

# Agenda Report

TO: CITY COUNCIL

DATE: June 30, 2003

THROUGH: LEGISLATIVE POLICY COMMITTEE (JUNE 24, 2003)

FROM: CITY MANAGER

SUBJECT: **SUPPORT WITH AMENDMENT FOR SCA 2 (Torlakson) LOCAL GOVERNMENT: SALES TAXES: TRANSPORTATION AND SMART PLANNING GROWTH**

## **RECOMMENDATION**

It is recommended that City Council:

1. Support SCA 2 with amendment to remove the requirement that 25% of the funds be directed to "smart growth planning"; and
2. Authorize the Mayor to send letters to the appropriate authorities conveying Pasadena's position.

## **BILL SUMMARY**

Senate Constitutional Amendment 2 (SCA 2) proposes to lower the local transportation sales and special tax voter approval requirement from a two-thirds vote to a simple majority of local voters for taxes dedicated to transportation; it also specifies that 25% of revenue be dedicated to "smart growth planning" purposes, defined as land use planning programs that conserve open space, reduce air pollution, and provide housing in close proximity to population and employment centers.

## **BACKGROUND**

In 1987, the Legislature enacted the "Local Transportation Authority and Improvement Act" (SB 142, Deddeh), which authorized any county board of supervisors to create or designate a local transportation authority in the county to fund local transportation projects from a (majority) voter-approved sales tax increase. With the approval of local voters, a number of counties have established such authorities, and the resulting sales tax programs will generate over \$20 billion for transportation improvements in those counties, representing 15 percent or more of all funding expended for transportation purposes in the state.

Eighteen counties in the state have levied a dedicated sales tax for the funding of local transportation improvements, and now a number of them face reauthorization of their sales taxes by local voters as the measures' impending "sunset" dates approach (most sales taxes were authorized for 20 years). This bill would make it easier for those cities

to reauthorize their sales tax by lowering the threshold from 2/3 to a majority vote. Since the transportation sales taxes levied in LA County through the voter approved Proposition A and C measures of 1980 and 1990 respectively, have no sunset date, the lowering of the voter threshold for approval would only apply to LA County in the event it sought to increase this 1% tax up to the 1.5% cap.

Although the reduction in the voting threshold is generally supported, the League of California Cities, and many cities throughout the state, oppose the inclusion of a universal mandate to dedicate 25 percent towards smart growth planning because it would divert funds away from actual transportation projects, and affect the ability of countywide agencies to implement their specific transportation plans.

Additionally, language in the bill is unclear as to what is meant by "special tax". Although the author's fact sheet indicates it is a transactions and use tax, (like Prop A and C) this is not clarified within the bill, nor is the rate at which this tax can be imposed, or if the smart growth planning component will apply to existing transactions and use taxes and any increases thereto.

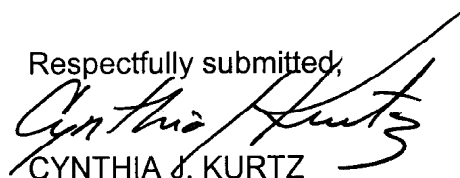
#### **BILL STATUS**

On March 12<sup>th</sup>, the bill passed in the Senate Committee on Constitutional Amendments by a vote of 3 to 2 and is currently awaiting its third reading and final vote before the full Senate. It will need a two-thirds approval of the full Senate to move on to the Assembly for consideration. Since this bill is a constitutional amendment, once approved, it would have to be placed on the next statewide election ballot for approval by a majority of California voters.

#### **FISCAL IMPACT**

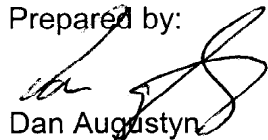
Both the Prop A and C measures were passed by a simple majority of the voters, but since their approval the voter threshold was increased to a two-thirds requirement. Passage of this bill would make it easier for LA County to increase this tax by lowering the voter approval threshold to a simple majority. However, the mandate of 25% of these funds be used for smart growth planning would limit the County's ability to manage these funds in line with their transportation plan.

Respectfully submitted,



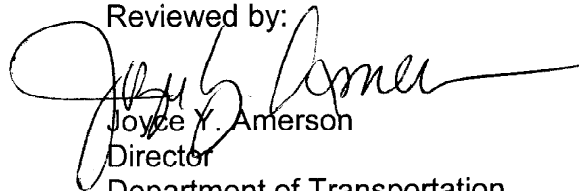
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