



Metro

March 23, 2007

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE 
CHIEF EXECUTIVE OFFICER

FROM: MATTHEW RAYMOND 
CHIEF COMMUNICATIONS OFFICER

SUBJECT: STATE AND LOCAL PARTNERSHIP PROGRAM

ISSUE

In February, the Metro Board of Directors adopted a "Support Work with Author" position on SB 47 which was introduced by State Senate Pro Tem Don Perata. At that time, this was the only bill that had been introduced on this program. Since then, additional measures have been introduced including Assembly Member Levine's AB 1351 and another measure by Senator Ackerman, SB 872.

The Board adopted a support work with author position on SB 47 (Perata) which would implement State and Local Partnership Program. The position of the Board was to support an allocation of funds which would reward voters for their commitment in proportion to their local contribution. Based on discussions amongst statewide transportation groups and developments in terms of new legislation being introduced, staff will refine this position as we move through the legislative process. Specifically, staff will be working with Assembly Member Levine on language for AB 1351 which limits the eligible fund sources for this program to sales tax counties only and establishes an equitable formula for distributing these funds.

BACKGROUND

Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Fund of 2006, authorized \$19.9 billion for various categories of transportation improvements. Many of the categories in the bond are subject to further legislation which will define how bond funds are to be administered. This legislation will have a significant impact on the ability to fund transportation improvements in Los Angeles County. Proposition 1B allocates \$1 billion to a newly created State and Local Partnership Program. A number of bills have been introduced on all of the bond categories. AB 1351 is a measure by Assembly Member Levine which would outline the requirements for the State and Local Partnership Program. The Assembly Member is working with Metro staff and legislative leadership on the development of this measure.

Additionally, significant discussions have taken place amongst statewide transportation interests regarding the structure of this program. These discussions have focused on which types of local funds should be eligible under this program and whether the program should have a return to source requirement. The combination of these factors will determine how much money is made available to Los Angeles County.

First, in determining the types of funds that should be included, there has been substantial discussion as to whether the program should also include voter approved tolls and developer fees. Other counties have implemented voter approved local funds in the form of developer fees and a portion of the tolls on the Bay Area Bridges were approved by voters. Counties with these sources argue that, like local sales taxes, these measures should be eligible for consideration as local funds under this program since they were approved by local voters.

Recently, Bay Area representatives, including Senate Pro Tem Don Perata, have indicated that certain bridge-related tolls should also be included in this equation since they were approved by Bay Area voters.

Other counties have argued that developer fees (in some cases developer fees which have not been approved by the voters) should also be eligible. Staff is concerned that the broadening of this program to potentially include tolls and developer fees could dilute the overall effectiveness of these funds.

Although, one could conceivably argue that tolls and developer fees are not the traditional types of self-help revenues, in that they are broadly applied, some portion of the bridge tolls were approved by the region's voters and are allocated to transportation improvements. The basis of this argument is that Bay Area voters approved sales taxes and tolls for transportation and should be rewarded for that foresight. By that same token, Los Angeles County taxpayers contribute over \$1 billion each year for transportation and should be rewarded accordingly. Metro staff have communicated with Bay Area transportation officials and indicated that if tolls were going to be included Metro at the least would expect the program be structured so that the voters who approved taxes are rewarded in proportion to what they pay.

Secondly, a return to source requirement would establish that funding eligibility would be based on the amount of funds contributed through the local tax measure. Since Los Angeles County has two one half cent sales taxes, we would compete very well under this type of structure. However, many counties do not want a return to source requirement because they recognize that Los Angeles County's share would be significant. In addition, this program could further limit Los Angeles County's share if some type of cap were included, either as a project limit cap or an overall per county limit.

The combination of factors that would lead to the highest amount of revenue for Los Angeles County would be one where the program is limited to sales tax counties only and the program includes a return to source requirement. If the program were broadened to include tolls and developer fees Los Angeles County's share would decrease proportionately by the amount of funds allowed as eligible funds.

Staff therefore believes that it is warranted for the board to refine its position. Previously, the Board adopted a position which stated that the new State and Local Partnership Program should be structured so that voters are rewarded for their commitment in proportion to their local contribution (i.e. the amount of taxes they pay). This could include tolls and developer fees. Given the uncertainty with respect to these issues, staff recommends that the Board support only the inclusion of sales tax counties at this point.

Lastly, with respect to the return to source requirement, staff recommends that the Board continue to support the inclusion of a return to source requirement. Ultimately there may need to be additional negotiations surrounding this issue and possibly the inclusion of a formula in place of a return to source requirement. In that case, staff recommends that the Board should support an equitable formula for inclusion.

NEXT STEPS

Metro staff will continue working with Assembly Member Levine with language consistent with these principles and will report back to the Board as this program develops.