

NEWSLETTER

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"The dogmas of the quiet past are inadequate to the stormy present."
(Abraham Lincoln 1809-1865)

TRUST-BUSTERS FIGHT TO DIVERT MORE GAS TAXES TO PROMOTE LOCAL TRANSIT PROMO- TIONS

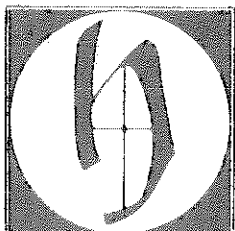
Encouraged by President Nixon's signing of a \$22.9 billion "highway aid" bill which allows diversion of Federal gas tax trust funds to subsidize public transit lines, local politicians are fighting for their share of the Federal loot, and are seeking to crack the trust fund status of State gasoline tax receipts for diversion to their favorite projects.

The sole justification for imposition of our regressive gasoline taxes was that motorists obtained special benefits from road construction, and therefore had no right to object to these specialized impositions. Proposals to finance interstate and intra-state roads by taxing away a fraction of the "unearned increment" of billions of dollars of increased land values brought about by road construction were as politically unpalatable. But with the continued imposition of billions of dollars of excise taxes on gasoline, while the proceeds will be used to construct bus and rail lines for non-auto users seems to critics to constitute highway robbery literally as well as figuratively.

Norman Topping, President of the Board of the Southern California Rapid Transit District, proposed last March that \$4 billion be requested to subsidize SCRTD expansion. To finance his project Topping stated "using a portion of gasoline funds, or perhaps instituting a small additional sales tax-or a combination of these approaches-may be the most equitable way to proceed."

Shortly afterward, Los Angeles Mayor Tom Bradley took the hint, and proposed a \$6.6 billion expansion plan featuring transit "corridors", to be paid out of Federal gas tax funds, and additional sales taxes. Opposing the Bradley plan, Los Angeles Councilman Louis Nowell claimed that the cost of construction of the Bradley project would be over \$47 million per passenger line, and would impose \$1,000 in added taxes for every man, woman and child in the SCRTD district, and would also require over \$80,000,000 yearly additional operating subsidies.

Hedging his political bets, Mayor Bradley is sponsoring legal action before the California Supreme Court which attempts to break the trust under which State gasoline taxes



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are retained for highway purposes. The Bradley lawsuit claims that under Article 26 of the State Constitution, which restricts gasoline tax funds to "highway purposes", public transportation projects of all kinds should be included.

Not only does Mayor Bradley intend to place his sales-tax increase proposal before the voters next year, but a proposed Constitutional Amendment is being pushed through the California Legislature by State Senator Foran which would amend the Constitution to allow diversion of gas tax funds.

In short, there is no end of fiscal goods in sight for the Southern California taxpayer.

INSIGHT PROPOSED ALTERNATIVE

In proposing his sales tax and gas tax increase SCRTD President Topping said "We of the RTD will ignore no possible funding mechanism", and Mayor Bradley stated: "I would like to see more short range ideas, more things that can be done now before they break ground on a high-speed trunk system."

Taking these moguls at their word, INSIGHT suggests a short range idea in the form of a possible funding mechanism which might save our thin wallets a further shock.

We suggest that a special assessment district be formed for the proposed SCRTD transportation "corridors", and that the amount of increased land value accruing to each parcel of property in the adjoining area be determined.

San Francisco was given the legal right to install such a special assessment district to pay for the Bay City Rapid Transit Authority through unearned increment taxes. However, the Bay City politicians chose a local sales tax increase as a political alternative least likely to alienate the boys in the back room.

INSIGHT is damned with such naive lack of sophistication as to believe that there is a chance that the Southern California Solons might not follow the easy sales tax way selected by their San Francisco colleagues.

DIGRESSION ON HOW WE NOW EMPLOY SPECIAL ASSESSMENTS TO FINANCE TRANSPORTATION NEEDS THROUGHOUT STATE

Special assessment districts are now commonly used throughout California (and the entire nation) to finance street construction and other public improvements. The legal basis is that property owners whose land values are increased by a public improvement should pay special assessments in proportion to the amount of the increased land values, thus financing the improvement in accordance with benefit received.

Unfortunately, the legal basis of the special assessment is not always complied with. In Los Angeles it is usually disregarded. This is how special assessment districts actually work in the sunny Southland.

Suppose a shopping center owner wants more traffic directed to his property. He puts pressure on his city councilmen, to have a street widening arranged, and promises suitable campaign contributions. The Councilmen then arranges for a special assessment district to be voted in by the City Council. The shopping center owner donates 20 feet or so from his frontage, since he will win great increases in land values through the street widening. Department of Public Works right-of-way employees then tell homeowners with frontage on the chosen street that they should also donate 20 feet, or the required depth, from their front lawns, to the City. The homeowner is told that it will do no good to refuse to donate their land because the City will then take away the land by condemnation, and follow it up with a special assessment proceeding which will take back for the

city everything that the city pays in the condemnation proceedings.

These threats are carried out. The shopping center owner, whose property is greatly increased in value pays nothing for the street widening project. The homeowner finds his front lawn converted into a high-speed highway, with no compensation. Sometimes he has to pay more for special assessment than he receives from the condemnation.

Los Angeles Councilman Wilkinson (the contractor's friend) has brought about the widening of street after street in the San Fernando Valley at the expense of the homeowner, and with no charge to the campaign contributing owners of commercial property who requested the street widening.

But as used according to its original plan, the special assessment idea is the most just available for financing transportation needs. Unfortunately fiscal justice has never been of prime consequence for Mr. Topping, or Mr. Bradley, or their most prominent backer, the Los Angeles Times.

LOS ANGELES COUNTY SUPERVISORS ATTACK SCRTD FOR LACK OF DILIGENCE IN GRABBING "EXCESS" SALES TAX MONEY

Far from attacking the Southern California Rapid Transit District for its insistence on consumer tax financing, the Los Angeles County Board of Supervisors has attacked it for its lack of diligence in not grabbing off "excess" sales tax money collected by the State.

County Supervisors Kenneth Hahn told Jack Gilstrap, SCRTD general manager: "You should go to Sacramento and fight for this (sales) tax money. It will take a united effort by all the cities, this board and all concerned to get it, but if we let one agency known as the SCRTD sit back we are not going to get it." Hahn continued: "The SCRTD is a big pig sitting there grunting, 'Feed me, feed me, feed me,' and you have to pry its mouth open to get anything in."

The other supervisors commented in a similar vein. And well they might. It has never been necessary to pry open the mouth of our Board of Supervisors to get tax money in, and with the lack of political initiative by SCRTD, the "excessive" sales tax money may serve as a further excuse for delay of imposition of the Reagan-Moretti sales tax increase, rather than as a source of subsidy funds for the SCRTD.

When it is feeding time at the farm every animal must seize its maximum share.

MORE TRANSPORTATION TRIBULATIONS

In the meantime, other trials and tribulations confound and confuse the transportation picture in Southern California.

The vital Century Freeway, planned to run 17 miles from the L. A. International Airport to Orange County is still stalemated by an injunction granted the Sierra Club, the NAACP and the City of Hawthorne against its construction. In forbidding the freeway construction Federal Judge Harry Pregerson stated: "In planning the Century Freeway, the defendants made virtually no attempt to evaluate the effect of the highway on air pollution in the Los Angeles basin." Judge Pregerson also noted that very little consideration was given to the noise factor in planning the freeway.

Attorneys for the State Department of Public Works said the environmental impact studies ordered by the Court would take months to complete, and the hearings ordered by the Judge could delay construction for years. Gleeful attorneys for the civic and conservation groups fighting the freeway exulted that "this may mark the end of the freeway era in the Los Angeles Metropolitan area." Possibly they had in mind the fact that noise and air pollution have never been taken into consideration in planning any of the freeways in California.

In the meantime, construction of the vital Beverly Hills freeway, which would provide the long-needed east-west transit through the heart of Los Angeles, is also stagnated, as Beverly Hills' high-income residents have successfully employed political leverage, including legislative bills banning the freeway's construction. The removal of low and middle income residential areas is justified by the good of the cause when freeway construction is required, but is horrendous when the mansions of the influential are involved.

WHAT TO DO WITH THE PENNSYLVANIA RAILROAD SALVAGE, DISMEMBER, SUBSIDIZE OR REORGANIZE

Complete confusion still reigns as to the future of the huge Penn Central railroad company. October 1 has been set by U.S. District Judge John Fullam as the deadline of a suitable liquidation plan, but there is a foreseeable lack of agreement as to the proper line.

The bankruptcy trustees have proposed stopping service on all 20,000 miles of track, unless the government provides substantial financial aid before October 1. The Senate has passed SB 2060 proposed by Sen. Vance Hartke of Indiana, which would provide a \$210 million federal subsidy to Penn Central but the Nixon administration is reported to favor an alternate bill providing only \$85 million of interim aid. Some financial experts propose selling segments of the railroad on the auction block to obtain funds to bolster the remnants. (We are reminded of the ancient joke about the Jewish grandmother who owned one sick chicken and one healthy chicken, who killed the healthy chicken to provide some all-healing

chicken soup to feed to the sick chicken) Other financial experts propose the abandonment of up to 10,000 of the unprofitable lines, and elimination of 7,000 unnecessary, featherbedded jobs, a proposal which would inevitably bring the wrath of the railroad unions and the deserted localities upon any politicians so unwise as to promote this efficiency measure.

INSIGHT personally suggests liquidation of the billions of dollars of nonrail real estate assets owned by Penn Central, which should certainly provide sufficient funds to rehabilitate the rolling stock, roadway, and other equipment, and to buy legislators favorable to the idea of abandoning unprofitable lines and useless jobs. Penn's properties include the Barclay, Biltmore, Roosevelt and Commodore hotels and Park Avenue property in New York City, skyscrapers, coal lands, warehouses, farmlands, choice industrial land, and valuable residential subdivisions. And though California is thousands of miles away from Penn Central railroad operations, we are still honored with Penn Central domain over hundreds of millions of dollars of invaluable real estate holdings.

The normal course of bankruptcy proceedings, as applied to ordinary mortals and businesses is for sufficient assets to be sold to pay off creditors, without any Federal subsidy to assist the bankrupt's stockholders. But a big bankrupt must be given special consideration not given a small bankrupt, just as a man who steals big gets more consideration than a petty thief. To quote from the immortal Grimm Brothers: "That's the way of the world."

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