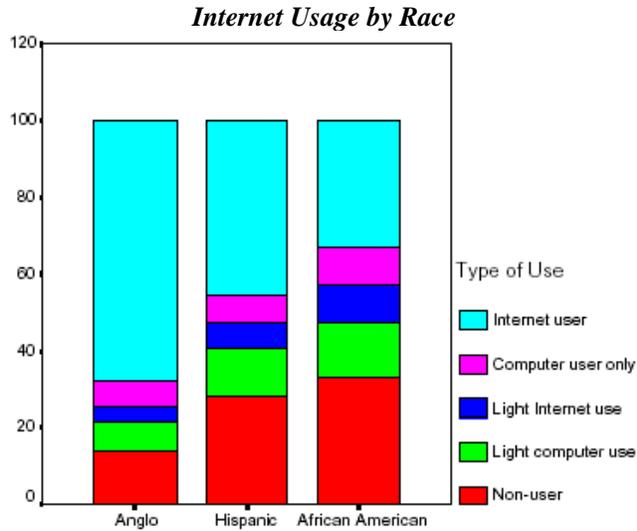
Border counties counteract the high penetration levels of those cities to bring the average for the states down.

Internet Penetration by U.S. Region

Region	Percent of Adults with Access
South	48
Lower Midwest	55
Industrial Midwest	56
Southeast	57
Mid-Atlantic	58
Upper Midwest	59
Border States (Arizona, Texas, New Mexico)	60
Mountain States	64
California	65
New England	66
Pacific Northwest	68

Source: *Pew Internet & American Life Project*⁶⁶⁶

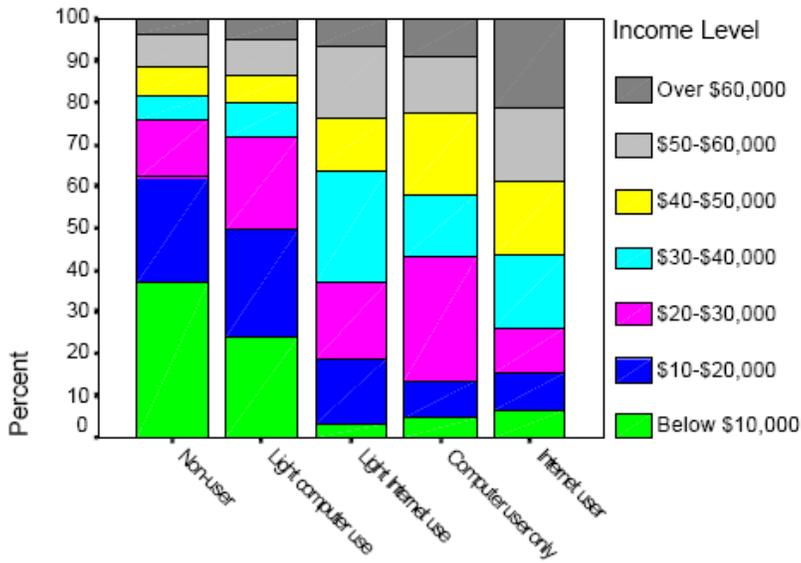
As discussed previously, despite the high statewide numbers, there is great disparity in who is actually using the Internet. The differences in the ethnic composition of computer and Internet users in Texas are shown in the below chart. According to the Public Utility Commission, nearly 68 percent of the Anglo community regularly uses the Internet, compared to 45.2 percent of Hispanics and 32.8 percent of African Americans. The pattern reverses for those who use neither a computer nor the Internet: 32.8 percent of the African Americans, 28 percent of the Hispanics, and 14.2 percent of the Anglos.⁶⁶⁷ The graph on the next page, *Internet Usage by Race*, illustrates the percentages of Texans using the Internet.



Source: PUC⁶⁶⁸

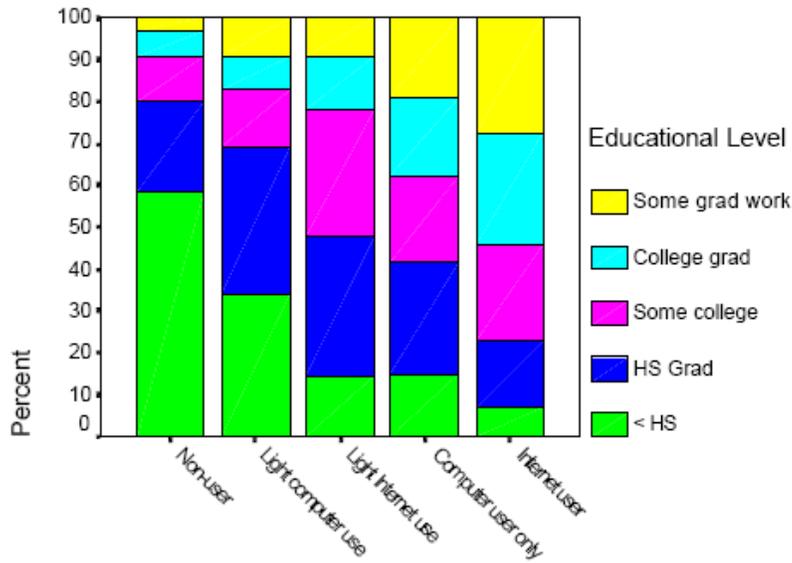
As income and education increase, so do computer and Internet usage.⁶⁶⁹ The charts below, *Internet Usage by Income Level*, indicates that people making less than \$10,000 represents the largest cluster of people who use neither computers nor the Internet. At incomes over \$40,000, however, Internet usage is very common. The results for high and lower levels of education follow a similar pattern, with more highly educated people using the Internet more commonly than those that are less well educated. Moreover, most Internet users have had some education beyond high school, while the non-users are disproportionately composed of people who did not complete high school.⁶⁷⁰

Internet Usage by Income Level



Source: PUC⁶⁷¹

Internet Usage by Educational Level



Source: PUC⁶⁷²

When deciding where to locate or whether to expand, companies and investors are sure to consider access to the Internet and advanced technologies. Thus, having access and usage levels that compete both with other parts of Texas and other states is very important for the Border region. Economic development in today's economy is necessarily founded in technology. The traditional way that state and local governments had recruited new businesses was through various incentives, including reduced taxes, wage subsidies, reduced rent, and other such monetary incentives. However, these traditional means of recruiting businesses must also incorporate a new approach.

A common element of most successful economic development efforts is "strong local leadership committed to mobilizing the community's resources and obtaining the facilities it needs."⁶⁷³ A critical community resource in today's economy is access to and usage of advanced services, including broadband and high-speed Internet services. The widespread use of advanced services would offer measurable economic development results for rural and Border communities.

Successful Efforts to Bridge the Divide

Texas' Border region is not the only area hindered by the digital divide. There are other rural areas and hard-to-serve areas of the country that do not have ready access to high-speed technology services. To address this divide, many states and local communities are finding innovative ways of investing in their communities to bridge the digital divide. Some of these efforts are focused on connecting communities by subsidizing Internet services or setting up community computer labs. Other efforts are more focused on getting schools connected.

Statewide efforts

California Governor Arnold Schwarzenegger established the California Broadband Initiative on October 26, 2006 with the goals of removing barriers to broadband access and expansion and ensuring that all government agencies use the best technologies to serve the state's citizens.⁶⁷⁴ Established by the Governor, the California Broadband Task Force issued its report on January 17, 2008.⁶⁷⁵ The report contained seven main recommendations: build out high-speed broadband infrastructure for all Californians; develop model permitting standards and encourage collaboration among providers; increase the use and adoption of broadband and computer technology; engage and reward broadband innovation and research; create a statewide e-health network; leverage educational opportunities to increase broadband use; and continue state-level and statewide leadership. The Task Force's report stated that California's investment in broadband concentrate solely on physical infrastructure, but must instead include policies to increase the use of broadband technologies.⁶⁷⁶ In terms of funding, the report proposed alternatives such as bond programs, grant programs, tax credits, and increased resources dedicated to broadband research and development.⁶⁷⁷

California also has the California Emerging Technology Fund. The Fund is a nonprofit organization established by the California Public Utilities Commission after the merger of SBC-AT&T and Verizon-MCI. Through the Fund, the companies have pledged to contribute \$60 million over 5 years to advance broadband use.⁶⁷⁸

Another example of a state leader in its commitment to addressing the digital divide is the California Community Technology Policy Group (CCTPG). The group, with its representatives from community-based and statewide organizations, advocates for policies that pledges to ensure that underserved communities acquire the benefits of technology.⁶⁷⁹ CCTPG helps to document information and technology needs in underserved areas of the state through research and documentation projects.⁶⁸⁰ CCTPG also offers legislative training materials to the public to help them navigate the legislative process and advocate for accessible and affordable access to technology.⁶⁸¹

Another state, Michigan, has recognized the economic advantage and need to have high-speed Internet services available throughout the state. It has expanded high-speed Internet services to every community, thus ranking first on TechNet's "State Broadband Index."⁶⁸² Seeing the need to increase demand for and operation of broadband services along with the need for more private investment in high-speed Internet infrastructure, Michigan created the Michigan Broadband Development Authority (MBDA). The MBDA addresses these needs by offering organizations low-cost financing for the purchasing of hardware or software that improves or increases the use of broadband service. They also offer low-cost loans to telecommunications companies willing to invest in efforts of increasing broadband access.⁶⁸³

Further, Michigan has created the SmartZone program, a collaborative effort between universities, industry, research organizations, government, and other community institutions that stimulates the growth of technology-based businesses by creating recognized clusters of new and emerging businesses.⁶⁸⁴ The SmartZone program organizes distinct geographical locations where technology firms, entrepreneurs, and researchers can locate in close proximity to helpful community assets.⁶⁸⁵

Local Efforts

Initiatives to bridge the digital divide are also occurring at the local level. There are numerous local governments and non-profits that are at work to bring technology access, training, and services to their area in an effort to propel the communities forward educationally, economically, and socially.

The Community Technology Centers' Network in Washington, D.C., a nationwide organization that works with local communities, provides support to centers trying to connect communities to technology.⁶⁸⁶ The organization currently has a number of projects throughout the country which aim to improve and develop community technology centers. For example, the Connections For Tomorrow program was a three-year capacity building project targeting centers working with homeless populations.⁶⁸⁷

Providing over \$2.2 million to 122 community technology centers, the program resulted in 5,192 hours of direct technical assistance.⁶⁸⁸

Some Texas Border communities are launching grassroots initiative to try to bridge the digital divide. In El Paso, the Orion Project is an initiative meant to address the need of providing Internet access to high quality content in a hard-to-serve community.⁶⁸⁹ The Orion Project's vision is to "is to provide a community-wide infrastructure that transforms the models for delivering continuing and community education, and creates an advanced and flexible architecture for information access and resource sharing for the El Paso community that can be used to focus on specific community educational, health, training and economic development needs."⁶⁹⁰ The core leadership of El Paso Community College, El Paso Independent School District, and The University of Texas at El Paso envisions educational content, as well as access to healthcare information, and library resources.⁶⁹¹ Connectivity will be extended to "improve productivity through a shared, customized portal experience; easy access to information and familiar applications; improved communications; and a common delivery platform for shared applications."⁶⁹² Upper Rio Grande @ Work also recently teamed with the Orion Project and the Centro de Salud Familiar La Fe to create the Orion Computer Recycling Project. Started in January 2007, the project's goal is to transfer 5 percent of El Paso-area "orphaned" computers to qualified needy participants. Recipients will then be trained on basic computer skills.⁶⁹³

In addition, the El Paso community has the potential to leverage UTEP's participation in the National LambdaRail Project (NLR).⁶⁹⁴ NLR is a consortium of leading U.S. research universities and private sector technology companies.⁶⁹⁵ NLR's mission is to deploy a new and unique national networking infrastructure to foster the concurrent advancement of networking research and next generation network-based applications in science, engineering, and medicine.⁶⁹⁶ This innovative research and development project could have a significant impact on economic development as UTEP begins to use the NLR link to collaborate on applied research projects focused on the unique challenges of the border, such as healthcare issues and the interoperability of the myriad of agencies monitoring border security. UTEP is a part of the Lonestar Education And Research Network, a cooperative endeavor by 33 Texas colleges and universities to provide high-speed connectivity between the institutions and research networks across the country.⁶⁹⁷

El Paso also recently began an innovative program called Digital El Paso. Led by a collaboration of the City, County, El Paso Independent School District, and business partners, the program aims to "position El Paso as a leader in broadband strategy, stimulate economic development and achieve social inclusion by providing affordable wireless Internet access to all citizens."⁶⁹⁸ The initial area of wireless Internet deployment is a 1.5 square mile area in El Paso's downtown area and Segundo Barrio.⁶⁹⁹ The program also utilizes students at El Paso Community College to refurbish old computers, which are then donated to community centers for computer literacy training and eventual ownership by citizens.⁷⁰⁰ Digital El Paso is thus a step toward increasing

educational attainment and financial literacy in the community through the use of affordable access to technology. The program hopes to ultimately stimulate economic development "as a more educated and tech-literate population begins to participate in the local economy."⁷⁰¹

Efforts to bridge the digital divide in the Border region, either at the state level, regional level, or local level must be undertaken in order to ensure that this area does not continue to struggle educationally and economically.

Educational Technology

According to the U.S. Census, as many as 43 percent of people aged 25 or older living in the 14 counties adjacent to the Border do not have high school diplomas.⁷⁰² The chart on the next page, *Educational Attainment in Texas*, shows the disparity between the Border counties and the rest of Texas.

Educational Attainment in Texas

Percent of population 25 years and over with:	Census Date	14 County Actual Border Region	32 County Sub-border (La Paz) Region	43 County South Texas Border Region	Texas	221 County Non-border Region
Some college education, but no degree	2000	17.6%	17.5%	20.7%	22.4%	22.7%
Bachelors degree	2000	9.3%	9.1%	11.2%	15.6%	16.6%
Postgraduate degree	2000	5%	4.9%	6.3%	7.6%	7.9%
Associate degree	2000	4.1%	4%	4.9%	5.2%	5.3%
No high school diploma	2000	43.2%	43.2%	33.6%	24.3%	22.2%

Source: Texas Comptroller of Public Accounts⁷⁰³

For today's students, learning and developing advanced technology related skills is no longer an elective, but a necessity. Every aspect of higher education and the workforce requires that our youth understand and are adept at technology. Whether a college student must know how to perform Internet based research and use a word processor for term papers or a young employee must know how to use email to communicate with a supervisor, tomorrow's high school graduates must leave Texas schools with a functioning use of computers and related technology.

Leaders in Texas, recognizing the important role that technology plays in the education process have begun, albeit slowly, to develop programs to assist students and educators. For example, the 78th Legislature established, with the passage of Senate Bill 396, a Technology Immersion Pilot Program, in which as many as five school districts will participate with all or a portion of students at pilot schools receiving laptop computers to use full time.⁷⁰⁴

Senate Bill 396: The Texas Technology Immersion Pilot Project

Technology offers significant promise for removing many barriers and increasing students' opportunity to learn. The old model of having computer labs is not cost effective, takes up valuable space, and is generally not focused on teaching the critical technical and analytical skills required in the 21st century work environment. In response, Senator Shapleigh filed and passed Senate Bill 396 during the 78th Texas Legislature.⁷⁰⁵ The bill directed the Texas Education Agency (TEA) to establish the Technology Immersion Pilot (TIP). Depending on available funding, all or a portion of students at pilot schools would each receive a laptop computer for use at school and home. The bill further provided for the establishment of teams in participating districts to oversee the pilot program, and for an evaluation of the program at its end.⁷⁰⁶

In order to implement the TIP, TEA used over \$20 million in federal funds to fund the technology immersion projects in high-need middle school programs through a competitive grant process.⁷⁰⁷ The program began operating in the 2004-05 school year, and evaluation of the programs' results support the idea that technology immersion is a successful approach to delivering educational materials in the 21st century. Among the major findings released in a 2008 report are:

- Teachers participating in TIP grew in technology proficiency and in their use of technology for professional productivity at significantly faster rates than other teachers;
- Laptop computers and digital resources have allowed students in technology immersion schools to experience more intellectually demanding work;
- Technology immersion significantly increased students' technology proficiency and reduced the proficiency gap between economically advantaged and disadvantaged students; and
- Students who had greater access to laptops and used laptops for learning to a greater extent, especially outside of school, had significantly higher TAKS reading and mathematics scores.⁷⁰⁸

One-to-One Computing

Other worldwide initiatives have been developed in recent years to help address technological and educational disparities. For example, the non-profit One Laptop Per Child (OLPC) project aims to help address the lack of educational opportunities for many children in the developing world.⁷⁰⁹ As the name of the initiative suggests, the mission is to provide a laptop—specifically a device called the XO laptop to children in impoverished regions throughout the world. OLPC's mission statement explains the goal further, stating that it "sees children in even the most remote regions of the globe being given the opportunity to tap into their own potential, to be exposed to a whole world of ideas, and to contribute to a more productive and saner world community."⁷¹⁰

While the project has fallen short of its initial ambitious goals, it has still made an impact on the industry and children throughout the world.⁷¹¹ Many other companies have taken OLPC's concept and developed low-cost "sub-laptops" that have been purchased throughout the Western world, thus providing an option for families that might not be able to afford a more expensive computer. Initiatives such as OLPC must be repeated on the state and local level in the U.S. to help bridge the digital divide.

Broadband Deployment In Texas

As Internet usage becomes more widespread and new uses and applications emerge, the demand for higher speed Internet access is exploding. High-speed Internet access is generally referred to as "broadband" access. Broadband Internet is a new generation of high-speed transmission services, which allows users to access the Internet and Internet-related services at significantly higher speeds than traditional dial-up modems. Broadband is thus not a system or a technology, but rather refers to speed or capacity measured by "bandwidth."⁷¹²

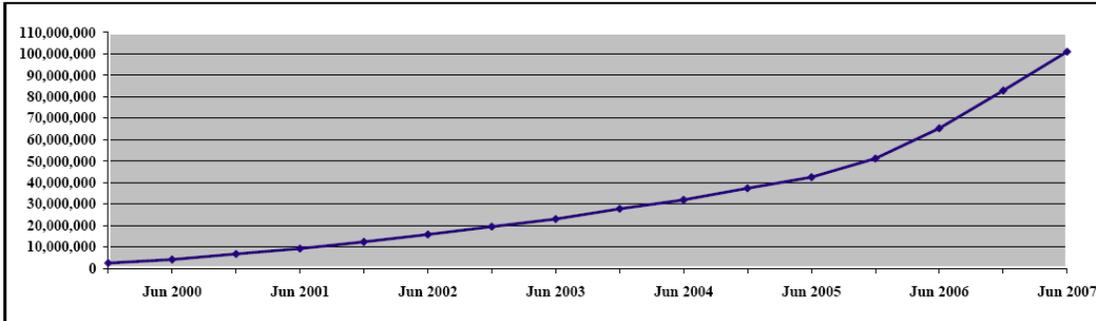
Modes of broadband include digital subscriber line (DSL) service provided by phone companies over telephone lines, high-speed access via cable typically provided by cable television providers, and satellite and wireless service, amongst others.⁷¹³ As illustrated in the charts below, *Number of Broadband Users Nationwide (2000 - 2005)* and *Growth of Broadband Users Nationwide (2000 - 2005)*, the number of broadband users nationwide has steadily increased since 2000.

Number of Broadband Users Nationwide (2000 - 2007)

Technology ²	2000	2001	2002	2003	2004	2005		2006		2007
	Jun	Jun	Jun	Jun	Jun	Jun	Dec	Jun	Dec	Jun
ADSL	951,583	2,693,834	5,101,493	7,675,114	11,398,199	16,316,309	19,515,483	22,584,255	25,412,883	27,516,171
SDSL and Traditional Wireline	758,594	1,088,066	1,186,680	1,215,713	1,407,121	898,468	878,973	948,134	1,030,698	1,028,654
SDSL	-	-	-	-	-	411,731	368,782	337,412	344,759	319,932
Traditional Wireline	-	-	-	-	-	486,737	510,191	610,722	685,939	708,722
Cable Modem	2,284,491	5,184,141	9,172,895	13,684,225	18,592,636	24,017,442	26,558,206	29,174,494	31,981,705	34,408,553
Fiber ³	46,635	81,248	105,991	111,386	130,928	315,651	448,257	685,823	1,035,677	1,402,652
Satellite and Wireless	65,615	194,707	220,588	309,006	421,690	965,068	3,812,655	11,872,998	23,344,106	36,560,197
Satellite	-	-	-	-	-	376,837	426,928	495,365	571,980	668,803
Fixed Wireless	-	-	-	-	-	208,695	257,431	361,113	484,277	586,141
Mobile Wireless	-	-	-	-	-	379,536	3,128,296	11,016,520	22,287,849	35,305,253
Power Line and Other	-	-	-	-	-	4,872	4,571	5,208	4,776	5,420
Total Lines	4,106,918	9,241,996	15,787,647	22,995,444	31,950,574	42,517,810	51,218,145	65,270,912	82,809,845	100,921,647

Source: Federal Communications Commission⁷¹⁴

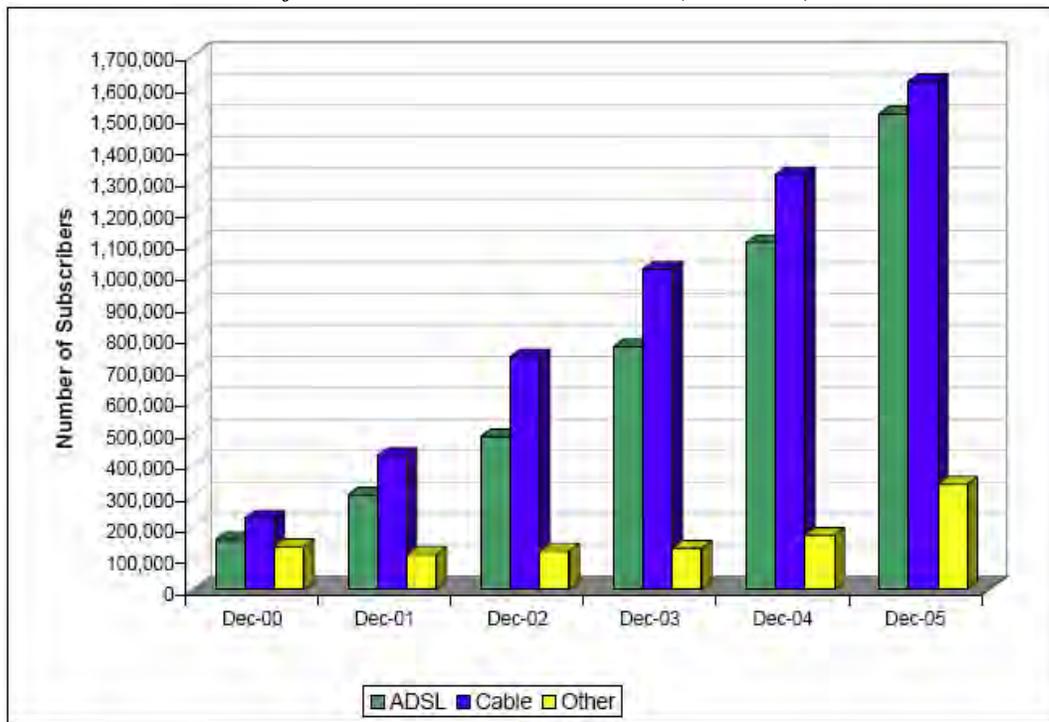
Growth of High-Speed Lines Nationwide (2000-2007)



Source: Federal Communications Commission⁷¹⁵

As the following chart, *Number of Broadband Subscribers in Texas (2000-2005)*, shows, the number of broadband users in Texas has also increased dramatically.

Number of Broadband Subscribers in Texas (2000-2005)

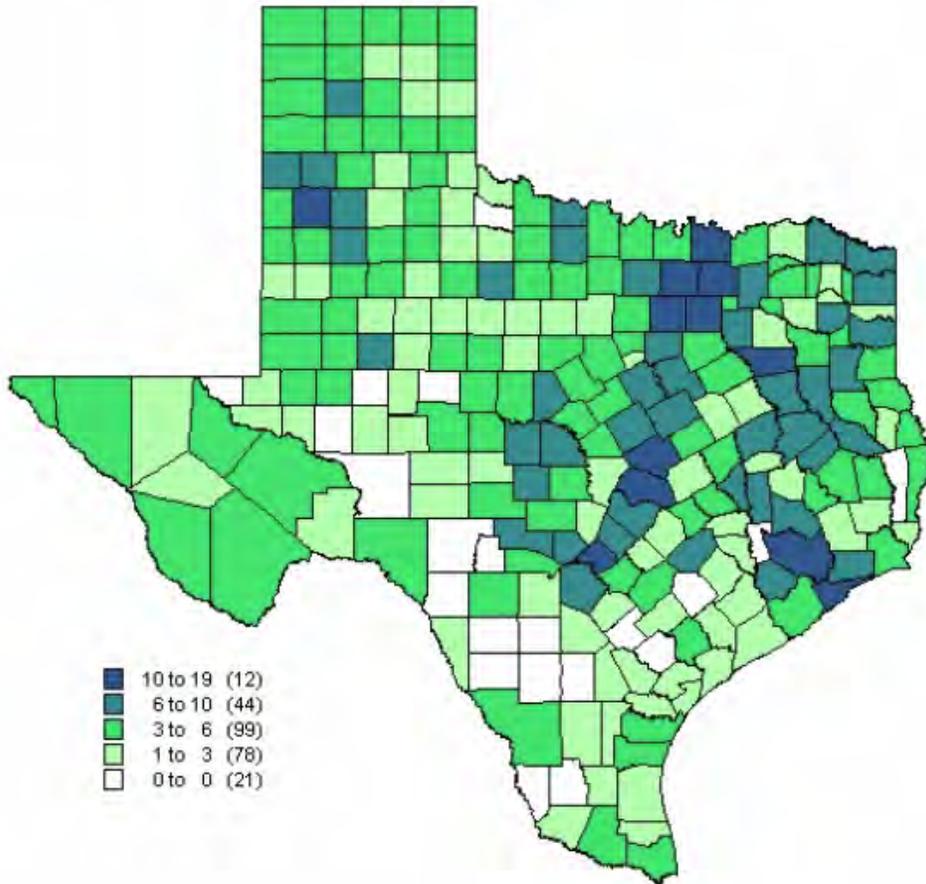


Source: PUC⁷¹⁶

With broadband Internet access, Texans can create and access new Internet content, communicate through video links, and create interactive multimedia learning environments. High-speed Internet access will also become critical to Texas' continued economic development and quality of life. Although competition is rapidly driving the adoption of broadband technology by users, market forces alone are unlikely to address the high-speed needs of all rural and hard to reach communities, like those in the Border region. These communities have demonstrated a strong desire for broadband and view it as an essential component to economic development.

In general, there are more broadband providers in counties with higher population densities.⁷¹⁷ In the Border Region, with generally lower population-density counties, broadband deployment is more limited, as shown on the map below, *Number of Broadband Providers per County as of June 2006*.

Number of Broadband Providers per County as of June 2006



Source: PUC⁷¹⁸

Barriers to Deployment

There are many high-speed deployment issues to consider that hamper the status of advanced Internet technologies in Texas.⁷¹⁹ Market forces play a large role in the deployment of broadband to the U.S./Mexico Border Region. One of the issues that companies face for deployment is the population density in relation to the cost. It is less cost effective for high-speed Internet providers to deploy services where the populations are sparse instead of concentrated. This price difference may lead to broadband Internet not being plausible in some areas, where wireless or satellite would be more reasonable.

However, this same argument was made in the 1930s when utility companies refused to provide electrical power to inhabitants of the Hill Country and other rural areas of the state. and nation.⁷²⁰ Utility companies claimed that it would cost too much money to build power lines to those areas and then they would have to charge these residents high rates that the residents could not possibly afford. However, once the power lines were constructed, the residents who inhabited these areas became more productive due to the electricity they had received and were able to pay the monthly rates. There is no reason to believe that history will not repeat itself concerning the productivity of the Border Region if high-speed and broadband technology infrastructure is developed in the area.

Another barrier to broadband deployment is the challenge of getting points of presence (PoP) locations along the network to or near rural communities.⁷²¹ PoPs, provide access points for Internet services, are either maintained or leased throughout service areas. A PoP is likely to contain modems, digital leased lines, and multi-protocol routers. The access to PoP challenge not only consists of bringing PoP locations to a town, but knowing where the cable exists and who owns it. In Texas, this problem stems from the fact that there is no centralized map or database of Texas with this information. There are currently a few organizations such as the Texas Lone Star Network (TLSN), which offers "middle mile" transport solutions to areas in rural Texas, but no centralized organization to help with that "last mile" connection.⁷²²

Texas' Deployment Efforts: A Step Backward?

In order to encourage broadband deployment, numerous state and local solutions have been proposed. For deployment to rural areas, pro-competition and pro-investment public policy has been encouraged with local level solutions seen as the most effective approach. Specific policy alternatives to encourage deployment include expanded data collection activities, demand aggregation, anchor tenancy, and community networks. Additionally, broadband deployment has been encouraged through the proposed use of economic development funds for rural telecommunications infrastructure investment, including the allocation of community development block grants. A third manner in which broadband deployment could be made more feasible is for local governments to provide tax incentives to providers in exchange for advanced services deployment.

One of the most important programs for increased connectivity for rural and under-served Texans across the state was the Texas Telecommunications Infrastructure Fund (TIF). The TIF Program was established in 1995 to promote the deployment of equipment and telecommunications infrastructure for distance learning, information sharing programs of libraries, and telemedicine services.⁷²³ The TIF initiative helped Texas to strategically deploy superior telecommunications infrastructure to rural communities by inspiring scaleable and universal connectivity for public libraries, institutions of higher education, public schools, and non-profit healthcare facilities. One of the principal goals of TIF was to make available high-speed Internet, at a minimum of

1 gigabit per second connection, to each Texas household, school, university, medical facility and library by the year 2010. In its first five years, TIF awarded 36 grants to small Texas communities which collaborate to obtain telecommunications resources and access. TIF awards included:

- more than \$21 million to enhance current or establish new healthcare services through the purchase of telecommunications equipment;
- more than \$20 million to establish local area networks connected to the Internet and to purchase telemedicine equipment to provide clinical services for direct patient care;
- more than \$9 million to enhance patient care by improving distance learning facilities; and
- more than \$3 million to enhance local health departments' ability to enhance and/or provide public access to medical information and services.

The goals of the Texas Infrastructure Fund not only impacted the state positively, but helped to influence different aspects in various community services and further economic development. In order for Texas to be a leader in the global society, the state must step up, maintain, and improve programs such as the TIF. Nevertheless, the TIF program was terminated by Governor Perry and closed out by the Texas Workforce Commission on August 31, 2005.⁷²⁴ The Legislature then terminated the TIF tax in the 80th Legislative Session.⁷²⁵ There are currently no state funds to help encourage broadband development.⁷²⁶

Public/private sector deployment initiatives also have been enacted in Texas, although these too have recently stalled in some instances. The first of these was Project Pronto. This project, launched in 1999, was an initiative of the Southwestern Bell and was aimed at serving more broadband customers in its 13-state service area, including Texas. The principal goal of this project was to push fiber deep into residential neighborhoods and quadruple DSL deployment.⁷²⁷ However, in 2001, the telecom industry began to retreat from broadband expansion, focusing instead on selling services to customers whose neighborhoods were already equipped for it.⁷²⁸ SBC, in the same year, announced it was halting Project Pronto, blaming the decision on an industry downturn and unfavorable regulations requiring it to share its networks with rivals at a discount.⁷²⁹

The Greater Austin Area Telecommunications Network is a public/private ownership model that demonstrates Texas organizations can construct, fund, and manage optical network solutions of a medium-scale.⁷³⁰ This has been an important model for different aspects of statewide architecture by providing for the expansion of computer network facilities for the projects' participants.⁷³¹

In instances where the difficulty to deploy broadband to entire communities exists, the government could allow for private access to the state's TEX-AN 2000 infrastructure.⁷³² TEX-AN 2000 is a project by the Texas Department of Information

Resources that provides telecommunications services to state agencies and other eligible entities, such as cities, municipalities, counties, education service centers, independent school districts, and higher education.⁷³³ This proposal is most feasible when other deployment efforts for expanding broadband are unsuccessful, such as demand aggregation or anchor tenancy in communities of 5,000 or fewer, and when a private entity commits to bear a portion of the cost.

Beyond Connectivity

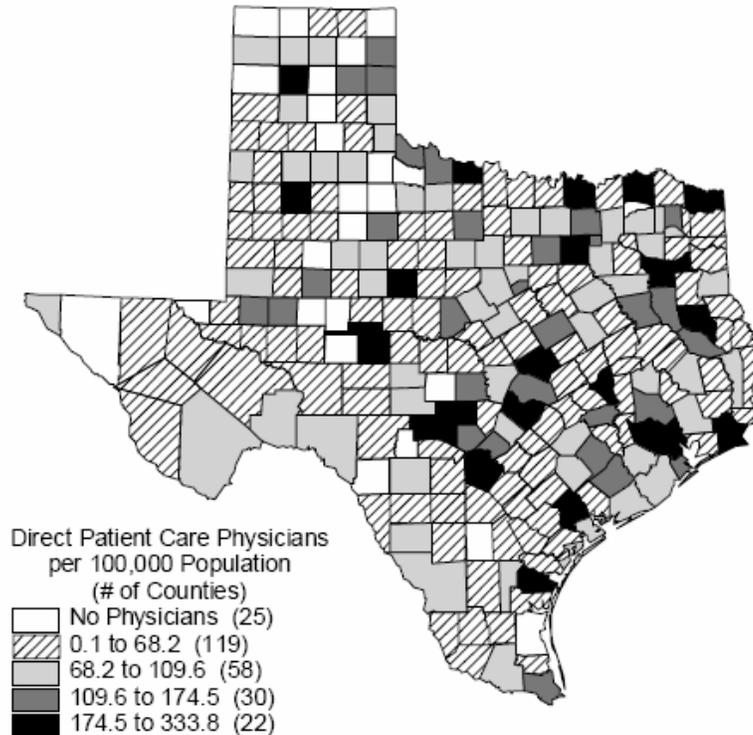
Connection to the Internet is not the final goal, but only the first step in a strategic process of utilizing advanced technologies to serve communities. There are various applications that would serve Border residents and businesses by providing access to information and services not otherwise accessible. Most notably, Border residents, living miles away from urban areas with advanced medical expertise and specialized workforce training facilities, could utilize telemedicine and workforce training applications to gain access to these otherwise hard to access services.

Telemedicine

Telemedicine is a form of medicine that will be of great use to communities who are ready to accommodate the technology.⁷³⁴ Telemedicine uses technology to allow physicians to treat patients who are geographically too far away for face-to-face treatment.⁷³⁵ Patients can be treated by remote specialists at local medical facilities or have virtual home visits through Internet technology. Moreover, where doctors are advised to ask patients about their home life, telemedicine allows physicians to treat illnesses in their personal, social, and family context. Telemedicine even recently allowed Iraqi doctors to contact a network of worldwide experts to help them diagnose and treat patients.⁷³⁶

Just as telemedicine is benefiting the hard-to-serve areas of the world, it would greatly benefit the Texas Border communities that suffer from a horribly low doctor to patient ratio. As shown in the chart *Direct Patient Care Physicians per 100,000 Population, 2007*, Texas' Border counties all suffer from a lack of local physicians.

Direct Patient Care Physicians per 100,000 Population, 2007



Source: Texas Department of State Health Services⁷³⁷

A shortage of doctors in the Border leads one to recognize the greater need for telemedicine than more urban, affluent communities who have greater access to healthcare. Yet, it is the more urban, affluent communities that have access to the technology necessary to utilize telemedicine. Telemedicine requires a high-speed Internet connection because it is crucial that the images being sent to physicians are sharp.⁷³⁸

Rural areas must have the necessary infrastructure to make use of the advantages of telemedicine.

There are examples of how telemedicine is already providing a cost effective way to provide healthcare in Texas. The Texas Department of Criminal Justice treats inmates through telemedicine services offered by the University of Texas Medical Branch and Texas Tech University Health Science Center (TTUHSC).⁷³⁹ TTUHSC, for example, conducts more than 4,500 telemedicine visits a year for the 32,000 inmates housed prison units with which TTUHSC contracts. Prior to the use of telemedicine, many inmates in need of medical care were taken directly to visit a specialist or hospital, with each trip costing up to a \$1,000. Telemedicine eliminated many of those trips and thus saves taxpayers thousands of dollars each year.⁷⁴⁰ If the State of Texas can serve the needs of the inmates, we must demand that the needs of our Border residents are served as well.

Workforce Development/Training

As businesses become more dependent on technology and the Internet to increase productivity, it becomes more important to train workers on how to use advanced technology. Providing infrastructure and technology to rural and low income communities is only the beginning as people must be able to use technology in order to benefit from it.

Innovative technology-based workforce training programs must be developed and implemented to meet the Border's unique needs. One example of such a program is El Paso's *Frontier of the Americas* (FOA) technology training program, a collaboration between the SBC Foundation, the El Paso Area Library Consortium (EPAL) and People Skills, Inc.⁷⁴¹ The Frontier of the Americas Program's main goal is to bridge the digital divide along the Texas-Mexico Border Region of El Paso by creating laptop lending libraries configured with Internet access and online training for disadvantaged communities.⁷⁴² By improving computer literacy in the El Paso region, the gap between the "information rich," those with higher-than-average incomes and levels of education, and the "information poor," those who are younger and have lower incomes and education levels living in rural areas or central cities, can be significantly reduced.

Conclusion

To end the cycle of poverty in the Texas Border region and help communities prosper, it is imperative that advanced technologies become accessible for the government entities, businesses, residents and students living there. Texas' Border has consistently suffered from low incomes, low educational attainment, and high poverty.⁷⁴³ While the Internet alone is not the answer to solving these issues, joining the rest of the state in the information revolution will be a great boon for creating a more stable and prosperous economy and environment. It is imperative that the state work with technology providers to strategically provide services to the Border. Further, state and

local leaders must integrate this agenda into policy decisions in order to meet the goal set out in 1999 of ensuring that customers in all regions of this state, including low-income customers and customers in rural and high cost areas, have access to telecommunications and information services.⁷⁴⁴

Texas Borderlands 2009

The State of Border Transportation and Security



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
October 2008

THE STATE OF BORDER TRANSPORTATION AND SECURITY

The United States is now approaching the end of 21st century's first decade with a clearer and more sober understanding of the challenges we face. High energy costs, an uncertain security environment and intense competition for the jobs and industries of the future are the new permanent reality. America can thrive in the new economy if we recognize our weaknesses and fully embrace our strategic advantages. For the state of Texas, our proximity to and economic coordination with Mexico is likely to be our principal strategic asset. With North America now the world's largest free trade economic area, Texas has a unique opportunity to place itself firmly at the center of the continent's principal commerce corridor.⁷⁴⁵ This unique level of access to the Mexican economy gives Texas a strategic advantage over other states in attracting new types of businesses and jobs and it is a resource that the state of Texas has only begun to tap.

Without efficient and reliable transportation linkages, the advantages of this asset will whither while the negative attributes such as congestion and air pollution will increase. Creating a reliable and productive transportation network along the border presents a host of challenges that are not encountered in other locations. The infrastructure component, the policy component and the public information component all must work in tandem with each other. This chapter presents an update on the current state of border transportation for both freight and passenger movements and describes how Texas is striving to balance transportation fluidity with border security.

The United States shares 2,000 miles of Border with Mexico, of which 1,254 miles are along the Texas Border. Of the 309 official ports of entry (POE) in the United States, 166 of these are land POE's. The southern border's 43 POE's contain 86 pedestrian lanes, 216 lanes for personally owned vehicles (POVs) and 70 lanes for cargo carrying vehicles.⁷⁴⁶ In Texas, 23 international crossings serve as overland ports-of-entry for trade with Mexico. Border transportation activity is commonly divided into Commercial Truck, Personally Owned Vehicle (POV) and Pedestrian Crossings. While it is commonly assumed that commercial truck crossings alone constitute international trade, personal vehicle and pedestrian crossings also have a critical impact on international trade, in border cities and beyond. For example it is estimated that almost 10% of shoppers at Rivercenter Mall in San Antonio made the trip directly from Mexico.⁷⁴⁷ In a recent Inland Ports across America Conference in Laredo, Texas David Marquez, of Bexar County's Economic Development Group highlighted how important the efficient border was to their Texas-Mexico Automotive Super Cluster components.⁷⁴⁸ Figure 1 shows the area that this cluster covers from Monterrey all the way to Fort Worth as well as the manufacturers and suppliers involved within this automotive super cluster.

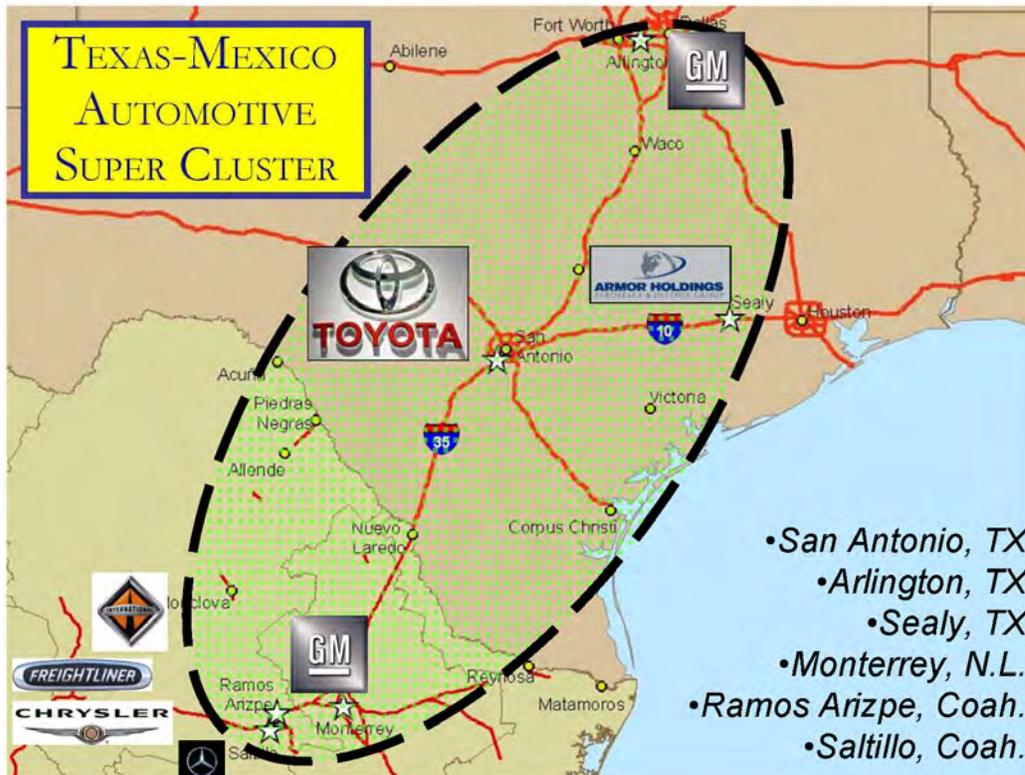


Figure 1: Texas Mexico Automotive Cluster
 Source: Bexar County Economic Development

For reasons such as these, congestion and delays at the border for commercial or personal vehicles can severely hurt the Texas economy. Delays also hurt those seeking to visit friends and family and the thousands of children who cross the border to attend school everyday in the United States.

Texas Coordination with Mexico

The Texas Mexico border region is increasingly an economic and cultural continuum. At the same time that the national political discussion on border issues has become bogged down in divisive rhetoric, the economic integration of Texas and Mexico, in particular the states of Northern Mexico, has continued unabated.

With the election of Felipe Calderon in 2006, Mexico engaged in an aggressive effort to improve its transportation infrastructure and better link its transportation connections with the United States. It is predicted that these investments, funded in large part through PPP's, will greatly enhance Mexico's economic competitiveness in trade dependent industries leading to continued growth in Texas Mexico traffic. As can be

seen in Figure 2 Mexico's Pacific Port's container volume trend has grown dramatically since 2001.⁷⁴⁹

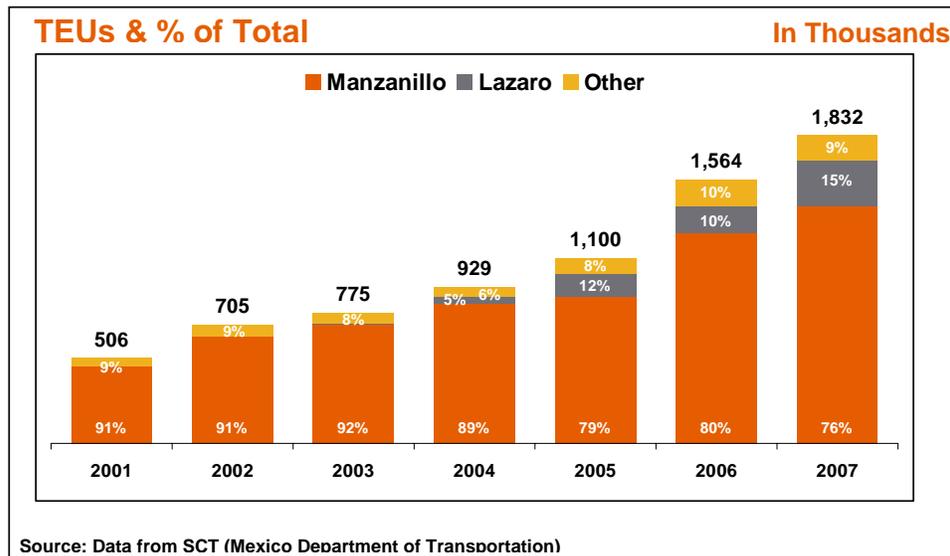


Figure 2: México Pacific TEU Volume Trend
Source: Joel Rodriguez, BNSF Railway

It is critical that transportation investments made on the Mexican side of the border are systematically coordinated with those made in Texas. For this reason, the Texas Department of Transportation has regular meetings with counterparts in the bordering Mexican states and has also sponsored research to better understand the Mexican infrastructure planning system.

In examining the economic development of Mexico and coordination with the United States, it is instructive to pay particular attention to the developments underway in the bordering states of Coahuila, Chihuahua, Nuevo Leon and Tamaulipas. In 2004, these four states entered into an “Agreement for Regional Development Partnership” along with the Governor of Texas, Rick Perry.⁷⁵⁰ The states have also sought specifically to coordinate transportation and environmental issues that do not stop at the border. The strategic environmental plan for the states of Nuevo Leon and Texas, for example, seeks to “work with institutions on water and wastewater treatment and groundwater protection related to the Colombia community in Nuevo León” given the anticipated growth in trade.⁷⁵¹

Coordination with Mexican counterparts is also underway between El Paso and Ciudad Juarez. As detailed by the El Paso MPO, one of the broadest initiatives is the Multi-Regional transit and commuter committee which seeks to:

- Meet multi-mobility needs in the El Paso-Juarez region

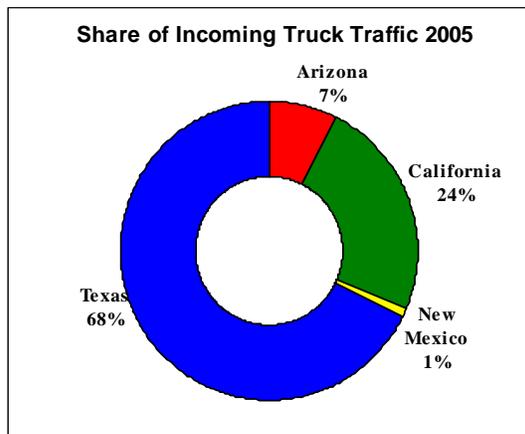
- Develop an integrated multi-modal transportation network
- Improve connectivity between international ports and the region’s transportation system
- Encourage transit oriented development

The organization includes representatives from New Mexico, the US EPA, NMDOT, TxDOT, Cd. Juarez, the State of Chihuahua , three transit agencies, four municipalities, two council of governments, one New Mexico Regional Planning Agency and two MPO’s.⁷⁵² In addition, the Camino Real Border Improvement Plan which analyzed current and future needs for the six ports of entry in the El Paso region, was coordinated with the Ciudad Juarez *Instituto Municipal de Investigación y Planeación* (IMIP).⁷⁵³

At the Americas 2020 summit held in Austin in May 2008, a key recommendation that emerged from a breakout session on North America Infrastructure Competitiveness was the formation of a bi-national strategic plan for each region within the U.S. – Mexico border region.⁷⁵⁴

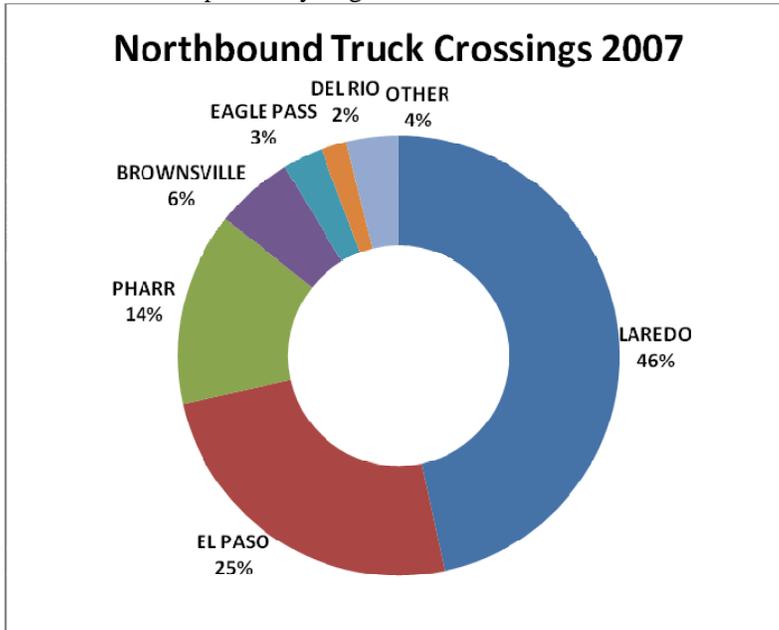
U.S.-Mexico Commercial Crossings

Texas currently holds a dominant share of cross border truck movements. In 2006 68% of the trucks that entered the United States from Mexico came through Texas (Graph 1). Between 2003 and 2006, the annual value of cargo transported by truck at Laredo increased from \$55 to \$79 billion. In 2007, growth in truck and rail traffic between Texas and Mexico was negative for the first time in several years. Total northbound truck crossings totaled 3,146,878, down from 3,246,974 the previous year. Southbound crossings decreased from 2,938,258 to 2,858,894 between 2006 and 2007

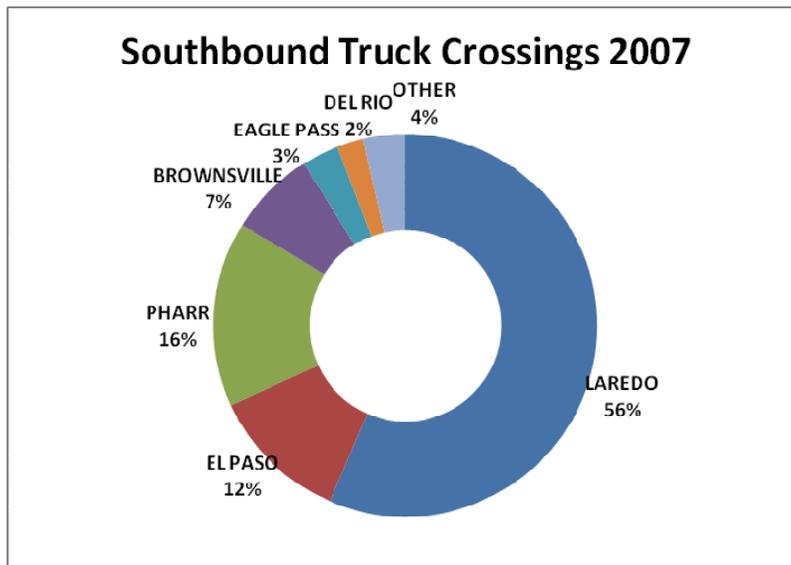


Graph 1: Incoming trucks from Mexico 2006
Data Source: BTS Transborder Database

As can be seen from Graphs 2 and 3, the Laredo, El Paso and Pharr crossing are responsible for the majority of truck traffic crossing the Texas Mexico border. The border port of Laredo is particularly dominant for southbound truck movements while the border port of El Paso hosts a comparatively larger share of northbound trucks.

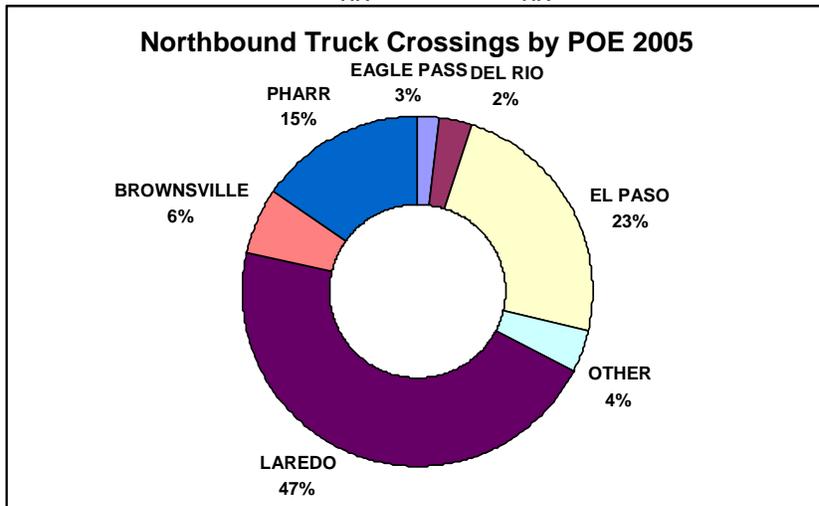
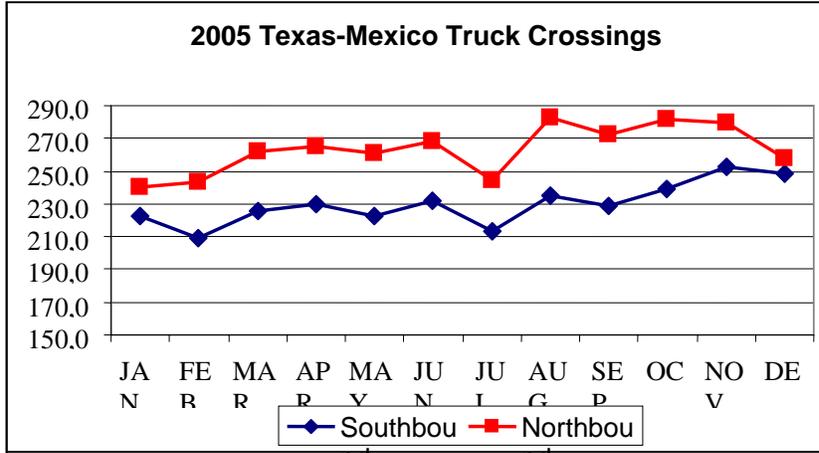


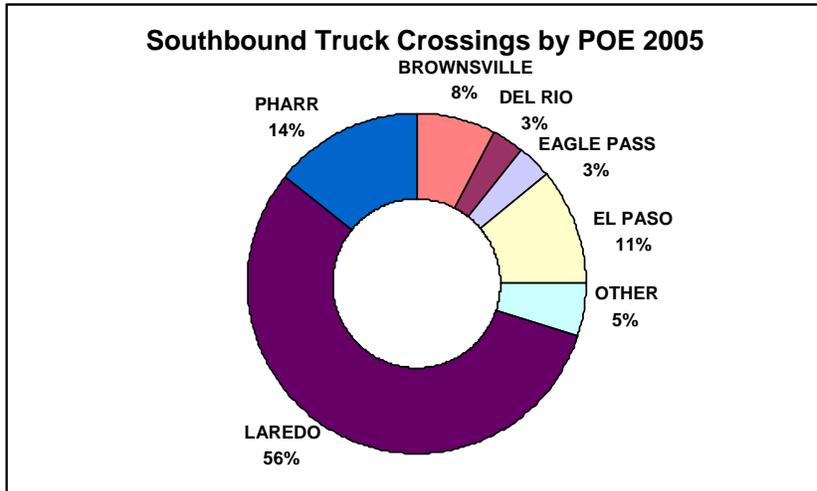
Graph 2 Northbound Truck Crossings in 2007



Graph 3 Southbound Truck Crossings in 2007

Source: BTS Transtats





Personally Owned Vehicles (POVs)

Approximately seventy million vehicles legally cross the Texas border each year. Many of the crossers use border crossing cards which do not allow them to travel beyond a 25 mile border zone. The increased congestion has imposed an enormous strain on an already over-burdened border infrastructure. The sheer volume of traffic means that any decrease in processing speed can lead to cascading delays that can occur without warning. On average, POV wait times are twice as long on the US-Mexico border as the US-Canada Border.⁷⁵⁵ Although understanding wait times is critical for expediting commerce and lowering the burden on travelers there is still a lack of up to date data on border crossing times that is consistent across all ports of entry. The “Border Wait Times Study Act”, (H.R. 4309, S.B. 2425) introduced in December 2007 by Senator Kay Bailey Hutchinson along with Representatives Ciro Rodriguez and Silvestre Reyes, will direct the Secretary of Transportation to complete a comprehensive analysis of border wait times and assess the negative economic impacts of these wait times on the United States.⁷⁵⁶ The bill will also assess the potential impact of boosting staffing levels at the border. As can be seen from the Figure 3, flows of traffic entering the U.S. follow a predictable seasonal pattern that should make it possible for the government in match the proper staffing level to the demand.

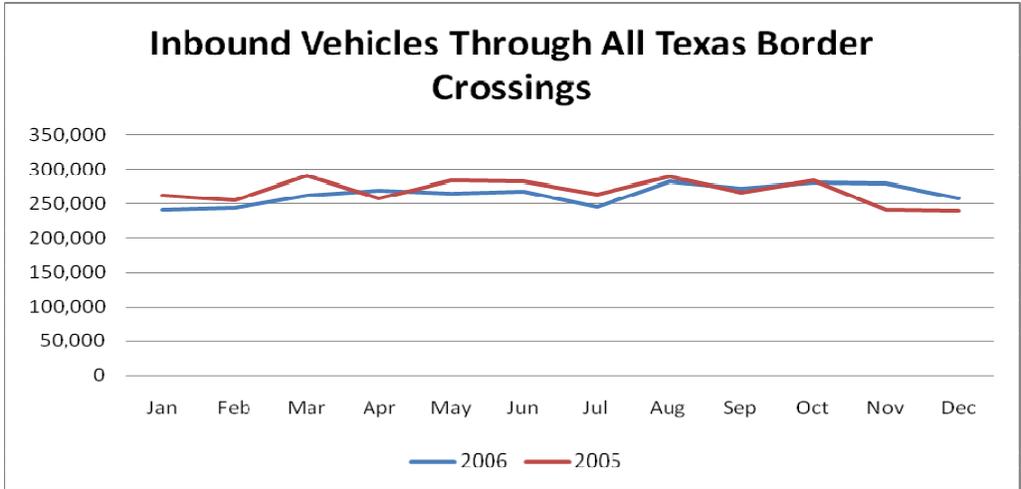


Figure 3: 2005 and 2006 Inbound Vehicles through Texas Border Crossings
 Source: BTS Transborder Database

Commercial Trucking

Delays experienced by trucks at commercial crossings are another area of concern. Again, there is a wide disparity in processing times when comparing the southern border and the northern border. These delays have the effect of increasing transportation cost for goods traded between the United States and Mexico. A recent study by the America Transportation Research Institute (ATRI) used trucker surveys to take an average of border wait times at commercial crossings, as can be seen Figure 4, delay accrues at each stage of the border crossing process making the total time required for a truck to cross the Southern border 138 minutes versus 73 minutes at the Northern border.⁷⁵⁷

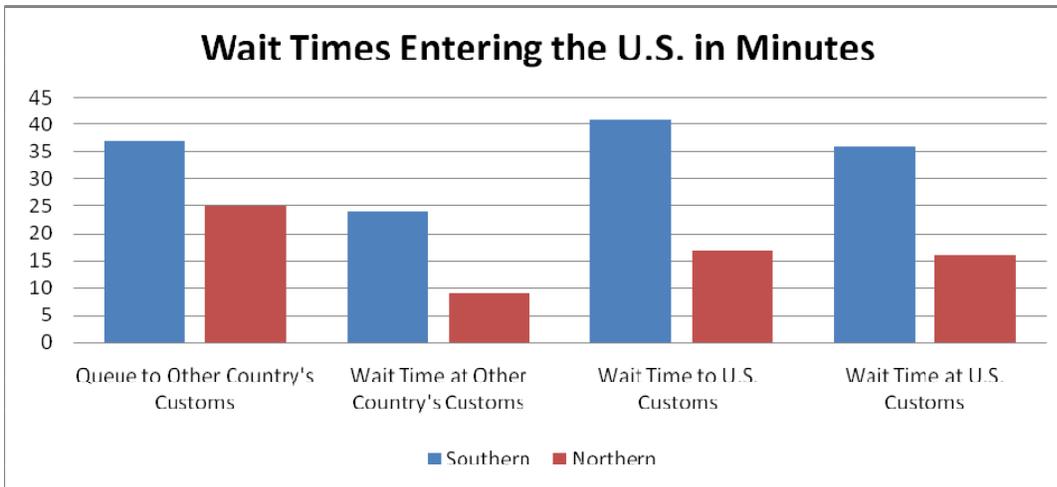


Figure 4: Wait Times Entering the US for Commercial Trucks
 Source: American Transportation Research Institute

A study that is being funded by the FHWA and TxDOT to measure wait times for commercial crossings at the Pharr port of entry is expected to begin in the summer of 2008. If successful, this study may be a guide for future wait time studies at other border crossings. In addition, an assessment of travel patterns near Texas ports of entry on the northern side and the needed infrastructure to better serve this traffic, funded by TxDOT, is expected to be completed the summer of 2008.

Security is a laudable and necessary goal. However, it is a goal that can be achieved without transforming the U.S.-Mexico Border into a fortified barrier that impedes the legitimate flow of commerce and people. Effective regulation at our borders will require the coordination of state and federal actors, as well as closer coordination with the Federal and State governments of Mexico. The overwhelming majority of people and goods cross the Border for legitimate purposes. U.S. efforts to increase homeland security must be made alongside equal efforts to facilitate trade.

Emerging Trade Patterns to and through Texas

Trading patterns in the last two years have been significantly impacted by the decline in the purchasing power of the dollar as well as the housing crisis and the increase in manufacturing input costs including not only oil but also commodities such as steel and cement. One impact of these trends has been a surge in US exports as US produced products become comparatively cheaper on the world market. The other trend that is quickly becoming a reality is “near sourcing” which refers to the effort by manufactures to shorten the distance of their supply chains in order to improve turnaround time and lower energy costs.

In the 1990s, when energy was cheap, many industries moved their business to East Asia to take advantage of cheaper labor with low transportation costs. Yet this trend appears to be changing. According to Drewry Supply Chain Advisors' recent analysis of the apparel market, "proximity to the US market, the associated responsiveness of supply chains, and the absence of import duties from Mexico, together with factors such as quality control are playing a part in recent decisions to source from nearer locations."⁷⁵⁸ When \$100 barrel oil is added to the equation, it becomes even more likely that the pendulum for trade growth will be shifting back to North America. According to a recent study, the increases in transport costs tied to energy in the few years have meant that the average cost to transport a 40 foot container from China to the Eastern United States has increased from \$3000 in 2000 to \$8000 in 2008.⁷⁵⁹ This cost increase largely negates the advantage gained from lower labor costs in Asia for many commodity types. The implications for Mexico and the maquiladora economy, as stated in the report: "Instead of finding cheap labor half-way around the world, the key will be to find the cheapest labor force within reasonable shipping distance to your market. In that type of world, look for Mexico's maquiladora plants to get another chance at bat when it comes to supplying the North American market".

Table 1: Total Imports and Exports with Mexico through El Paso Ports of Entry

	2007	2006	2005	2004
Total Value of Imports from Mexico through El Paso	\$29,120,556,718	\$25,784,214,734	\$24,244,241,845	\$24,521,573,092
Total Value of Exports to Mexico through El Paso	\$20,039,649,546	\$20,977,711,614	\$18,931,106,687	\$18,366,232,809

Source: US Census

Table 1 shows total imports and exports with Mexico through El Paso's ports of entry from 2004 through 2007. As can be seen in Table 2 in 2007, electrical machinery was by far the most valuable single commodity type imported from Mexico through El Paso ports of entry. Within the commodity class (85), TV receivers and monitors have become the single largest commodity.

Table 2: Imports of Electrical Machinery & Equipment from Mexico through El Paso, 2004-07

	2007	2006	2005	2004
8544 Insulated Wires and Cables	\$2,917,067,420	\$2,768,494,080	\$2,846,753,074	\$2,684,614,277
8528 TV Receivers, Video Monitors & Projectors	\$4,186,013,224	\$2,955,408,448	\$2,651,128,727	\$2,402,996,330
8501 Electric Motors And Generators	\$566,969,394	\$532,640,230	\$496,549,856	\$428,037,789
8536 Electrical Apparatus For Switching	\$577,308,159	\$544,007,429	\$489,598,145	\$463,408,231
8537 Boards and Panels	\$564,407,894	\$506,477,041	\$361,892,823	\$391,838,857
8504 Electrical transformers, static converters	\$294,639,787	\$264,275,023	\$259,251,840	\$240,521,196
8512 Electric Light Equipment;	\$390,658,417	\$283,452,192	\$228,998,589	\$187,926,969

Windshield Wipers Etc, Parts				
8517 Electric Apparatus For Line Telephony Etc, Parts	\$418,354,529	\$272,697,023	\$135,621,629	\$120,771,464

Data Source: US Census Trade database, www.usatradeonline.gov

Table 3: El Paso Truck Volume vs Total Trade Value (1999-2006)

Year	Truck Volume	% Change	Trade Value	% Change
1999	673,003		29,295,507,657	
2000	720,406	7.04	36,007,672,923	22.91
2001	660,583	-8.30	34,697,347,987	-3.64
2002	705,199	6.75	33,093,583,193	1.14
2003	659,614	-6.46	35,395,405,055	2.40
2004	719,545	9.09	39,531,128,833	10.01
2005	740,654	2.93	39,523,577,739	-0.02
2006	744,951	0.58	42,237,452,507	6.87

Source: BTS Transborder Database

Exports

In 2000 nearly one-half, or 47 percent, of all Texas exports went to Mexico. In 2007, Texas exported \$56 billion dollars to Mexico, or 33% of the state's total exports. For the first decade after the passage of NAFTA, neither Mexico nor the United States made the infrastructural or institutional adjustments necessary to handle the surge of international traffic that this agreement produced.⁷⁶⁰

Research by the Federal Reserve Bank of Dallas has shown that exports to Asia, and in particular China, now account for a much more significant percentage of total Texas exports than was the case in the year 2000. Exports to China from the El Paso region increased from \$98 million to \$120 million between 2005 and 2006. Exports to Mexico in 2006, by comparison, were \$7.8 billion.⁷⁶¹

The growth of China on the world trading market has also dramatically impacted the maquiladora industry in recent years. In the traditional maquiladora model, manufactured inputs would be produced in the United States and exported to Mexico where they would be assembled into finished or semi-finished products and re-exported back to the United States. This system meant that the growth of the maquiladora industry was limited to a large extent by the growth of US suppliers. Mexico's international trade used to depend almost exclusively on the United States, however this is no longer the case. Between 2000 and 2004, Mexico's trade with the US fell from 81% to 72% of its total trade with the world. Most of this loss has occurred on the import side. The US is still the destination of 90 percent of Mexican exports, however Mexican imports from the US have dropped from 73% in 2000 to 56% in 2004.⁷⁶² Alternatively, Mexico's imports from China have grown from \$1.3 Billion in 1997 to over \$17 Billion in 2005.⁷⁶³ Research by Jesus Canas and Roberto Coronado at the Federal Reserve Bank of Dallas, El Paso Branch has shown that maquiladora inputs are a significant reason for this increase in Asian trade. In 2001 90 percent of maquiladora inputs were from the United

States and 9 percent were from Asia. By 2004, the US share of maquiladora inputs had fallen to 59 percent while the Asian share had grown to 36%.⁷⁶⁴

In all Border States crossers face congestion and long waiting times usually associated with government inspections and customs processing. These factors contribute to increased traffic congestion, which impedes commercial and non-commercial traffic in Border communities and at Border ports-of-entry. Given the significance of this trade to the nation and our state, federal and state regulators must determine how commerce and law enforcement should interact at the Border, and what policies should be adopted to facilitate the movement of people and goods in order to maintain productive trade patterns.

Some economists assert that failure to invest in public works amounts to a “third deficit,” after budget and trade imbalances. Delaying investment in infrastructure hinders production and shipping and hampers economic growth. For the El Paso/Ciudad Juarez metroplex, the cost of vehicle maintenance and delays for the 15 million vehicles stalled at the international bridges in 2000 exceeded \$100 million every year.⁷⁶⁵

On both sides of the U.S.-Mexico Border, the sheer volume of commercial vehicles has overwhelmed government agencies charged with inspections and exacerbated inefficiencies in outdated inspection processes. In its December 2001 Border Transportation Report, the General Accounting Office (GAO) found that five primary factors contribute to northbound congestion at the Border:

1. Multiple inspection requirements;
2. Staffing and human resources problems;
3. Limited use of automated management information systems for processing commercial traffic;
4. Insufficient roads connecting ports-of-entry; and,
5. Limited coordination and planning among U.S. inspection agencies and between the U.S. and Mexico.⁷⁶⁶

The GAO report noted that the lack of coordination among agencies within countries, as well as between countries, stands in the way of reducing shippers’ transaction costs. Depending on the type of load, commercial vehicles have to pass through customs, agriculture, drug, immigration and safety inspections.

The growth of RFID use in the border inspection process has the potential to reduce paperwork and eventually improve border crossing times, however it also puts an even higher premium on ensuring that the border is staffed with officers well trained in the proper uses of these new technologies. Furthermore, some policymakers may believe that the addition of new technologies can substitute for investments in traditional infrastructure. However, this is clearly not the case. In 2003 the Data Management Improvement Act Task Force concluded that 70% of the 166 land ports of entry had inadequate infrastructure. Of these:

- 64 ports have less than 25% of required space
- 40 ports have between 25 and 50% of required space and
- 13 ports have between 50 and 75% of required space.⁷⁶⁷

These alarming statistics show that the problems at the border are not something that can be tweaked or easily corrected. Rather, they require a long-term program of sustained and strategic investments.

One-Stop” Border Inspection Facilities

A "Smart Border" bi-national trade system uses technology to help streamline the passage of low-risk goods and people into the United States. At the same time, the system seeks to prevent dangerous or illicit goods from entering the country. To that extent, smart border innovations have been in progress for some time.

To cope with NAFTA's strain on Border infrastructure and to expedite the flow of commerce at our ports of entry, Senator Shapleigh authored S.B. 913 in the 76th Legislative Session to require the Texas Department of Transportation (TxDOT) to build one-stop Border inspection stations in the cities that have experienced the greatest increase in commercial traffic, Laredo, El Paso, and Brownsville.

The 76th Legislature passed S.B. 913, which has five goals: (1) to facilitate the flow of commerce, (2) improve federal efforts aimed at interdiction, (3) protect our public health, (4) conserve our environment by decreasing the idling time of commercial vehicles, and (5) protect our already severely overburdened highways along the Border by preventing overweight trucks from traveling on Texas' roads.

In response to the passage of S.B. 913, former Texas Secretary of State Elton Bomer, working in conjunction with TxDOT, directed the Center for Transportation Research (CTR) of the University of Texas at Austin and the Texas Transportation Institute (TTI) of the Texas A&M University System to examine the feasibility of an expedited Border process that would facilitate trade while permitting federal and state agencies to maintain their inspection responsibilities. In addition, CTR and TTI were directed to determine the potential to enhance security through improved automation and screening. The final product envisioned was the "one-stop" Border inspection facility

Other Barriers to Facilitating Commerce

Although emerging technologies exist to address trade and safety, barriers to trade persist and even increase as new obstacles are erected. The restricted movement of commercial vehicles across the Border, Mexican customs broker practices, inadequate staffing and inspection facilities, and outdated U.S. customs processing and inspections all cost shippers time and money. These transactions costs reduce the volume of trade and increase the price of goods.

In the current system, restrictions on cross-Border commercial vehicle traffic mean that, on average, three trucks are necessary to carry goods from the interior of Mexico to the U.S. interior. For example, a long-haul truck carries freight to the Mexican Border from an interior Mexican state, where it is transferred to a short-haul drayage truck that carries the goods across the U.S. Border into the commercial zones. To move a shipment beyond the commercial zones, it must be transferred to a third truck based in the United States. The time required to complete these transfers within the Border commercial zones hinders the preferred “just-in-time” work process principles of many maquiladoras.

Federal Initiatives

“Smart Border Plan” and Related Technology - a Means to Facilitate the Free Movement of People

Homeland security and improved trade processes are not mutually exclusive and can be accomplished simultaneously. To accomplish both, existing or new pre-screening programs should be considered to allow the federal and state governments’ to have advance knowledge of the people, freight, and vehicles crossing our borders. To be able to identify, in advance, the overwhelming majority of the individuals who cross the Border as law abiding and low-risk crossers, innovative technology with precise filtering devices can be used so that law enforcement personnel can focus on high-risk movement. Improving the capacity of Border inspection agencies to validate legitimate cross-Border pedestrians should be the basis for implementing new models of risk management.

The high volume of persons and vehicles crossing the Border may make the implementation of new technology appear daunting. However, it is not as difficult a task as it might appear. Aggregate border crossing numbers are somewhat misleading since so many of the vehicles, drivers, and pedestrians are local, frequent travelers. For example, the 4.2 million recorded commercial vehicle southwest border crossings in 2000 were made by only 80,000 trucks. If even one-half of these trucks, or 40,000 were found eligible for low-risk crossing, it is conceivable that federal and state workloads would decline significantly, representing ongoing annual savings after an initial investment.

To address these issues and expedite the use of new technologies at Border ports-of-entry, the following priorities for implementing a U.S.-Mexico “Smart Border Plan” should be addressed.

- The U.S. Customs and Border Protection should push forward initiatives such as the Trusted Traveler programs that allow regular border crossers access to rapid inspection.

- Develop common biometric identifiers in documentation such as permanent resident cards. Use innovative technology to develop and deploy a commuter or secure identity card for permanent residents that includes a biometric identifier to allow for the timely determination of legitimate crossers,
- Promote and encourage manufacturers and the trade community to enroll in the U. S. Customs' pre-clearance programs—the Border Release Advance Screening & Selectivity (BRASS), the Business Anti-Smuggling Coalition (BASC), and the Carrier Initiative Program (CIP), by encouraging dedicated trade lanes with expedited crossing for those who participate in these programs,

Steps to Secure Infrastructure

1. Long Term Planning - Develop and implement a long-term strategic plan that ensures a coordinated physical and technological infrastructure that keeps pace with growing cross-border traffic,
2. Relief of Bottlenecks - Develop a prioritized list of infrastructure projects and take immediate action to relieve bottlenecks,
3. Infrastructure Protection - Conduct vulnerability assessments of trans-border infrastructure and communications and transportation networks to identify and take required protective measures,
4. Harmonize Ports of Entry Operations - Synchronize hours of operation, infrastructure improvements, and traffic flow management at adjoining ports-of-entry on both sides of the U.S.-Mexico Border,
5. Cross-Border Cooperation - Revitalize existing bilateral coordination mechanisms at the local, state, and federal levels with a specific focus on operations at border crossing points, and
6. Financing projects at the Border- Explore joint financing mechanism to meet essential development and infrastructure needs.

Steps to Secure Flow of People

7. Pre-Cleared Travelers - Expand the use of the Secure Electronic Network for Traveler's Rapid Inspection (SENTRI) dedicated commuter lanes at high-volume ports-of-entry along the U.S.-Mexico Border. As of May 2008, SENTRI had 165,166 members enrolled.⁷⁶⁸
8. Advanced Passenger Information - Establish a joint advance passenger information exchange mechanism for flights between Mexico and U.S. and other relevant flights.
9. NAFTA Travel - Explore methods to facilitate the movement of NAFTA travelers, including dedicated lanes at high-volume airports.

10. Visa Policy Consultations - Continue frequent consultations on visa policies and visa screening procedures. Share information from respective consular databases.
11. Joint Training - Conduct joint training in the areas of investigation and document analysis to enhance abilities to detect fraudulent documents and break up alien smuggling rings.
12. Compatible Databases - Develop systems for exchanging information and sharing intelligence.

Steps to Secure Flow of Goods

13. Electronic Exchange of Information - Continue to develop and implement joint mechanisms for the rapid exchange of customs data.
14. Secure In-Transit Shipments - Continue to develop a joint-in-transit shipment tracking mechanism and implement the Container Security Initiative. In this new system, all containers brought into the U.S. would have to be registered 24 hours before their arrival and pre-screened for suspicious content.
15. Technology Sharing - Develop a technology sharing program to allow deployment of high technology monitoring devices such as electronic seals and license plate readers.
16. Secure Railways - Continue to develop a joint rail imaging initiative at all rail crossing locations on the U.S.-Mexico Border.
17. Combating Fraud - Expand the ongoing Bilateral Customs Fraud Task Force initiative to further joint investigative activities.
18. Contraband Interdiction - Continue joint efforts to combat contraband, including illegal drugs, drug proceeds, firearms, and other dangerous materials, and to prevent money laundering.

Response of Texas Transit and Freight to Higher Fuel Costs

Freight Impacts

The higher cost of energy is having a multitude of impacts on both freight and passenger transportation in Texas. Traditionally, freight operators are the first to respond when energy costs increase, given that their profit margins are so intimately tied to fuel costs. As would be expected, when energy cost first started to increase in 2003, the freight sector began initiating strategies to increase energy efficiency almost immediately. Truck fuel economy drops sharply at speeds higher than 55 MPH.⁷⁶⁹ For this reason, major Texas shippers such as HEB instructed their drivers to reduce their speeds when on the highway.⁷⁷⁰ Shippers searching for even greater gains in fuel efficiency are choosing to use rail where possible. After struggling to cover their cost of capital for much of the 1990s, Class I railroads have posted record profits in recent years. The Burlington Northern Santa Fe, for example, has seen its stock price more than double since 2005.⁷⁷¹

The railroads are doing everything they can to expand their capacity, yet the access to capital these privately owned companies is still comparatively limited when compared to that of the state or Federal government. For instance, in 2007 the Union Pacific was able to invest \$550 million into new capacity on its entire network.⁷⁷² Therefore expansions of rail capacity and corridors may not respond to new demand very quickly. Some of the rail corridors that have seen the strongest growth are those that run through Texas, specifically the Union Pacific that enters state of Texas at El Paso and the Burlington Northern Santa Fe which enters the state at the panhandle. The Union Pacific's Sunset Corridor grew from 32 trains per day between Los Angeles and Dallas in 1998 to 50 in 2007.⁷⁷³

Estimates provided to the El Paso MPO by the Union Pacific in 2007 projected that their train throughput for east-west traffic will increase steadily through the year 2015. This is occurring despite the fact that imports through the ports of Los Angeles and Long beach have slowed with the economy. East West train throughput through El Paso is expected to increase by approximately 3 trains per day per year until 2015 when there could be as many as 70 trains transversing the city, principally in the east-west direction.⁷⁷⁴ These estimates could clearly be impacted by sudden changes in the country's economic performance. Nevertheless, the Union Pacific is making substantial capacity improvements in their east west "Sunset corridor" that should allow the company to provide a higher level of service to a broader range of customers in the near future. These improvements include double tracking the line from Los Angeles to El Paso and improving sidings and signaling in between El Paso and Dallas.

Due to the design of the tracks and the separation from city streets, growth in east-west traffic has not had a substantial impact on traffic congestion in the El Paso area in recent years.⁷⁷⁵ North south shipments of rail, however, are not as well protected from the surrounding city and therefore have significant impacts on traffic and safety on both sides of the border. It has been theorized that the increase in energy costs will also lead to a greater number of trains moving north-south through El Paso. According to Joel Rodriguez, Manager of the Burlington Northern Santa Fe (BNSF)'s Mexico Business Unit, of, a sharp increase in north-south traffic coming from Mexico to El Paso or vice versa is unlikely given the current constraints in infrastructure and the lack of rail manufacturing centers to the south of Juarez that would have ready rail access.⁷⁷⁶ Setting aside traffic congestion impacts, increased freight rail may also have air quality implications. In Los Angeles, the Southern California Association of Governments (SCAG) is already addressing the projected air quality impacts from future freight rail operations by proposing engine upgrades for locomotives and/or electrification.⁷⁷⁷

When compared with trucks, freight trains are far superior to trucks in terms of the amount of pollutants they produce per ton carried, however, in absolute terms more trains will mean more pollution as the rest of the country continues to rely on the El Paso gateway in order to move consumer goods efficiently to and from the West Coast of the United States to the Midwest. Many of these goods are, and will continue to be, of East

Asian origin. A comprehensive study by Cambridge Systematics for the American Association of Railroads demonstrated that in the next two decades, a substantial percentage of the freight rail network in the United States will become severely capacity constrained unless substantial resources, a percentage of which would come from Public-Private partnerships, are invested into the system.

The Cambridge Study estimated that a modest amount of public funding per annum could significantly reduce the severity of bottlenecks in the freight rail system through 2035.⁷⁷⁸ It should be noted that the Cambridge Study envisioned freight rail playing its traditional role in handling certain key bulk commodity categories as well as a percentage of the transnational intermodal traffic. An expansion of the role of the freight rail system, so that it could transport time sensitive cargoes over shorter distances and compete more directly with trucking across markets, would likely require far more significant investment, most of which would have to come from the public sector.

Trucking companies in Texas are also making strides at improving their total fleet fuel efficiency. Firms are instructing their drivers to reduce their speed in order to minimize drag as well as limiting idling through the installation of alternative power units (APUs). These devices help to improve the environmental performance of trucks as well as their energy efficiency.⁷⁷⁹ Another strategy being used by truckers is to increase the average weight of shipments to reduce the number of necessary loads. In the longer term, some trucking companies are expected to adopt hybrid engine designs to further improve their fuel efficiency.⁷⁸⁰

Passenger Vehicles and Transit

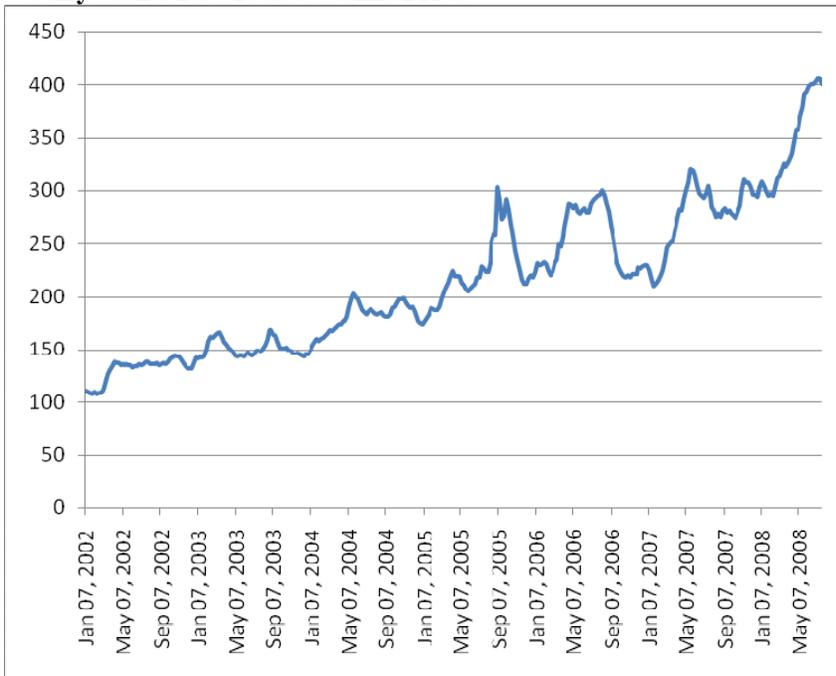
Higher energy costs have also begun to impact the patterns of activity for light vehicles. On the passenger side patterns of activity do not change as quickly as is the case for freight. Until this year, vehicle miles traveled continued to increase at a rate that was lower than the rate of increase in the 1990s, but still in a positive direction.



Source: Wall Street Journal “Funds for Highways Plummet As Drivers Cut Gasoline Use”, Christopher Conkey
July 28, 2008

When the average cost of a gallon of gasoline first rose to over \$2 a gallon in 2005 and was not accompanied by a reduction in vehicle use, some wondered if the car culture was so deeply ingrained in the United States that no amount of economic incentive could lead to a sustained decrease in demand for driving. Yet recent evidence shows that a price level of between \$3 and \$4 a gallon is a threshold above which a significant share of consumers begin to cut back on gasoline consumption. The important variables are not only the spot price of fuel but also the perceived permanence of the change. Even the oil companies now admit that expensive fuel is here to stay.⁷⁸¹

Weekly Standard Grade Gasoline Prices



Source: Department of Energy

What are the Alternatives?

Given that most public transportation systems in the United States are relatively underdeveloped, is not surprising that momentary changes in the price of energy do not always lead to a sudden shift to greater utilization of public transportation. For many Americans, public transportation simply has not been an option because it is deemed to be too slow, too infrequent or too unreliable.⁷⁸² Even after a family makes a conscious decision to try to make greater use of public transportation in order to hold down their expenses, it sometimes takes months to work out the logistics. When an auto dependent family wants to switch to using public transportations, several questions invariably arise such as such as: Who will pick up the kids from day care? Will I get fired if I miss the bus? Is it safe? What if I have to work late? As fuel prices surged in 2006 and 2007, these and other questions were discussed around kitchen tables all over the country. Yet in 2008, a transition point might have finally been reached. For one reason, families who had been talking about alternatives for years were now better prepared to put those plans into action. Secondly, the unabated rise of the cost of fuel accelerated the timetable, as Mary Peters –secretary of Transportation for the US DOT recently noted, “We’ve passed that tipping point”.⁷⁸³

The 2008 decrease in the total VMT logged on the nation's roadways is the first such occurrence in decades. Some of this missing VMT can be attributed to optional travel that was simply curtailed in the face of intolerably high energy fuel costs.⁷⁸⁴ Some of it can also be traced to a higher rates of vehicle occupancy as commuters turn to carpooling and trip chaining, yet a significant percentage of the VMT decrease was shifted to transit. All around the United States in 2008 transit use has been increasing.⁷⁸⁵ The surge has not been dramatic but it has been consistent and it is occurring in all areas of the country even those that do not typically see a significant percentage of the population using transit on regular basis. Evidence from most Texas cities reveals an uptick in transit use in 2008, and not only in the largest cities. In Laredo, for example and, transit use through the summer of 2008 was up 7% when compared to the same period in 2007.⁷⁸⁶ San Antonio's VIA system has seen ridership up 9.8% over 2007.⁷⁸⁷ Express routes in Austin have seen a ridership surge of 55% compared to the same period in 2007.⁷⁸⁸

John Hendrickson, who is a president of Waco Transit stated that "ridership is increasing dramatically" and that Waco transit estimates a double digit increase in ridership for 2008.⁷⁸⁹ Mr. Hendrickson, who is also president of the Texas Transit Association, stated that he is heard of similar trends occurring from all of his number is in both small and large urban areas. The City of Waco has received several inquiries from local manufacturing businesses who are interested in financially assisting the transit agency in exchange for specialized service to serve their location so that their employees can afford to show up for work.

Given a consistent growth and transit usage several transit operators around the state are under stress.⁷⁹⁰ Transit agencies are, after all, some of the highest users of petroleum based fuels. Across the country for every penny that fuel increases transit providers incur an additional cost of \$7.6 million.⁷⁹¹ Furthermore transit operators do not recover all of their costs through fares. For every rider one-half to two-thirds of the cost of providing the service comes from other sources therefore when the ridership of transit increases so does a requirement for transit subsidy. The increased cost of fuel is also leading transit operators to reevaluate their routes given that the cost of running empty or half empty buses in an environment of \$4.00 diesel is an untenable proposition.

As costs increase, certain cities such as Laredo are examining changing their routes in order to improve the efficiency of their operations and boost average vehicle occupancy. The increase in fuel impacts both small and large transit operators. The City of Waco for example has seen its fuel bill double in 2008. Fortunately, the city has also replaced a significant share of its fleet with more modern buses that have significantly improve fuel economy. Mr. Hendrickson stated that the average for the whole fleet serving the city of Waco was 3.2 MPG while the new busses have fuel economy of 4.5 MPG. This is due to the use of lighter materials in the buses and improved engine technology.

Texas cities should also look more seriously and electrified forms of transit that mitigate the impact of diesel fluctuations on total transit cost. A recent survey by the American public transit association showed that in 2008 the cost of diesel for transit operators rose by 43% compared to the previous year. However for those transit operators of electrified systems, their energy costs only rose 1.2%.⁷⁹² Another option that has already found favor within many Texas cities is the use of natural gas powered vehicles for transit service. Natural gas was originally introduced as a fuel for transit fleets due to its air quality benefits, however the relative stability of the price of natural gas when compared with diesel is increasing its attractiveness as a transportation fuel, particularly given the fixed budgets of transit agencies.

Of course for many Texans, transit will still not be a viable option. Many areas of the state in which a high proportion of the population is lower income, and desperately need affordable transportation, do not currently have access to adequate transit services.⁷⁹³ The population that would benefit most from switching from personal automobile use to transit use often lives far from the city centers or in rural regions of the state. Increasing the quality of transit service and a percentage of the population with access to quality transit should be a priority for Texas. One region of the state that has been particularly impacted by the rising fuel costs has been the border region and South Texas. Cities such as McCallen and El Paso and are examining the possibility of light rail and commuter rail, options which could greatly increase the reach of transit services into suburban and rural areas.⁷⁹⁴ In addition, the EL Paso City Council recently endorsed a comprehensive mobility plan.⁷⁹⁵

In this area, Texas could study the examples of states such as New Mexico - a sparsely populated state with a significant lower income population that has recently established an intercity commuter rail system.⁷⁹⁶

Nationwide, transit is also under threat from transfers from the Federal government given revenues from gasoline taxes are falling and the administration has proposed using federal transit funds to patch the gap. On July 29 the New York Times reported that Secretary Mary Peters is recommending for the Federal Dept transportation to borrow funds from the highway trust fund's mass transit count in order to finance roadway improvements. This diversion is required, according to Secretary Peters, in order to fill the gap resulting from a reduction in vehicle miles traveled in 2008. This idea however comes at precisely the time when funding for transit is most urgent due to the surge in usage. The administration's plan to take money from the mass transit account to shore up the highway trust fund is in opposition to a bill passed in July of 2008 by the U.S. House of Representatives that would spend eight billion dollars of general tax revenue on transportation thereby filling the gap created by the drop in VMT.⁷⁹⁷

The Bush administration expects to release a projected budget deficit for the highway trust fund of five billion dollars for 2009. This is one of the first times that the highway trust fund will have run a deficit since its inception in the 1950s. Part of the

shift from intercity auto travel is being captured by Amtrak is ridership has increased by 11% this year.⁷⁹⁸

The rising cost of energy has ripple effects throughout the US economy. No state, city or sector is immune. Providers of transportation services, from freight to transit, are taking steps to increase their energy efficiency and reduce their exposure to the expected continued volatility in the energy market. Nevertheless, positive steps taken to improve the overall energy performance of the transportation system may have deleterious impacts for certain populations or for certain periods of time. Examples include the impacts of the unprecedented drop in VMT, which will lead to lower demand for petroleum and lower congestion in certain areas, yet is simultaneously undermining the trust fund for the road network. Another example is an energy-saving shift from trucking to rail which may have side impacts on cities that are bifurcated by rail corridors.

While the provision of new and improved infrastructure is clearly a major component of the solution, the choices made by consumers and freight providers will also play a role. The propensity of society to change its pattern of behavior is infrequent, yet its impact can be felt far more drastically and immediately than the impact of any planned infrastructure project. The federal government at present does not have a coherent plan to accommodate the impacts of even relatively minor changes in transportation behavior that have been witnessed so far in 2008. It is up to local stakeholders to fill in the gaps.

Integration of Border Planning with Corridors of National Significance

Key U.S.-Mexico border ports-of-entry are located on international trade corridors linking Mexico, the United States, and Canada. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) emphasizes continued federal interest in identifying and promoting key international highway trade corridors in the United States. U.S.-Mexico border states should continue to expand efforts at border corridor planning coordination. Border corridor plans should recognize the role of border ports-of-entry on selected international corridors and ensure that their contributions to transportation effectiveness and efficiency is explicitly recognized. In the future, trade corridors may qualify for a variety of federal transportation funding, and the border region needs to be clearly recognized as part of the U.S. corridor program. By clearly stating the case for new trade corridor investment along the Border, we will establish the foundation to support future requests for federal funding for the Border Region.

In addition, a corridor analysis of trade flow can produce substantial benefits for both planners and users. Corridor planning considers the overall efficiency of a transportation corridor by analyzing how efficiencies along the corridor benefit the corridor overall. Evidence supports the separation of trade flows and transportation flows because the two can differ so extensively. Enhancing our understanding of how corridors work will lead to a better use of resources, while a regional analysis of transportation flows will make a stronger case for federal support. Finally, the bi-national nature of U.S.-Mexico will allow us to synchronize investment plans with the Mexican Ministry of Transport.

SENTRI and DCL's

In many border communities, residents on both sides of the border work on the opposite side and often spend long periods of time waiting in line at border crossings. Dedicated Commuter Lanes (DCLs) at major crossings help eliminate delays and related vehicle congestion. DCLs are designated traffic lanes at border ports-of-entry that are restricted to the vehicles of drivers that have passed a background check qualifying them for expedited entry and minimal inspection. These automated lanes encourage commerce and strike an effective balance between the importance of law enforcement and the free movement of people and trade. In addition, fewer vehicles waiting in traffic also mean lower emissions. DCLs have been in place at ports of entry on the U.S.-Canada Border for many years and are currently being used on the U.S.-Mexico Border in Otay Mesa, California, and in El Paso, Texas. In 2008, CBP expanded DCL operating hours at both locations.

With the launching of the Western Hemisphere Travel Initiative in 2008, oral declarations of US citizenship can no longer be accepted.⁷⁹⁹ This new restriction, which was the result of the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), heightens the need to speed the adoption of rapid inspection documents. In 2006 "frequent-crossers" lanes were open in Laredo and El Paso and in the planning stages for Brownsville and Hidalgo. The SENTRI (Secure Electronic Network for Travelers' Rapid Inspection) lane allows selected motorists to avoid long waits at international ports of entry. SENTRI was first implemented at Otay Mesa, CA, in 1995, and in El Paso, TX in 1999. SENTRI lane users will have their vehicles equipped with a transmitter that sends identifying information to an inspector's computer. SENTRI users can expect to wait no more than 15 minutes at even the heaviest commuting hour. The program will initially be available only to Mexican motorists entering the United States.

FAST Lanes

FAST (Free and Secure Trade) have been opened in El Paso, Laredo and Brownsville. These pre-clearance lanes are high volume manufacturers who are certified (C-TPAT) as having secured their supply chain, employees and facilities. As of April 2008, 87,000 commercial drivers are registered under FAST.

Trans-Texas Corridor

The Trans-Texas Corridor Plan outlined a new vision for transportation in Texas. It provides a design concept, identifies priority corridor segments, and details tools that could finance its development.



Since this report was last issued activities to develop the Trans Texas Corridor have moved forward. Firstly, two priority highway corridors were identified in the Trans Texas Corridor Action Plan as requiring congestion relief. These are TTC -35 which will parallel the heavily congested I-35 corridor from Oklahoma to Mexico/Gulf Coast area and TTC-69 which will run from Texarkana /Shreveport to Laredo and the Rio Grande Valley. TTC-69 forms a segment in the national I-69 project which runs from Canada to Mexico which has been planned for over 20 years. I-69 is designated as a congressional high priority corridor and can be seen in Figure 5.

Figure 5: National I-69 Corridor

The draft environmental review for the I-69 corridor was released in November 2007. 47 public meetings have been held by TxDOT throughout the State during Spring 2008 and over 28,000 comments were received on TTC-69. The initial environmental impact statement recommended corridor alternative was to focus on using existing highways with new corridors as a secondary option. Figure 6 shows the proposed I-69 corridor in Texas with two spurs one going to Laredo one down to the Lower Rio Grande Valley. In June 2008 TxDOT announced that it would recommend to the FHWA that TTC-69 use existing highway facilities wherever possible.⁸⁰⁰ The next tier of environmental review for TTC-69 is expected to be released during Fall 2008.

The Transportation Commission also created two TTC Citizens Advisory Committees which will advise the TxDOT on issues to be addressed in planning these corridors. The committees will serve through December 2009. Corridor Segment Advisory Committees have also been formed to assist TxDOT in identifying final routes for corridor segments. The Segment Committees were appointed by local entities. These new committees



followed on from the original TTC Advisory Committee's which issued reports from 2005 through 2007.

In June 2006 two groups submitted unsolicited proposals to the TxDOT expressing interest in developing TTC-69. As of June 2008 no contracts have been signed to develop or finance TTC-69. More information on TTC-69 can be found at <http://ttc.keeptexasmoving.com/projects/i69/deis.aspx>.

Figure 6: TTC-69 Potential Corridor Spurs

Policies for Investment in Border Infrastructure

Adequate transportation infrastructure along the Texas-Mexico Border is critical for a prosperous state economy. The Texas-Mexico Border region's ports-of-entry and highway infrastructure are being strained by increasing international trade, the continuing growth of the maquiladora industry, a growing population, and the accompanying expansion in commercial and commuter traffic. Some estimates show that truck traffic is expected to increase by 85 percent during the next three decades.⁸⁰¹ According to TxDOT officials, one fully loaded 18-wheel truck causes as much damage as do 9,600 cars. International trade through the three TxDOT border districts will only continue to increase as a result of Mexico's free trade policy, new transportation infrastructure in Mexico's northern region, and continued growth of direct foreign investment in Mexico. This increase will further strain already inadequate Border transportation infrastructure.

If the Border Region is to realize its economic potential and compete successfully in the global economy, the roads and bridges that support this trade—the greatest volume of overland trade in the U.S. demand the state's increased attention. In response, TxDOT should consider the Department's districts adjacent to the Border with Mexico to be a distinct category to be given preference in relation to the amount and importance of international trade using state transportation infrastructure in those districts. Additional resources in terms of increased funding for infrastructure and for planning and capacity will recognize the special challenges that the districts have in addressing these problems and will enable district staff to work more efficiently with Mexican federal and state highway entities. The latter becomes more crucial with the opening of the U.S.-Mexico Border to Mexican truck traffic, which will almost certainly cause changes in flow patterns and will add to the stress that is now being experienced in trade movements.

Revising Funding Formulas to Address Damage Done by NAFTA Truck Traffic

While the sizable increase in commercial truck traffic alone is sufficient to cause increased road wear, the effect of overweight trucks traveling on our state roads results in millions of dollars in accelerated road and bridge deterioration annually. A TxDOT task force has made recommendations to make formulas for preservation/rehabilitation funding categories more responsive to the needs and roadway conditions in corridors with heavy truck volumes. While NAFTA-related truck traffic has significantly increased wear and tear on highways, roads and bridges in Border communities and on our state's

major trade corridors, funding formulas used by TxDOT to allocate maintenance funds may not adequately reflect the current cost of repairing road and bridge damage caused by NAFTA-related truck traffic. TxDOT should study factors that cause road damage and revise its funding formulas to reflect and address damage done by NAFTA-related truck traffic.

Intermodal Hubs as a Means of Economic Development

By providing a central location where cargo containers can be easily and quickly transferred between trucks, trains, and planes, intermodal hubs at key locations on the Border would boost NAFTA-related trade. In addition to being more efficient, intermodalism is cheaper for shippers than using ordinary trailers or railroad cars. Well-designed, strategically located intermodal hubs outside of cities' congested urban centers would help speed the flow of raw materials and finished goods across the Border. By reducing shipping times, such hubs would make local manufacturers more competitive and help attract new businesses engaged in value-added processing.

The City of El Paso is already working on a proposed joint-use intermodal facility to be located at Biggs Army Airfield on the grounds of Fort Bliss. The project is part of a Department of Defense pilot program that encourages development and joint use of facilities on military reservations by the public and private sectors. Locating an intermodal hub at Biggs Field would allow ready access to border crossings, major highways, the Union Pacific railroad, and the El Paso International Airport. According to El Paso officials, the proposed facility would cost about \$500 million and will require both state and federal funds. In addition to the private sector, the Mexican government would be asked to contribute to such a facility.

The proposed intermodal hub would serve as an economic catalyst to help develop El Paso's potential as a key player in international trade. Instead of moving products through El Paso, the new infrastructure would circumvent the crowded city-center and attract new industries to currently underdeveloped areas. This manufacturing growth, along with enhanced cargo handling capabilities, will strengthen the regional economy. Finally, the proposed intermodal hub would also enhance the strategic value of Fort Bliss, White Sands Missile Range, and Holloman Air Force Base as "power projection platforms" for the rapid deployment of troops, equipment, and supplies, thus making those installations less vulnerable to future base closing efforts. The state should help Border communities such as Brownsville, Laredo, and El Paso plan and develop intermodal hubs and related infrastructure. In 2005, the Transportation Equity Act allocated \$14 million for the regional intermodal rail project to enhance intermodal service in El Paso and relocate rail yards from the downtown.⁸⁰²

Bi-national Membership on Border MPO's

Metropolitan Planning Organizations (MPO) are the policy advisory boards that direct the future of transportation projects and systems in urbanized areas. The majority

of MPOs across the state have the ability to plan throughout a “360-degree” radius of their respective MPO regions. In contrast, MPOs along the Texas-Mexico Border region can only plan throughout a “180-degree” radius of their respective region, because the areas covered by these MPO’s share borders with Mexico. El Paso, for example, must coordinate planning efforts with two nations (U.S. and Mexico), three states (Texas, New Mexico and Chihuahua, Mexico), and two cities (El Paso, Texas and Ciudad Juarez, Mexico). The combined populations of El Paso (570,000) and Ciudad Juarez (1.3 million) form the largest international metroplex in the world, both dependent on a regional transportation system that is safe, efficient and effective.⁸⁰³ In the case of the Laredo TxDOT district, planners must coordinate their projects with two different Mexican states (Tamaulipas and Nuevo Leon). Although international coordination between Texas and Mexican planners does occur, this joint planning is not officially recognized by the Texas Department of Transportation (TxDOT). Instead, TxDOT simply serves as a cooperative entity with regional planners.

Under current federal law, MPO membership is limited to local elected officials, officials of local public transportation agencies, and certain state officials. We must work with the United State Congress to amend federal law pertaining to membership on MPO policy committees to include foreign representatives. This will enable MPOs along the Border to work closely with their counterparts in Mexico.

110th U.S. Congress: Developments in Transportation Funding & Planning

Since the 109th Congress and the passage of SAFETEA-LU Congress has been looking to the future. This has included starting the process for the reauthorization of the transportation bill, responding to the I-35 bridge collapse in Minneapolis in the summer of 2007, designating corridors of the future in the U.S., and reviewing how to keep trade flowing in the U.S. via all modes, highway, rail, air, rivers and ports. Congress has also been reviewing climate change initiatives, which include increasing Corporate Average Fuel Economy (CAFE) standards for passenger vehicles, implementing renewed emissions standards for heavy duty trucks and most importantly, for our purposes, reviewing the cross-border trucking demonstration program.

Congress has also been looking to improve and shore up the Highway Trust Fund (which is estimated to become insolvent during 2009-2010, and making specific technical corrections to SAFETEA-LU to clarify and ensure that Congressional intent on several provisions. The House Joint Resolution 1195 - The SAFETEA-LU Technical Corrections Act of 2008 amended multiple areas of SAFETEA-LU (P.L. 109-59). For example, one correction will ensure the biennial Conditions and Performance Report, which US. Congress provides to policy makers, continues to provide an objective appraisal of highway, bridge and transit finance, physical condition and operation performance and Section 103, Projects of National and Regional Significance and National Corridor Infrastructure Improvements projects also saw technical corrections being made.

Climate Change Legislation

The US Congress has also been involved in proposing new legislation regarding climate change. Currently there are 12 bills before congress that are related to climate change.⁸⁰⁴ Figure 7 shows how these bills would reduce emissions from current levels.

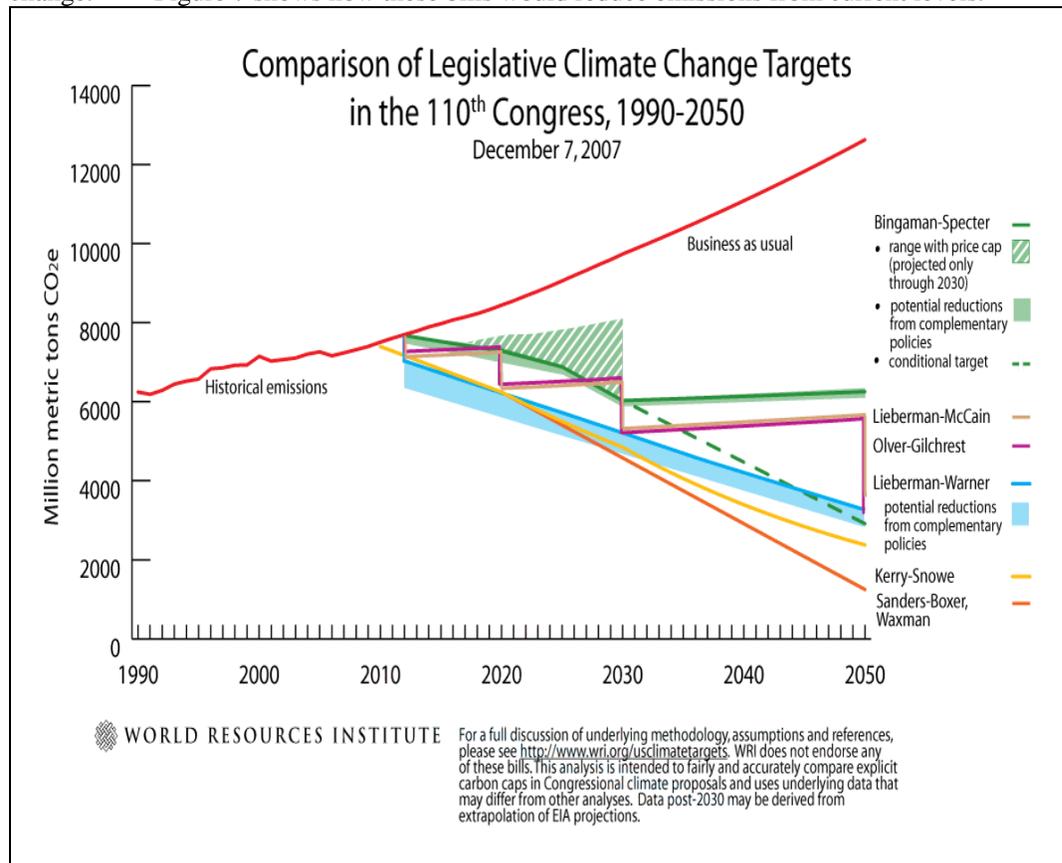


Figure 7 Comparison of Climate Change Bills
Source: World Resources Institute

In May 2006 the Senate Sub-Committee on Transportation and Merchant Marine Infrastructure, Safety and Security held a session reviewing CAFE standards. As the rising price of gasoline has hit the U.S. both the private and public sector have called for higher CAFE standards to be implemented to assist drivers.

During June 2008 the Senate debated the Lieberman-Warner Bill but decided not to bring this up to the floor for a vote.⁸⁰⁵ Congress is now not expected to take up climate change legislation until after the Presidential Election in 2008.

Opening the Southern Border to Mexican Trucking

The House Subcommittee on Highways and Transit held a hearing during March 2007 regarding U.S. Mexican Trucking: Safety and the Cross Border Demonstration Project. This project was announced by the Secretary of Transportation Mary Peters in El Paso on February 23, 2007. This hearing reviewed the status of cross-border trucking operations between the U.S. and Mexico. Under the demonstration project 100 Mexico-domiciled motor carriers would be given long-haul access to U.S. roads beyond the normal commercial zone, and 100 U.S.-domiciled carriers would be given reciprocal rights into Mexico.⁸⁰⁶

Until recently, Mexico-domiciled motor carriers were only permitted to operate in special commercial areas along the U.S.-Mexico border. These zones - narrow commercial strips that range from three to 20 miles wide - are found in Arizona, California, New Mexico, and Texas. The magnitude of these crossings into Texas should not be underestimated. According to the Senate Committee on Transportation in 2005, DOT reported 4.7 million truck crossings into the U.S. from Mexico. Of these crossings, 68 percent occurred at the 11 border crossing points in Texas (with California, Arizona and New Mexico bringing up the rear respectively at 24% at five California crossings, 7% at six Arizona crossings, and 1% at two New Mexico crossings). There were 13,957 active Mexico-domiciled motor carriers registered with FMCSA in 2005, which employed 41,101 trucks ("power units") and 33,067 commercial drivers. According to the Bureau of Transportation Statistics (BTS), in 2005, commercial trucks carried over \$491 million, or 62 percent, of the total value of NAFTA merchandise trade. Of this according to BTS total U.S.-Mexico trade transported by truck reached \$196 billion in the same year. This was a six percent increase from 2004, and represents 67 percent of all U.S.-Mexico trade in goods, in terms of dollar value.

The majority of truck cargo crosses into the U.S. from Mexico by way of short-haul "drayage" operations. Mexican drayage firms provide connecting service between long-haul Mexican carriers and long-haul U.S. trucking companies, picking up loads on the Mexican side of the border and dropping off goods at transfer facilities in the commercial zone in the U.S. Because of the prevalence of drayage operations, involving the same trucks crossing back and forth many times a day, the number of crossings is higher than the number of distinct Mexico-domiciled trucks that cross into the U.S.

The initiation of the pilot program followed an announcement in Monterrey, Mexico that the U.S. and Mexico had reached an agreement for U.S. inspectors to conduct safety audits on-site in Mexico. DOT has long viewed this as the final step to opening the border.

Under the program the Federal Motor Carrier Safety Administration (FMCSA) selects the companies. Approximately 860 applications were received from Mexico-domiciled motor carriers seeking long-haul operating authority in the U.S. Out of this pool the FMCSA narrowed the pool down and selected the 100 carriers to participate in

the pilot program. The operators in the program will be granted authority to continue past the border zone to make international deliveries, as well as pick up loads to transport from a point within the U.S. to Mexico. They will not be permitted to provide domestic point-to-point transportation service within the United States. Drivers in this program will be required to meet U.S. safety requirements to operate beyond the commercial/border zone. According to William Quade of the Federal Motor Carrier Safety Administration by February 2008 they had completed 91 audits (a pre-authority safety audit): 63 passed and 28 failed.⁸⁰⁷

This development followed many years of negotiation, as well as arbitration under the provisions of NAFTA, and concerns generated by stakeholders within the U.S., including environmental and safety concerns. This culminated in the U.S. Supreme Court decision in June 2004 which ruled that FMCSA did not have to do a detailed environmental impact study of the opening of the border.

As at June 2008 16 of Mexican domiciled carriers had been authorized under the pilot program to operate in the U.S. and 5 U.S. Domiciled carriers had been authorized to operate in Mexico. Out of the group of 16 authorized carriers, nine were actively using the authority.⁸⁰⁸

Rising Gasoline and Diesel Prices

Finally, no review of Congressional activity could not take into consideration the high gasoline prices that have been in evidence over the past year. Higher gasoline and diesel prices will impact all facets of transportation. Currently the high cost of diesel is putting tremendous pressure on the trucking industry, including the drayage industry that is vital to border competitiveness and supply chains to the Maquiladoras. In the long run, strategies to improve the overall fuel efficiency of the freight sector, such as shifting a greater percentage of cargo to rail, are likely to gain traction.

Figure 8 shows the dramatic increase of market crude prices that we have witnessed in the first six months of 2008.⁸⁰⁹

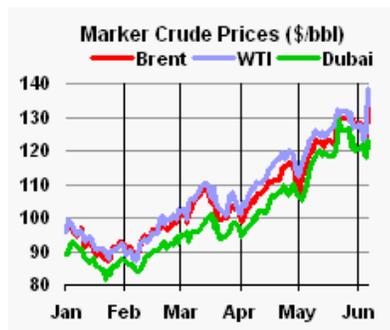


Figure 8: Market Crude Prices January – June 2008

Source: IEA

Congressional committees have begun to take up the mantle of reviewing high costs of gas. Both the senate and house committees on transportation called executives of the oil industry to hearings in May 2008. The House Subcommittee on Highways and Transit held a hearing on diesel prices in May 2008. The hearing reviewed the relationship among motor carriers, brokers, shippers and independent drivers regarding setting and collecting fuel surcharges.

80th Texas Legislative Session - State Developments in Transportation Planning

The 80th Texas legislative Session saw changes enacted to transportation law and code. The session culminated in the passage of S.B. 792 which was signed by Governor Perry on June 11, 2007. The legislation had a significant impact on the financing and development of toll roads. Specific provisions of S.B. 792 include:

SB 792 doubled the current authorization for 'Ogden Bonds'. TxDOT is now authorized to issue up to \$6 billion in bonds in an amount not to exceed \$1.5 billion each year.

SB 792 implemented a moratorium on the use of Comprehensive Development Agreements (CDA) entered into on or after May 1, 2007 between a toll entity (TxDOT, RTA, RMA or county toll authorities) and the private sector.

- There are exceptions to the moratorium for specific projects, including a project located in a border county with a population of 300,000 or more (El Paso, Cameron and Hidalgo) In El Paso the project must be in the approved MPO plan prior to May 1, 2007.
- Another exception is for adding managed lanes to 'existing' controlled accesses facilities in non-attainment or near non-attainment areas and for which a request for qualifications had been issued before May 1, 2007.
- The bill also changed the terms for CDAs, these are now limited to a maximum of fifty years from the date of final acceptance of the project or the start of revenue operations.

The moratorium provisions expire on September 1, 2009 and coincide with the scheduled review of TxDOT by the Sunset Advisory Commission. Concession CDA authority for TxDOT and RMAs will expire on August 31 2009, while design-build authority extends to August 31, 2011.

SB 792 added a new Chapter 371 to Transportation Code which applies to all toll project entities. It added new requirements that must be complied with prior to, or in connection with, entering into a CDA and include:

- Require toll project entity to submit CDA to Attorney General for review
- Require submission of names of short-listed proposers, a copy of the CDA, and a copy of the proposal submitted that is considered the *apparent* best value proposal.
- Submission of traffic and revenue report to State Auditor
- Prohibition of non-compete clause in a CDA (but provides for compensation for a loss of toll revenue attributable to the development of certain projects)
- Disclosure of information at a public hearing
- Permits the issuance of bonds for making termination payments under a CDA.

SB 792 also created a process called Market Valuation Process and Local Toll Project Entity Primary. Under the legislation local toll project entities (RMAs, RTAs and county toll authorities) are to have primary responsibility for toll project development within their areas. However, SB 792 contained a new procedure governing the development of new toll roads – the market valuation analysis. A market valuation process must be conducted for all toll projects. The only exceptions are for projects that had a request for qualifications issued prior to May 1, 2007 or if TxDOT and the local entity agree to another process. The market valuation is to set out all the terms of the toll agreement including:

- Initial toll rates
- Toll rate escalation
- Project scope
- Traffic and revenue projections
- Estimated cost to finance, construct, maintain and operate
- Other factors

Once the Market Valuation process is initiated a series of deadlines must be adhere to throughout the process which also includes a timeline for environmental review as well as options for TxDOT to take over the project if the local entity declines to undertake the project.

Finally, SB 792 also created a Legislative Study Committee which is commissioned to conduct public hearings and study public policy implications of the concession CDAs. This committee must prepare a written report by December 1, 2008.

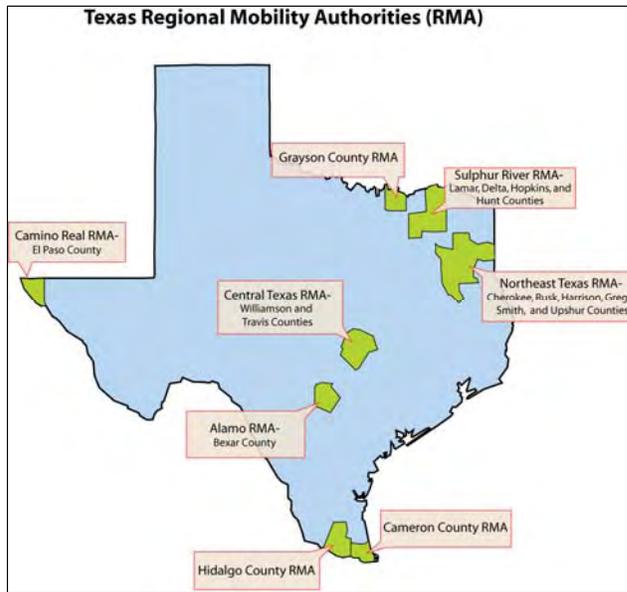
Border Trade Advisory Committee

Senate Bill 183 of the 79th Texas Legislative Session called for the establishment of a Border Trade Advisory Committee (BTAC) and authorized its formation with a charge to define and develop a strategy and make recommendations to the Transportation Commission and Governor for addressing the highest priority border trade transportation challenges. The BTAC has met twice throughout 2006 and last met during October 2007.

Regional Mobility Authorities

A regional mobility authority (RMA) can study, evaluate, design, finance, acquire, construct, maintain, repair and operate transportation projects, including a toll project. TxDOT approval is required for the construction of all RMA projects that connect with the state highway system. A regional mobility authority may also construct, maintain, and operate rail, air, and

public utility facilities, but no State Highway Fund money or general revenue may be used for these non-roadway projects. Earmarked federal funds may be used.



The prior statute primarily limited RMAs to developing turnpikes. H.B. 2702 authorized TxDOT to delegate oversight and development of pass-through toll projects to RMAs. SB 792 made a few changes to transportation code vis-à-vis RMAs: these mainly pertained to obligations of board members.

To date eight RMAs have been created in Texas: Alamo County RMA, Central Texas RMA, Grayson County RMA, North East Texas RMA, Sulfur River RMA. Three RMAs are found along the border – these are: Camino Real RMA in El Paso, Cameron County RMA and Hidalgo County RMA. Figure 9 shows where these RMAs are located in Texas.

Rail Facilities

As previously noted in this chapter, rail service is critical in Texas. The amount of freight currently carried by railroads in Texas is the equivalent of some 13 million annual truckloads. Over \$1 billion in wages are paid to Texas railroad employees annually. However, between 1981 and 1995, more than 2,270 miles of tracks were abandoned in Texas.⁸¹⁰ Figure 10 shows these abandoned rail lines some of which run close to or from the Border:

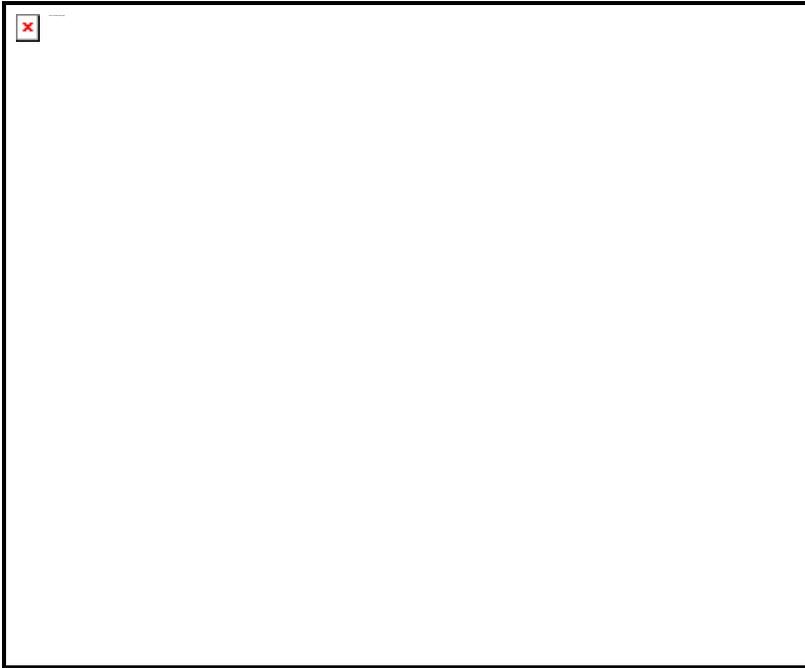


Figure 10: Abandoned Rail Lines in Texas.

The abandonment of facilities has restricted the ability to develop potential alternative routings that could allow rail to bypass city centers. Other restrictions have also further complicated the movement of freight rail across the borders. For example, Ciudad Juarez has placed temporal restrictions on the movement of north-south trains through the city. It is hoped that the Rail Relocation and Improvement Fund, authorized by voters in November 2005, will provide a framework for shifting rail lines and rail yards from within our central cities. To date no funds have been appropriated to this fund.

Article 4 of H.B. 3588 also gave TxDOT the authority to plan, construct, maintain and operate rail facilities or systems, including the acquisition and development of existing facilities. The Department may use any available funds to implement the new chapter, including funds from the State Infrastructure Bank. To date TxDOT has not built any rail facilities.

Bonds and Public Securities

During the 80th Legislative Session Senate Joint Resolution 64 placed proposition 12 on the Texas Ballot. This would authorize up to \$5 billion in bonds for transportation projects. The initiative was passed by the voter by 63% for and 37% against.

Proposition 12 would allow TxDOT to issue general obligation bonds of the State of Texas in an aggregate amount not to exceed \$5 billion. A portion of the proceeds of sale of the bonds and interest earned on the bonds may be used to pay administration

costs, expense of issuance of the bonds and a part of a payment owed under a credit agreement.

Although the new bonding authority does not provide “new” money, bond proceeds make it possible for the Texas Transportation Commission to afford more transportation projects by offering the Commission the option of accelerating some construction. This would be accomplished through the issuance of debt, which will be retired out of State General Revenues.

The Texas Mobility Fund

Voter approval of Proposition 15 in 2001 and enactment of enabling legislation by the 77th Legislature created the Texas Mobility Fund. The Texas Transportation Commission can issue bonds that are secured by the Texas Mobility Fund. Funds can be used to finance road construction on the state-maintained highway system, publicly owned toll roads, or other public transportation projects.

The Texas Transportation Commission administers this fund to finance acquisition of right of way, along with design, construction, reconstruction, and expansion of state highways. Further, the Commission administers the fund to provide participation in the costs of publicly owned toll roads and other public transportation projects.

As of August 2007 The Mobility Fund had received \$341,711,339 in dedicated revenue and TxDOT had issued over \$ 3.95 billion in bond issuances. Statute regulates the issuance to no more than \$1 billion in any fiscal year. TxDOT planned to issue the remainder in 2008.⁸¹¹

Dedicating additional transportation related fees to the Texas Mobility Fund would allow the Department to accelerate the delivery of much needed transportation projects in Texas. More revenue dedicated to the fund would reduce congestion on the state highway system, provide safety improvements, increase economic development opportunities, and maximize limited transportation dollars. Some examples are: motor vehicle certificate of title fees, motor carrier permit fees (oversize / overweight permit fees), motor carrier registration fees, single state registration fees, motor carrier proof of insurance, salvage dealers license fees, and personalized license plate fees.

Pass Through Tolls

H.B. 3588 passed in the 78th Legislative Session allowed TxDOT to utilize pass-through tolls to fund infrastructure projects. Pass through tolls provide a per vehicle fee as reimbursement of development and construction of highways. In this way municipalities and counties could decide to build infrastructure and then get reimbursed by TxDOT on a per vehicle use basis. Similarly TxDOT could provide funding that would then be paid back by the counties. H.B. 2702 further refined pass through tolling legislation so that private entities’ could reimburse TxDOT for the construction of highway facilities on a per vehicle or per mile basis. TxDOT can also delegate authority and oversight of the development of pass-through financing projects to municipalities, county RMAs and to Regional Transit Authorities. By May 2008 13 pass-through toll financing projects had been executed with local entities and 16 were approved for

negotiation by the Commission. One pass through tolling project had already been granted authorization to issue request for competing proposal to private entities.

For the border counties Grayson RMA was the first to request a pass through tolling agreement. In November 2004 TxDOT authorized for negotiation on an extension of State Highway 289. This project was approved in March 2006. El Paso saw an unsolicited proposal received from the private sector (J.D. Abrams L.P) to El Paso County. This was for the design and construction of Inner Loop from US 54 to Loop 375 in El Paso (this is one of the executed projects noted above). This was approved in August 2007. In July 2005 TxDOT authorized for negotiation a pass through toll project from the Hidalgo County Mission Redevelopment Authority which would extend Anzalduas Road from the GSA Complex to the Anzalduas International Bridget and connect to the US 83 expressway. This project has not yet been approved. Val Verde County was also authorized a pass through tolling project which would construct a relief route to US 277 extending from US 90 north of Del Rio southward to US 277. This was approved in February 2007.

Pass through tolling has been an extremely successful program. Pass Through Toll Financing offers benefits to users of the transportation system and the state. Projects can be financed using private funds or combinations of public and private capital on highway and rail projects. Payments are based on the use of the facility, so developers are incentivized to conceive projects which will generate sufficient revenue to cover their investments. Pass through tolls share the risk between the contractor and/or, operator and the state.

El Paso Fast Plan - 2015

Based on the 2000 U.S. Census, El Paso is the poorest MSA with a population of over 500,000 in the United States, with a per capita family income that is \$20,000 below the national average. (US Census 2006) . Approximately one quarter of the population is below the poverty level. This, combined with the comparative lack non-automobile commuting alternatives in El Paso has has meant that El Paso political leaders have resisted placing commuter tolls on existing roadways that may burden families unable to pay. Recently, some have indicated a willingness to toll pass through traffic.

Under the "El Paso Fast Plan 2015", El Paso would create an RMA at the City of El Paso to toll at U.S 54, Anthony and Tornillo to capture revenue from approximately 63,000 cars and trucks per day. Projected toll revenue by the year 2015 could be as much as \$80 million. The "El Paso Fast Plan 2015" will require new federal legislation and FHWA approval. A non-tolled alternative for I-10 would be required. The frontage roads, other parallel routes or Loop 375 would fill that requirement. Using the projected Interstate 10 toll revenue and the Texas Mobility Fund allocation, and assuming some toll equity to be provided by the Commission, there would be enough funds to cover the cost of building the Northeast Parkway and

constructing the interchange at Loop 375 and I-10 on the East side, at a total value of \$450 million.

Conclusion

A fundamental commitment to expediting the movement of legitimate goods and people, while taking into account appropriate safeguards is the best way to ensure that the border region remains a economic engine for the Texas and US economy. With Mexico as our largest trading partner, no other state has a greater stake in improved trade processes with Mexico than Texas, whose ports-of-entry handle the vast majority of NAFTA trade. The rest of the nation will also benefit from improved commerce with our Southern neighbor given that much of the commercial vehicle traffic that crosses at Texas ports-of-entry is destined for points throughout the United States and Canada.

It is clear that the cost of building and maintaining infrastructure to facilitate international trade is high, presenting a challenge to both the state and federal governments. The increase in vehicle and truck traffic resulting from Mexico's entry into the General Agreement on Tariffs and Trade (GATT) in 1986, and the ratification of NAFTA in November 1993 have imposed a tremendous strain on Border infrastructure. With these agreements came economic integration and the lowering of trade tariffs, which have resulted in increased trade with Mexico and increased congestion at Texas ports-of-entry. The increase in traffic has caused and will continue to cause road and bridge damage, meaning costly repairs as well as expansion and upgrading of roads. As a result of this congestion, pollution is increasing in Border cities, especially in El Paso where air pollution exceeds air quality standards in many categories.

Texas' location on the border with Northern Mexico and its proximity to the Mexican maquiladoras makes our state the logical crossing point for the transport of northbound commerce from Mexico and Central and South America. With the expansion of international trade agreements, commercial vehicle traffic into Texas will continue to grow. Yet, much of this commerce will pass through Texas without providing any significant economic benefit. Given their inadequate tax bases, Border communities cannot and should not have to shoulder the responsibility for or cost of international trade infrastructure alone, simply by virtue of their location. El Paso, for example, is the nation's 19th largest city, but only has the 156th largest tax base. As such, many cities in the region lack transportation infrastructure assets that would be considered as essential in other similar sized cities. For example, El Paso still does not have an inner or outer loop or "bypass." In the lower Rio Grande Valley, the region still does not possess an interstate highway. Because NAFTA-related trade benefits both the state and national economies, the state *and* federal governments must assume a greater fiscal responsibility and invest in adequate trade infrastructure along the Texas-Mexico Border. These improvements are vital to the continued growth and health of Texas' economy and Border residents.

The passage of H.B. 3588 was a first step to financing the construction and renovation of the NAFTA corridors in the Border Region. However, solutions to the

infrastructure deficit in the Border also will require changes in both government and business practices. NAFTA-related trade increased the need to create new commercial vehicle inspection facilities and procedures. The development of more sophisticated and efficient technology will enhance the Border's ability to participate effectively in the post-NAFTA world and benefit businesses throughout the state that increasingly rely on trade with Mexico. The need, the will, the funding and the technology exist now to make the "one-stop" Border inspection facility a reality. By further restricting Border transportation, we will adversely impact our state's global competitiveness.

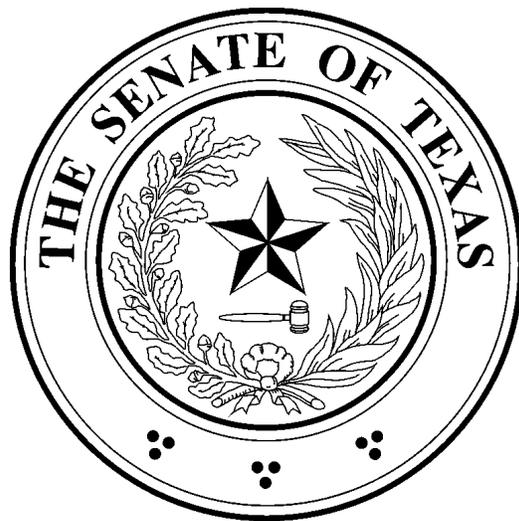
Specifically, we must urge both our state and federal government leaders to set a strong agenda for U.S.-Mexico economic development by:

- Investing in a “one-stop” model at border ports of entry to cross commercial vehicles in 12 minutes, not six hours;
- Issuing “smart cards” to thousands of Border citizens who present no health or safety risk and who are the most frequent travelers across Border points-of-entry;
- Investing in Border rail routes to shift cargo from commercial vehicles and lines to rapid rail and just-in-time markets, and smart high priority corridors to move people and product in the most efficient mode of transport. Moreover, Border communities must integrate the input from their bi-national neighbors and pursue a regional approach by including bi-national non-voting members;
- Investing in strategic commercial Border infrastructure. We need to invest in the infrastructure to move the goods upon which our prosperity depends. We need to urge both the U.S. and Mexican governments to increase financial resources for transportation infrastructure in Border states with international bridges, Border crossings and transportation corridors, both for new projects as well as for expansions, modernization and improvements. The investments should include inspection services with increased funding for additional staff and state of the art technology to make Border crossings faster, safer, and more secure. Both countries should invest in broadband deployment along the corridors for at least 300 miles. Likewise, homeland security initiatives should be strengthened and designed to improve the operations of and flow of trade through all existing and future federal and state Border facilities. A regional approach to security should include regional GIS proposals for bi-national homeland security projects.
- Better coordination and cooperation among different national authorities at Border crossings is imperative as well as improvements in bi-national coordination. This must include synchronizing the operating schedules of U.S. and Mexican agencies at each individual port of entry and extending hours of operation where necessary. We should aim toward a single point of inspection for both governments. Additionally, we should create state commissions in all border states; hold bi-national conferences regarding the high priority trade corridors; develop a bi-national center for Border Education Excellence; and develop bi-national, bilingual financial literacy courses to help both business owners and consumers navigate the various finance issues facing Border crossers and Border residents.

The benefit—as local resources are put to more efficient use—will be reduced air pollution and congestion and a competitive edge in attracting new industry and shippers to the Region. Ultimately, increased investment, greater government cooperation, the use of innovative technologies, and general business process improvements will benefit all U.S. and Mexican consumers.

Texas Borderlands 2009

*“The Texas Tax System:
Inadequate and Inequitable”*
Taxes



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
December 2008

Overview of Texas taxes

A good tax system should distribute tax burden equitably and grow to meet increasing needs. A balance among different sources of revenue allows the shortcomings of any single tax to be offset by the strengths of another.⁸¹² These two principles are among the nine criteria listed in the table below from the report devised by the bipartisan Texas Select Committee on Tax Equity in 1989.⁸¹³

Criteria for Evaluating the Texas State and Local Tax System

ADEQUACY: Should produce the necessary revenue.

EQUITY: The state and local tax burden should be distributed fairly. Everyone pays their share according to ability to pay.

EFFICIENCY: The tax system should not unnecessarily or unintentionally interfere with private economic decisions.

ECONOMIC COMPETITIVENESS: To the extent possible, the tax system should be designed to enhance state and local economic development.

STABILITY: The tax system should be able to withstand shifts in the economy and promote certainty, or consistency, for taxpayers and government.

SIMPLICITY: The tax system should be simple enough to require minimal compliance and enforcement costs.

BALANCE: Government should avoid over-reliance on any one tax or set of taxes. The tax system should be balanced among a number of taxes.

BROAD BASE: There should be an even-handed treatment of all tax payers so as to keep tax rates low.

INTERGOVERNMENTAL LINKAGES: Those who make decisions on the tax system should recognize the connections between state and local tax systems.

Source: Select Committee on Tax Equity

According to this model, the Texas tax system needs to change. Our tax system fails the people of Texas in two ways:

- Texas taxes are not equitable.
- The current tax system does not provide adequate funding to meet Texans' basic needs.

Texas' tax system is extremely regressive, meaning it takes a higher percentage of the income from a low- or middle-income family than from a high-income family.⁸¹⁴

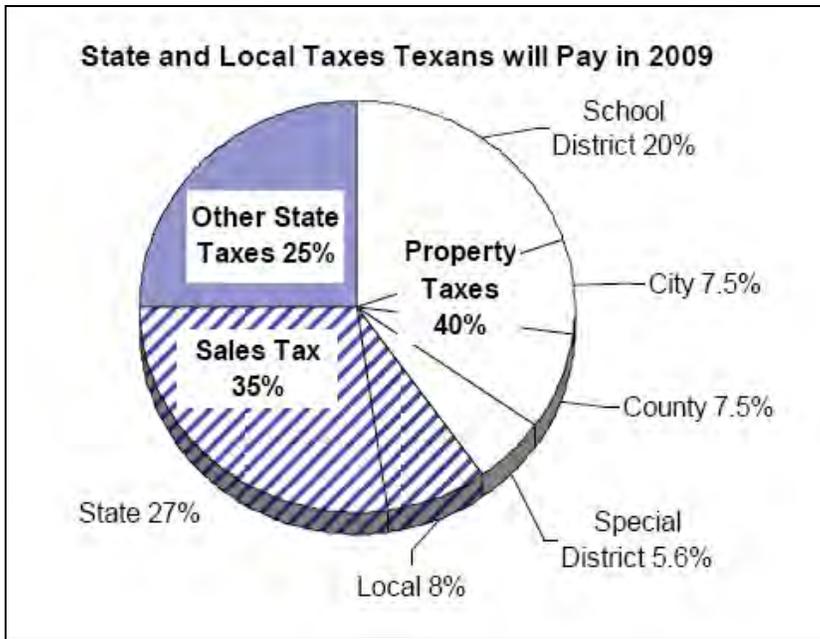
This is simply due to the fact that low- and middle-income families spend a greater proportion of their limited incomes on items such as clothing, food, and school supplies for their children than families with higher incomes.⁸¹⁵ A tax system that imposes a higher tax burden on families whom are least able to bear it is not a fair way to pay for essential public services.

Texas' tax system also fails to raise adequate revenue to fund essential public services that are needed to help Texans prosper. All Texans want to provide the best possible education for our children. They also want access to affordable health care, excellent police and fire protection, well-maintained roads and parks, and a safety net for those who have fallen on hard times.

The state has relied on essentially the same structure of state and local taxes for the past 40 years: tax revenue is generated primarily by the sales and property taxes. The rates of these two taxes have been raised repeatedly to stretch this antiquated system to meet the needs of a growing population and a modern society. Because Texas' sales and property taxes are among the highest in the nation, raising them further would be difficult. The entire structure must be updated to facilitate fairness and to support efforts to improve the future for all Texans.

What taxes do we pay?

Three quarters of our state and local tax load is comprised of just two taxes: the property tax and the sales tax.⁸¹⁶ Other taxes include the franchise tax, gasoline tax, cigarette tax, and alcoholic beverage tax. The chart below, State and Local Taxes Texans will Pay in 2009, illustrates that the property tax alone will account for an estimated 40 percent of all state and local taxes paid by Texans in 2009. State and local sales taxes will account for another 35 percent.



Source: Center for Public Policy Priorities⁸¹⁷

As the chart above indicates, the estimated taxes an average Texan will pay in 2009 are split relatively equally between state and local taxes.⁸¹⁸

Property tax

The largest individual tax paid by most Texans is the local property tax. Texas has the 13th highest property tax revenue per capita in the nation.⁸¹⁹ Property taxes may be levied by school districts, cities, counties and special districts such as junior colleges, hospitals and flood control districts. Over 3,700 local governments in Texas collect and spend property taxes.⁸²⁰ It is important to note that only local governments can assess and collect property taxes, as a statewide property tax is constitutionally abolished in Texas.⁸²¹

With the exception of two counties that form a single appraisal district, each of Texas' 254 counties have their own appraisal district that assesses and values the county's property.⁸²² Local governments then tax the appraised values with tax rates that are set according to their budgetary needs.⁸²³ In tax year 2006, almost 59 percent of property taxes went to the state's school districts, as indicated in the chart below.⁸²⁴

Property Taxes Reported by Unit Type – 2005 and 2006

Unit Type	2005 Number of Units	2005 Tax Levy	2005 Percent of Levy	2006 Number of Units	2006 Tax Levy	2006 Percent of Levy	Percent Change from 2005 to 2006
School Districts	1,029	\$ 20,194,915,813	60.3%	1,027	\$ 20,918,122,059	58.8%	3.6%
Cities	1,043	\$ 4,901,791,597	14.6%	1,044	\$ 5,322,985,519	15.0%	8.6%
Counties	254	\$ 4,772,652,208	14.3%	254	\$ 5,339,613,542	15.0%	11.9%
Special Districts	1,376	\$ 3,609,629,697	10.8%	1,433	\$ 3,972,185,910	11.2%	10.04%
Total	3,702	\$ 33,478,989,315	100.0%	3,758	\$ 35,552,907,030	100.0%	6.2%

Source: Texas Comptroller of Public Accounts⁸²⁵

Sales and use tax

The sales tax accounts for over a third of all state and local taxes paid by Texans.⁸²⁶ The state imposes a tax of 6.25 percent on purchases of most goods and some services, such as cable television, debt collection, and insurance services.⁸²⁷ Cities, counties, transit authorities, and some special districts may impose an additional local sales tax of up to 2 percent.⁸²⁸ Combining the state and local tax rates, Texans can potentially pay a maximum sales tax rate of 8.25 percent. The chart *Sales Tax Rates in the Ten Most Populous States* shows where Texas ranks in comparison to the largest states in the nation. Overall, Texas' per capita state and local sales tax revenue ranks 19th nationally.⁸²⁹

Sales Tax Rates in the Ten Most Populous States

State	State Rate	Maximum Local Rate	Maximum Total Rate
1. Illinois	6.25	3.00	9.25%
2. New York	4.00	5.00	9.00%
3. California	6.00	2.75	8.75%
4. Ohio	5.50	3.00	8.50%
5. Texas	6.25	2.00	8.25%
6. Georgia	4.00	4.00	8.00%
7. North Carolina	4.25	3.00	7.50%
Florida	6.00	1.50	7.50%
9. Pennsylvania	6.00	1.00	7.00%
10. Michigan	6.00	----	6.00%

Source: Individual states' taxing authorities.

The state also levies a 6.25 percent sales tax on the sale of motor vehicles, in addition to taxes on alcohol and tobacco.⁸³⁰ The sales and use tax is considered a “consumption tax,” since the amount an individual pays is linked to the amount that individual consumes.

Franchise tax

In 2006, the Legislature dramatically changed the state's franchise tax, which is also called the “margins tax.”⁸³¹ Approved as part of a package of bills designed to lower the state's property tax rates, the franchise tax was amended to “close the loopholes ... by extending coverage to certain active businesses.”⁸³² The tax is paid by any legal entity that does business in Texas and is organized to have some form of limited liability protection, including corporations and limited liability partnerships.⁸³³

The franchise tax fell \$1.2 billion short of its estimated forecast, which initially placed the figure raised during the 2008 fiscal year at \$5.9 billion.⁸³⁴ Based on 2007 business activity, the tax brought in approximately \$4.7 billion.⁸³⁵ As a result of the shortfall, the Legislature will have to rely on other revenue sources to make up the difference, likely dipping into the \$10.7 billion in unspent revenue that had been considered a surplus.⁸³⁶

The tax will likely be altered again during the 81st Texas Legislature. Numerous organizations have vocally opposed the effects of the recent expansion of the tax, citing its onerous impact on small businesses.⁸³⁷

Other taxes

Taxes other than property, sales, and excise taxes are estimated to account for about a quarter of all state and local taxes to be collected in Texas in 2009.⁸³⁸ Other state taxes, in order of revenue raised, include insurance taxes, natural gas production tax, oil production tax, utility taxes, hotel tax, and inheritance tax.⁸³⁹ Local governments also impose utility, hotel/motel, mixed beverage, and other minor taxes.⁸⁴⁰

The inheritance tax in Texas is a “pick up” tax on the federal inheritance tax; instead of having a distinctly separate inheritance tax, Texas piggy-backs on the federal inheritance tax.⁸⁴¹ Thus, the tax due to Texas is equal to the federal credit allowed for state inheritance taxes paid. This system takes advantage of the federal credit to reallocate part of the total tax from the federal government to the state. However, with current federal laws phasing out the federal estate tax, the inheritance tax revenue that Texas has enjoyed will soon diminish and eventually be eliminated completely if Texas’ tax laws are not amended.⁸⁴² The chart below shows the tax revenue collected via the inheritance tax. Currently, 22 states continue to levy a tax on inherited wealth.⁸⁴³

Texas Inheritance Tax Collections

Fiscal Year	Actual Texas Inheritance Tax Collections	Percent of Total Tax Collections	Percent Change from Previous Fiscal Year	Number of Estates that Filed a Return
2008	\$5,580,142	0.01%	5.5%	168
2007	\$5,291,127	0.01%	(60.4%)	288
2006	\$13,360,123	0.04%	(86.9%)	1,334
2005	\$101,674,348	0.34%	(32.7%)	3,126
2004	\$151,131,249	0.54%	(19.1%)	3,891
2003	\$186,844,211	0.72%	(44.1%)	4,573
2002	\$334,190,915	1.27%	3.7%	6,254
2001	\$322,354,926	1.18%	15.8%	6,002
2000	\$278,485,511	1.10%	8.7%	6,238
1999	\$256,276,550	1.09%	(21.6%)	5,358
1998	\$326,820,325	1.44%	57.4%	5,626
1997	\$207,588,651	0.98%	29.6%	5,178
1996	\$160,143,199	0.81%	(6.7%)	5,040
1995	\$171,605,722	0.91%	12.6%	4,635

Source: Texas Comptroller of Public Accounts⁸⁴⁴

How does Texas compare?

The chart below, *Why Are Texas' Sales and Property Taxes So High?*, illustrates that most states attempt to avoid relying too heavily on any one or two sources of revenue. A balanced tax system provides a steady source of support for public services and protects states from economic downturns that can affect a single type of tax.⁸⁴⁵ So while other states have a balanced system designed to safeguard public revenue, Texas' system is more easily subject to large shifts in the economy. Texas' weakness is its reliance on only two major taxes—sales and property taxes. As a result, Texas now ranks sixth in the nation in sales tax dependency.⁸⁴⁶

Why Are Texas' Sales and Property Taxes So High?

<u>Relative Sources of Revenue, FY04</u>			
	<u>Property</u>	<u>Sales</u>	<u>Income</u>
Texas	48.7	51.3	0.0
Florida	40.3	59.7	0.0
Washington	32.9	67.1	0.0
Georgia	32.6	39.1	28.3
North Carolina	27.0	39.7	33.3
California	29.7	38.9	31.4
Illinois	44.2	37.9	17.8
Michigan	40.7	37.6	21.6
Pennsylvania	35.0	36.1	28.8
Ohio	31.4	34.5	34.1
Indiana	35.1	40.4	24.5
Virginia	34.5	32.4	33.2
New York	35.7	30.3	34.0
New Jersey	51.5	27.6	20.9
Massachusetts	40.2	23.5	36.2

Source: Hovey and Hovey⁸⁴⁷

The responsibility for services that should be the obligation of the state to fund, such as public education and health care, has thus shifted to the local tax base. This over-reliance has distorted the state and local tax system, and Texas now ranks 49th among the 50 states in total state taxes per capita, but 13th in local taxes per capita.⁸⁴⁸ The distortion is only exacerbated in areas along the Border because low property values are unable to generate adequate revenue to fund public education.

All but seven states, including Texas, have a third source of revenue—a state personal income tax—to help balance their revenue systems.⁸⁴⁹ Texas is one of only three of the 15 most populous states that do not tax personal income, the others being Florida and Washington.⁸⁵⁰ Thus, the majority of states attempt to divide the responsibility for funding government services equally among sales, property and income taxes. The chart below, *Most States Have a Balanced Revenue System*, indicates that the twelve most populous states with an income tax receive an average of 36.5 percent of revenue from the sales tax, 34.8 percent from the property tax, and 28.7 percent from the income tax.⁸⁵¹

Most States Have a Balanced Revenue System



Source: Hovey and Hovey⁸⁵²

The contrast between a balanced tax system and a distorted tax system are most visible along the Texas-New Mexico Border in El Paso, Texas. As the chart *Per Capita Tax Comparisons of New Mexico and Texas* demonstrates, even with a state income tax, the total per capita taxes in New Mexico are approximately \$350 less than those in Texas.

Per Capita Tax Comparisons of New Mexico and Texas

	<i>New Mexico</i>	Texas
Income	\$529	N/A
Sales	\$1,381	\$1,319
Property	\$441	\$1,253
Total	\$2,351	\$2,572
Difference		+\$221

Source: Hovey and Hovey⁸⁵³

What taxes support state government?

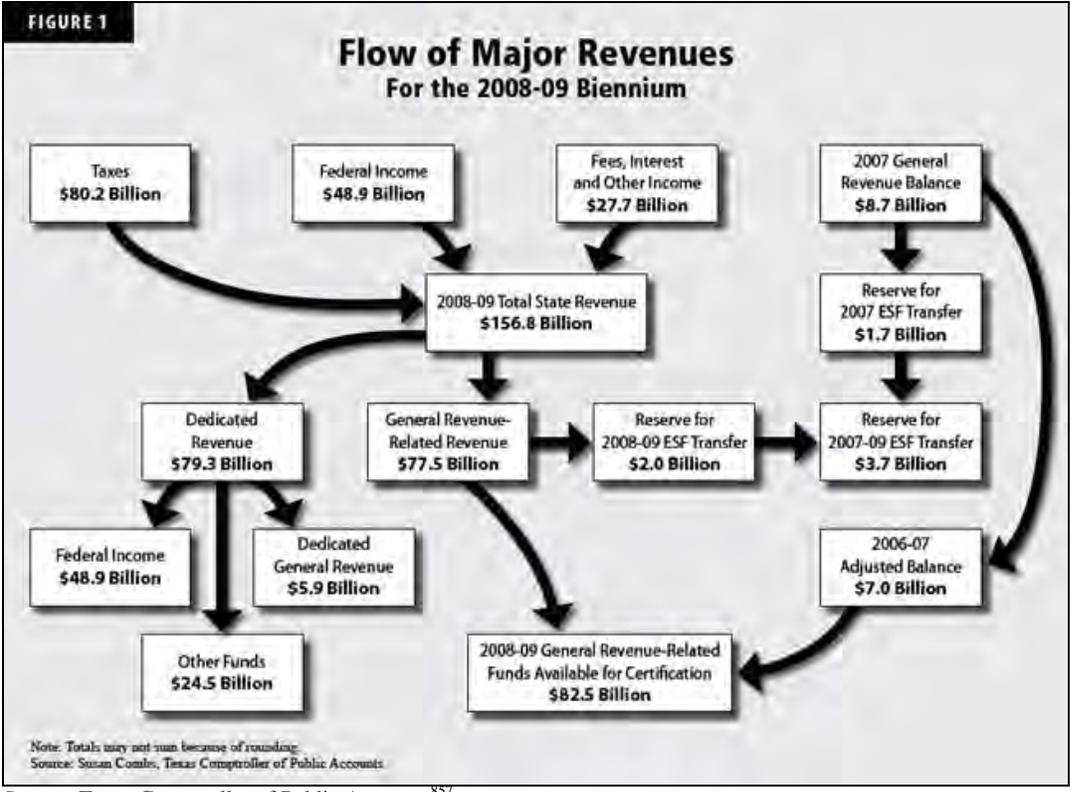
The chart Texas Revenue by Source, 2007 shows that our state taxes provide less than half of state government revenue.⁸⁵⁴ The federal government currently supplies 31.6 percent of Texas' total revenue, while fees and interest provide the majority of the remainder. The state lottery has a minor role in state finances, accounting for only 2 percent of total net revenue in 2007.⁸⁵⁵

Texas Revenue by Source, 2007

		Percentage of total revenue
Tax Collections	\$36,955,629,884	47.9%
Federal Income	\$24,376,052,502	31.6%
Net Lottery Proceeds	\$1,551,975,844	2.0%
Licenses, Fees, Permits, Fines and Penalties	\$6,914,295,978	9.0%
Interest and Investment Income	\$2,372,705,358	3.1%
Sales of Goods and Services	\$538,835,356	0.7%
Settlement of Claims	\$537,942,295	0.7%
Land Income	\$751,358,474	1.0%
Contributions to Employee Benefits	\$237,887,499	0.3%
Other Revenue Sources	\$2,952,608,025	3.8%
Total Net Revenue	\$77,189,291,215	

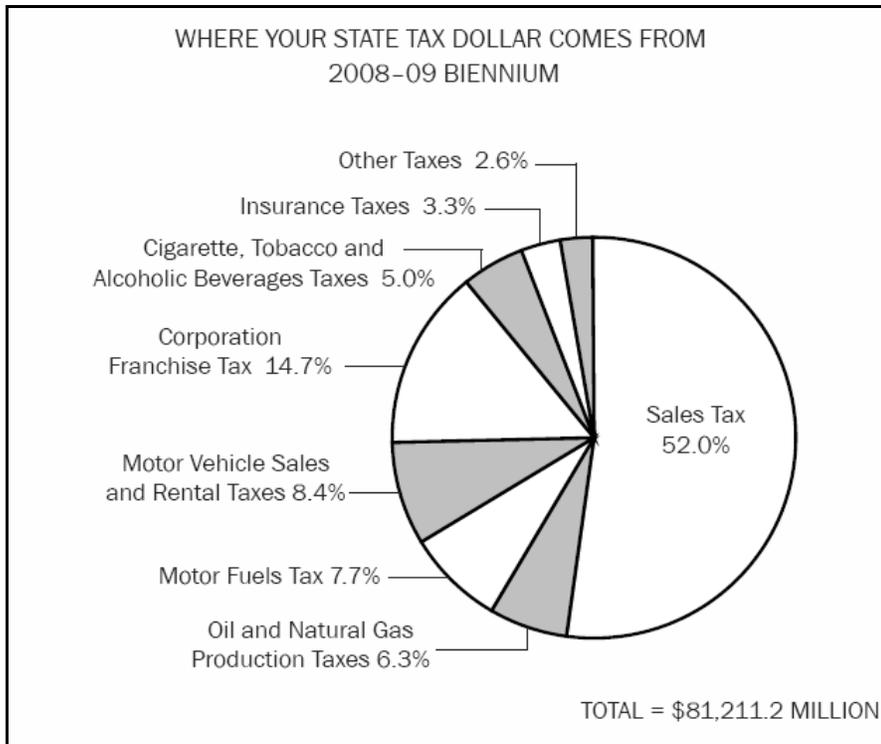
Source: Texas Comptroller of Public Accounts⁸⁵⁶

The chart *Flow of Major Revenues* details how the major revenue sources relate to one another in the 2008-09 biennium.



Source: Texas Comptroller of Public Accounts⁸⁵⁷

The chart below, *Where Your State Tax Dollar Comes From*, reveals that Texas funds state government primarily through consumption taxes. In addition to the sales tax, Texas state government counts heavily on the motor vehicle sales and rental tax (8.4 percent of tax revenue), motor-fuels tax (7.7 percent), and “sin taxes” on alcohol and tobacco (5 percent). Consumption taxes account for almost three quarters of all tax revenue collected by Texas state government.⁸⁵⁸

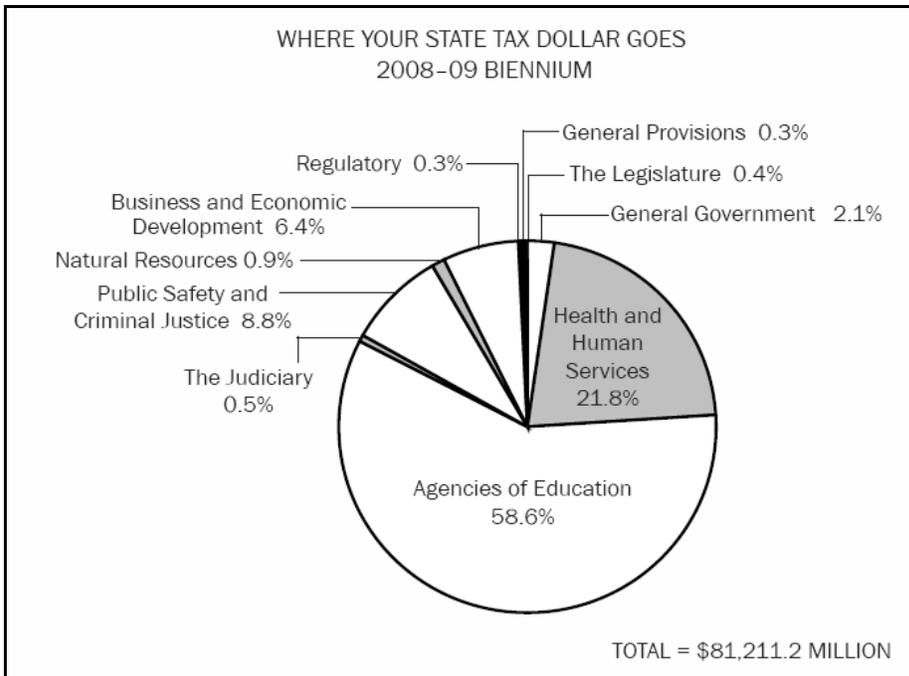


Source: Texas Legislative Budget Board⁸⁵⁹

How does the state spend our money?

Recent efforts at increasing transparency and accountability in state government have created new ways to examine state spending. Via an Internet-based search program, Texans can now see exactly where their state money is spent.⁸⁶⁰

The bulk of state spending goes toward education and health and human services, which together account for approximately 80 percent of the state budget.⁸⁶¹ The majority of state education spending goes to public schools, which alone accounts for nearly 30 percent of all state expenditures.

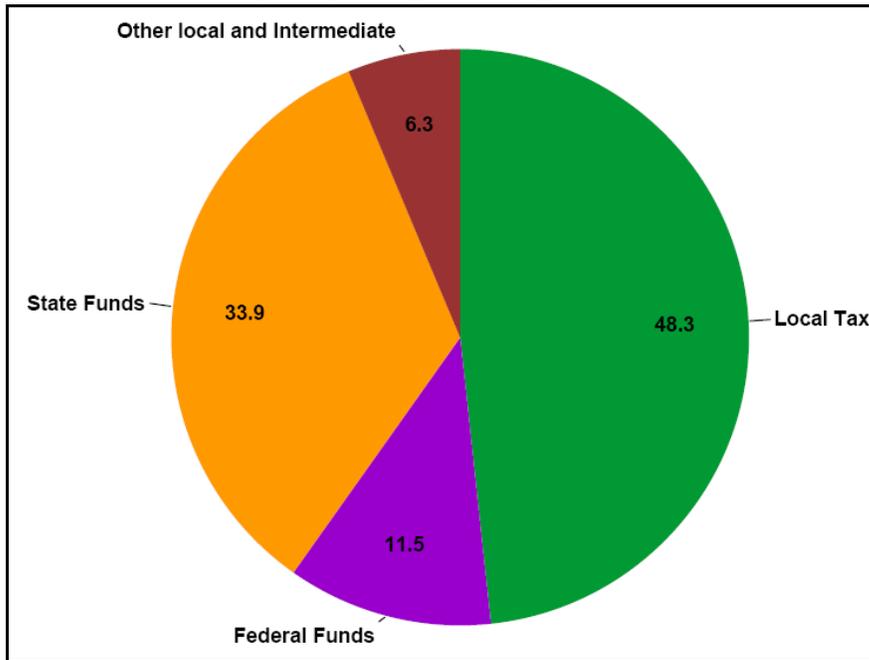


Source: Texas Legislative Budget Board⁸⁶²

Who pays for public schools?

Texas public schools are funded primarily by a combination of state and local funds, as can be seen on the chart, Texas Public Education Revenue. During the 2005-06 school year, which is the most recent data available, local revenues comprised 54.6 percent of total school revenue and were the largest source of school districts' budget. The state's contribution of 33.9 percent provided most of the remainder of public school support. The federal government contributed only 11.5 percent of total school revenue.⁸⁶³

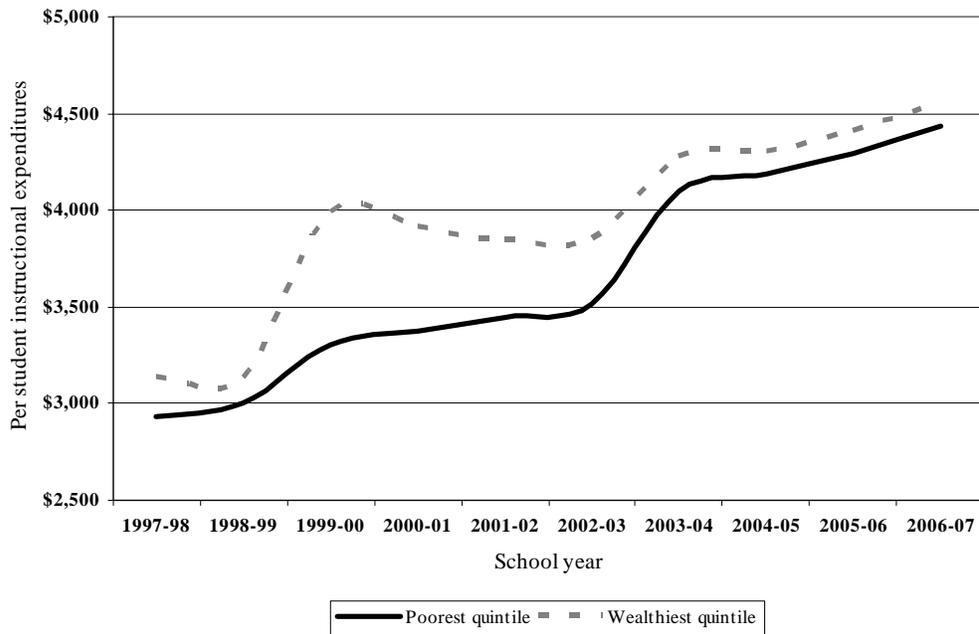
Texas Public Education Revenue



Source: Texas Education Agency⁸⁶⁴

Public school finance has always been a major issue facing Texas. But within the school finance issue there has been the question of how to ensure that all Texas children are well-educated while funding that education through a local property tax. Because property wealth is not evenly distributed across the geography of the state, some school districts had the advantage of taxing a larger tax base than others. In essence these districts are property-wealthy, relative to other school districts that do not have as large a tax base. This has led to some school districts being able to provide a more comprehensive and rigorous education for their students than other school districts. The chart below, *Per Student Instructional Expenditures*, highlights the difference in per student instructional expenditures between the wealthiest quintile of school districts and the poorest quintile of school districts.

Per Student Instructional Expenditures
Property Wealthiest Quintile v. Property Poorest Quintile



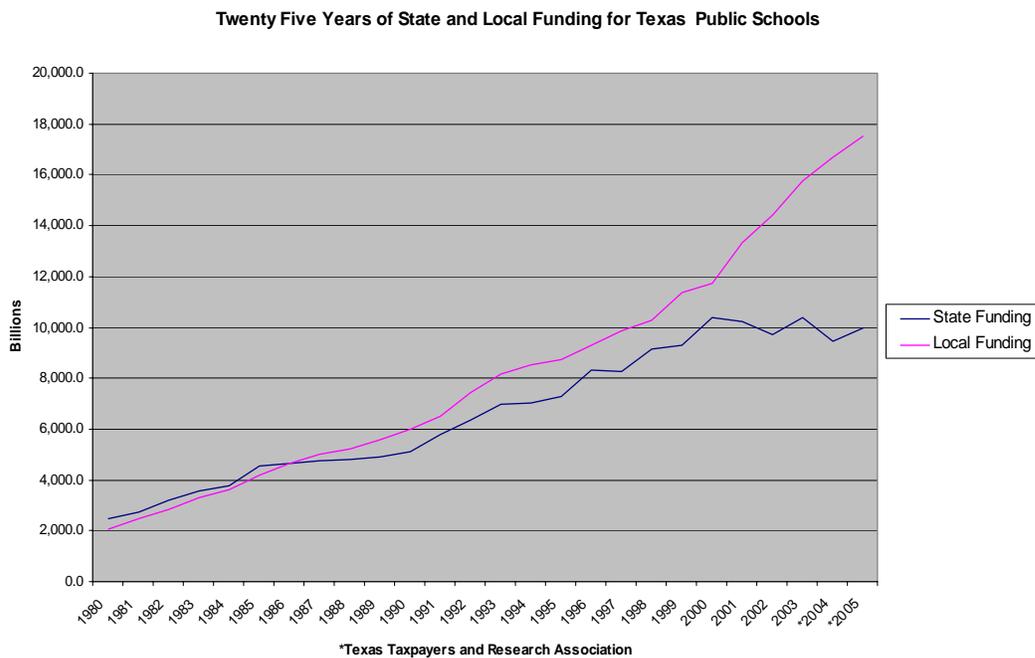
Source: Texas Education Agency⁸⁶⁵

As a result, a series of legal challenges were raised against the state’s school finance system to force the state to provide more equitable public school funding. These challenges resulted in the Texas Supreme Court ruling that at a minimum, "districts must have substantially equal access to similar revenues per pupil at similar tax effort."⁸⁶⁶

In response to that decision, the state developed a school finance system that took into account the characteristics of the districts themselves, such as size, as well as the characteristics of the students each district educated, such as a student’s risk of dropping out. This formula driven system made use of recapture, also known as “Robin Hood,” that requires school districts over a certain threshold of property-wealth to share their property-tax revenue with property-poor districts.⁸⁶⁷

However, as can be seen in the chart below, beginning in the year 2000, the state failed to provide increased funding for public education and instead used increases in property values at the local level to fund higher costs in public education from factors

such as additional state requirements, enrollment growth, and inflation. In order to make up for the lack of state support, many school districts gradually raised their local tax rates to or near the maximum of \$1.50 per \$100 of property valuation.

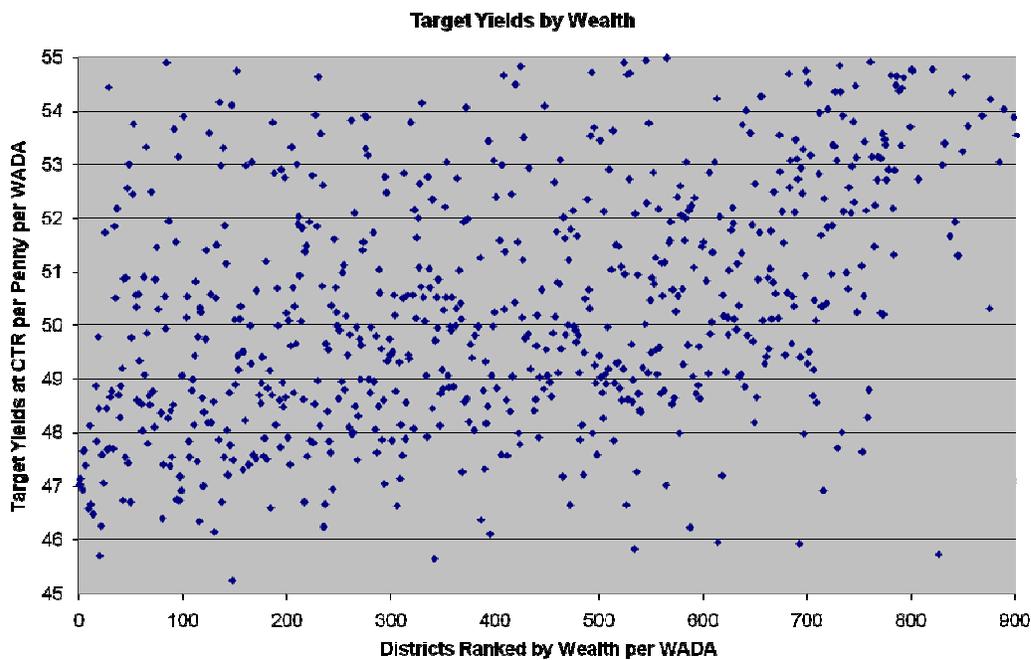


In 2001, both property-wealthy and property-poor school districts sued the state, alleging that they were forced to adopt higher rates in order to meet state requirements. Therefore, they argued, the local property tax had become a de facto state property tax, which is prohibited by the Texas Constitution.⁸⁶⁸ Other districts joined the suit, alleging that the state had failed to support an adequate level of funding. They point to the provision in the Texas Constitution that requires the state to “make suitable provision” for an education system that ensures “a general diffusion of knowledge.”⁸⁶⁹ On November 22, 2005, the Texas Supreme Court, in a 7-1 opinion, found that the school finance system had evolved into an unconstitutional state property tax and gave the Texas Legislature a deadline of June 1, 2006 to correct the constitutional violation.

In response, the 79th Legislature entered what was then the fourth special session on public education finance to address the opinion of the Supreme Court. That session eventually passed House Bill (HB) 1, which made adjustments to the state school finance system that included provisions to increase equity and infused additional state dollars into the system to reduce the local property tax to \$1.00 per \$100 of the value of a property.⁸⁷⁰

However, because it was possible under the new finance system established under HB 1 for some school districts to receive less funding than they were receiving prior to the passage of HB 1, the Legislature enacted a “hold-harmless” provision in the bill.⁸⁷¹ The hold-harmless provision basically assured that no district would receive less money per student in future years than it did in either the 2005-06 school year or the 2006-07 school year, whichever provided higher funding levels. However, this provision was meant to be temporary until the state was able to provide formula funding in excess of the amounts districts received through the hold-harmless funding levels.

As a result, the school finance system established under HB 1 has not been fully implemented and school districts are currently funded through hold-harmless funding. No mechanism was established in HB1 to eliminate the hold-harmless funding method, nor has the state provided additional funding above those levels established in the hold-harmless. This has led to a complete abandonment of a formula driven school finance system, and little rhyme or reason as to the funding levels a district receives. The chart below, *Target Yields by Wealth*, shows the wide-ranging and almost random levels of funding school districts receive through the hold-harmless provision despite the fact that all districts are evaluated using identical criteria. For example, for the 2007-08 school year, Clint ISD's maintenance and operations revenue on a weighted average daily attendance basis is \$5,164 per student. In Highland Park ISD, however, they receive \$5,906 per student. This allows Highland Park to access much more revenue than Clint. Clearly, the return to a formula driven, equitable school finance system is one of the single biggest challenges facing public school finance in Texas today.



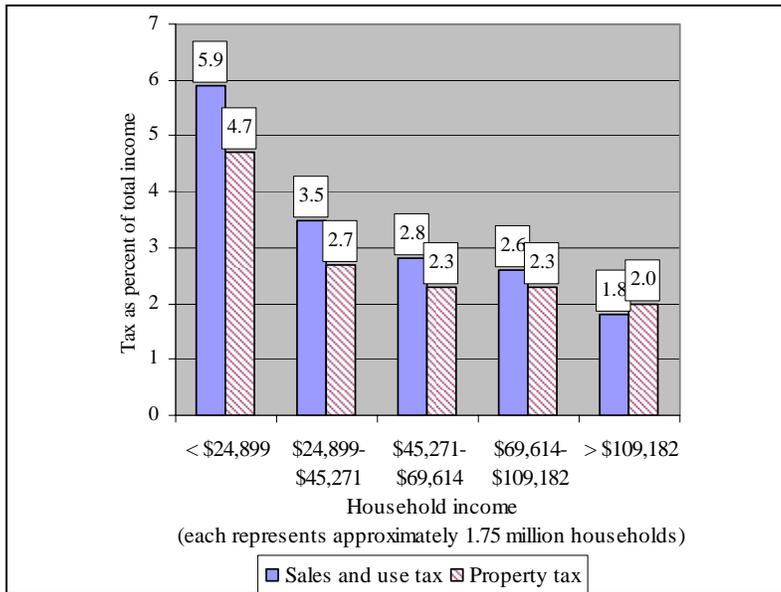
Is our tax system fair?

There are certain principles of good tax policy that are consistently recognized by tax groups, academic, and governmental studies.⁸⁷² The Texas tax system does not measure up in two of the key criteria of a good tax policy: it does not distribute the tax burden equitably and it does not provide a stable source of adequate revenue from a balance of sources.

An equitable tax system distributes the burden of paying taxes according to the ability of each taxpayer to bear that burden. A generally accepted measure of ability to pay is the current income of the taxpayer. An equitable system would require individuals to pay the same share of taxes as the share of income earned.

A tax system that takes a larger share of the income of higher-income taxpayers is known as progressive, while a tax system that takes a larger share of the income of lower-income taxpayers is known as regressive. The Texas tax system is regressive, primarily because it relies so heavily on the sales tax, which takes a larger proportion of income from a low-income family than from a high-income family. The chart below, *Sales and Property Taxes Paid as a Percentage of Income*, reveals the regressive nature of both the sales and property taxes.

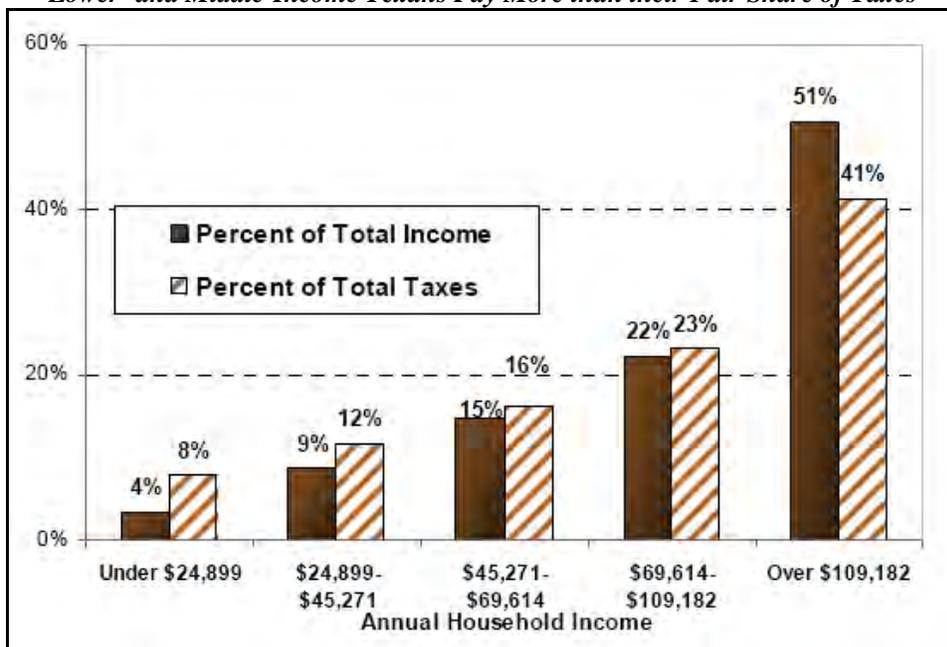
Sales and Property Taxes Paid as a Percentage of Income



Source: Texas Comptroller of Public Accounts⁸⁷³

A regressive tax system results in lower- and middle-income families paying more than their fair share of taxes.

Lower- and Middle-Income Texans Pay More than their Fair Share of Taxes



Source: Center for Public Policy Priorities⁸⁷⁴

As previously discussed, most states rely on a personal income tax to balance their tax systems and to counteract the regressivity of sales and property taxes. An income tax can be designed to ease the burden on lower- and middle-income families by exempting all persons below a certain level of income or applying a lower tax rate to persons with lower incomes.

Does our tax system provide adequate revenue?

In order for Texas to compete, the tax system must produce an adequate revenue base to support needed services. Texas, after all, faces an uphill battle. The state is currently:

- 50th in the percentage of the population with health insurance;⁸⁷⁵
- 50th in the percentage of children with health insurance;⁸⁷⁶
- 7th in the percentage of children living in poverty;⁸⁷⁷
- 50th in the percentage of the population over 25 with a high school diploma;⁸⁷⁸ and
- 43rd in home ownership rate.⁸⁷⁹

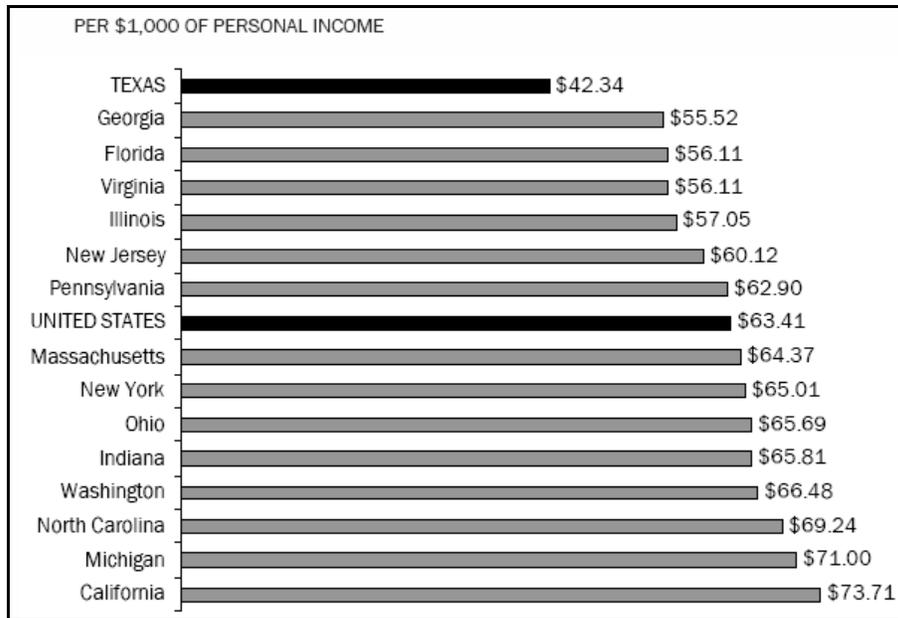
At the same time, however, Texas ranks last in the country in state government per capita expenditures. In other words, the programs that exist to help reverse the above trends are funded with less revenue than any other state.

State Government Expenditures Per Capita
15 Most Populous States

50 State Ranking		2005 State Expenditures Per Capita (in millions)
4	New York	\$7,082
9	Massachusetts	\$5,911
11	California	\$5,802
14	New Jersey	\$5,657
19	Ohio	\$5,279
20	Washington	\$5,254
23	Michigan	\$5,090
24	Pennsylvania	\$5,065
32	North Carolina	\$4,553
36	Illinois	\$4,361
37	Virginia	\$4,335
40	Indiana	\$4,221
47	Florida	\$3,963
49	Georgia	\$3,702
50	Texas	\$3,549
United States Average		\$4,959

Source: Texas Legislative Budget Board⁸⁸⁰

State Tax Revenue
15 Most Populous States



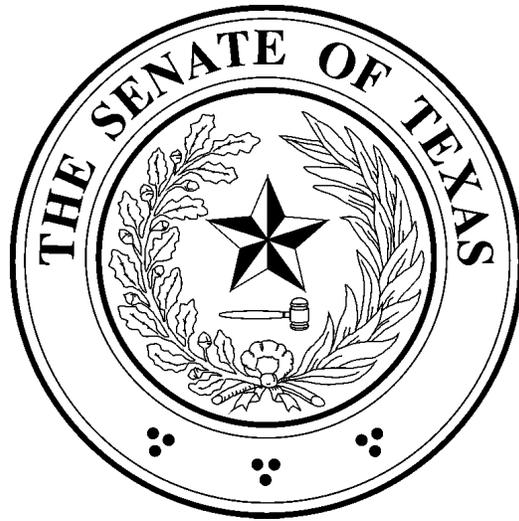
Source: Texas Legislative Budget Board⁸⁸¹

Texas, as discussed previously, relies primarily on sales and property taxes. A good tax system should reflect all sectors of a state's economy, so that revenue grows naturally along with the economy, without frequent increases in tax rates. The mainstay of the Texas tax system, the sales tax, has not evolved to match the changing nature of the Texas economy. When the sales tax was adopted in 1961, a larger portion of Texas' economy involved the sale of goods—i.e., items that had been manufactured. However, the fastest growing sectors of the modern Texas economy are related to services, not goods.⁸⁸² The service-producing sectors are now responsible for approximately 80 percent of the states' employment and 63 percent of output.⁸⁸³ For example, just one area—professional services such as accounting, engineering, management, legal, and healthcare—provides 28 percent Texas' nonagricultural employment.⁸⁸⁴

The tax system should not rely too heavily on just one or two types of taxes, but should divide the burden among different sources of revenue to preserve balance in the system over the long-term. Texans need a more equitable state and local tax system to support their government as it meets the challenges of the 21st century. Revenue should be collected from Texas families and businesses in an equitable manner to ensure that all citizens pay a fair share. Texans deserve a tax system that contributes enough revenue to provide our students with a world-class education, to give our citizens a transportation system that will help stimulate economic growth, to keep our cities safe and clean, and to help less fortunate citizens in times of need.

Texas Borderlands 2009

Lifting the Lamp Beside Texas' Door



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
February 2009

Immigration policy reform as an issue has recently been kept under the radar. History has shown that anti-immigration sentiment almost always follows a threat to national security and since 9/11 that sentiment and increased scrutiny has been placed on our southwestern border. Since 2006, our country has turned towards immigration rhetoric that interchangeably replaces cartels and criminals with "immigrants" and "aliens." Current legislative practices detract from America's historic spirit of embracing immigrants and ensuring equal rights among citizens. The one-sided debate on illegal immigration currently raging in Congress is fueled by xenophobia, fear, ignorance, and misinformation. Mean-spirited and misguided legislation threatens both the social fabric and economic future of the country. Real comprehensive immigration reform would unite families, encourage legal citizenship, enhance bi-national trade and transportation, and include the use of 21st Century technology to ensure border security.

While it is imperative for our country to reform the immigration system, focusing only on the enforcement component will hurt our economy, lead to human and civil rights violations, and create social instability for the millions of American families whose members include immigrants. Current economic conditions in our country are encouraging an immigration policy that would help increase our national GDP and look at an immigration policy that takes into account high talent professional immigrants. The only way to achieve meaningful reform is through a debate that is fact-based and devoid of ideologically or racially-motivated rhetoric.

The negative consequences of the ongoing militarization of the Texas-Mexico Border, the use of Operation Linebacker funds by the Sheriff of El Paso County to enforce federal immigration laws, and the proposed Operation Rio Grande are also of grave concern and must be addressed as part of any immigration reform effort. Recent increases in violence battling Mexican drug cartels are a clear example of why we need a security strategy that encourages positive communication between local law enforcement on both sides of the border.

Crafting an Effective and Humane National Immigration Policy

Framing a Fair Immigration Debate

The narrow framing of the current immigration debate, as observed by the Rockridge Institute, a non-profit, non-partisan think tank, not only neglects some of the most important social, economic, cultural and security concerns, but it also impairs our ability to consider meaningful reform of our immigration system⁸⁸⁵. According to the institute, the language used by most immigration officials when framing debate is "anything but neutral." This language focuses solely on the problems associated with illegal immigration – such as the federal government's inability to control its borders, exploitation of weak labor laws, job loss among native-born Americans and the strain on

government services, among other issues. Focusing solely on the problems caused by immigrants or the failure of government to enforce our immigration laws, while ignoring the many advantages of immigration, cripples the debate and renders policymakers incapable of exploring solutions to the challenges that immigration brings without sacrificing its benefits.

The current debate must be expanded to include the following factors that influence immigration, both legal and illegal: U.S. foreign policy, international trade agreements, and our historic commitment to embracing immigrants fleeing from economic or social injustice and religious or political persecution. Above all, we must not neglect the ongoing demographic, social and economic transformation of our nation and the world. Statistics show that while the American population is aging and having fewer children, immigrants are revitalizing the U.S. demographic composition. This trend occurs at home and abroad.⁸⁸⁶ According to a United Nations report, the number of immigrants around the world has doubled over a 25-year period and is expected to increase in the next 50 years. About three percent, or 175 million people now reside outside their country of birth. As the U.N. Secretary General recently stated, "it is time to take a more comprehensive look at the various dimensions of the migration issue, which now involves hundreds of millions of people and affects countries of origin, transit and destination. We need to understand better the causes of international flows of people and their complex interrelationship with development."⁸⁸⁷

In light of the increasing importance and changing nature of immigration, we should adopt progressive policies that offer better educational opportunities to these future taxpayers and help the United States stay competitive in a global economy. Overlooking the importance of immigration to focus solely on short-term solutions will have devastating consequences for this country.

The United States is a Land of Immigrants

*"Give me your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore,
Send these, the homeless, tempest-tossed to me,
I lift my lamp beside the golden door!"*

Statue of Liberty inscription

Aside from our indigenous populations, we are all the sons and daughters of immigrants. Immigrants nourish and revitalize each American generation; without them, we would not be the nation that we are today. A few examples worth mentioning include: Albert Einstein, who came to the U.S. during the early 1900s, and whose superior knowledge helped to raise our standards for education; the Chinese immigrants who built the American Transcontinental railroad in the mid 1800s; and the *bracero* workers brought here during a period of labor shortage during World War II. In formulating the current debate on immigration reform, we must keep in mind that our great nation continues to rely heavily on the contributions of its immigrant population.

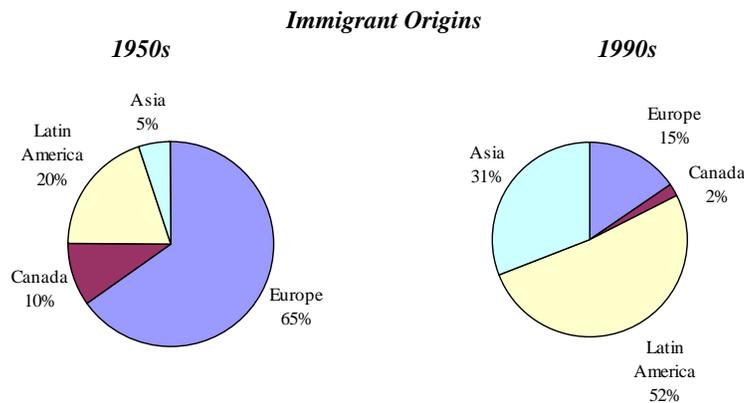
There are presently millions of immigrants represented not only in the service industry, but also in high-skilled fields, where nearly half of American Ph.D. holders are foreign born⁸⁸⁸. The new global economy knows no frontiers. Immigrants' contributions are more relevant now than ever if we are to remain competitive.

The pivotal role played by immigrants in the current U.S. labor market is well illustrated in the data gathered by the U.S. Department of Labor's Bureau of Labor Statistics (BLS). According to a recent study conducted by the Migration Policy Institute (MPI)⁸⁸⁹ using BLS data, immigrant workers are overrepresented in seven of the fifteen occupations expected to grow the fastest. The study also highlights the importance of immigrants to U.S. economic growth, citing low fertility rates among baby boomers and the inadequate U.S.-born labor force. From 1996 to 2000, immigrants were responsible for almost half (48.6 percent) of the increase in the U.S. labor force; from 2000 to 2004, they made up 60 percent of that increase.⁸⁹⁰

The Mechanism of Immigration Policy in Texas

Not since the first "Great Migration" at the beginning of the twentieth century has the nation's population been as affected by immigration as it is today. During the "Great Migration," the origin of immigrants shifted from the prosperous western and northern European countries to the less affluent southern and central European countries.⁸⁹¹ Many believed that the majority of these immigrants lacked education and were relatively unskilled. In 1921, Congress passed the Quota Act to limit the flow of immigrants into the country. Using information from the 1910 census, the Quota Act allocated the number of visas granted to immigrants each year based on the foreign-born population already residing in the country.

In 1965, immigration policy changed with the passage of the Immigration and Naturalization Act. The goal of family reunification and, to a lesser extent, employer needs became the main criteria used when granting a visa. As a result, immigrants today are more likely to come from Latin America and Asia than they were 50 years ago.



Source: Dallas Federal Reserve Research Department

One explanation for this shift is that the countries of the Western Hemisphere, including Mexico, were not originally included in the 1921 Quota Act. In fact, the 1965 Immigration and Naturalization Act placed limitations on countries in the Western Hemisphere for the first time in American history.⁸⁹²

A market-based immigration system would be ideal for the expansion of technology-based jobs and those of manual labor that are needed for the future national economic stimulus package.

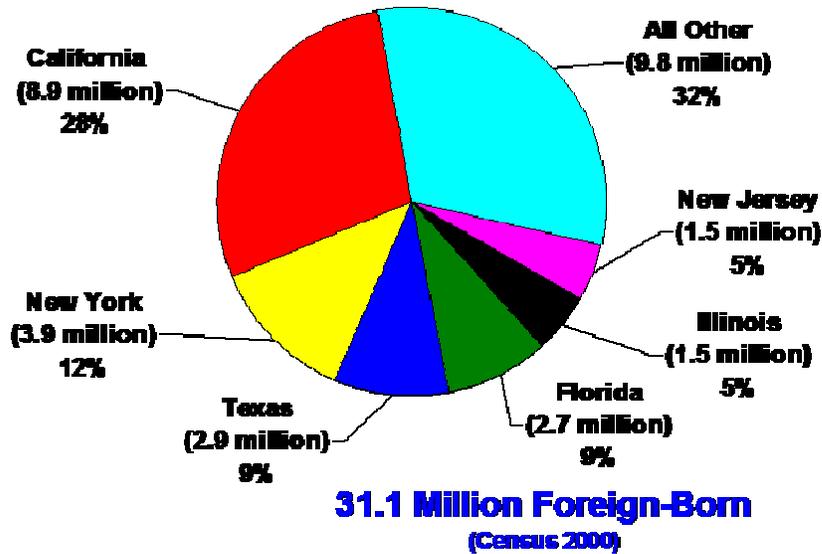
An example of this system can be seen in Canada, which follows a point system that is based upon the individual's future economic contribution to the country. The questions that immigrant applicants are asked are those of their personal levels of education, bilingual abilities, age, profession, income, and their adaptability and contribution to the country. The adaptability portion takes into account factors such as if they have ever studied in Canada, have a relative in Canada and any previous work experience in the country.⁹ Australia, New Zealand and members of the European Union have just adopted this policy in 2008.

Since 2002, more than 4.4 million immigrants have become US citizens. From 2002 to 2008, most applicants granted naturalization have been from Mexico and India.¹⁰ The national decline of illegal immigration is 300,000 people per year, which has steadily decreased each year. In September of 2008, the U.S. welcomed 39,000 new citizens.

Immigration in Texas

In Texas, immigrant workers have been essential to the state's economic growth, particularly in the agricultural sector. In 1942, the U.S. government passed the Mexican Farm Labor Program Agreement with Mexico, better known as the *Bracero* program, to supply much of the workers needed during WWII. The agreement, which was in effect until 1964, guaranteed a minimum wage and humane treatment of migrant workers. Initially, Texas farmers decided not to participate in the program and instead hired undocumented farm workers directly from Mexico.⁸⁹³ It was not until the end of the 1950s, after the passage of the "Texas Proviso," that Texas growers decided to fully participate in the program. The "Texas Proviso" clause in the 1952 Immigration and Nationality Act prohibited the prosecution of companies that hired undocumented workers. With few legal barriers, undocumented workers were easily able to travel and work in the United States. This policy continued until the 1986 Immigration Reform and Control Act started penalizing employers for hiring undocumented workers.⁸⁹⁴

Texas became a major residence for immigrants during the 1980s, when it became the fourth largest state with a foreign-born population in the nation.⁸⁹⁵ Since 1988, Texas has admitted an average of 84,372 legal immigrants each year, which is the third largest average annual admittance of immigrants in the United States.⁸⁹⁶ It is estimated that there are currently 2.9 million foreign-born residents of Texas.



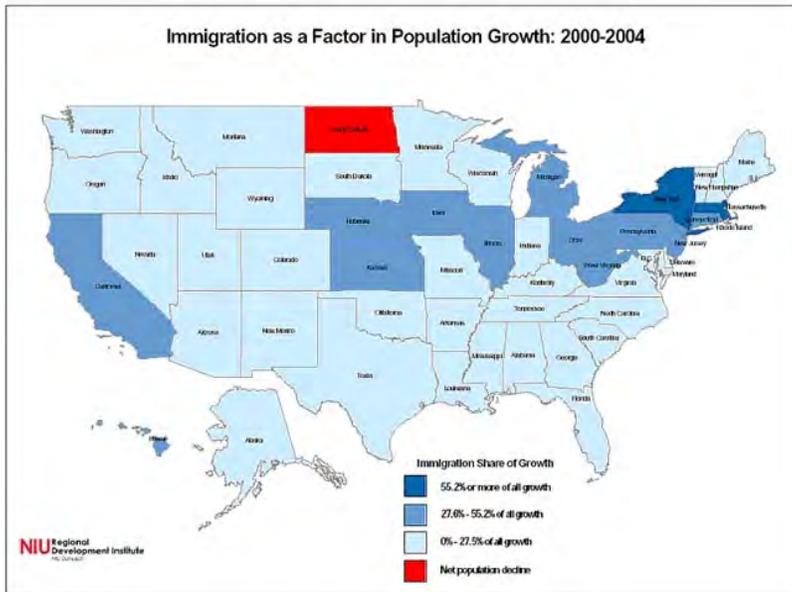
Jeffrey S. Passel & Michael Fix, Immigration Studies Program, The Urban Institute

Immigrants at the Local Level

Although studies have shown that immigrants pay more in federal taxes than they use in federal programs, it is more difficult to assess the impact of immigrants on state and local economies. Robert Paral, a researcher with the American Law Foundation, argues that while analyses of immigration contributions and costs generally show a net impact on state and local economies, these studies tend to ignore the effect that immigration has in areas where native population growth is minimal.⁸⁹⁷ When large numbers of immigrants settle in places with slow native population growth, it can create problems. For example, it may pose a burden on school districts, which may not have the capacity to enroll more students. On the other hand, as Paral explains, in places with native population loss, such as Chicago and Atlanta, immigrant labor may be critical to prevent factories from closing – which would result in an overall loss of jobs that would hurt the local economy.

It is also difficult to determine to what extent immigrants are displacing the native population. Paral addressed this question by analyzing immigration growth both at the state and county level. He found that although Texas is one of the immigrant "gateway" states, immigrants in general do not represent the majority of the state's population growth (see map one). At the

Map One

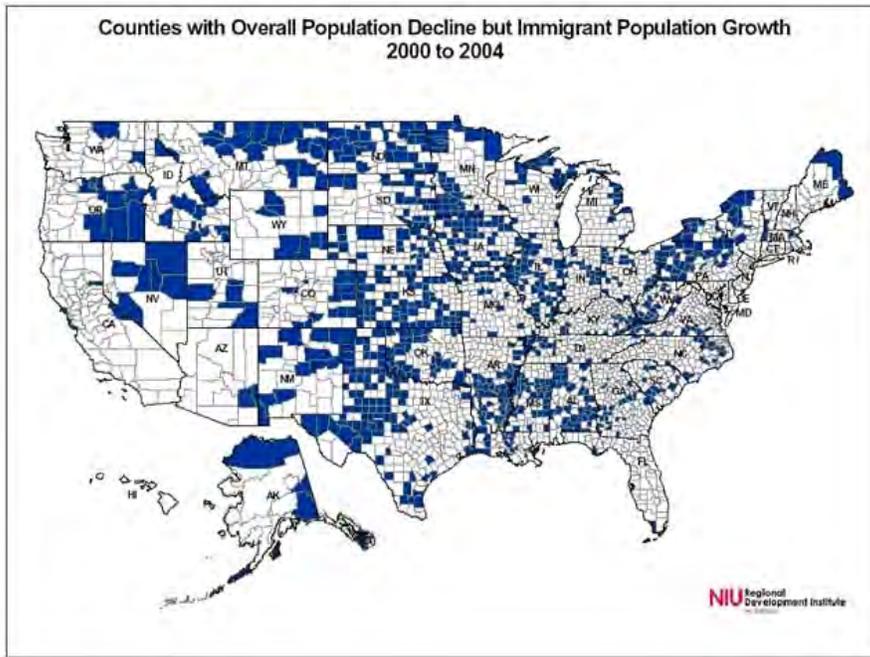


Source: NIU, Regional Development Institute.

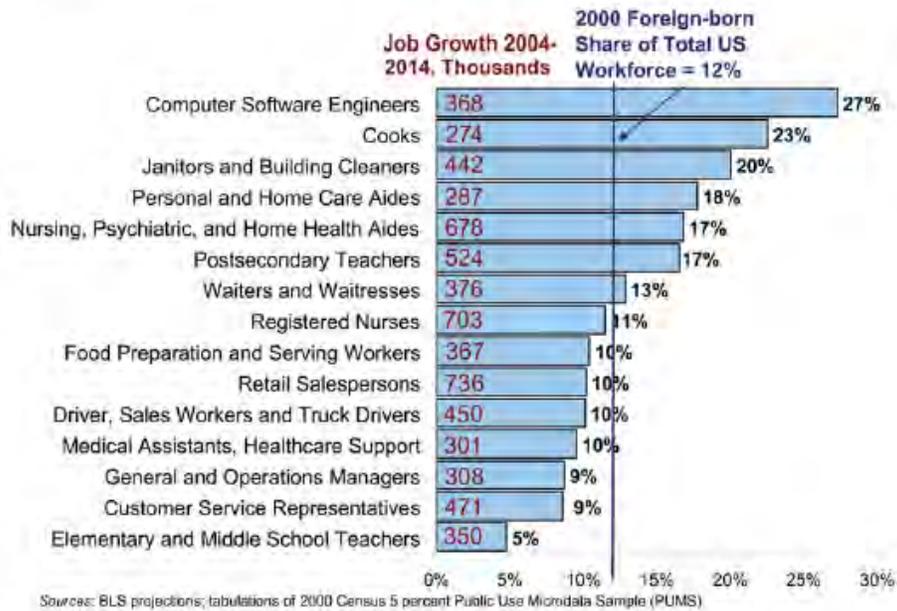
county level, there are significant variations in the impact of immigration on population growth. In many counties immigrants are driving the growth of the local economy, most notably in West Texas. Parol argues that it does not make sense to argue that immigrants in these areas – not known for their flourishing economies -- are driving out natives, but rather that natives are more likely leaving in search of better opportunities. (see Map Two)

Map Two

Foreign-born Share of the Fifteen Occupations with Largest Growth, 2004 to 2014



Source: NIU, Regional Development Institute.



The important role that immigrants have played and will continue to play in maintaining a prosperous U.S. economy is documented by numerous studies. The BLS projects that the U.S. work force will grow ten percent between 2004 and 2014, with a total of 162.1 million people working or looking for work in 2014. During the same period of time, baby boomers will age at an annual rate that is four times greater than the rate of growth in the labor force⁸⁹⁸. These projections must be considered when drafting immigration reform legislation. Myopic immigration reform that ignores these statistics will jeopardize our economic prosperity and competitiveness in the global economy.

In addition to the studies that demonstrate the important role of immigrants in our economy, business leaders have long acknowledged the invaluable contributions immigrants make to America's competitiveness. Take, for example, the comments made by Michael C. Maibach, Vice President of Intel Corp:

"Today's immigrants might not come here with much money, they might look different and speak strange languages, but their entrepreneurial spirit and desire to achieve is 100 percent American. People migrate to places where they can be free and permitted to succeed. Our company is better, our industry is more competitive, and our nation is more prosperous because of immigrants."⁸⁹⁹

Historic Amnesia and the Hostility to Our Southern Neighbors

The proportion of Hispanic Americans in the U.S. is not a recent phenomenon, a fact often overlooked in the current immigration debate. Spaniards came to the United States more than a century before the Pilgrims did. They entered through what is now Florida (Spanish for Florid) and spoke Spanish, not English. Ponce De Leon's search party reached Florida in 1513. The first permanent European settlement was founded in St. Augustine in 1565; Spaniards had explored almost half of the continental United States before Jamestown was founded in 1607. At the time, approximately half of the continental U.S. was owned by Spain. It was only through a series of wars and land purchases of these areas that control of the entire present-day American Southwest, including Florida, was wrested from Spain and Mexico to become part of the United States. The first citizens in those areas were Hispanic and some of those states remained majority Hispanic until the 20th century.

Public Attitudes Toward Immigration

In spite of negative, ill-informed and one-sided stances on immigration assumed by many lawmakers, the majority of Americans continue to uphold the attitude that Robert Kennedy espoused in his reflections on our faith in the "American ideal:"

"Our attitude toward immigration reflects our faith in the American ideal. We have always believed it possible for men and women who start at the bottom to rise as far as their talent and energy allow. Neither race nor place of birth should affect their chances,"⁹⁰⁰ he said.

This is not to say the American public is of one mind on the subject of immigration. Many Americans have been influenced by the persistent and negative perceptions of immigrants painted for them by lawmakers. Despite this, a majority of Americans continue to favor more inclusive solutions to the challenges brought by immigration. A poll conducted by the Pew Hispanic Center from October 3 through November 9, 2007 with results published December 19, 2007, found:

- Just over half of all Hispanic adults in the U.S. worry that they, a family member, or a close friend could be deported.
- Nearly two-thirds say the failure of Congress to enact an immigration reform bill has made life more difficult for all Latinos.
- Seventy-five percent of Latinos disapprove of workplace raids; some 79 percent prefer that local police not take an active role in identifying illegal immigrants; and some 55 percent disapprove of states checking for immigration status before issuing driver's licenses. By contrast, non-Hispanics are much more supportive of all these policies, with a slight majority favoring workplace raids and a heavy majority favoring driver's license checks.

In general, Americans understand that increased globalization not only boosts the movement of goods and capital across borders, but also the movement of people in search of the jobs created by globalization. Americans also appear to understand how much their lifestyle is dependent on the cheap labor of immigrants. Finally, Americans recognize the value of legalizing the hard-working immigrants who already contribute in so many ways to our economy by bringing them out of the shadows so they can reach their full potential and, in turn, enable America to reach its full potential.

The ability of Americans to rise above the politicians who use immigrants as scapegoats for the nation's economic woes, or exploit them for political gain, in favor of understanding immigrants as persons who, like all Americans, are deserving of a better life, is reminiscent of the famous words of Eleanor Roosevelt who, decades ago, asked and answered the following question:

"Where, after all, do universal human rights begin? In small places, close to home- so close and so small that they cannot be seen on any map of the world. Yet they are the world of the individual person: the neighborhood he lives in; the school or college he attends; the factory, farm, or office where he works. Such are the places where every man, woman and child seeks equal justice, equal opportunity, and equal dignity without discrimination. Unless these rights have meaning there, they have little meaning anywhere. Without concerted citizen action to uphold them so close to home, we shall look in vain for progress in the larger world."⁹⁰¹

Contrary to the nativist argument that immigrants weaken the U.S. culture by eschewing its customs and values, studies show that immigrants want to assimilate. For instance, a study by the Pew Hispanic Center, in collaboration with the Henry J. Kaiser Family Foundation, probed the attitudes of Latinos toward the English language⁹⁰². The study found that Latinos, regardless of income, party affiliation, fluency in English or how long have they been residing in the United States, believe that immigrants should speak English in order to become part of U.S. society. Further, the study found that "Latino immigrants are slightly more likely (57 percent) to say that immigrants have to learn English than native-born Latinos (52 percent)."

Assaults on the Spanish Language are Misguided and Unnecessary

Although some argue that the use of Spanish by immigrants living in this country threatens their ability to assimilate and poses a threat to the supremacy of the English language, research by the Population and Development Review rejects both arguments.⁹⁰³ The researchers drew data from two surveys conducted in southern California that both reflected the diversity of contemporary immigration and were representative of the "least-educated and poorest immigrants from Latin America and Southeast Asia." (449) They conclude that the use of spoken Spanish poses no threat the supremacy of the English language. The study also challenges Samuel P. Huntington's controversial book in which the author criticized Latino's lack of linguistic assimilation. Huntington wrote: "If the

second generation does not reject Spanish out of hand, the third generation is also likely to be bilingual, and the maintenance of fluency in both languages is likely to become institutionalized in the Mexican-American community." (2004:232) Huntington went on to explain that "(t)here is no Americano dream. There is only the American dream created by an Anglo-Protestant society. Mexican-Americans will share in that dream and in that society only if they dream in English" (ibid. 256). Contrary to Huntington's theory, the Population and Development Review concluded that Spanish and other languages spoken by immigrants do not represent a threat to the dominant language. While Latin American immigrants maintain the ability to speak Spanish better than other immigrant groups, by the third generation they lose that ability and become monolingual English speakers.

Clarifying the "Cost" of Immigration

Some of the most popular arguments against comprehensive immigration reform focus only on the "cost" of illegal immigration to the nation from the use of government programs, health care services, and education. These biased analyses fail to consider the considerable taxes paid by immigrants, which can outweigh the costs. For example, undocumented immigrants pay real estate taxes, sales and other consumption taxes just as citizens and legal immigrants do. These taxes fund the majority of state and local costs of schooling, health care, roads, and other services.

Evaluating the drain of immigration on the U.S. economy *without* taking into account their contributions through the tax system is referred to by economists as the "static" model.⁹⁰⁴ According to a recent report conducted by Immigration Policy Center, a non-partisan organization, the static model is flawed because it does not include the multiple roles that immigrants play in the U.S. economy. The static model, favored by critics of immigration, excludes the impact that immigrants have as workers, consumers, and entrepreneurs in the nation's economy. Economists that use the static model assume that immigrant workers do little more than increase the labor supply, hence lowering the wages of native workers and increasing the profits for businesses. One of the fallacies of this model is that it incorrectly assumes that immigrants and U.S. workers are interchangeable when, in fact, rather than substituting each other, immigrant workers complement the U.S. labor force. The Immigration Policy Center notes, for example, that less-skilled immigrant construction workers boost "the productivity of U.S.-born carpenters, plumbers, and electricians, but do not necessarily substitute for them." The most notable flaw in the static model is that it fails to account for immigrant's purchasing power, which in turn creates more jobs and invigorates the nation's economy. A study conducted by the University of Georgia⁹⁰⁵ demonstrates the relevance of the Latino buying power in the U.S. economy. It estimates that, from 1990 to 2010, the U.S. Latino buying power will grow by 347 percent, faster than African-American (203 percent) and Native American (240 percent) buying power and at the same pace as Asian buying power. The study attributes the growth in Latinos' purchasing power to their demographics, better employment opportunities, strong immigration and the relatively young Latino population entering the workforce.

According to the study by the Immigration Policy Center,⁹⁰⁶ a more comprehensive and therefore more accurate means to measure the impact of immigration on the U.S. economy would include all of the contributions made by immigrants and avoid an overly simplistic analysis of their impact on the U.S. native-born labor market. Known as the “dynamic” model, this approach demonstrates that immigrant earnings spent on housing and other goods and services increases demand, resulting in a stronger economy and higher employment (8).

Latino Buying Power

U.S. corporations are increasingly courting Latinos because of their buying power. For instance, Wells Fargo, one of the nation's top 10 corporate citizens and the second company ever to receive an award from the United Way of America for its corporate community involvement, became the first bank in the country to accept *matricula consular* cards as a valid form of identification.⁹⁰⁷ Wells Fargo's decision paid off: In 2004, the company had opened more than 500,000 accounts for Mexican immigrants using the *matricula consular*. According to their 2004 annual report, Wells Fargo opened an average of 22,000 new accounts each month, a seven-fold increase over the previous three years.⁹⁰⁸ In 2005, Wells Fargo not only increased the number of accounts opened with a *matricula consular*, but the corporation also expanded their remittances service to Central America.⁹⁰⁹

In a dwindling retail economy, immigrants are essential for an increased revenue and have contributed this fiscal season to increased sales from retail stores that target immigrants through bilingual advertising and ethnic targeted merchandise. A recent Los Angeles Times²⁰ article reported that immigrants' buying power in US retail stores is a major factor to the end of the year retail season. Latinos spent more than \$870 billion on consumer products. By 2015, that amount is expected to boom to \$1.3 trillion, or 12 percent of total U.S. purchasing power, according to Hispanic Business Inc. This is significant spending power in stores. Retail giants like Best Buy are now recognizing and responding through their marketing displays and service strategies.

Analysts agree that the future of the banking industry depends largely on the immigrant population. According to studies reported by the FDIC, it is expected that more than half of all U.S. retail banking growth in financial services will come from the still underserved Latino market.⁹¹⁰ A recent survey conducted by Texas Appleseed further demonstrates how financial institutions in the state are embracing the immigrant population.⁹¹¹ The study compared a 2004 survey of 33 Texas financial institutions with a similar survey of 32 institutions in 2006. Both studies were conducted to assess the services financial institutions offer in immigrant markets. The results showed that while in 2004 only a few banks offered products and services to the Mexican immigrant community, by 2006 these institutions have greatly expanded the products offered to the immigrant community. The following are some of the most prominent findings of the 2006 survey:

- 15 institutions now offered Spanish-language Web sites, compared to 8 in 2004.
- 27 now accept the *matricula consular* card to open an account.
- 17 institutions assist immigrants in filling out the forms needed to obtain an Individual Taxpayer Identification Number (ITIN).⁹¹²

Contrary to popular belief, banks are not the sole beneficiaries of immigrants' entry into the financial mainstream. As noted by *BusinessWeek*,⁹¹³ when financial institutions move immigrants out of the cash economy, they not only invest in banks, they also acquire credit cards, car loans and home mortgages; this in turn helps the U.S. gross national product because consumers with credit spend more than those with limited cash. When immigrants become more active consumers, they increase the taxes generated to pay for schools, health care, roads and other services – the very services they are accused of exploiting.⁹¹⁴

Allowing undocumented immigrants to save and invest also helps communities because it reduces robberies and crimes committed against immigrants. In Texas, local police and financial institutions have been working together to address this problem. According to the Austin Police Department,⁹¹⁵ in 2000 47 percent of the city's robberies were committed against Latino immigrants who carried large amounts of cash. To address the disturbing trend, in 2001 the police department and civic and business groups formed a coalition and created a project called *Banca Facil* - Easy Banking. The coalition's main objectives were to alert the community about the increase of crime against immigrants, appeal to Latinos to report crimes and convince potential victims "to secure their funds in financial institutions."⁹¹⁶ The successful program became popular around the country and was soon replicated in different cities. For example, in January of 2002 the Dallas and Fort Worth police departments, together with the Immigration and Naturalization Service, the Mexican Consulate and six financial institutions, created the Communities Banking for Safety program.⁹¹⁷ Similar to the Austin program, Communities Banking for Safety's ultimate goal was to reduce the number of robberies, burglaries and thefts. From a financial analyst's perspective, this approach to crime reduction is a win-win situation for communities and the nation overall: neighborhoods become safer, while the money immigrants bring to the financial institutions helps their local economies to grow.

Immigrants and Taxes

In April 2006, Standard and Poor's (S&P) conducted a report to study the impact of undocumented immigration in the United States.⁹¹⁸ The report noted that although it is difficult to evaluate the impact of undocumented immigrants on states' and localities' credit ratings, "many localities that attract high numbers of undocumented immigrants, such as California, Texas, Florida, and New York, also enjoy relatively low unemployment rates, healthy income growth and increasing property values, all of which contribute to stable financial performance."

The report also points out that previous studies have demonstrated that funds, originated from sales taxes paid by undocumented immigrants, compensate some of the costs that these immigrants generate. The study cited California, the state with the largest number of undocumented immigrants, and where, according to the report, undocumented immigrants, by paying sales taxes, generate roughly one-third to one-half of their cost to the state.⁹¹⁹ The report affirms that a more complete analysis should include not only immigrants' contributions through payroll and income taxes, but also real estate taxes they pay as homeowners or as renters. The Standard and Poor's report considers that industries that depend heavily in undocumented workers such as construction, agriculture, nursing home and health-care, would be negatively affected if current immigration patterns were severely restricted. The cost for employers in these industries would rise, and this cost would then be passed to the consumers.⁹²⁰

Further, according to S&P each year the U.S. Social Security Administration retains roughly \$6 billion to \$7 billion of Social Security contributions in an "earnings suspense file" (an account for W-2 tax forms that cannot be matched to the correct Social Security number"). This revenue in 2002 alone accounted for \$56 billion in earnings, or about 1.5 percent of total reported wages. Presumably, the majority of these unmatched numbers belong to undocumented immigrants who do not claim their benefits. Social Security Chief Stephen C. Goss, as well researchers from the Center for Urban Economic Development agree undocumented immigrants are the main contributors to these revenues⁹²¹.

In a study conducted in the Washington, D.C. metropolitan area from 1999 -2000, immigrant households paid nearly \$10 billion in taxes, or about 18 percent of all taxes paid by households in the region, a share that was proportionate to their share of the population. The report concluded that immigrants should be welcomed to the Washington D.C. area because of their significant and growing role on the region's economy and tax base.⁹²²

Early Signs of the repercussions caused by Anti-immigrant legislations

An article from the Los Angeles Times⁹²³ considers the negative consequences that restrictive immigration legislation may have in the U.S. economy. According to the article, in Georgia, the state that recently passed one of the most severe and far-reaching immigration laws, the number of Latinos buying homes has dropped considerably. Statistics from the U.S. Census⁹²⁴ show that, up until now, Georgia was the second-fastest growing Latino population in the nation, and 37 percent of Latinos were homeowners. According to information from the Home Mortgage Disclosure Act⁹²⁵, in Atlanta, Latino-purchased homes grew from about 3,500 in 1999 to 8,500 in 2004, and dropped by 4.7% since the act has been passed.

Jobs and Immigrants

A commonly held, specious premise at the heart of the debate on immigration is that undocumented immigrants take jobs away from native-born Americans. This xenophobic sentiment runs through much of the rhetoric of the conservative movement. Evidence of legislation that proved anti-sentiment towards undocumented workers was H.R. 2638, which became effective September 27, 2008 and funds a program called E-Verify. The online service, known as the Basic/Pilot Employment Eligibility verification program, is operated by the Department of Homeland security in partnership with the social security administration and allows participating employers to verify if an employee is legally allowed to work in the US. Funding for E-Verify will be extended until March 6, 2009.

The idea that immigrants steal Americans' jobs has persisted without much evidence proving it to be true. The biggest blow to this fallacious argument is the empirical evidence that disproves the link between undocumented immigrants and employment opportunities for native-born Americans, as was concluded in a study released by The Pew Hispanic Center⁹²⁶. The study points out that the overall growth of the economy is what determines employment opportunity for native-born Americans. Furthermore, it observes that even during the brief recession in 2001, there was no link between undocumented immigrants and loss of employment opportunity for native-born Americans. A study by the Pew Hispanic Center confirms these outcomes, finding no correlation between the size of a state's foreign-born population and the employment opportunities for native-born workers.⁹²⁷ The study used data from the U.S. Census Bureau during two time periods, 1990 to 2000 and 2000 to 2004. These are some of the conclusions:

- Nearly 25 percent of native-born workers in 2000 lived in states where a decade of rapid growth in the foreign-born population was associated with favorable outcomes for the native born.
- Only 15 percent of native-born workers lived in states where rapid growth in the foreign-born population was associated with negative outcomes for the native-born population.
- The remaining 60 percent of native-born workers lived in states where the growth in the foreign-born population was below average, but those native workers did not consistently experience favorable employment outcomes.
- Texas falls in a group of fourteen states with both above-average growth in the foreign-born population and above-average employment rates for native-born workers in 2000.

Not Only Working in Traditional Fields

Immigrants not only find employment in fields such as construction, meat processing plants, and agriculture, they work in some of the most grueling jobs necessary to keep our country safe and flourishing. In a recent report released by the Pew Hispanic Center, 8 percent of the total U.S. labor force is made up of Latino immigrants. Hispanic workers make up two thirds of the construction jobs in 2006, despite the decrease in the housing market.⁵⁰ According to a PBS 2002 report, budget cuts to the U.S. Forest Service during the 1990s made it difficult to recruit enough fire fighters – particularly for the most demanding and dangerous jobs needed to fight forest fires.⁹²⁸ The government turned to private contractors, who in turn recruited migrant workers from Mexico and Central America. According to a recent article in the New York Times, "as many as half the roughly 5,000 private firefighters based in the Pacific Northwest and contracted by state and federal governments to fight forest fires are immigrants, mostly from Mexico. And an untold number of them are working here illegally."⁹²⁹

In another example, immigrant labor was critical to the rebuilding of New Orleans following the devastation caused by Hurricane Katrina. Waivers of immigration laws made it easier for employers to hire undocumented immigrants to assist in the rebuilding effort.⁹³⁰ A Tulane-UC Berkeley study of more than 200 workers found that 25 percent of all the workers hired were undocumented immigrants who had moved to the area after the catastrophe looking for work, and 87 percent of them were already living in the country. The study also found that many of these workers were exploited by the unscrupulous contractors who hired them, while the federal government looked the other way. Undocumented workers received \$6.50 less in hourly wages than documented workers and frequently experienced problems being paid. The working conditions were dangerous, yet only 9 percent of undocumented laborers had health insurance, compared to 55 percent of documented workers.⁹³¹ The author of the study, Professor Fletcher, noted the contradiction between the treatment of the undocumented workers and the American belief that hard labor should be rewarded with fair pay. Fletcher writes: "It's inconsistent with American values, to say, 'You're here working six days a week, nine and a half hours a day, and you don't have any rights,'"⁹³²

Immigrant Eligibility for and Use of Public Assistance

Contrary to public perception, undocumented immigrants are ineligible for federal public assistance, including food stamps, Medicaid/Medicare, Supplemental Security Income, housing assistance, federal student financial aid, unemployment insurance, and cash welfare.⁹³³ Although undocumented immigrants using fake social security numbers subsidize Social Security and Medicare with approximately 8.5 billion dollars annually, these workers are not eligible to collect their benefits.⁹³⁴

Certain legal immigrants are also ineligible for federal public assistance. In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) imposed a five-year residency requirement before newly arrived legal immigrants can access federal public benefits, and gave states the option not to provide Medicaid, State Children's Health Insurance Program (CHIP), and welfare benefits to

legal immigrants after the five-year bar.⁹³⁵ Though Texas uses state funds to provide CHIP to legal immigrant children during their five-year bar, it is among only a handful of states that opted not to provide Medicaid or welfare after the five-year bar. Congress requires states to cover legal immigrant children under CHIP after the five-year bar, if they choose to operate a stand-alone program (not a part of Medicaid), which Texas does.

PRWORA was enacted ostensibly to reduce the burden on taxpayers caused by immigrant reliance on public assistance. Yet, numerous studies conducted before the passage of PRWORA found that immigrants consistently use fewer public services than native born Americans.⁹³⁶ In a joint study conducted by the International Migration Policy Program of the Carnegie Endowment for International Peace and the Urban Institute, researchers found that “there is no reputable evidence that prospective immigrants are drawn to the United States because of its public assistance programs.”⁹³⁷

The commonly held belief that immigrants represent a burden on the state and federal health care system is also unsupported by research. In a recent study published by the American Journal of Public Health, researchers found that “per capita total health care expenditures of immigrants were 55 percent lower than those of U.S.-born persons (\$1139 vs. \$2546).”⁹³⁸ The study analyzed data collected on 21,241 people in the Agency for Healthcare Research and Quality’s 1998 Medical Expenditure Panel Survey. The authors of the study concluded that their findings “show that widely held assumptions that immigrants are consuming large amounts of scarce health care resources are invalid; these findings support calls to repeal legislation proposed on the basis of such assumptions. The low expenditures of publicly insured immigrants also suggest that policy efforts to terminate immigrants’ coverage would result in little savings.”⁹³⁹

“Crowded” Emergency Rooms

Anti-immigrant reformers argue that undocumented immigration poses an enormous strain on the emergency health care system, since uninsured immigrants turn to the emergency room (ER) for both preventive and emergency care. Emergency care is one of the few services available to undocumented immigrants; this care is funded by federal emergency Medicaid and state and local governments.

Like other uninsured populations, immigrants are forced to use the emergency room to meet their health care needs. However, studies have shown that uninsured U.S. citizens are more responsible for high emergency room use than non-citizens are. In a recent study on the use of hospital emergency rooms by the uninsured, researchers found that “(c)ontrary to popular perceptions, communities with high (emergency room) use have fewer numbers of uninsured, Hispanic, and non-citizen residents.”⁹⁴⁰ Using data from a sample of about 46,600 people, the study found that the size of an area’s non-citizen population was not correlated with higher emergency room use. In fact, the communities with a larger share of non-citizens had a lower rate of emergency room use than in communities with a lower percentage of non-citizens. This suggests that many of

the people using emergency rooms who are presumed to be undocumented immigrants are, in fact, U.S. citizens. (See chart below.)

Variation In Population And Health System Characteristics Across Sixty U.S. Communities, By Quartile Of Emergency Department (ED) Use, 2003

Characteristic	Quartile			
	1 (high ED use)	2	3	4 (low ED use)
Sample size (persons)	11,880	13,370	10,016	11,274
Population characteristics				
Less than 100% of poverty	12.9%	14.7%	13.8%	11.3%
Less than 200% of poverty	32.5	35.1	34.1	31.3
Uninsured	12.0	12.7	13.8	14.8
Privately insured	59.6	61.4	58.7	60.1
Medicaid/SCHIP	9.5	9.8	10.1	10.4
Medicare	15.2	13.5	15.0	12.4**
Black	15.1	13.5	10.8	6.4**
Hispanic	8.8	8.0	16.5	24.9**
Noncitizen	4.1	3.8	7.4	10.3**
Under age 18	23.7	26.6**	24.9	27.1**
Age 65 or older	12.9	11.2	13.3	10.9
In fair/poor health	15.1	13.7	13.3	12.9
2+ chronic conditions	13.4	12.7	11.6	10.2**
Average population size	2,009,300	1,409,600**	1,798,100	3,238,300**

Source: All data based entirely on the Community Tracking Study (CTS) household survey, 2003.

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This study found that the most likely predictor of emergency room use is income: 97 percent of all ER visits were by people with income below the poverty level. The study did find that Hispanics were more responsible for using the ER in high ER use communities (65 percent of all visits) than Blacks (37 percent) or Whites (24 percent). However, ER visits by citizens outnumbered visits by non-citizen by almost 2 to 1. Most notably, the study found a high use of emergency rooms among Medicare and Medicaid recipients. This suggests that future increases in emergency room use will be driven by the growth in our senior population and baby-boom retirees, not by undocumented immigrants.⁹⁴¹ The following graph shows the use of emergency rooms by insurance coverage, race/ethnicity, citizenship and income.

Use Of Hospital Emergency Departments (EDs) In Communities With High And Low ED Use, 2003

	ED visits per 100 people		ED visits as a proportion of all outpatient visits (%)	
	High-ED-use communities	Low-ED-use communities	High-ED-use communities	Low-ED-use communities
All people	45.4	22.5**	21.0	14.2**
Insurance coverage				
Uninsured	71.2	15.6**	25.2	10.8**
Medicaid/state	90.8	33.0**	37.2	16.5**
Private	33.4	19.8**	18.0	14.1**
Medicare	42.8	28.6**	18.4	14.7**
Race/ethnicity				
White	37.7	20.3**	18.9	13.9**
Black	57.4	36.0**	24.0	18.4**
Hispanic	65.5	21.5**	25.5	13.7**
Citizenship				
Citizen	46.3	23.3**	21.3	14.4**
Noncitizen	24.3	15.5	12.1	11.9
Family income (as percent of poverty)				
<100%	96.5	33.4**	32.2	16.9**
100-199%	51.0	21.3**	23.1	13.5**
200-299%	46.2	24.8**	21.1	15.9**
300-399%	31.7	21.8**	19.3	13.7**
400% or higher	28.8	19.4**	16.3	13.2**

Source: All data based entirely on the Community Tracking Study (CTS) household survey, 2003.

**p < .05 Health Affairs.org

Even though undocumented immigrants are disproportionately employed in some of the occupations that pose the greatest health risk and are the least likely to have insurance, they are not to blame for the crisis facing the U.S. health care system. Attempting to solve the grave problems in our health care system by enacting laws that ignore many of the underlying causes and instead blame immigrants is a flawed approach that will do little to improve the health care system for U.S. citizens. Not only will limiting immigrants' access to health care do little to resolve these challenges, it will lead to a general deterioration in the health of the immigrant workforce, which will compromise out economic competitiveness. Physicians for a National Health Program (PNHP), an organization of 14,000 members and chapters across the country, proposes an alternative approach that will strengthen our health care system for all users. Instead of targeting immigrants as a means to address the inefficiencies of the U.S. health care system, PNHP urges lawmakers to consider a comprehensive single-payer national health program.⁹⁴² Olveen Carrasquillo, a member of the organization and co-author of a study on immigrants and the health care system argues: "The future economic success of the United States depends on a healthy immigrant workforce. Our findings suggest an urgent need for partnerships between health organizations and community groups to improve access to care, particularly for minority immigrants... a national health program that includes all immigrants would cost much less than is widely assume."⁹⁴³

Punitive Immigration Reform Would Have a Serious Negative Impact on the Nation, Texas and El Paso

Extreme enforcement-only immigration reform, such as that proposed by HR 4437, could criminalize not only undocumented immigrants, but also church groups, social workers and the family members who assist them. In El Paso, TX 67.7 percent of Hispanics are U.S. born according to the 2000 census bureau, and 41.8 percent of the population are foreign-born naturalized citizens. According to Human Rights First, this bill goes against our nation's commitment to protect those who flee persecution, a cornerstone of our great nation's foreign policy, and puts the U.S. in violation of its commitments under the Refugee Convention and its protocol of 1951⁹⁴⁴. The inclusion of a provision to legalize the millions of undocumented immigrants is the most realistic and humane response to the millions of undocumented and U.S. citizen children who have at least one undocumented parent.

The face of Texas is changing. In 1990, there were approximately 4.2 million Texans who declared themselves as non-White in the U.S. Census, representing a quarter of the state's population.⁹⁴⁵ From 1990-2000, the non-White population in Texas grew to approximately 9.9 million people, representing 48 percent of the total population. In 2005, at the national level, there were 6.6 million families in which one of the parents was unauthorized, and nearly two-thirds of the children living in these families were U.S. citizens by birth⁹⁴⁶. Since it is estimated that Texas represents the second state with the largest number of undocumented residents⁹⁴⁷, the negative effects of an enforcement-only policy would be felt in from El Paso to Brownsville and Laredo to Dallas.

These families include our teachers, our sons and daughters fighting in Iraq, our entrepreneurs, and our civil servants. Under enforcement-only legislation, these families could face the prospect of their grandparents, mothers and father, or brothers and sisters being deported because they failed to get the papers needed to become legal residents. These families shape our great state just like every other Texas family. Just as we have a responsibility to oppose policies that hurt our economic competitiveness when crafting immigration policy we also have a moral obligation speak out on behalf of these families who have worked so hard and contributed so much to making Texas the great state it is today.

America should never erect a wall between itself and Mexico our closest neighbor and No. 1 trading partner.

- *Across the world, walls are symbolic of failed and repressive efforts to thwart human freedom and prosperity. Instead of wasting precious resources on erecting a wall, the federal government should invest now in secure, fast and smart technology solutions to afford free trade and movement in our Hemisphere for the security of people and products.*

A giant wall on our southern border would not be effective in securing our borders.

Proponents of the wall use the rhetoric of security and protection, an improper paradigm from which this problem should be viewed. After all, few known terrorists entered this country via the southern border; instead, most had overstayed their visas. S. Leiken and Steven Brooke from the Nixon Center accumulated a database of 373 known suspected terrorists in the U.S. or Western Europe since 1993, and concluded that not one terrorist had entered the United States from Mexico.⁹⁴⁸

Despite mounting opposition to a fence along the U.S.-Mexico border, on September 29, 2006, the Senate approved the Secure Fence Act (H.R. 6061), authorizing the building of 700 miles of fence along the U.S. southwestern border. Many landowners, businesspeople, law enforcement officials, and environmentalists oppose the new law. A recent *Washington Post* article highlighted some of this project's most significant flaws.⁹⁴⁹

1. The passage of H.R. 6061 ignores the availability of cheaper and more effective technology to guard the border.
2. The cost of maintaining the fence would be extremely expensive, especially in areas where summer flash floods are likely to uproot sections of the fence.
3. Such a barrier would have a negative ecological impact on the region's wildlife, for example by impeding pronghorn sheep and jaguar from roaming freely between the United States and Mexico.
4. In order to build the fence, new roads would have to be built in some regions of the border, thus creating new routes to enter the U.S. illegally.
5. Because of probable lawsuits from environmental agencies and landowners, the deadline for the completion of the wall is unrealistic.

Despite these arguments, on October 26, 2006, President Bush signed The Secure Fence Act into law. This decision not only represents a misguided approach to resolving immigration problems, it is a waste of taxpayer money. Based on the cost of the existing fence along the San Diego-Mexico border, the House Appropriations Committee estimates that the fence will cost about \$9 million a mile, bringing the total of the fence at \$6.3 billion.⁹⁵⁰ The fence in San Diego was originally estimated to cost \$14 million, but met with logistical and legal hurdles that lead to huge cost overruns. The first nine miles alone cost \$39 million, and the fence has yet to be finished to this date. Though the California legislature has appropriated an additional \$35 million to complete the fence – for a total cost of \$74 million, or more than \$5 million a mile – for a decade, litigation has delayed completion of the fence.⁹⁵¹

Building a fence will do nothing to keep out the 12 million people who already live and work in the United States without authorization. The General Accounting Office found that as walls have gone up, the number of people who have died attempting to enter the U.S. doubled between 1995 and 2005.⁶² It also does nothing to address an even

larger problem: 40 percent of undocumented immigrants living in the United States did not enter the country illegally, they overstayed their visas.⁹⁵²

Former Secretary of State Colin Powell likens the fence to the Berlin Wall and similar attempts by Israel to keep out its neighbors. "The Berlin Wall did not work perfectly and the wall that the Israelis are putting up is not going to work perfectly. So, a wall alone is not the answer," Powell said.⁹⁵³

Although the politics of fear played a big role in the passage of the bill that authorizes the construction of the fence along the southern border,⁹⁵⁴ recent polls demonstrate that voters are growing wary and resentful of the government's use of this tactic to generate support for its policies. According to a recent article by the International Relations, Americas Program,⁹⁵⁵ the majority of people surveyed by the Chicago Council on Global Affairs, the Council of Foreign Relations, and the Program on International Policy Attitudes, agreed that the U.S. government utilizes Americans' fears when creating foreign policies. The respondents also agreed that the U.S. should draft foreign policy "in terms of being a good neighbor with other countries because cooperative relationships are ultimately in the best interests of the United States."⁹⁵⁶

The obvious international relations impact on El Paso's community alerted citizens immediately, and the Agricultural Workers were the first to organize the community. According to a report released by the Americas Policy Program on September 12, 2008 titled, "Cross Border Activists Escalate Fight Against 'Wall of Death'," on Aug. 29, 2008, a federal judge had quietly turned down a request for a preliminary injunction to temporarily stop the Department of Homeland Security from building a 700-mile wall in different sections of the border. The co-plaintiffs in the case included local governmental, environmental and humanitarian groups, and the Ysleta del Sur Pueblo. They sought the injunction until issues related to the DHS' waiver of more than 30 federal environmental and other laws to carry out the project were addressed. This case is currently being continued, despite Judge Montalvo's initial decision that the groups could not show that possible damages from the wall outweighed national security interests.

Many Americans agree, building a wall sends the wrong message to Mexico and the world. U.S. policy should focus on building bridges, not walls, because the construction of a wall at the border would impede the legitimate flow of commerce and people into and from Mexico.

The Fence's Potential Impact on Trade and the U.S. Economy

While achieving adequate security is a central issue along the border, security policies should not include highly fortified barriers that impede economic growth along the U.S.-Mexico Border. Areas like El Paso use their strategic location on the border to develop a strong economy, and can do so while maintaining citizens' safety. Our region

has the potential to build a strong and flourishing integrated regional economic zone if we capitalize on our strengths.

This costly solution to the border security issue is not one that is going to work for the El Paso community. The United States relies on Mexico economically. To date 85 percent of Mexico's total exports go to the U.S at a value of \$212 billion dollars and 51 percent of Mexico's total imports from the U.S. are valued at \$130 billion dollars. This wall in our border community is a physical sign of the federal government's ignorance of international camaraderie that we have with Mexico. The \$6.3 billion that the federal government plans to spend on the border wall would be better spent on developing the infrastructure of the region.

During a visit to The University of Texas of the Permian Basin, in October 2006, Nobel Prize winner and former Soviet President, Mikhail Gorbachev, commented on the importance of innovative ideas to control immigration flows and argued against the building of a fence along the US-Mexico border. In a reference to President Reagan's 1987 visit to the Berlin Wall, when Reagan told Mr. Gorbachev, "this wall should be torn down," Mr. Gorbachev said. "I don't think the U.S. is so weak and so much lacks confidence as not to be able to find a different solution, ... Now the United States seems to be building almost the Wall of China between itself and this other nation with which it has been associated for many decades and has had cooperation and interaction with." ⁹⁵⁷

This message was sent to President- Elect Barack Obama in a letter from the El Paso Border leadership, which included Sen. Eliot Shapleigh, Congressman Silvestre Reyes, County Attorney Jose Rodriguez, and city Rep. Steve Ortega. In the letter sent on December 4, 2008, they described the walls as "Muros de Odio," meaning walls of hate. The intended recommendations of alternatives to this border security issue was to increase staffing to secure borders through the Border Patrol rather than by a wall. This initiative would not only provide more jobs for this community, but it would decrease the amount of drugs that are illegally being crossed daily. Enforcement of laws are best served through officers, than walls.

Because international opinion reflects a general opposition to the fence, policy makers are working with organizations like the Border Legislative Conference (BLC), a group comprised of four states in the United States and the six states in Mexico along the U.S.-Mexico border, to devise alternative solutions. Unarguably, The events of 9/11 require the United States to rethink its international ports-of-entry. National security has been added to the mix of law enforcement and regulatory issues that must be addressed when devising policies to control and enforce our borders. The BLC is developing strategies to address these issues that promote stability and economic development along the Border, while developing strategic alliances across the different levels of government and with the Mexico authorities.

Building a wall also thwarts the main objectives of international trade agreements, such as the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA): to promote economic growth, increase exports by

eliminating barriers to trade and investment, and create jobs that support expanded trade. According to the Office of Trade and Industry Information (OTII)⁹⁵⁸, export-supported jobs account for an estimated 7.9 percent of Texas's total private-sector employment. Further, according to data released in 2001, 22.7 percent of all manufacturing workers in Texas depend on exports for their jobs.⁹⁵⁹

Since Mexico's entry into GATT and NAFTA, in 1986 and 1993, respectively, Mexico has become the United States' number one trade partner. In 2005, Mexico was Texas' largest market. Last year alone, Mexico received exports of \$50.1 billion (39 percent) of Texas's total merchandise export.⁹⁶⁰ In sum, while achieving adequate security is a central issue along the border, security policies should not include highly fortified barriers that impede economic growth along the U.S.-Mexico Border or the legitimate flow of commerce and people into and from Mexico.

Alternative solutions

- *As we consider ways to make our borders more secure, we should look at technological solutions that offer low-cost alternatives to the interdiction efforts of local law enforcement that lead inevitably to racial profiling*

A viable alternative to the virtual watch program or a wall would be the use of Unmanned Aerial Vehicles (UAV). UAVs current uses are mostly military, but they are being tested as a tool for law enforcement in North Carolina, Maryland, Los Angeles, and even Scotland. UAV technology has come a long way, as the high-end UAVs have incredible flight endurance, top speeds, and ranges. However, the smaller UAVs are a useful tool in patrolling the border. The Scan Eagle has been used to gather information for the U.S. Navy and has recorded 16 hour flight endurance. It has a 10-foot wingspan and does not require any sort of runway, as it is launched by a catapult and retrieved by catching a rope on the top of a 50-foot pole.

An even smaller, less costly alternative exists in the Raven, a hand-launched UAV currently used for "over-the-hill", short range surveillance in Iraq and Afghanistan. It is small, with only a four-foot wingspan, and is so easily operated that one of the best Raven "pilots" in the Iraq theater was a cook, according to the Defense Industry Daily. Col. John Burke even said that the controls resemble a PlayStation controller. Applying these unmanned military tools would prove to be more effective and less costly than hiring the extravagant amount of border patrol agents required to oversee a wall.

Unmanned Aerial Vehicles (UAVs) are currently being used in Iraq and Afghanistan for military purposes. They are also slated to be tested in Los Angeles to aid law enforcement in carrying their duties and provide an "eye-in-the-sky" by using technology capable of sending stream color video to an officer on the ground.

The technology behind UAVs is impressive. Some UAVs can flight for more than 40 hours, at 125 knots and have ranges of over 2500 nautical miles (4600 km).

There is also a growing wave of autonomous vehicles that do not need to be controlled in any way. It's plan is programmed and the vehicle flies. While the present can yield remote-controlled unmanned vehicles, the future will yield reliable autonomous vehicles. These planes are more effective than any wall could ever be.

Comprehensive Immigration Reform, such as S. 2611, discussed in the U.S. Senate, is a Sound Approach to Fair and Effective Immigration Reform.

- *For immigrants who have demonstrated citizenship, paid taxes, birthed children and grandchildren, our nation should grant citizenship under clearly defined guidelines.*

On May 25, 2006, the Senate passed a bill that would increase border security while offering a path to citizenship to undocumented immigrants. Contrary to the widespread negative sentiments associated with H.R. 4437, comprehensive immigration legislation, such as S.2611, has been welcomed by a wide array of organizations including the U.S. Chamber of Commerce, the Service Employees International Union (SEIU), and the U.S. Conference of Catholic Bishops.

We should support fair and comprehensive immigration legislation that balances border security concerns with recognition of the United States' demand for workers. This reform should include a guest worker program and a path to legalization:

We should support immigration policy that follows the main components of S. 2611, including the following:

1. A temporary essential worker program that would allow employers to sponsor low-skilled immigrant workers to obtain a permanent residence status. Students who entered the U.S. before the age of 16, and who have finish high school (or GED), would be able to apply for a conditional resident status, leading to a permanent status;
2. Undocumented students under 21 would satisfy the employment requirements by attending an institution of higher education or secondary school full-time;
3. A larger number of employment and family based green cards to promote family unification and reduce backlogs in application processing;
4. Development and implementation of plans regarding information-sharing, international and federal-state-local coordination, technology, and anti-smuggling;
5. Development of multilateral agreements to establish a North American security plan to improve border security;
6. Anti-fraud measures, such as biometric data on all visa and immigration documents;
7. Additional funding to states for reimbursement of the indirect costs relating to the incarceration of undocumented immigrants

The Texas National Guard Should Not be Deployed to Enforce Our Borders

- *In America, 'posse comitatus' means that our military guarantees our security from external threats not from domestic initiatives.*

The original intent of the Posse Comitatus Act, a Federal law enacted in 1878 at the end of Reconstruction, was to stop Federal soldiers from overseeing elections in former Confederate States. The guiding principle of Posse Comitatus is that federal troops are a separate entity from law enforcement. The law does include important exemptions, such as national guard units acting under the authority of the governor of a state to quell domestic uprisings, extreme emergencies like the release of nuclear materials, and the use of the Coast Guard in peacetime to combat smuggling. However, when these exemptions have been exploited to justify the use the military in civilian internal matters, such as enforcing immigration, the consequences have been fatal.

Take, for example, the shooting death of an 18-year old goat herder, Esequiel Hernandez Jr., by a camouflaged Marine leading an anti-drug patrol near Redford, Texas, on May 20, 1997. In response to this incident, the Pentagon appointed Major General John Coyne⁹⁶¹ to investigate and issue a detailed report on the events and circumstances that led to that fatal misstep. The main finding of the Coyne report was that the military should not be involved in domestic law enforcement: they are not prepared for it, they are not trained for it, and as a result they are inappropriate for it. Among its principal findings the Coyne report determined that:

1. The Marines involved in the incident did not receive sufficient training on the appropriate use of force among civilians;
2. Basic Marine Corps training is intended to instill an aggressive spirit as an essential component of combat skills;
3. More training is needed before junior, fully armed Marines are placed in a domestic environment to perform noncombat duties;
4. None of the training received by Marines prepares them to recognize the humanitarian duty to render aid; and,
5. The potential for civilian casualties in counter-drug operations should have been a recognized risk that was addressed in the planning and training of the Marines in this particular situation.

The U.S. Secretary of Defense at the time, William Cohen, suspended anti-drug patrols along the Border soon after Esequiel Hernandez was killed. Judith Miller, general counsel for the Department of Defense, bluntly told Secretary Cohen that should another Redford-like incident occur, "we will not be able to protect those involved from possible criminal action from state officials."

The ten-state U.S.-Mexico Border Legislative Conference concurred, issuing policy Statements in August 2005 and May 2006⁹⁶². These statements stipulated that 1) only experienced and certified immigration officials should be in charge of enforcing immigration laws, and 2) immigration enforcement programs should be methodically

planned to prevent the violation of U.S. and Mexico laws, human rights, and the loss of life.

- *Federal resources should focus on strategies to improve interdiction at Borders; limited state resources should not be diverted to support ill-conceived strategies that result in blatant racial profiling in our communities.*

Tragedies similar to the death of Esequiel Hernandez, Jr. are unavoidable if we pursue the misguided and dangerous policy of using the Texas National Guard to enforce our borders. The Texas National Guard is a unit of the U.S. military and is thus well trained in the laws of combat. In a combat situation, the first response of a military unit is to disable the enemy at whatever cost. In contrast, units of law enforcement are trained to avoid the use of deadly force, resorting to it only when all other options have been exhausted. The use of the Texas National Guard to enforce our immigration laws -- which should rarely, if ever, call for the use of deadly force -- is inappropriate and highly dangerous. Military personnel, aside from not having the proper training to enforce immigration law are likely unfamiliar with the culture of the communities living along the U.S.-Mexico border. The lack of knowledge about the border culture will create a tense environment between the people of the region and the military, potentially resulting in human and civil violations.

Examples from the past have proved that these situations have also exposed Border communities and state taxpayers to civil liability for civil rights violations. *Murillo v. Musegades*,⁹⁶³ the class action lawsuit filed against the INS in the El Paso community more than a decade ago, represents a clear case of civil rights violations. This lawsuit against the U.S. Immigration and Naturalization Service (INS) and thirteen of its federal agents documented the serious personal harm incurred by individuals when government officials violate basic U.S. laws. Plaintiffs in this case were subjected to violations of the Fourth and Fifth Amendments through the widespread unlawful searches, seizures, and harassment by the federal agents.

On May 26, 2006, the San Antonio Express-News reported that troops will be instructed to follow the rules of engagement that allow them to fire their weapons. Our state must retain the full control and authority over all matters relating to Texas military forces, including its organization, equipment and discipline. We must also demand that each guard receives the necessary training as dictated by the Coyne report.

We should keep in mind that deploying the Texas National Guard to the Border to enforce immigration laws as Hurricane season gets underway, represents an irresponsible act. This is a foolish waste of the limited resources Texas has for disaster response. It's also unlikely to significantly deter illegal immigration. An analysis of government data questioned whether the number of Border Patrol agents has any impact at all on the number of arrests made or leads to less illegal immigration. The analysis found that while the number of Border Patrol staff doubled over the past decade, arrests of illegal immigrants fell only about 10 percent.

Our great nation must develop an immigration policy that focuses on interdiction at the border's points-of-entry and makes a serious investment in the Border Patrol. We must not divert the limited resources we have for local law enforcement to the enforcement of our borders. The National Guard is trained for war, not immigration enforcement.

Immigration is not a state or local responsibility, but a federal one.

- *Funding a \$100 million expansion of a state immigration program, while budget shortfalls force cuts to vital state services including higher education and the Children's Health Insurance Program, is bad public policy.*

The Immigration Policy Center reported the number of undocumented immigrants who were formally "removed" from the United States, from about 187,00 in FY 2001 to a 160 percent increase at 300,000 immigrants removed in 2006. More immigrants are "voluntarily returning to their home countries after being detained. Efforts should be made by our government to ensure that these deportation practices are being handled in a humane manner."

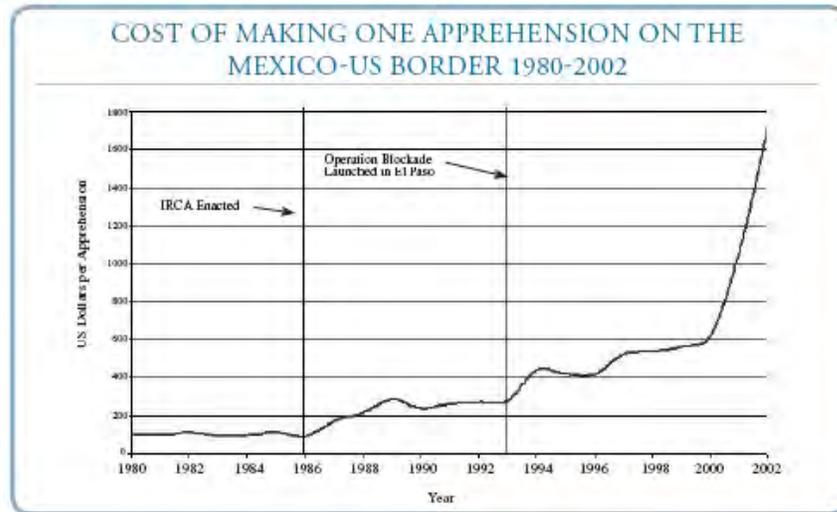
On June 1, 2006, Governor Perry announced a new three-part border security plan that includes the expansion of Operation Rio Grande and requests \$100 million in the next legislative session to finance long term border security operations and create a virtual border watch program, wherein hundreds of hidden cameras will line the border along with private property at a cost of \$5 million⁹⁶⁴:

Although Governor Perry stated that "Putting more officers on the ground has always been the best strategy for reducing all types of crime, from misdemeanors to drug trafficking and human smuggling, and this new commitment will make Texas safer," the approach to these immigration and border security issues is only a repeat of previous failed efforts. By exploiting isolated cases of criminal activity these policies only incite xenophobic sentiments in our population that will negatively affect our state socially and economically.

Failed border enforcement policies

Beefing up border security alone as a strategy is futile, which history has demonstrated time and again. In 1994, the federal government spent approximately \$900 million on border security and inspections. The Clinton administration increased this budget every year, spending quadrupled during his presidency, and illegal immigration continued unabated.^{emlxv} Under the Bush administration, spending has increased once again. For example, during the mid 1980s, arresting a person along the U.S.-Mexico border cost about \$100. After the introduction of operations Blockade and Gatekeeper in 1993 and 1994, the price of an arrest increased to more than \$400. Although the attacks of September 11, 2001 were in no way the result of undocumented immigration across our southern border with Mexico, after 9/11 Border Patrol resources were further

increased. In fact, in 2002 the cost of an apprehension reached \$1,700, a 467 percent increase in one decade.^{cm1xvi} All that money, however, has not bought any reduction in immigration. Strengthening the budget has simply increased the number of arrests and caused more innocent people to die, now immigrants cross the border in more remote areas and turn to more ruthless coyotes in the process.



Source: Immigration Policy Center, Douglas S. Massey

As a strategy to reduce the number of undocumented immigrants that enter illegally across our border with Mexico, in 1994 the former Immigration and Naturalization Service (INS) implemented the Southwest Border Strategy.^{cm1xvii} To discourage immigrants from entering the U.S. by forcing them to cross in more remote areas, this plan increased the number of Border Patrol agents in popular crossing points like San Diego and El Paso. However, INS greatly overestimated the number of immigrants who would be deterred from crossing the border through the more inhospitable terrain. A recent report by the Government Accountability Office documents the tragic consequences of the Southwest Border Strategy.^{cm1xviii} According to GAO, the number of immigrants dying, most of them from heat exposure, has increased as a result, doubling between 1995 and 2005. The number of immigrant deaths at the border, which now includes a growing number of female victims, went from 266 in 1998 to 472 in 2005 (1). Most notably, the increase in deaths occurred even though the number of undocumented immigrants crossing the border did not grow.

Regarding the virtual watch program, an extension of Operation Rio Grande, the cameras will exacerbate the very problem they are intended to solve and could result in civil rights violations. The program will further deplete scarce resources as the Border Patrol would be forced to check the reports often over a vast and rough terrain. Persons watching the border over the Internet don't have the training or the skills to recognize

immigration or any other federal law violation. We must consider that angry viewers could decide to take law into their own hands and confront immigrants or drug traffickers, which would be dangerous, or monitor the images for their own nefarious purposes.

Border Security

Today a major challenge facing border communities are Cartels

Our nation is dealing with a new generation of border issues and we need to focus on dealing with the increased violence across the border, aiding Mexico in a free-trade strategy, and helping bring prosperity to Mexico. Border cities, such as Laredo, El Paso, San Diego and Sierra Vista are all facing the challenge of how exactly to best protect their communities and sustain their relationship with sister cities across the border.

In a report released on December 29, 2008, General Barry R. McCaffrey USA (Ret) reported on his visit to Mexico and outlined a strategic and operational assessment of drugs and crime in Mexico⁷⁰. Gen. McCaffrey is the current adjunct professor on International Affairs at West Point. His report was based on a meeting of the International Forum of Intelligence and security specialist which is an advisory body to the Mexican federal law enforcement leadership.

The report stated the following about the current environment in Mexico:

A. The Mexican State is engaged in an increasingly violent, internal struggle against heavily armed narco-criminal cartels that have intimidated the public, corrupted much of law enforcement, and created an environment of impunity to the law.

B. Mexico's senior leadership – President Felipe Calderon, Attorney General Eduardo Medina-Mora, and SSP Secretary of Federal Police leader Genaro Luna are confronting the criminal drug cartels that have subverted state and municipal authorities and present a mortal threat to the rule of law across Mexico. The Mexican Armed Forces are being increasingly relied on by the Federal Government given the shortcomings of civilian law enforcement agencies.

C. The United States has provided only modest support to the Government of Mexico to date. The bold \$400 million per year Merida Initiative conceived by President Bush with both Canadian and Mexican Presidential participation was barely approved by the Congress after a divisive and insulting debate.

D. The incoming Obama Administration must immediately focus on the dangerous and worsening problems in Mexico, which fundamentally threaten U.S. national security. Before the next eight years are past – the violent, warring collection of criminal drug cartels could overwhelm the

institutions of the state and establish de facto control over
of northern Mexico.

broad regions

E. Mexico is not confronting dangerous criminality--- it is fighting for survival
against narco-terrorism.

In his report, Gen. McCaffrey points out the root of the problems in Mexico is
drugs. An estimate of eight metric tons of heroin is produced in a year and 10,000 metric
tons of marijuana is produced in Mexico. The report also mentions that 70,000 murders
that occurred in Mexico since 2006 have been related to the internal drug wars. A
vigilante group in Juarez, Mexico are warning Mexican Government Officials of
protecting the community from further violence from the drug cartels.

Gen. McCaffrey recommends that the new U.S. administration jointly commit to a
fully resourced major partnership as political equals of the Mexican Government.
Specifically he mentions that the U.S. Government should support the Government of
Mexico's efforts to confront the violence caused by the Mexican drug cartels. It is
important to recognize the violence across the border is an internal issue and has not yet
crossed the border to innocent bystanders.

An effective solution to undermine the power of cartels according to a January
2009 report released by the Woodrow Wilson International Center for Scholars at the
Mexico Institute, is "interrupting the flow of money from drug sales in the US to
Mexican cartel operations."⁹⁵
The legalization of drugs like marijuana that are in high demand in the US that are
benefiting the cartels has been introduced into conversation by the local municipal
government. Other means of
interrupting money flow from the US to Mexican cartels are still being examined.

In El Paso, we have many sources of protection provided by Ft. Bliss, U.S. Border
Patrol, the Sheriff's Office, and the El Paso Police Department. The violence on the
border however has affected El Pasoans that commute back and forth from Juarez to El
Paso for business. The El Paso Times reported on January 20, 2009 that a female Delphi
plant executive from El Paso fled a gunman in Juarez while entering the plant. The
Chihuahua state police have reported ransom and robberies are on the rise in Juarez.
Maquilas are a major part of our international economy on the border and strategic
measures are needed in order to ensure the safety of those employees that work on both
sides of the border.

In our view the best strategy is to adopt the New York City/Sicilian Mafia model
of the 1980's with multi-layer coordination between local police, sheriff's, DPS, DEA
and FBI along key drug corridors. In particular, DPS should work with a Texas team
(DPS, TDCJ, TXDOT) to prosecute and jail cartel leaders, and forfeit cartel assets on the
north and south corridors that these cartels use for warehousing and distributing illegal
products. Current policies designed around virtual immigrant hunts, discriminatory

driver's licenses, and voter suppression bills are policies designed around politics not good public policy.

U.S. Customs and Border Patrol currently has 2,400 agents employed along the U.S./Mexico border in the El Paso sector. In a CBP press release on June, 30, 2008, Gov. Perry stated, "Texas will not cede one inch to powerful and ruthless crime cartels or transnational gangs. To effectively shut down this criminal element along our border, we need the right compliment of technology and personnel." Texas' new initiative, "Texas Hold 'Em" focused on protecting the border from commercial truckers that intestinally smuggle illegal weapons, drugs or human across the border.

The federal office that has played a more active role in immigration policy has been The U.S. Immigration and Customs Enforcement (ICE), an office under the Department of Homeland Security.⁶⁷ In 2007, ICE executed an immigration enforcement strategy to target dangerous undocumented immigrants and employers that intentionally draw in illegal immigrants from across the border. The ICE financial report also included budgets from enforcement partners at the local, state, and federal levels.

Though ICE's priority in 2006 was to identify illegal employment practices in domestic companies, ICE arrested two men on charges of gun smuggling which has served as a far greater security initiative than the previous priority. ICE officials arrested two men on charges of conspiring to smuggle 11 AK-47 assault riffles into Mexico that would have contributed to cartel violence. Approximately 90% of the weapons confiscated from organized crime in Mexico are originally purchased in the US, the Wilson Institute reported and the report suggests identifying these purchases would be beneficial in the future.⁹⁶ In December 10, 2008 Ramon E. Ganadara, a U.S. citizen living in Juarez, was indicted for buying and possessing firearms between 2005 and 2008 and falsifying federal licenses for firearms.³ This example is proof that these agencies need not generalize international crime with illegal immigrants, but must also acknowledge our own citizens' contributions to international violence.

Local Law Enforcement Should Not Be Deployed to Enforce Our Borders

- *Local law enforcement neither welcomes, nor should it be given the powers to stop, interrogate, detain or otherwise participate in immigration enforcement activities.*

Leo Samaniego, Sheriff of El Paso County, conducted immigration raids in hotels and on job sites. He set up roadblocks where vehicle occupants are stopped and asked for their driver's licenses and car insurance information. He also ordered the detention and search of buses for the purpose of arresting undocumented immigrants. These were all potential violations of the U.S. Constitution, federal law, and the Texas Penal Code and

Code of Criminal Procedure. The newspaper El Diario de Juarez reported that Sheriff Samaniego and his deputies participated in at least seven immigration raids -- on February 9, 21, 24, March 14 and 15, and April 18 and 23 of 2006-- leading to the detention of 400 individuals.

The El Paso Sheriff's Department is trained to protect our county from violent crime and drug traffickers -- not immigration interdiction. Local sheriffs have no legal authority to enforce immigration laws. Past raids and roadblocks in El Paso are violations of the 4th Amendment, 42 USC §1983 and Code of Criminal Procedure, Article 2.131 through 2.138 related to racial profiling and will subject both the County and State taxpayers to liability for violations of the law.

Regarding the use of Operation Linebacker funds by El Paso County Sheriff Leo Samaniego to conduct roadblocks and enforce immigration laws, Sheriff Samaniego exposed the taxpayers of El Paso County and the state of Texas to potential civil liability for violating the civil rights of citizens under 42 USC §1983, which states:

"Every person who, under color of any statute, ordinance, regulation, custom, or usage, of any State or Territory or the District of Columbia, subjects, or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress, except that in any action brought against a judicial officer for an act or omission taken in such officer's judicial capacity, injunctive relief shall not be granted unless a declaratory decree was violated or declaratory relief was unavailable."

On May 19, 2006, Senator Juan Hinojosa (D-McAllen), Chair of the Texas Senate Hispanic Caucus, expressed his concerns regarding Sheriff Samaniego's use of Operation Linebacker funds for immigration raids and roadblocks through a letter directed to Governor Perry. In his letter, Senator Hinojosa stated, "These raids and roadblocks are questionable in their legality, may give rise to civil rights lawsuits against Texas, and will distract local law enforcement from focusing on criminal activity such as drug trafficking and violent crimes."

The Sheriff's Department of El Paso has no legal authority to engage in immigration enforcement. While our nation has an obligation to protect its borders and enforce its immigration laws, the appropriate and only authority to carry out these duties is the U.S. Border Patrol. In asking his deputies to engage in immigration enforcement activities for which they have no authority, Sheriff Samaniego exposed his staff to serious liabilities, both civil and criminal. Under Texas law, such actions may constitute violations of the Code of Criminal Procedure, Article 2.131 through 2.138 related to racial profiling. Further, on Friday May 26, 2006, a lawsuit was filed in U.S. District Court in El Paso (EPO6CA0188) against the El Paso County Sheriff Department charging it with violations of Fourth Amendment rights, based on the illegal search,

detention and arrest of six undocumented immigrants on a bus headed toward Forth Hancock on March 21, 2006.

Not all border sheriffs agree with Samaniego's procedures on immigration enforcement. On May 27, 2006, the McAllen Monitor⁹⁶⁹ reported that Hidalgo County Sheriff Lupe Treviño introduced a new policy, modeled after one in Houston, which states: "Deputies shall not make inquiries as to the citizenship status of any person, nor will deputies detain or arrest persons solely on the belief that they are in this country illegally." Sheriff Treviño stated that "if we deviate from this, we put ourselves in a litigious position." The bottom line, added Sheriff Treviño, is that "Texas police officers are obliged to follow the code of criminal procedures. It is clearly not the duty of a police officer to detain solely based on immigration status." In that same news story, Houston Police Department spokesman Lieutenant Robert Manzo, stated that "roadblocks are rarely used in their department because the legality of such roadblocks is often challenged."

If we don't put a final stop to these daily violations of the Fourth Amendment and Texas racial-profiling laws, thousands of Americans of Hispanic descent will be subject to searches and detention simply because of the color of their skin. When U.S. citizens along the Border are discriminated against based on the color of their skin, or permitted to be detained without a reasonable suspicion that they have violated any crime, the quality of life for all U.S. citizens living along the Border will deteriorate.

Immigration and the Texas Economy

As the chart *Estimates of the Unauthorized Migrant Population* shows, the total undocumented population in Texas is between 1.4 and 1.6 million, ranking Texas as the second state in the nation with the largest undocumented immigrant population.

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	U.S. total 11,100 (10,700-11,500)
California	2,500-2,750
Texas	1,400-1,600
Florida	800-950
New York	550-650

Source: Pew Hispanic Center

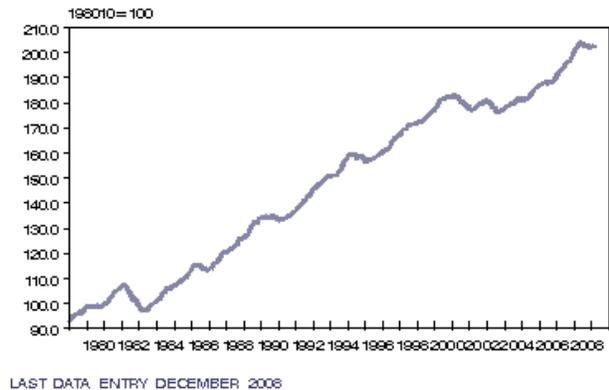
Although conservative groups emphasize the negative impact that immigrants have in Texas,⁹⁷⁰ numerous studies contradict this assessment. Despite the immigration

turmoil in Texas' border communities this year, business growth at the border exceeded the state average (chart 1). The Federal Reserve Bank of Dallas concludes that the Texas economy will not improve until the second half of 2009.

Chart 1

METRO BUSINESS—CYCLE INDEX: EL PASO

MONTHLY, SEASONALLY ADJUSTED, 1980=100



On August 28, 2006, a coalition formed by the Texas Association of Business (TAB) announced a campaign to advance their opposition to enforcement-only immigration reform, which they contend would have a disastrous impact on the state's economy.⁹⁷¹ This coalition, made up of 36 business leaders, published an op-ed asking Congress to pass a comprehensive immigration bill that would provide a pathway to citizenship for undocumented workers. In support of their request, the coalition argued that Texas economy depends heavily on and benefits from its undocumented workforce. The group noted the change in the native workforce, the small number of high school dropouts looking for unskilled work, the retiring of baby boomers, and the decline in fertility rates among natives as the primary reasons that undocumented labor is so critical to Texas. The businessmen emphasized that they were not looking for "cheap labor," but for *available* labor. According to the group, a typical construction worker earns more than \$50,000 a year including overtime pay. Despite such good pay, few young Americans are willing to do the hard labor required of these jobs, argued the TAB coalition.

The coalition also argued that without immigrant labor, the agricultural and construction industries would suffer: produce would perish in the fields with no workers to harvest it, construction in the school system alone would come to a standstill, and regional economies would be disrupted. The chairmen, CEOs, and stockholders on the TAB coalition concluded that immigrants not only contribute to Texas economy, but also

renew and reinvigorate the country. They added that their companies will only support immigration reform that values these contributions, helps immigrants achieve the American dream, and enables business to operate within the law.

The FAIR organization released a report that estimated Texas tax payer burden on illegal immigrants accounted to a grand total of \$4.7 billion dollars a year which accounts primarily for health care, education, and loss of domestic jobs.

In December of 2006, the Texas Comptroller released a special report countering this argument. In 2006, undocumented immigrants in Texas contributed to \$1.58 billion in state revenues, which exceeded the \$1.16 billion of state services that were consumed. Undocumented immigrants actually contributed to the Texas' state budget and economy. This report audited the true statistics of money that immigrants generate to the state of Texas, and their contribution to the economy, through labor and consumerism. According to the facts shown in the Texas Comptroller's Special Report, Texas would loose money if it were not for immigrants contribution to its economy. The following charts were produced by the Texas Comptroller's Report.

EXHIBIT 16
Estimated Regional Effects of the Loss of 1.4 Million
Undocumented Immigrants from Texas in 2005

Council of Government Region	Percent Change from Baseline in 2005				Percent Change from Baseline in 2025			
	Labor Force	Population	Employment	Gross Regional Product	Labor Force	Population	Employment	Gross Regional Product
South Texas	-22.7%	-16.4%	-7.6%	-7.4%	-7.3%	-6.8%	-6.4%	-5.2%
Rio Grande	-20.7%	-15.3%	-6.9%	-6.8%	-6.4%	-6.0%	-5.8%	-4.7%
Lower Rio Grande	-20.6%	-14.8%	-7.9%	-8.1%	-6.5%	-6.2%	-6.4%	-5.7%
Middle Rio Grande	-17.9%	-13.0%	-5.2%	-4.7%	-4.3%	-4.2%	-4.0%	-2.8%
Houston-Galveston	-7.1%	-6.7%	-2.7%	-2.4%	-2.6%	-3.7%	-2.5%	-2.0%
Permian Basin	-6.0%	-5.3%	-1.9%	-1.6%	-1.9%	-2.8%	-1.7%	-1.3%
North Central Texas	-5.5%	-5.3%	-2.0%	-1.8%	-1.7%	-2.5%	-1.7%	-1.2%
Alamo	-5.0%	-4.1%	-1.9%	-1.9%	-1.5%	-1.6%	-1.5%	-1.3%
Capital Area	-4.3%	-3.9%	-2.0%	-1.8%	-1.3%	-1.5%	-1.4%	-1.0%
Panhandle	-4.3%	-3.8%	-1.2%	-1.1%	-1.1%	-1.8%	-1.1%	-0.8%
Concho Valley	-4.0%	-3.3%	-1.3%	-1.2%	-1.0%	-1.1%	-1.0%	-0.8%
Heart of Texas	-3.2%	-2.8%	-1.3%	-1.3%	-1.1%	-1.3%	-1.1%	-1.0%
Golden Crescent	-3.0%	-2.4%	-1.3%	-1.3%	-1.2%	-1.3%	-1.1%	-1.1%
Coastal Bend	-3.0%	-2.4%	-1.3%	-1.2%	-1.2%	-1.2%	-1.1%	-1.0%
Brazos Valley	-2.9%	-2.7%	-1.7%	-1.7%	-1.6%	-2.0%	-1.6%	-1.5%
Deep East Texas	-2.5%	-2.3%	-1.2%	-1.1%	-1.2%	-1.4%	-1.1%	-0.9%
East Texas	-2.5%	-2.4%	-1.1%	-1.1%	-1.1%	-1.5%	-1.1%	-0.9%
South Plains	-2.4%	-2.1%	-1.0%	-1.0%	-0.9%	-1.1%	-0.9%	-0.8%
Central Texas	-2.4%	-1.6%	-0.7%	-0.7%	-1.2%	-0.6%	-0.6%	-0.5%
West Central Texas	-2.1%	-1.7%	-0.8%	-0.8%	-0.7%	-0.9%	-0.7%	-0.6%
Texoma	-2.0%	-1.9%	-1.0%	-0.9%	-1.0%	-1.3%	-0.9%	-0.6%
Ark-Tex	-2.0%	-2.0%	-0.8%	-0.8%	-0.8%	-1.4%	-0.8%	-0.6%
Nortex	-1.8%	-1.4%	-0.6%	-0.5%	-0.6%	-0.6%	-0.5%	-0.4%
South East Texas	-1.7%	-1.7%	-1.0%	-0.9%	-1.0%	-1.4%	-1.0%	-0.8%

Source: Carole Keeton Strayhorn, Texas Comptroller of Public Accounts.

EXHIBIT 15
Estimated Effects of Removing 1.4 Million
Unauthorized Immigrants from Texas in 2005

	2005	2010	2015	2020	2025
Total Employment loss	298,000	287,100	293,800	296,300	302,700
Total Gross Regional Product loss (Billions of Fixed 2000\$)	\$17.7	\$18.7	\$20.5	\$21.4	\$22.6
Personal Income loss (Billions, current dollars)	\$18.5	\$19.0	\$24.6	\$32.6	\$42.9
Loss in Exports to Rest of World (millions of Fixed 2000\$)	\$66.5	\$390.1	\$548.0	\$387.7	\$123.9
Net Population loss from baseline	1,309,000	1,033,000	899,400	831,300	784,400
Labor Force Loss	714,100	494,000	340,500	281,200	281,600

Source: Carole Keeton Strayhorn, Texas Comptroller of Public Accounts.

Educating Our Young Immigrant Population Should be a Top Priority

Texas policy should recognize the value of giving young immigrants the tools they need to become full participants in the Texas economy. Knowing that today's young immigrants are tomorrow's taxpayers, we should ensure they have access to quality public education and the opportunity to get a higher education. We should not only maintain Texas as one of the vanguard states in which undocumented students can qualify for in-state tuition, but also increase our investment in higher education. Immigrants that learn more, earn more. Even the U.S. Supreme Court has adopted a policy that speaks about educating our future leaders, regardless of immigration status. In its opinion, the court cited the many negative consequences of preventing undocumented immigrants' access to education.

Texas Should Not Tax Immigrants' Remittances

Most immigrants do not come to the United States to stay permanently, but for temporary employment. In 2003, 78 percent of immigrants came to the United States to seek employment.⁹⁷² A primary motive for immigrants from less developed countries to seek employment in more developed countries like the U.S. is to gain greater access to capital.⁹⁷³ Developing countries tend to have under-developed economic markets and jobs that provide little or no insurance for workers. Given this reality, families often send a member to work abroad in an advanced market, and send money back to support the family at home.⁹⁷⁴

Known as "remittances," these payments play a vital role in the global economy⁹⁷⁵ and have become a major source of support for many developing countries.⁹⁷⁶ In 2002, remittances yielded \$72.4 billion in revenue for developing countries.⁹⁷⁷ Remittances provide investment funds and capital for families in developing countries, where it is often difficult to obtain loans or commercial credit. This capital benefits the foreign exchange reserves and wealth of the recipient economy; it also provides relief to the macro economy by fostering greater economic activity.

Currently, legislatures in Texas, Arizona and Georgia are considering taxing immigrants' wire transfers to create revenue sources for health care funding. A tax on the money immigrants send their families would be a discriminatory act that targets only a group of health care users. By taxing remittances, legislators are not only condoning double taxation, but also impeding economic development. Take for example the social networks of Mexican immigrants, better known as Mexican Hometown Associations (HTAs)⁹⁷⁸. These social groups promote the well being of their hometowns through financial contributions in the form of remittances, and economic development, thereby reducing migration to the U.S. Rather than taxing remittances, we should support bilateral agreements such as the U.S.-Mexico Partnership for Prosperity and Mexico's 3 for 1 programs. Imposing additional costs on immigrants' remittances would disrupt these grassroots movements, and thwart bilateral cooperation aimed to reducing the pressures of migration to the U.S.

According to a recent study⁹⁷⁹, remitters already pay a high cost when they send wire transfers. The study shows that reducing the current fees on remittances, from 10-15 percent to 5 percent for the amount remitted, would result in more than \$1 billion a year being sent by some of the poorest U.S. households to their families in their countries of origin. This revenue not only would benefit the families outside of the United States, but also the local economies of the communities when remitters reside.

Conclusion

The United States needs to adopt fair and effective immigration reforms that strengthen its borders and protect its citizens from those who would do us harm; recognize the economic importance of immigrants; maintain our historical commitment to offering a safe haven for those fleeing persecution in their home country; and keep immigrant families intact. Such an approach is both economically and politically feasible. Texas needs to do its part by eschewing policies that place immigrant families and communities at risk in violation of the rights guaranteed by the U.S. Constitution. Texas should also recognize the vital role that immigrants play in our economy and expand its commitment to helping young immigrants grow into productive and contributing members of our society.

Texas Borderlands 2009

Democracy's Front Line



Texas Senator Eliot Shapleigh
District 29
El Paso, Texas
February 2009

Leading up to the 2008 election, general unhappiness with the state of the country created a mad rush to increase voter turnout. Presidential candidates utilized popular social networking Web sites (e.g., MySpace and Facebook) and text messaging to reach individuals who might not have otherwise sought political information. Potential voters had several reasons for their lack of interest in the political process, including a lack of focus by the presidential candidates on the truly important issues and distrust by the people that the political process is a genuine avenue for change.

Despite the excitement surrounding the presidential election, there were few changes in voter turnout in Texas. Areas of the state with historically low voter turnout did not experience a significant increase in participation that would have reversed past voting trends. Notably, these regions of the state also rank poorly in terms of health care, education and housing. Texas' working families are at the front line of our economy, but they often give up much of their power by not casting their vote.

Nationwide voting trends help us to understand which individuals are more likely to vote. In addition, election outcomes help to highlight differences within communities and senate districts. This chapter will describe national and state voting trends and identify some of the barriers to increasing voter turnout.

National Voting Trends

Among those eligible to vote are U.S. citizens who are 18 years of age or older. The number of citizens of voting age increases with every election. For example, the voting age citizen population in the 2004 Presidential election increased from the 2000 election by 11 million people.^{cmlxxx} Even with the increase in voting age citizen population, voter turnout reached a record high at 64 percent in 2004.^{cmlxxx1} The total number of people who voted was 126 million, which was a 15 million increase from the 2000 presidential election.^{cmlxxxii}

Historically, young voting age citizens have the lowest turnout, while older age citizens over the age of 55 have the highest voter turnout. One reason for this is that young adults are less likely to register because they move more often than other age groups. In 2004, the voting rate for citizens 55 years and older was 72 percent as compared with 47 percent among 18 to 24 year-old citizens.^{cmlxxxiii} According to Thomas Patterson, a professor of government at Harvard University and author of the book Vanishing Voter: Public Involvement in an Age of Uncertainty, "[y]oung people in every democracy turn out at lower rates than other older adults."^{cmlxxxiv}

Voting rates vary depending on educational attainment and income. Young adults with at least a bachelor's degree are more likely to vote than young adults with lower levels of educational attainment.^{cmlxxxv} In 2004, the voting rate among citizens living in families with annual incomes of \$50,000 or more was 77 percent as compared with 48 percent for citizens living in families with incomes under \$20,000.^{cmlxxxvi}

Differences in voting rates among different race groups are largely due to registration. The majority of registered voters among all racial and ethnic groups voted in the 2004 election—89 percent of non-Hispanic whites, 87 percent of blacks, 82 percent of Hispanics, and 85 percent of Asians.^{cm1xxxvii} It is estimated that 12.1 million Latino voters were registered prior to the 2008 general election—the vast majority of them after 2006—and that 9.7 million Latinos voted in 2008, a turnout rate of 80 percent. This decline in turnout is attributed to the large increase in Latino voter registration in Texas and California, which, as uncontested states, were not targeted with voter turnout efforts by national campaigns.^{cm1xxxviii}

The Latino vote is complicated because of the lack of data on the Latino or Hispanic population. In the past, research has been conducted using surveys that do not provide a large enough sample of the Latino population.^{cm1xxxix} Research conducted using a large sample suggests that nationally, Latinos are more likely to have large components of the population with characteristics that predict high levels of non-voting: relative youth, low levels of income, and low levels of formal education.^{cmxc}

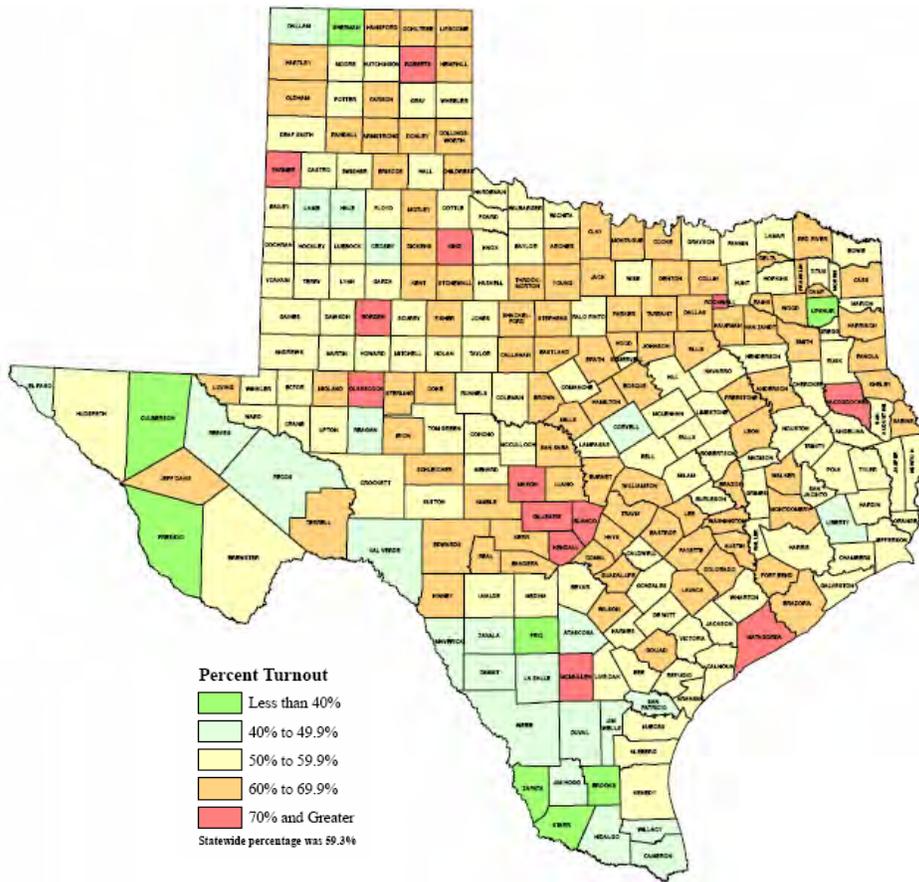
The Latino population in the United States is diverse and heterogeneous. The three largest Latino groups are Mexican Americans, Cuban Americans, and Puerto Rican Americans. Each of these Latino groups have differences in educational attainment, family income, residential stability, country of origin, and length of time living in the United States. These differences are reflected in voter preferences in the 2008 general election in which Mexican and Puerto Rican voters favored Obama over McCain by 46 and 50 points, respectively, and Cuban voters favored McCain by nearly 40 points.^{cmxc1}

An important factor to remember about the Latino population is that the Latino voting age population is greater than the population of Latinos who are U.S. citizens and eligible to vote. Based only on the voting age population, the Hispanic voting rate for the 2004 Presidential election was 28 percent.^{cmxc2} This figure suggests that Hispanics are disinterested and don't care about voting. Yet, when the Hispanic voting rate is calculated based on voting age citizen population, the rate jumps up to 47 percent.^{cmxc3}

Statewide Voting Trends

In the 2008 general election, overall turnout in the state was 59.3 percent, up from 50.3 percent in 2004.^{cmxc4} In 2008, 1.6 million votes were cast by Texan Latinos, representing statewide increase in voter turnout among Latinos of 20 percent.^{cmxc5} However, turnout did not increase uniformly across the state. In the 2008 general election, turnout along the border region did not change significantly from the November 2004 election. The *2008 General Election Voter Turnout* map illustrates voting rates across the state on a county-by-county basis. The map clearly demonstrates that the counties along the Texas border region have the lowest voter turnout rates in the state.

2008 General Election Voter Turnout



Source: Texas Legislative Council

The border county with the highest percentage increase in voter turnout was El Paso County, with a 2.07 percent point increase. In contrast, Dallas County had an increase of 5.35 percentage points. Although voter turnout in Hidalgo County only increased from 42.13 to 42.83 percent (by about 27,000), the number of registered voters increased significantly (35,505). The increase in participation in Hidalgo County was a major success for the border region. Nonetheless, voting in the non-border region surpassed that of the border region. In Tarrant County, the number of registered people increased by more than 46,000 and voting increased by more than 68,000. While some counties experienced large increases in registration and voting, other counties increased voting without a dramatic increase in registration. In El Paso County, registration only increased by about 7,000 but turnout increased by a couple of percentage points. Dallas County actually experienced a slight decrease in registered voters but still had a higher

increase in turnout than those counties that significantly increased their number of people registered.

2008 General Election Results by County

County Name	Total Votes	Registered	2008 Turnout %
Harris	1,171,472	1,959,284	59.97
Dallas	738,463	1,206,543	61.2
Collin	298,583	425,091	69.76
Tarrant	628,553	965,232	65.11
El Paso	185,233	388,498	47.67
Hidalgo	130,784	305,316	42.83
Cameron	75,657	174,428	43.37

2004 General Election Results by County

County Name	Total Votes	Registered	2004 Turnout %
Harris	1,067,968	1,937,072	55.13
Dallas	687,709	1,231,291	55.85
Collin	245,154	369,412	66.36
Tarrant	560,141	918,656	60.97
El Paso	169,573	371,856	45.60
Hidalgo	113,683	269,811	42.13
Cameron	69,156	162,369	42.59

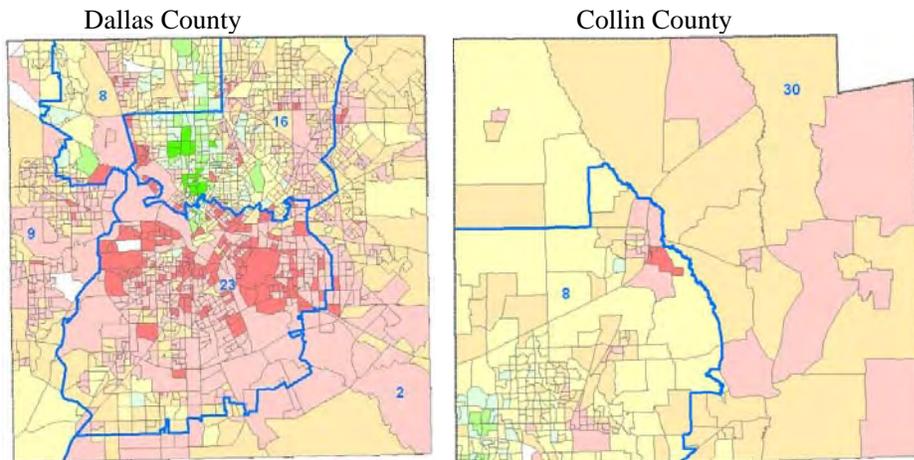
Source: Texas Secretary of State, <http://www.sos.state.tx.us/> (last accessed Nov. 22, 2008)

While it is difficult to generalize national trends, there is substantial evidence that supports that individuals with less income tend to vote less.

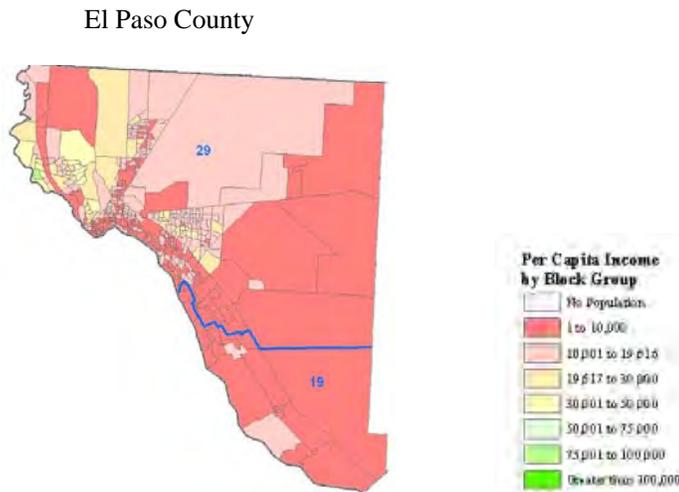
A comparison of voter turnout during the 2006 general election and income of residents in Texas Senate Districts 8 and 29 demonstrates that lower voter turnout is more prevalent in areas with lower levels of income. The population of Senate District 8 is 63 percent from Collin County and 36 percent from Dallas County while Senate District 29 is entirely made up of El Paso County residents. Voter turnout in the 2006 general election in District 8 was 47 percent, but only 28 percent in District 29. The maps below demonstrate major differences in income levels between the two districts. District 8 has

an income distribution primarily above \$19,617 per capita while District 29 has an income distribution that is predominantly lower than \$19,617 per capita.

District 8



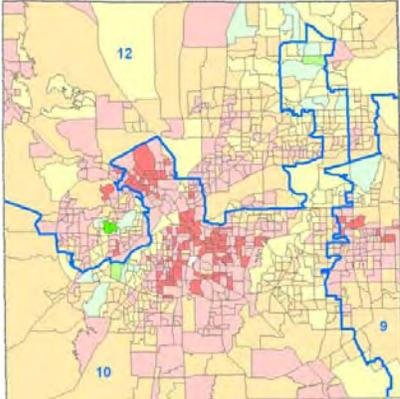
District 29



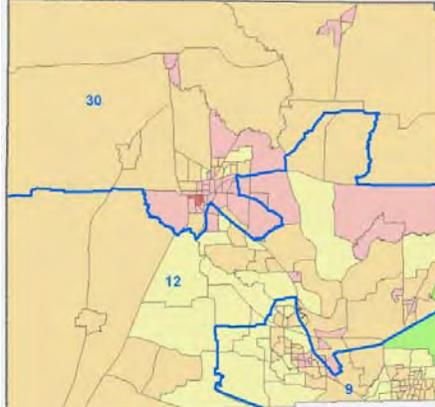
Texas Senate Districts 27 and 12 are similar to Senate Districts 29 and 8. In District 27, 40 percent of the population is made up of Hidalgo County residents and the other 60 percent is made up of residents from four other counties (Cameron, Kenedy, Kleberg, and Willacy). The population of District 12 is made up of 80 percent Tarrant County residents and 20 percent Denton County residents. Voter turnout for the 2006 General Election in District 12 was 42 percent but only 24 percent in District 27. As shown in the maps below, the income distributions of District 12 and District 27 are as unevenly matched as the income distributions of District 8 and District 29.

District 12

Tarrant County

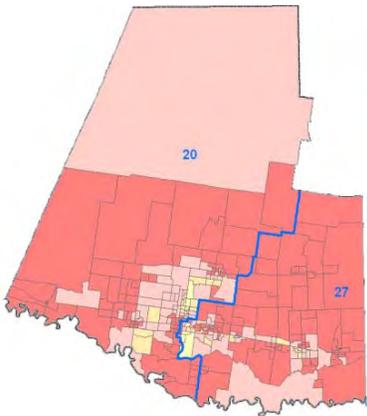


Denton County

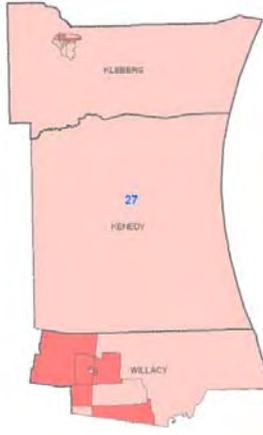


District 27

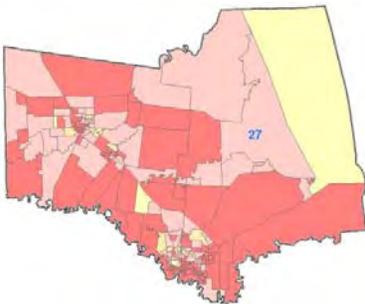
Hidalgo County



Kleberg, Kenedy, and Willacy Counties



Cameron County



Income level impacts voting, but it is only one of the characteristics that is significantly different among different Texas Senate Districts. For example, Texas Senate District 29 is a much younger district than District 8. As shown in the chart below, the 2008 estimated voting age citizen population of District 29 is below that of District 8. Although the registration numbers for the 2008 election were relatively high in both districts, turnout in District 29 lagged behind at 49 percent as compared to 69 percent in District 8.

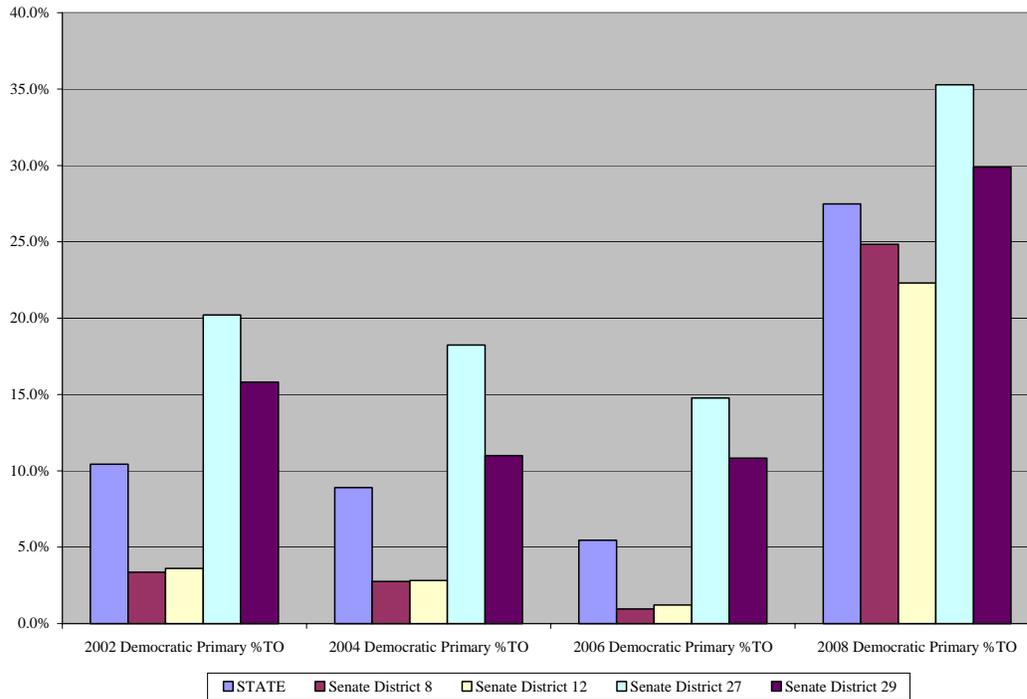
2008 Voter Turnout for District 29 and 8

	Texas Senate Districts	
	29	8
Population <small>(2007 Estimates)</small>	686,229	878,719
Voting Age Citizen Population <small>(Allocations based on 2007 American Community Survey Estimates from American FactFinder Table B05003 , updated to November 2008.)</small>	379,900 = 55%	570,400 = 65%
Registered to Vote <small>(2008 General Election)</small>	370,906 = 97.6%	517,702 = 90.7%
2008 Election Turnout	182,434	357,091
Percent Turnout	49.2%	69.0%

Texas State Demographer, and Texas Legislative Council

The border region had a high turnout in the 2008 Democratic Primary Election. According to the chart below turnout for the democratic primaries had been decreasing in Senate Districts 8, 12, 27, and 29 from 2002 to 2006. Notably, the heavily Hispanic-populated Senate Districts 27 and 29 had much higher turnouts in the 2008 primary election than they did in 2002.

2002-2008 Primary Elections by Senate District



Source: Texas Legislative Council

Barriers to Voting

Early voting has been viewed as a way to increase voter turnout. Statewide, more than eight million voters voted early in the 2008 presidential election.^{cmxcvi} However, the border region had the lowest turnout at the end of early voting time period.^{cmxcvii} While Texas has instituted changes like “no excuse” early voting and increased the number of voting locations, not enough is being done to increase participation among racial and ethnic minorities or young voters. In fact, the state has actively engaged in efforts to reduce voter participation.

For instance, certain elected officials, specifically Lt. Governor Dewhurst and GOP affiliates, are pushing for a voter ID bill to combat the perceived problem of rampant voter impersonation.^{cmxcviii} Most voting fraud occurs with mail-in ballots or properly cast ballots tampered with by someone other than the voter. Texas Attorney General Greg Abbott has been unsuccessful in prosecuting voter fraud despite spending \$1.4 million in his efforts to do so. Notably, the resulting 26 violations from the Attorney

General's investigations were not violations that could have been prevented by photo identification^{cmxcix}.

In addition to lack of evidence that voter impersonation presents a considerable problem, studies indicate that voter ID requirements would disenfranchise already vulnerable voters—individuals who are poor, elderly, disabled, or members of ethnic minority groups.^m Furthermore, it may be difficult for some people to provide the documents required to verify identity. Some individuals who are unable locate their birth certificates may not be able to afford to obtain one. In reality, voter ID is a poorly disguised poll tax.

Between July 2006 and July 2007, Texas added 401,949 members of all minority groups to its population, including 308,000 Hispanics. It is therefore more important than ever to secure the rights of minorities instead of putting up barriers to keep them from voting.^{mii} For example, the federally enacted "Motor Voter" law (1993) helped to increase registration by making forms available at DMVs. In some states, Election Day registration is allowed and in others, balloting is done by mail. Another initiative that has been proposed in several states is universal voter registration, which would make the state government responsible for automatically registering all eligible citizens who apply for a state driver's license or identification card. Some states have been very active in trying to increase voter participation by youth. For example, New York passed a law requiring public high schools to provide voter registration applications to all graduating seniors when they receive their diplomas. The law also requires colleges to make voter registration forms readily available.

Civic Participation

Emphasizing to our youth that civic participation is important has been identified as a solution to addressing perceived voter apathy among young people. However, a research study by the Center for Information and Research on Civic Learning and Engagement (CIRCLE) indicates that today's college students are more engaged than Generation X.^{miii} The study also showed that the main reason why young people engage in volunteer activities is to help others. They are eager to improve and want to help change things, but consider voting to be the least effective in creating lasting change. As a result, today's youth prefer to engage in social action rather than political action. Students from the research study viewed the government as being inaccessible and described the political process as slow moving and marred with bad deals. In addition, the students resented being targets of manipulation by the media and political candidates.

In the 2008 election, Democratic candidates realized that they could utilize technology to engage young voters, especially through social networking Web sites and text messaging. Several organizations have used the media and technology to help reach young voters, including "Rock the Vote." Yet, dozens of experiments indicate that the most effective way of increasing turnout is face-to-face contact.^{miiii} According to Get out the Vote: How to Increase Voter Turnout, a book authored by Donald P. Green and Alan

s. Gerber, “[f]ace to face interaction makes politics come to life and helps voters to establish a personal connection with the electoral process.”

Conclusion

So much information is unknown about why people make the decision to vote. However, information about past elections alerts us to trends among groups with certain characteristics. Even less information is known about the Latino population, which is expected to be the majority in Texas by the year 2040.^{miiv} Blame has often been placed on citizens for their lack of electoral participation, but as Thomas E. Patterson explains, “[o]fficials, candidates, and the media have failed in their responsibility to give Americans the type of politics that can excite, inform, and engage them—and that will fully and fairly reflect their will.”^{miiv} Developing a message that the political process is about the people and increasing opportunities for youth to engage in political action could increase voter turnout.

The Texas border region has shown an increase in voter turnout, but is still behind non-border regions. With the increase in the minority population in Texas, it is important that efforts are focused on increasing minority voter participation rather than impeding the minority vote. “Democracy was made for the people, not the people for Democracy.”^{miiv}

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