

BILL ANALYSIS

SENATE TRANSPORTATION & HOUSING COMMITTEE
SENATOR MARK DESAULNIER, CHAIRMAN

BILL NO: AB 1446

AUTHOR: Feuer

VERSION:

6/19/2012

Analysis by: Art Bauer

FISCAL: yes

Hearing date: June 26, 2012

SUBJECT:

Sales and use tax: Los Angeles County

DESCRIPTION:

This bill authorizes the Los Angeles County Metropolitan Transportation Authority (MTA) to place before the voters an ordinance to extend Los Angeles' Measure R sales tax indefinitely.

ANALYSIS:

AB 2321 (Feuer), Chapter 302, Statutes of 2008, authorized MTA to place before the voters an ordinance to increase the local transportation sales tax for 30 years by percent. The statute also requires MTA to allocate 20 percent of the sales tax revenue for bus operations and 5 percent for rail operations, authorizes MTA to incur bonded indebtedness, and requires MTA to adopt an expenditure plan prior to submitting the ordinance to the voters. Existing law identifies 18 projects that MTA must include in the expenditure plan and in its Long Range Transportation Plan. Although state law identifies the minimum level of funding for each project, MTA is allowed to increase funds to a project if any funds are available after debt service payments. The expenditure plan must also anticipate the completion date for each project. MTA placed a sales tax ordinance, referred to as Measure R, on the November 2008 ballot. Sixty-seven percent of the voters approved the sales tax increase.

This bill :

1. Authorizes MTA to place before the voters a permanent half percent sales tax and requires that two-thirds of the voters vote in favor for it to be adopted.

- 2.Requires MTA to update its expenditure plan prior to submitting the ordinance to the voters. The update shall include an estimated cost for each project and program, identification of the schedule that MTA believes the funds will be available for projects, and the expected completion date for each project.
- 3.Authorizes MTA to incur bonded indebtedness payable from the revenue from the new sales tax.
- 4.Requires that the proceeds from the Measure R bonds and the proceeds from the new tax to be used to accelerate the completion of projects authorized in AB 2321 and in MTA's adopted expenditure plan for Measure R.
- 5.Continues the set aside of 20 percent of sales tax revenue for bus operations in Los Angeles County and 5 percent for rail transit operations.
- 6.Requires MTA, upon the completion of the specified projects and the payment of outstanding debt service, to spend unencumbered sales tax revenue on other projects in its Long Range Transportation Plan.

COMMENTS:

1.Purpose . Sixty-seven percent of Los Angeles County voters authorized the imposition of a 30 year, -percent local transportation sales tax in 2008. The decline in the state and national economy, the diminishment of state and federal funding, the increasing need to rely upon various debt financing strategies, and unanticipated cost increases have delayed project implementation. According to the author, this bill provides the voters an opportunity to endorse the Measure R program by asking them to approve converting the existing tax to a permanent tax.

2.Background . When Measure R was adopted, MTA estimated that the 30-year program was about \$40 billion. Because of the recession and general economic malaise, MTA is now estimating that Measure R will generate about \$36 billion by 2038. When Los Angeles Mayor Antonio Villaraigosa proposed to accelerate the construction of all 12 rail transit projects so that they would be completed in 10 years and not the usual 30 years, MTA began a search for additional revenue or funding mechanisms.

This bill endeavors to solve the problem of insufficient revenue by removing the sunset on Measure R. Should the voters approve a new sales tax without a sunset, MTA may be

able to issue additional debt and take advantage of the federal credit assistance program included in The Transportation Infrastructure Finance and Innovation Act (TIFIA).

3.Foothill Extension Construction Authority (Authority)

amendment. The Authority contends that MTA's current adopted expenditure plan incorrectly characterizes Metro Gold Line Foothill Extension. AB 2321 describes the extension from east Pasadena to Claremont. The the expenditure plan provides \$735 million from east Pasadena to Azusa. The Authority believes the termination of the project is defined as Claremont and that should be reflected in the expenditure plan. The Authority proposes to amend this bill to allow any sponsor of a project to submit its expenditure plan for its project to MTA. The expenditure plans will include the projects' cost and construction schedule. The amendment requires MTA to include the expenditure plans submitted by project sponsors in its countywide expenditure plan without modification.

MTA's expenditure plan endeavors to harmonize competing demands among projects and the revenue generated by the sales tax. It appears the amendment would allow the Authority and other project sponsors to develop their project expenditure plans. The amendment requires MTA to incorporate these plans into the countywide expenditure plan. It is unclear exactly how the projects would be harmonized with the limited sales tax revenues. It essentially removes MTA from being the referee among competing projects and appears to balkanize the project development process in Los Angeles County.

4.Amendments . Although the bill specifies that the funding set aside in Measure R for transit operations will continue should the voters approve an additional sales tax, it is unclear whether the set-aside for the maintenance, construction, and rehabilitation of local streets and roads would continue after the program of projects is completed. Recognizing this, the committee may wish to amend the bill to ensure that Section 310350.5 (b) (B) (iv) remains operative after the Measure R program of projects is completed, to clarify that the street and road set aside remains.

5.Previous legislation . SB 314 (Murray), Chapter 785, Statutes

of 2003, established a list of projects that MTA was to construct with proceeds from a voter approved six and one-half years half percent sales tax. AB 2321 (Feuer), Chapter 302, Statutes of 2008, superseded SB 314.

6.Double-referral . The Rules Committee referred this bill to both the Transportation and Housing Committee and to the

Governance and Finance Committee. Therefore, if this bill passes this committee, it will be referred to the Governance and Finance Committee.

Assembly Votes:

Floor:		54-17
Appr:	13-4	
Trans:		11-1
Loc Gov:	7-1	

POSITIONS: (Communicated to the committee before noon on Wednesday, June 20, 2012)

SUPPORT: American Council of Engineering Companies
American Jewish Committee
California Chamber of Commerce
California Labor Federation
Los Angeles Area Chamber of Commerce
Los Angeles Business Council
Los Angeles County Federation of Labor
Move LA
Southern California Contractors Association
State Building and Construction Trades Council of California
South Bay Cities Council of Governments

OPPOSED: California Taxpayers Association
City of Cerritos
Howard Jarvis Taxpayers Association
Metro Gold Line Foothill Extension Construction Authority

