



May 1, 2019

The Honorable Ben Allen
California State Senate
State Capitol, Room 4076
Sacramento, CA 95814

**RE: SB 732 (Allen) Transactions and use tax: South Coast Air Quality Management District
NOTICE OF OPPOSITION**

Dear Senator Allen:

The Los Angeles County Division of the League of California Cities® (Division), representing 86 cities in the county, respectfully opposes your SB 732 that would provide authority to the South Coast Air Quality Management District (SCAQMD) to create a taxing district.

Los Angeles County ranks among the top three worst counties in smog and particulate levels in the country. We want to work with all stakeholders to change this and improve air quality and public health in our communities. However, we disagree that the solution to improving air quality and meeting federal clean air deadlines is through the creation of a transactions and use tax in the four counties of the SCAQMD for the following reasons:

Our residents would pay for pollution created by the goods movement industry - The goods movement industry out of the Ports of Los Angeles and Long Beach serve consumers nationwide by moving goods by ship, rail, and heavy trucks through our communities, contributing to the vast majority of the air pollution in our region. Yet, SCAQMD is asking our local communities, not the industry or end users, to pay for their pollution. We do not believe this is fair.

Sales Tax Precedence for Special Districts - Currently, only cities and transportation agencies have authority to seek voter approval of local transactions and use tax increases. SB 732 sets a precedent for thousands of special districts in California to compete for a limited revenue source reserved for cities and some transportation agencies.

SCAQMD Jurisdiction - The initiatives that SCAQMD proposes to fund with the transactions and use tax revenue, while related to air quality mitigation, are outside of its jurisdiction, which is limited to stationary sources of air pollution, not mobile sources. Allowing for any entity to tax and fund measures outside its jurisdiction would create a dangerous and objectionable precedent.

Voter Confusion - As many cities in the county seek their own local transactions and use taxes to pay for local priorities like police, fire, aging infrastructure, and essential services, SB 732 forces voters to choose between dollars being collected in their own jurisdiction and dollars collected by other regional agencies that might not be used locally in their entirety.

Exceeds Transactions and Use Tax Caps - As of March 2019, a third of Los Angeles County's 88 cities have local sales tax rates above 10%, with the highest at 10.50%. These rates include not

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only the local rate, but five other transactions and use taxes in the county¹. Allowing SCAQMD to increase the rate in Los Angeles County by as much as 1% would increase some cities rates to 11.5%, which would affect their local economies and worsen already-strained affordability for the majority of our region's residents.

Likely Challenges to a Voter-Initiated Transactions and Use Tax - MoveLA's Vision 2020 Straw Man expenditure plans acknowledges that they intend to spearhead a voter initiative and seek a majority-vote approval if SB 732 passes. While we strongly support civic engagement in our local democracies, we question whether a majority-vote special tax will pass legal muster as similar majority-vote measures in other parts of the state are being challenged for not meeting the 2/3 voter threshold requirements under Proposition 218.² We believe these cases to interpret the 2017 California Supreme Court Decision, *California Cannabis Coalition v. City of Upland*, should be settled before SCAQMD moves forward on this particular effort.

We acknowledge that both upcoming federal requirements and public health needs make air quality an urgent matter in our region. We would like to meet with you to discuss our commitment to work with you and other stakeholders to explore alternative revenue sources and/or mechanisms to fund the necessary technologies to reduce air pollution and create healthy environments for all of our communities.

If you have any questions, please contact Kristine Guerrero at kguerrero@cacities.org.

Sincerely,



Juan Garza
President
Los Angeles County Division
League of California Cities®

cc: Los Angeles County Legislative Delegation
South Coast Air Quality Management District Governing Board
Wayne Nastri, Executive Officer, South Coast Air Quality Management District
Los Angeles County Board of Supervisors
Orange County Board of Supervisors
Riverside County Board of Supervisors
San Bernardino County Board of Supervisors
Orange County Division, League of California Cities®
Riverside County Division, League of California Cities®
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¹ Measure H Homeless (2016), Measure M Transportation (2016), Measure R Transportation (2008), Measure C Transportation (1991), Measure A Transportation (1982)

² HJTA v. City and County of San Francisco