

Agenda Report

TO: CITY COUNCIL DATE: June 30, 2003
THROUGH: LEGISLATIVE POLICY COMMITTEE (JUNE 24, 2003)
FROM: CITY MANAGER
SUBJECT: **SUPPORT FOR ACA 7 (Dutra) TRANSPORTATION FUNDING: SALES AND USE TAX**

RECOMMENDATION

It is recommended that City Council support ACA 7 Transportation Funding: Sales and Use Tax and authorize the Mayor to send letters to the appropriate authorities conveying Pasadena's position.

BILL SUMMARY

Assembly Constitutional Amendment 7 (ACA 7) would authorize a county, city and county, or a regional transportation agency, to impose an additional sales and use tax (beyond the Bradley-Burns Uniform Local Sales and Use Tax, or its successor) for a period of 20 to 30 years at a rate of 0.5% exclusively for transportation purposes, subject to 55% voter approval.

All revenues would be deposited in the Local Transportation Infrastructure Account, which would be created in the State Transportation Fund, and expended exclusively for local and regional transportation planning, research, design, construction, operation, maintenance, or environmental mitigation related to the impacts of transportation projects.

BACKGROUND

Although Los Angeles County already has a permanent 1% sales tax dedicated for transportation from the Prop A and Prop C measures approved in 1980 and 1990 respectively, the provision in this bill, which lowers the voter approval threshold from a two-thirds vote to 55%, would benefit LA County in the event an increase to this is ever sought. Existing Transactions and Use Law provides that these taxes be capped at 1.5% with the exception of San Francisco and San Mateo counties, which have a 1.75 and 2 percent cap rate respectively.

Between 1984 and 1992, 18 "Self-Help" counties, which are home to more than eight of every 10 Californians, passed local transportation sales tax measures. Even excluding Los Angeles County's permanent measure (1% sales and use tax), these 17 counties have contributed \$20 billion to build highways, fund rail lines, fill potholes, buy buses and pave bicycle lanes. However in a 1995 decision the California Supreme Court ruled that local sales taxes for a "special" purpose should require a two-thirds vote - while taxes for a "general" purpose need only a simple majority.

This two-thirds voter requirement has, since then, made it extremely difficult to raise the necessary revenue to fund local needs. ACA 7 would make it easier for those counties lacking a transportation-dedicated sales tax to establish this new revenue source.

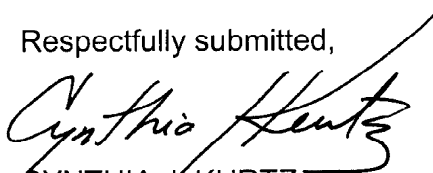
BILL STATUS

The League of California Cities and the California State Association of Counties have expressed joint support of this bill in several letters to the legislature. On May 28th, the bill passed in the Assembly Appropriations Committees by a vote of 17 to 7 and is currently awaiting its third reading and final vote before the full Assembly. It will need a two-thirds approval of the full Assembly to move on to the Senate for consideration.

FISCAL IMPACT

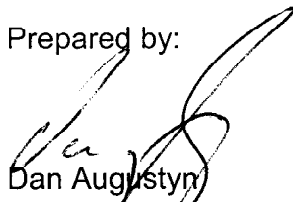
In 1989 through 1999 Prop A and C funds generated \$900 million countywide for transportation purposes. LA County can increase the current 1% transportation sales tax with two-thirds voter approval up to 1.5%. Since this bill is a constitutional amendment, once approved, it would have to be placed on the next statewide election ballot for approval by a majority of California voters. If approved by the voters, LA County would only need 55% voter approval to raise the current tax up to the 1.5% cap.

Respectfully submitted,



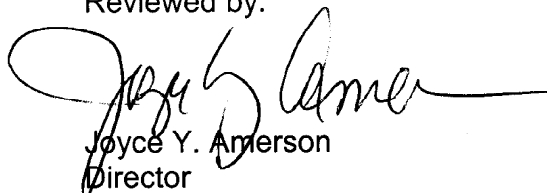
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