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Transportation  
Authority

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**TO: MTA BOARD OF DIRECTORS**

**THROUGH: ROGER SNOBLE**  
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**SUBJECT: PLANNING & CONSERVATION LEAGUE PROPOSED INITIATIVE**

### ISSUE

The Planning and Conservation League (PCL) is sponsoring the Traffic Congestion Relief Initiative. This measure would transfer a portion of the sales tax from new car sales to a variety of transportation uses. These sales tax funds are currently deposited in the State's General Fund. PCL hopes to bring this initiative to the voters in November 2002.

Specifically, the Initiative would:

- Require that 30% of the sales tax from new car sales be transferred to a new Traffic Congestion Relief Fund that would be created by the act.
- Require that moneys in the fund be allocated across a variety of categories based on specified percentages.
- Specify agencies responsible and formulas used to allocate funds in each of the categories.
- Require that specific projects receive allocations first before making funds available statewide.

A matrix is attached which outlines the categories, funding levels, and, project allocations in the proposed initiative.

### BACKGROUND

The PCL initiative would transfer 30% of the sales tax from new car sales out of the State General Fund and instead allocate those funds to a variety of transportation

purposes. The sponsors estimate that \$810 million would be available every year for this program. Without estimates from the state it is difficult to assess the accuracy of the sponsor's estimate.

These funds would then be allocated across different categories of transportation uses. A specified percentage of funds would be allocated to each category. The initiative would specify how those funds would then be further allocated and by what agency. Prior to any of the formula allocations being made, specific projects in each category would receive allocations. The funds remaining in each category would then flow through the formula or allocation processes specified in the bill.

The idea of allocating this portion of the state sales tax, as embodied in the PCL initiative, was first proposed in AB 321 (Vargas) this past legislative session. When originally proposed by PCL, the program would have allocated all of the specified sales tax to transportation. As the year progressed, the condition of the state budget deteriorated and other groups began to express concern. In the initiative process the sponsors then reduced the allocation of the sales tax to only 30% of the total sales tax coming from car sales. The initiative includes language that would protect guaranteed educational funding and allow the allocations only when the State Budget experiences a surplus.

While the PCL initiative represents an opportunity to increase the amount of funds available for transportation in the State of California, it also creates a number of problems which are of serious concern to staff.

Overall, the allocation of funds across all of the specified categories creates a mandated inflexible program and gives a great deal of the allocation responsibilities to state agencies, namely the California Transportation Commission. This is in direct contrast to SB 45 which transferred funding responsibilities to local agencies.

By specifying numerous categories of funding, the proposal would mandate expenditures and priorities. These categories may not reflect the need of certain counties and, based on restrictions in the categories, some counties may not be able to take advantage of the available funding.

The sponsors of the initiative have also inserted specific projects into categories and have given these specific projects priority funding. The funds remaining in each category would then be allocated through each program. This reduces the total amount of funds available for other projects and each specific program. This practice, combined with the overall reduction in funds available for the entire program, leaves smaller amounts available in each category. Over time the project allocations would expire and more funds would then be available through the program formulas. It should be noted that the project allocations occur for varying time frames and, in some cases, range as high as ten years.

In a move which could be interpreted as attempting to gain support for the proposal, the sponsors have been modifying the initiative to add and delete projects and have modified funding categorizations and percentages. In some cases, projects have been included which have little

direct connection to the improvement of the regional transportation system. Any projects included in the plan should reflect Los Angeles County's priorities as expressed in the Long-Range Transportation Plan. Additionally, entire categories of funding for street and highway repair have been eliminated and the funds redistributed to other categories and projects.

In several conversations with PCL representatives, MTA staff has developed the impression that PCL would expect to receive contributions for its campaign if projects are to be included in the plan. MTA staff is concerned about the possible connection that may be made between projects and campaign contributions. Staff would strongly caution against such an approach and would be very troubled if this impression is accurate. As a public agency, the MTA is very strictly prohibited from contributing to campaigns.

At this point, there is not a clear indication of groups who support or oppose this initiative. Educational and labor interests have expressed concern about a potentially negative impact to the State General Fund. Additionally, services at county and municipal levels would be impacted by a reduction in State General Fund resources. PCL has responded to this by including language that attempts to protect traditional State General Fund recipients. Although the sponsors have represented that this language would protect those services, a more thorough analysis of this claim is warranted.

### **NEXT STEPS**

A number of policy alternatives are available at this point. The MTA could opt to oppose the initiative, which would leave the county without a voice if the initiative were to proceed. The MTA could also join in the effort by seeking projects to be funded by the revenues in Los Angeles County. The MTA could also work with the sponsors and other statewide agencies and attempt to modify the current proposal to improve local control and flexibility of the funds to be made available. Staff recommends that the Board pursue this last alternative. Specifically, staff recommends that the Board pursue the following amendments:

- If additional funds are to be allocated by the state for transportation, they should flow through existing formulas and respect the existing processes, rather than create a new and complex process that is controlled at the state level.
- Modify funding categories, if the categories are to remain, so that the funds flow to the local agency and project decisions are made by the local agency.
- Work with the sponsors to incorporate funding for Los Angeles County projects and ensure that Los Angeles County receives its fair share of funds for specified projects.
- Ensure that earmarked projects are consistent with the MTA's Long Range Transportation Plan.

MTA staff will transmit a letter to PCL outlining these concerns.