

BILL ANALYSIS

AB 1446
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ASSEMBLY THIRD READING
AB 1446 (Feuer)
As Amended April 26, 2012
Majority vote

LOCAL GOVERNMENT 7-1 TRANSPORTATION 11-1

Ayes:	Smyth, Alejo, Bradford, Campos, Davis, Gordon, Hueso	Ayes:	Bonnie Lowenthal, Achadjian, Blumenfield, Bonilla, Buchanan, Eng, Carter, Galgiani, Norby, Portantino, Solorio
Nays:	Knight	Nays:	Jeffries

APPROPRIATIONS 13-4

Ayes:	Fuentes, Blumenfield, Bradford, Charles Calderon, Campos, Davis, Gatto, Hall, Hill, Lara, Mitchell, Norby, Solorio		
Nays:	Harkey, Donnelly, Nielsen, Wagner		

SUMMARY : Allows the Los Angeles County Metropolitan Transportation Authority (MTA), subject to voter approval, to extend the length of imposition of an existing transactions and use tax of 0.5% for specified purposes. Specifically, this bill :

- 1) Allows MTA to extend an existing transactions and use tax approved by voters in 2008 beyond the existing 30-year period, without a limit as to its duration, subject to the following:
 - a) The extension shall be proposed in a transactions and

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use tax ordinance, or an amendment of the previously approved ordinance, and is approved by a majority of the entire membership of MTA; and,

- b) Provides that the tax can only be imposed if the proposing ordinance, or amended ordinance, is approved by two-thirds of the voters voting on the measure in a special or general election.
- 2) Allows MTA to incur bonded indebtedness payable from the proceeds of the tax extension pursuant to MTA's bond issuance provisions in existing law, and any successor act, and specifies that proceeds from the bonds must be used to accelerate the completion of the capital projects and capital programs listed in existing law for MTA.
- 3) Requires, upon completion of the projects identified in 2) above, that any funds remaining from the bonds and any funds remaining from the proceeds of the tax, after payment of the bonded indebtedness, must be deposited in MTA's sales tax revenue fund to be used for the purposes of projects and programs contained in the expenditure plan or MTA's Long Range Transportation Plan (LRTP) or its successor plans.
- 4) Requires MTA, prior to submitting the ordinance to the voters, to amend the expenditure plan with updates of the estimated total cost for each project or program, the schedule during which MTA anticipates funds will be available for each project or program, and the expected completion dates for each project or program.
- 5) Allows revenues raised under the tax extension to facilitate the transportation of people and goods within Los Angeles County.
- 6) Makes legislative findings and declarations.

EXISTING LAW :

- 1) Allows MTA to impose a transactions and use tax at a rate of 0.5% that is applicable in the incorporated and unincorporated areas of the county for a period not to exceed 30 years.
- 2) Provides, for purposes of the imposition of the transactions

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and use tax, the following requirements:

- a) The tax shall be proposed in a transactions and use tax ordinance that conforms with specified laws and that is approved by a majority of the entire membership of the MTA;
 - b) The tax may be imposed only if the proposing ordinance is approved by two-thirds of the voters in a specified manner; and,
 - c) The proposing ordinance shall specify, in addition to the rate of tax and other matters, that the tax be imposed for a period not to exceed 30 years and the net revenues derived from the tax are to be administered and allocated by the MTA as specified.
- 3) Allows MTA to incur bonded indebtedness payable from the proceeds of the tax.
- 4) Requires MTA, prior to submitting the ordinance to the voters, to adopt an expenditure plan for the net revenues derived from the tax, as specified.
- 5) Allows transactions and use taxes by qualifying entities to be imposed at a rate of 0.25% or a multiple thereof, if the following requirements are met:
- a) The ordinance proposing the tax must be approved by a two-thirds vote of all members of the governing body;
 - b) If for general purposes, the tax must be approved by a majority vote of the voters in the city or county;
 - c) If for specific purposes, the tax must be approved by a two-thirds vote of the voters in the city or county; and,
 - d) The maximum combined rate of transactions and use taxes in any location may not exceed 2%.

FISCAL EFFECT : According to the Assembly Appropriations Committee:

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- 1) Increased revenues to the MTA if the tax is approved again by MTA and the voters. The amount of new revenues should be roughly similar to those raised by Measure R, the original sales tax, which is expected to raise \$40 billion over 30

years.

2) Negligible direct state fiscal impact.

COMMENTS: SB 314 (Murray), Chapter 785, Statutes of 2003, originally enacted provisions that authorized MTA to impose 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, modified those provisions to require MTA's tax ordinance to specify that the tax is imposed for a period not to exceed 30 years, and required the MTA to include specified projects and programs in its Long Range Transportation Plan. AB 2321 additionally required MTA to notify members of the Legislature representing the County of Los Angeles of proposed amendments to the expenditure plan, as specified, and authorized MTA to incur bonded indebtedness. In November of 2008, more than 67% of Los Angeles County voters approved this tax in a ballot measure known as Measure R.

This bill authorizes MTA to place on the ballot for Los Angeles County voter approval the permanent extension of an existing countywide 0.5% sales and use tax. Revenue from the existing 0.5% tax is dedicated to construction and operation of rail, highway, and bus projects in MTA's Long Range Transportation Plan, as well as local initiatives such as street and signal improvements, bicycle and pedestrian projects, and more. The bill is author-sponsored.

According to the author, this bill is intended to give Los Angeles County voters the opportunity to extend the duration of a local source of funding for an ambitious program of transportation infrastructure projects that will transform the Los Angeles region. The anticipated new revenue can be bonded against to build projects in MTA's transportation plan sooner.

The author notes that efforts are underway to obtain federal loans secured by Measure R revenues to expedite the construction of Measure R projects. While these efforts may yet succeed,

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under all circumstances additional Measure R revenues will be necessary to accelerate Measure R projects to the maximum extent. The bill does not change the project list already contained in current law and all Measure R rail, highway, bus and other projects will be accelerated at the same rate, without prioritizing any one category.

California's Transactions and Use Tax Law was adopted in 1969 to

authorize the adoption of local add-on rates to the combined state and local sales tax rate. Over the years, the law was amended to provide specific authorizations for various particular cities, counties, special districts and countywide authorities. Prior to 2003, the most common transactions and use tax measures were those for a specific countywide need, usually related to transportation. Since a 2003 change in law (SB 566 (Scott), Chapter 709, Statutes of 2003), add-on taxes by cities and some counties for general purposes have become more frequently imposed.

This bill allows MTA to impose a transactions and use tax with no limit as to the duration of the tax. The Legislature may wish to ask the author first why the existing 30-year authority granted in 2008 through legislation and approved by voters is not enough, and second, why, four years later, an extension is needed but no limit is specified. When does the author anticipate putting such a ballot measure forward for voters to decide whether to permanently extend this transactions and use tax?

Support arguments: The Los Angeles Economic Development Council estimated in 2008 that Measure R projects alone will create 166,000 jobs. This bill will help to expedite the building of transportation projects in Los Angeles County.

Opposition arguments: The Howard Jarvis Taxpayers Association has concerns about the bill's intent to use the revenue stream for the purpose of incurring additional debt and believes that the risks of getting money upfront to complete projects will far outweigh the rewards.

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