

Date of Hearing: April 27, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
AB 338 (Roger Hernández) – As Amended April 13, 2015

SUBJECT: Los Angeles County Metropolitan Transportation Authority: transactions and use tax

SUMMARY: Authorizes the Los Angeles County Metropolitan Transportation Authority (MTA), subject to voter approval, to impose an additional transactions and use tax (sales tax) at a rate of 0.5% for no more than 30 years. Specifically, **this bill:**

- 1) Authorizes MTA to impose a one half-cent sales tax that is applicable to the incorporated and unincorporated areas of Los Angeles County (County) for a period not to exceed 30 years.
- 2) Specifies that the authorized tax is in addition to any other tax MTA is authorized to impose or has imposed.
- 3) Requires MTA to adopt an ordinance imposing the sales tax and submit it to the voters.
- 4) Specifies that the ordinance only becomes operative if approved by two-thirds of the voters voting on the measure pursuant to Article XIII C of the California Constitution.
- 5) Requires the ordinance imposing the tax to contain all of the following:
 - a) An expenditure plan that lists the transportation projects and programs to be funded by the tax and that includes measures that ensure net revenues are shared equitably between regions of the County;
 - b) Provisions conforming the ordinance to the existing Transactions and Use Tax Law, except to the 2% combined transactions and use tax cap;
 - c) A provision that limits MTA's administrative costs to 1.5% of total net revenues;
 - d) A requirement that the net revenues from the tax and MTA's administration costs be used by MTA to fund transportation projects and programs identified in the expenditure plan; and,
 - e) A requirement that MTA allocate 20% of net revenues from the tax to bus operations and 5% of net revenues from the tax to rail operations during the period that the ordinance is operative.
- 6) Requires MTA to notify the Legislature prior to the adoption of amendments to the adopted expenditure plan.
- 7) Allows MTA to incur bonded indebtedness payable from the net revenues of the tax.
- 8) Requires the tax to be imposed pursuant to the Transactions and Use Tax Law and exempts it from the 2% combined rate limitation.

- 9) Requires that the 20% of tax revenues for bus operations be allocated to all eligible and included municipal transit operators in the County and to MTA in accordance with current law.
- 10) Requires that the allocations to MTA and eligible and included municipal operators be made solely from the revenues derived from the tax and not from local discretionary sources.
- 11) Requires that the funds allocated for bus operations not supplant any other funds allocated for public transit.

EXISTING LAW:

- 1) Authorized MTA to adopt a one half cent-sales tax in Los Angeles County for 30 years, subject to two-thirds voter approval. The sales tax, presented to the voters as Measure R, was approved in 2008.
- 2) Requires MTA to allocate 20% of the proceeds derived from the one half-cent sales tax for bus operations and 5% for rail operations.
- 3) Authorizes MTA to incur bonded indebtedness payable from the proceeds of Measure R.
- 4) Required MTA to adopt an expenditure plan prior to submitting the proposed Measure R to the voters for a vote.
- 5) Allows MTA, subject to two-thirds voter approval, to extend the tax approved through Measure R indefinitely. MTA placed this measure before the voters in November 2012 but it failed to achieve the two-thirds threshold necessary for passage.
- 6) Authorizes cities and counties to impose sales taxes in 0.125% increments in addition to the state's 7.5% sales tax.
- 7) Limits the combined rate of all transactions and use taxes imposed in any county to 2%.

FISCAL EFFECT: Unknown

COMMENTS: The Transactions and Use Tax law authorizes the adoption of local add-on rates to the combined state and local sales tax rate. The law has been amended multiple times to authorize specific cities, counties, special districts, and county transportation authorities to impose a sales tax, subject to two-thirds voter approval. Existing law caps the combined rate of all sales taxes in a county at 2% but provides several exemptions to the cap, including to several counties to allow an additional sales tax for transportation purposes.

According to the Board of Equalization, Los Angeles County has 14 sales taxes, including three county-wide taxes for transportation purposes and 11 city-wide taxes. Despite the statutory exemption for Measure R, the County has reached the 2% cap. Measure R, in addition to Measure C (1990) and Proposition A (1980), which were both imposed indefinitely, are the three one half-cent county-wide sales taxes that provide the majority of MTA's funding.

AB 338 authorizes MTA to impose, with voter approval, an additional one half-cent sales tax for up to 30 years, subject to two-thirds voter approval. The tax authorized by this bill is not subject to the 2% cap. Similar to prior legislation, this bill requires the ordinance imposing the tax to contain specified information, including an expenditure plan to list the transportation projects and programs to be funded from the tax. However, AB 338 also requires the expenditure plan to include measures that ensure revenues are shared equitably between regions of the County. Similar to the authorizing legislation for Measure R, AB 338 specifies that 20% of all revenues derived from that tax be spent for bus transit operations and 5% for rail transit operations.

According to the author, "While Los Angeles continues to experience some of the most challenging traffic congestion in the state and nation, Los Angeles voters have also recognized the importance of investing in a transportation network that is responsive to the needs to commuters, transit users, and that facilitates the movement of goods in the region. Most importantly, Los Angeles voters have responded to an expenditure plan that can demonstrate fairness in the distribution of investments throughout the region. AB 338 provides an approach to bring additional resources to Los Angeles County predicated on fairness, transparency and acknowledgement of best practices."

There is no doubt that the state needs more funding for transportation across the board. AB 338 provides the opportunity for Los Angeles County voters to decide whether or not to tax themselves to fulfill that funding need in their own region. This is a reasonable approach to addressing transportation funding needs.

Double referral: This bill passed out of the Assembly Local Government Committee on April 22, 2015, with a 6-3 vote.

Related legislation: SB 767 (De León) also authorizes MTA to impose an additional countywide 0.5% transactions and use tax, but is not identical to this bill. SB 767 allows MTA to determine the length of the transactions and use tax, whereas this bill establishes a 30-year limit. Additionally, SB 767 does not contain several of the provisions in this bill, including the requirement that the expenditure plan must contain a measure to ensure equity between regions, the dedicated percentage of revenue to bus and rail operations, or the requirement that MTA must notify the Legislature prior to adopting amendments to the adopted expenditure plan. SB 767 passed out of the Senate Transportation and Housing and Governance and Finance committees and is awaiting a hearing in the Senate Appropriations Committee.

AB 464 (Mullin) raises the transactions and use tax rate cap from 2% to 3%. AB 464 passed the Assembly Revenue and Taxation Committee on April 13 on a 5-3 vote and will be heard in the Assembly Local Government Committee on April 29, 2015.

Prior legislation: SB 314 (Murray), Chapter 785, Statutes of 2003, originally enacted provisions that authorized MTA to impose, subject to voter approval, a 0.5% sales tax for no more than six and one-half years for specific transportation projects and programs. That sales tax was never imposed.

AB 2321 (Feuer), Chapter 302, Statutes of 2008, authorized MTA to impose, subject to voter approval, a 0.5% sales tax for 30 years and required MTA to include specified projects and programs in its long-range transportation plan. In November of 2008, more than 67% of Los Angeles County voters approved this tax in a ballot measure known as Measure R.

AB 1446 (Feuer), Chapter 806, Statutes of 2012, authorized MTA, subject to voter approval, to extend the existing sales tax (Measure R) indefinitely. AB 1446 also required MTA to update its expenditure plan prior to submitting the tax measure to the voters. The measure was put before Los Angeles County voters in November 2012 but failed to achieve the two-thirds threshold necessary for passage.

SB 1037 (Hernández), Chapter 196, Statutes of 2014, required MTA to update its expenditure plan and Long-Range Transportation Plan before placing another sales tax measure before the voters.

REGISTERED SUPPORT / OPPOSITION:**Support**

Amalgamated Transit Union
California Teamsters Public Affairs Council

Opposition

California Taxpayers Association
Howard Jarvis Taxpayers Association

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