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Metropolitan
Transportation
Authority

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EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
FEBRUARY 21, 2002

SUBJECT: STATE LEGISLATION

**ACTION: APPROVE STAFF RECOMMENDATION ON STATE
LEGISLATION**

RECOMMENDATION

Consider the following positions:

- A. Board of Equalization Proposed Legislation 1533.2 - would reduce the amount of operating funds available for public transit in the State of California. **OPPOSE**
- B. AB 630 (Oropeza) – would require additional responsibility on the MTA to conduct an analysis of security on the transit system in Los Angeles County. **WORK WITH AUTHOR**

ISSUE

Staff reviews numerous transportation-related bills throughout the legislative session. The attached analyses identify two significant bills which staff believes the MTA Board of Directors should take positions.

ATTACHMENTS

Attachments A & B: Legislative Analyses

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BILL: BOARD OF EQUALIZATION PROPOSED REGULATION 1533.2
LEGISLATION PROPOSED BY SENATOR MURRAY

AUTHOR: STATE BOARD OF EQUALIZATION
STATE SENATOR KEVIN MURRAY

SUBJECT: SALES TAX CREDITS FOR DIESEL FUEL/PTA FUNDING

POSITION: OPPOSE REGULATION 1533.2
SUPPORT LEGISLATION PROPOSED BY SENATOR MURRAY

STATUS: BOARD OF EQUALIZATION HEARING MARCH 27, 2002
LEGISLATION IS PENDING INTRODUCTION

RECOMMENDATION

Oppose the State Board of Equalization's proposed Regulation 1533.2 and **support** legislation proposed by Senator Murray.

ISSUE

The sales tax applied to diesel fuel is deposited in the Public Transportation Account (PTA). Existing law, AB 426 (Cardoza), created a tax credit for diesel fuel used in certain farming activities. The State Board of Equalization is currently considering Regulation 1533.2 that would implement this tax credit but is expanding its applicability. The effect of this regulation is to drastically reduce the amount of operating funds available for public transit in the State of California.

IMPACT ANALYSIS

Regulation 1533.2 would implement an agreement that was reached in last year's negotiations over the state budget. In that agreement, the Governor and Legislature agreed to provide tax credits to farmers. This included a sales tax credit on the use of diesel fuel in certain farming activities. Under the original agreement the tax credit was to be applied to the transport of farm products to the marketplace. In signing this legislation, Governor Davis indicated that the marketplace was to be interpreted as the first point of destination from the farm.

As the BOE has developed the regulation that would implement the tax credit, they have drastically expanded the availability of the credit to reach far beyond its original intent. Under the proposed BOE regulation, the tax credit would be applied to truck trips beyond the first point of destination and could be applied to the trucking of products to their ultimate retail destination.

The sales tax on diesel fuel is deposited in the Public Transportation Account and ultimately flows to a variety of transit operators in the state including the MTA. Under the BOE regulation, transit operators in Los Angeles County would lose approximately \$12 million in PTA annual funding.

Staff is currently working with transit agencies in the state and within Los Angeles County to develop opposition to the proposal and recommend that the MTA Board of Directors formally oppose this regulation. At this point in time, the following actions are being proposed to address this issue:

1. Formal opposition needs to be registered through BOE's regulatory approval process. Staff will transmit a formal letter of opposition to BOE and work with other agencies in mobilizing opposition through the BOE process.
2. Senator Kevin Murray has agreed to author legislation that would clarify the intent of AB 426. If this legislation is approved and signed by the Governor, the scope of BOE's regulation would be restricted by the Legislature. Staff recommends that the MTA Board of Directors conceptually support Senator Murray's legislation.

Throughout this process, staff will continue to work with the municipal operators in Los Angeles County and with other affected agencies in the State.

BILL: AB 630

AUTHOR: ASSEMBLYMEMBER JENNY OROPEZA

SUBJECT: MTA SECURITY ANALYSIS

POSITION: WORK WITH AUTHOR

STATUS: PENDING COMMITTEE ASSIGNMENT IN THE
STATE SENATE

RECOMMENDATION

Consider a **work with author** position on AB 630.

ISSUE

Existing law outlines the responsibilities of the MTA. AB 630 would add to those responsibilities, the requirement that the MTA conduct an analysis of security on the transit system in Los Angeles County, including services operated by the municipal operators. AB 630 further requires that the study be submitted to the Legislature and be updated every five years.

IMPACT ANALYSIS

Assembly Member Oropeza has offered AB 630 in response to security concerns arising out of the terrorist attacks of September 11, 2001. Assembly Member Oropeza chairs the Select Committee on the MTA and conducted a hearing of security issues on November 28, 2001. At that hearing, MTA Board Chair John Fasana and MTA Chief Executive Officer Roger Snoble presented testimony about the ongoing security program at the MTA and the specific analyses initiated by the MTA Board. Additionally, representatives of municipal operators in Los Angeles County also presented testimony about security preparations at selected facilities.

As a result of the hearing, Assembly Member Oropeza introduced AB 630 to formally require a study of security at the MTA and the municipal operators and to further require that the study be submitted to the Legislature and updated every five years.

MTA staff has already completed the security study which was originally required by Board action and would ultimately be required by AB 630. MTA staff had committed to working with the municipal operators to address security at their facilities prior to the Select Committee hearing and have continued that effort to date. Municipal operators have responded by identifying the security needs of their projects. In addition, the MTA analysis was always envisioned as a product that would require periodic review.

Staff has some philosophical concerns with AB 630 in that the MTA is, once again, the only transit agency in the State to be subjected to such a requirement. The concern with implementing Board actions in State law is that a precedent could be set that restricts the local control of the MTA Board to develop policies for the agency.

The MTA's security analysis is arguably the most comprehensive review of any transit system in the County. While the MTA study may serve as a model for other agencies, the same requirement is not being placed on similar transit agencies in other urbanized areas.

Furthermore, AB 630 would mandate a study with no provision for funding. The MTA, Los Angeles Police Department and Los Angeles County Sheriff Department are currently compiling the costs expended thus far on the study. MTA staff has communicated to Assembly Member Oropeza that the MTA would like to request State assistance in funding the requirements of AB 630 if the revenue becomes low.

Staff would recommend that the MTA Board of Directors adopt a work with author position on AB 630. This will allow staff to address the funding needs and mandatory provisions of this bill.