

Date of Hearing: July 13, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

SB 767 (De León) – As Amended July 8, 2015

SENATE VOTE: 24-13

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

SUMMARY: Authorizes the Los Angeles County Metropolitan Transportation Authority (MTA) to impose, subject to voter approval, an additional transactions and use tax (sales tax) not to exceed .5% or 1%, for a period to be determined by MTA. Specifically, **this bill:**

- 1) Authorizes MTA to impose, upon approval of the voters, a sales tax in Los Angeles County for a period to be determined by MTA at a rate not to exceed the following:
 - a) .5% if either Measure R (an existing .5% sales tax through 2039) or an extension of Measure R (for another 30 years) is in effect. (Currently, an extension of Measure R is not in effect.)
 - b) 1% if either Measure R or an extension of Measure R is not in effect.
- 2) Specifies that the authorized tax is in addition to any other tax MTA is authorized to impose or has imposed.
- 3) Requires the ordinance imposing the sales tax to include all of the following:
 - a) An expenditure plan that lists the transportation projects and programs to be funded from net revenues from tax and includes specific project and program cost and schedule data.
 - b) Provisions that conform to the Transactions and Use Tax Law, the body of law that governs the process and procedures for transactions and use tax ordinances.
 - c) Provisions limiting MTA's costs of administering the ordinance and the revenues from the sales tax to 1.5% of the total tax revenues.
 - d) A requirement that net revenues, as defined, from the sales tax are to be used by MTA to fund transportation projects and programs identified in the expenditure plan.
- 4) Requires MTA to develop a transparent process to determine the most up to date cost estimates to be included in the ordinance.
- 5) Specifies that the ordinance only becomes operative if approved by two-thirds of the voters voting on the measure.
- 6) Requires all projects listed in MTA's expenditure plan also to be included in MTA's Long Range Transportation Plan if the ordinance is approved by voters.
- 7) Allows MTA to incur bonded indebtedness payable from the net revenues of the tax.

- 8) Exempts the sales taxes authorized by this bill from the 2% combined tax rate limit for sales taxes imposed in any county.

EXISTING LAW:

- 1) Authorizes MTA, upon approval of the voters, to adopt the following sales taxes for transportation in Los Angeles County:
 - a) Two .5% sales taxes for an indefinite period of time (Proposition A approved in 1980 and Proposition C approved in 1990);
 - b) A .5% sales tax for 30 years (Measure R approved in 2008); and
 - c) An extension of Measure R for an additional 30 years (Measure J was rejected by the voters in 2012).
- 2) Authorizes MTA to incur bonded indebtedness payable from the proceeds of Measure R.
- 3) Requires MTA to adopt an expenditure plan prior to submitting the proposed Measure R to the voters for a vote.
- 4) Allows MTA, subject to two-thirds voter approval, to extend Measure R indefinitely. MTA placed a measure to do this before the voters in November 2012 but it failed to achieve the two-thirds threshold necessary for passage.
- 5) Authorizes cities and counties to impose sales taxes in 0.125% increments in addition to the state's 7.5% sales tax; limits the combined rate of all transactions and use taxes imposed in any county to 2%.
- 6) Prescribes, under the Transactions and Use Tax Law, specific requirements to be included in transactions and use taxes ordinances.

FISCAL EFFECT: Unknown

COMMENTS: Existing law authorizes individual counties or regions to impose sales tax within their jurisdictions for the purpose of funding transportation services, programs, and projects. Today, nearly 85 percent of the state's population lives in a county in which an additional local sales tax is levied for transportation. These counties, often referred to as self-help counties, generate approximately \$4 billion annually for transportation.

SB 767 would authorize the MTA, upon voter approval, to impose an additional sales tax in Los Angeles County for transportation purposes. MTA, which is sponsoring SB 767, is exploring the potential for a ballot measure to seek voter approval for funding for additional transportation investments. The authority granted in SB 767 will be necessary should the MTA board decide to pursue the ballot measure.

Los Angeles is home to one of the nation's most congested transportation networks. According to the Texas A&M Transportation Institute's *2012 Mobility Report*, an auto commuter in Los Angeles spends an average of 61 hours stuck in traffic per year and pays over \$1,300 per year in

lost time and wasted fuel due to congestion. These numbers will surely increase as the county's population grows by an estimated 1.5 million people over the next 30 years.

At the state level, investments to preserve California's transportation system have not been sufficient to meet demand. In real terms, funding has diminished while the demand and the cost to maintain and operate the transportation system have soared. Traditional fuel tax revenues are not keeping pace with inflation, and the proliferation of fuel-efficient cars and alternative fuel vehicles, among other factors, are reducing this funding.

Consequently, local transportation agencies have turned to the voters to provide the authority and funding for priority transportation projects. These voter-approved sales tax measures have addressed some of the transportation need at a regional level. In Los Angeles, Measure R was approved by a majority of the voters in November of 2008 and enacted a .5% sales tax increase, in addition to the two .5% sales tax measures already in place. The Measure R sales tax increase, effective for 30 years, finances transportation projects and programs, and accelerates those that were already in the pipeline.

The author believes that, although Measure R is drastically changing transportation in Los Angeles, further investment is necessary. He has introduced SB 767 in the hopes that Los Angeles County voters will approve an additional .5% sales tax for transportation and allow MTA to further expand its transit systems, address key highway needs around the county, support local agency transportation programs, and improve the Metrolink service.

Writing in opposition to SB 767, the Howard Jarvis Taxpayers Association is concerned that SB 767 exempts the proposed sales tax from the sales tax limit (combined 2%) imposed on counties by existing law. The association also argues that the sales tax is a regressive tax and an increase will drive up the costs of goods.

Committee comments: There is no doubt that the state needs more funding for transportation. In fact, the situation has become so dire that the Governor just last month called for a special session of the Legislature to immediately address California transportation funding crisis, citing a \$59 billion need for maintenance and repair of the state highways alone. Estimated needs for local streets and roads and transit far exceed that number.

Whatever the outcome of the special session, even the cheeriest predictions estimate that the funding solution will only partially address the transportation needs in the state. SB 767 provides the opportunity for Los Angeles County voters to decide whether or not to tax themselves to address the transportation needs in their own region.

Technical amendments:

- 1) *Subregions.* SB 767 requires that, if voters approve the sales tax increase, MTA must update the Long Range Transportation Plan consistent with capital projects and programs adopted by each "subregion," as that term was defined in the Long Range Transportation Plan in 2008.

Reference to 2008 should be stricken from the bill because, according to MTA, areas within the county have shifted subregions, at their choosing, since 2008 and the reference is now outdated. The specific amendment should read:

On page 4, at line 6, subparagraph (2):

(2) For purposes of this subdivision, “subregion” shall have the same meaning as that term is defined in the Long Range Transportation Plan ~~process in effect as of January 1, 2008~~.

- 2) *Measure J*. MTA went to the voters in 2012 with proposed Measure J to extend the .5% sales tax authorized by Measure R in 2008 by another 30 years so that it could accelerate delivery of Measure R's 30-year program. Measure J failed to secure the necessary two-thirds voter approval by less than two percentage points. The statutes that authorized Measure J, however, are still on the books. In theory, MTA could use this statutory authority to pursue another Measure R extension, in addition to whatever authority the agency is granted by way of enactment of this bill. This is not, however, what MTA intends to do. Consequently, provisions that authorized Measure J should be stricken from the bill so there will be no confusion about MTA's intent or authority.

This specific amendment would strike Section 130350.6 of the Public Utilities Code and make other, technical changes to that were included in Measure J's enabling statute [AB 1446 (Feuer), Chapter 806, Statutes of 2012].

- 3) *Authorized tax rate*. In recent amendments to SB 767, the author attempted to clarify limits to the sales tax rate being authorized by this bill. Drafting errors, however, confuse rather than clarify these limits. These provisions should be amended again to reflect the author's intent, which is this:

The author and MTA are seeking authority to take to the voters a ballot measure to allow for .5% increase in the sales tax for transportation for as long as Measure R is in place (until 2039). Further, they would like authority to include in the ballot measure provisions that would adjust the sales tax rate upward to no more than 1% upon expiration of Measure R in 2039. To this end, the bill should be amended to strike the language added by way of the July 8, 2015, amendments and, instead, add language that would authorize a sales tax rate of no more than 1% when combined with whatever sales tax is in effect as authorized by Measure R.

Related legislation: This committee heard and passed a similar bill, AB 338 (Hernández). 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. Similar to SB 767, AB 338 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 and specifies that 20% of all revenues derived from that tax be spent for bus transit operations and 5% for rail transit operations. AB 338 is currently pending in Senate Transportation and Housing Committee. Should these bills continue to move through the Legislature, the author will need to resolve this chaptering out conflict.

Double-referral: This bill passed out of the Assembly Local Government Committee on July 2, 2015, with a 6-3 vote.

Previous 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

Los Angeles County Metropolitan Transportation Authority (Sponsor)

Amalgamated Transit Union

Associate General Contractors

Association for Commuter Transportation

Avvantt Partners

California Public Interest Research Group

City of Culver City

City of Santa Monica

DE Architects

Endangered Habitats League

Environment California

Green Communications Initiative

Hatch Mott MacDonald

Honorable Eric Garcetti, Mayor, City of Los Angeles

Kal Krishnan Consultant Services

LA River Revitalization Corporation

Los Angeles Community College District

Metro Gold Line Foothill Extension Construction Authority

Metropolitan Pacific Capital, Inc.

MNS Engineers

Mobility 21

Pacifica Services, Inc.

RailLA

SENER Engineering & Systems, Inc.

Solutions International

Southern California Association of NonProfit Housing
Southern California Contractors Association
Southern California Transit Advocates
Subway to the Sea Coalition
Transpo Group
V&A Incorporated
Westchester Neighborhood Association
Westside Center for Independent Living

Opposition

California Taxpayers Association
Howard Jarvis Taxpayers Association

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