

# Agenda Report

**TO:** City Council

January 28, 2002

**THROUGH:** Legislative Policy Committee

**FROM:** City Manager

**SUBJECT:** Support for Proposition 42: *Transportation Congestion Improvement Act. Allocation of Existing Motor Vehicle Fuel Sales and Use Tax Revenues for Transportation Purposes Only. Legislative Constitutional Amendment.*

## **RECOMMENDATION**

It is recommended that the City Council:

1. Support Proposition 42: *Transportation Congestion Improvement Act. Allocation of Existing Motor Vehicle Fuel Sales and Use Tax Revenues for Transportation Purposes Only. Legislative Constitutional Amendment;* and
2. Authorize the Mayor to send letters to the appropriate authorities stating Pasadena's position.

## **BACKGROUND**

Proposition 42 would allocate a portion of the existing state sales tax on gasoline to cities and counties to be used for transportation improvements for an indefinite period beginning in 2008-09. Many local transportation sales tax measures are set to expire over the next few years, and cities and counties would stand to lose significant revenue. Proposition 42 guarantees existing gasoline sales tax will continue to be used for transportation improvements.

Beginning in 2008-09 and every year thereafter, funds generated from the sales tax on gas would be allocated as follows:

- 1) 40 percent to the State Transportation Improvement Program (STIP);
- 2) 40 percent to Local Streets and Roads; and
- 3) 20 percent to transit (Public Transportation Account).

This is the same formula currently used to distribute the sales tax on gasoline funds that were committed to the Governor's Traffic Congestion Relief Plan, according to AB 2928. The funds from AB 2928 would be allocated from 2003-04 until 2007-08.

The exact amount that each city will receive with the passage of Proposition 42 has not yet been determined, but it is expected to exceed the AB 2829 yearly allotments. The City's current allotment is expected to be approximately \$426,000 per year with an estimated yearly increase of approximately 10 percent over the next four years. Proposition 42 will provide a predictable, stable and dedicated revenue source, critical to the City of Pasadena's local street and road system.

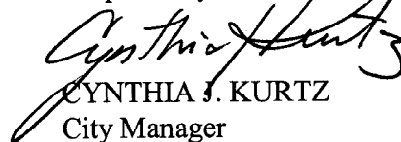
Proposition 42 does contain a provision which would allow the Governor to suspend the transfer if both the following conditions are met: 1) The Governor issues a proclamation that "declares that the transfer of revenues will result in a significant negative fiscal impact on the range of functions of government funded by the General Fund of the State." 2) The Legislature by a two-third vote in a stand-alone bill concurs with the suspension.

The League of California Cities supports this bill because it would provide a much needed on-going reliable source of funding for city streets, roads and other local transportation projects.

**FISCAL IMPACT:**

Passage of Proposition 42 would permanently provide transportation revenue directly to Pasadena and all other cities and counties in the state for maintenance of local streets and roads.

Respectfully submitted,

  
CYNTHIA J. KURTZ  
City Manager

Prepared by:



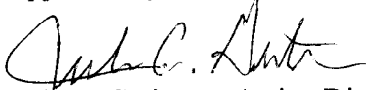
Phyllis Habrat, Management Analyst  
Finance and Management Services  
Public Works and Transportation

Reviewed by:



Brenda E. Harvey-Williams, *per*  
Finance & Management Services Administrator  
Public Works and Transportation

Approved by:



Julie A. Gutierrez, Acting Director  
Public Works and Transportation