

Statewide Transportation Needs Assessment Revenue Report

Revenue Generator:

Change in Voter Threshold for Transportation Special Taxes

Application: **Local**

By changing the threshold for transportation special taxes (including sales taxes and vehicle license fees), this measure will potentially facilitate new revenues in counties without transportation special taxes, as well as counties seeking to add additional locally-generated transportation revenues.

Introduction

Local transportation measures could take several forms, most commonly a half-cent sales tax increase, but also vehicle license fee or property tax increases allowed under current law. Over the last 25 years, voters in 20 different California counties have approved “local transportation sales taxes” to pay for transportation projects. In 2012, 19 counties are currently so-called “self-help” counties that have voted to increase their countywide sales taxes by ¼ percent to 1½ percent to fund a program of transportation improvements. Additionally, five Bay Area counties have successfully passed ballot measures to increase vehicle registration fees by \$10 for transportation purposes. The uses of these revenues include: highway and road capacity and maintenance improvements; capital construction/system expansion; system management and maintenance; public transportation capital and operations; and bicycle and pedestrian infrastructure.

Since 1990, court rulings requiring two-thirds voter approval of special tax measures, have made it extremely difficult for counties without an existing program to enact such measures. Most of the counties that have placed measures on the ballot but have not achieved a two-thirds vote are the smaller, urbanizing or rural counties that do not have as high a level of traffic but still have substantial transportation needs.

A constitutional amendment is required to change the voter threshold for special transportation taxes. Amendments to the State Constitution can be approved under three scenarios: 1) with a two-thirds vote of the State Senate and State Assembly; or, 2) a majority vote of both houses to place the measure on the ballot and then approval by a majority of voters; or, 3) placement of the measure on the ballot via the public process and approval by a majority of voters. Over the years, several proposals have been considered by the Legislature, the most recent being Assembly Constitutional Amendment 23 (Perea), but none have reached the ballot. ACA 23 would amend the State Constitution to lower the constitutional vote requirement from two-thirds to 55 percent for approval of a special tax that will provide funding for local transportation projects. A similar 55 percent voter threshold exists for school bonds.

Statewide Transportation Needs Assessment Revenue Report

Yield Potential

The indirect yield potential for this policy change is medium to high, up to \$570 million annually, depending on which counties enact local transportation special taxes and at what level.

While the change in the threshold would not directly generate more revenues, it would substantially increase the likelihood of adding new self-help counties in California. According to the Self-Help Counties' website, existing transportation sales taxes as of 2007/08 generated more than \$4.5 billion per year in revenues. According to 2009-10 estimates by 17 of the "aspiring counties" actively seeking a new transportation measure, a one-half cent sales tax across all of these counties would generate \$314.6 million annually.

Existing vehicle registration fees for transportation projects (in Alameda, Marin, San Francisco, San Mateo, Santa Clara counties) generate approximately \$39 million per year, although these were approved by a majority vote, before the voter threshold was raised. If all counties had an additional \$10/vehicle fee for transportation projects, it would raise approximately \$296 million per year (based on 75 percent collection on 39.25 million registered, fee-paying vehicles), or a net addition of \$257 million per year on top of existing measures.

Use/Restrictions

Projected revenues by mode and purpose will depend largely on the expenditure plans developed by each local or regional government and approved by the voters. Typically, the largest share of funding is dedicated to highway capacity/safety improvements, but local road maintenance also generally receives an important share of funds. In most counties, transit capital and operations and bicycle and pedestrian facilities also receive a share of funding.

Sustainability

The level of sustainability of such measures will vary by county. In many counties, in order to achieve voter approval, a sunset date for measures is included. Typically, these measures expire after 30 years. However, most counties with an approved transportation sales tax have been able to renew their measures. For that reason, local transportation measures have the potential to be highly-sustainable. As California moves closer toward a service-based economy, taxes from durable goods may diminish; however, over time services may also be subject to sales taxes. Vehicle registration fees may offer less volatility, although they do not raise as much money.

Pros

- Funds are targeted to transportation and cannot be shifted to general funds
- Substantial revenues are generated for a variety of transportation improvements
- Revenue measures usually exist for two to three decades, providing a long-term source
- Generally, sales taxes grow over time; less so with vehicle registration fees
- Areas with existing measures could add to them, so virtually all regions can benefit
- Stable funding also allows the opportunity to secure bond financing to advance projects.
- Reduces the opportunity for a small minority of voters to control transportation investment decisions that are supported by a large majority of voters.

Statewide Transportation Needs Assessment Revenue Report

Cons

- Approval by the legislature and a statewide vote is required to change the threshold
- The measure is still considered a “new tax” and therefore can be politically unpopular
- Counties must still have their own election to enact the new revenue measure
- Most taxpayer associations do not support the change
- Sales taxes can be considered a regressive tax; however, basic expenses are exempt

Implementation

The difficulty in approving a constitutional amendment to lower the voter threshold for local transportation measures is considered high because of its necessity to have either a two-thirds approval within the state Legislature, or a majority vote of both houses to place the measure on the ballot and then approval by a majority of voters. The difficulty for an individual jurisdiction to approve a special transportation tax even with the 55 percent threshold depends on the local culture and circumstances, ranging from low to high. The proposal does enjoy widespread support, however; more than 35 organizations have registered their support for ACA 23 to reduce the voter threshold for transportation measures.

Conclusion/Recommendation

Given its potential to raise a substantial amount of revenues over a long-term in many regions of California, it is recommended that reduction of the voter threshold for transportation special taxes be a top priority for statewide adoption by the Legislature, the voters and countywide agencies.

Reference Materials

<http://www.uctc.net/papers/737.pdf>

<http://www.metro.net/projects/measurer/>

California Department of Motor Vehicles, Estimated Vehicles Registered by County, 2011.

http://www.dmv.ca.gov/about/profile/est_fees_pd_by_county.pdf

Self Help Counties Coalition, Transportation Sales Tax revenues

<http://selfhelpcounties.org/pdf/TransportationSalesTaxInfo.pdf>

Aspiring Counties Profile

4/2/2012

	County	July 2011 Pop	2009/10 Amount Raised by 1/2%	COG est'd 2012 Annual Raised by 1/2%	Last Election Attempt	%	Last survey	%	Next Election Attempt?	ACA 23 Action	Contact Person	email
1	Butte	220,570	\$ 11,592,000							pending	Ivan Garcia	igarcia@bcag.org
2	El Dorado	181,653	\$ 6,662,000							?	Sharon Scherzinger	sscherzinger@edctc.org
3	Humboldt	134,484	\$ 8,006,000		n/a				2016?	support	Marcella Clem	marcella.clem@hcaog.net
4	Kern	848,553	\$ 58,400,002		Nov-06	56%	Apr-05	58%		sponsor	Robert Ball Robert Phipps	rball@kerncog.org rphipps@kerncog.org
5	Kings	152,739	\$ 5,772,000							no position	Terri King	Terri.King@co.kings.ca.us
	Lake	63,703	\$ 2,166,480							support	Lisa Davey-Bates	daveybatesl@dow-associates.com
6	Merced	258,678	\$ 10,536,000	\$ 8,000,000	Nov-06	60%	Aug-05	67%		?	Jesse Brown	jesse.brown@mcagov.org
7	Monterey	419,710	\$ 19,590,000		Nov-08	63%	May-08	56%	2016?	support	Debbie Hale	debbie@tamcmonterey.org
8	Napa	137,732	\$ 11,158,000	\$ 11,500,000	Jun-06	52%	2011	72%	Nov-2012	support	Paul Price	pprice@nctpa.net
9	Placer	355,687	\$ 29,034,000	\$ 35,000,000	n/a		Dec-07	57%		pending	Celia McAdam	cmcadam@pctpa.net
10	San Benito	55,619	\$ 2,146,000							no position	Lisa Rheinheimer	lisar@sanbenitocog.org
11	San Luis Obispo	270,739	\$ 17,288,000	\$ 20,000,000			Dec-11	60%		support	Ron De Carli	RDeCarli@slocog.org
12	Santa Cruz	264,824	\$ 13,192,000	\$ 14,000,000	Nov-04	43%	2007	59%	2012? 2014?	support	George Dondero	gdondero@scrcog.org
13	Shasta	177,675	\$ 12,054,000				Aug-07	54%		no position	Daniel Little	dlittle@co.shasta.ca.us
14	Solano	413,635	\$ 26,198,000	\$ 30,000,000	2006	<50%	2006	unk		support	Daryl Halls	dkhalls@sta-snci.com
15	Stanislaus	518,461	\$ 28,612,000		Nov-08	66.42%	2008	71%	Nov 2016	pending	Vince Harris	vharris@stancog.org
16	Tahoe TD & RPA	41,176	\$ 2,612,000							pending	Carl Hasty Nick Haven	chasty@tahoetransportation.org nhaven@trpa.org
17	Ventura	830,215	\$ 49,604,000	\$ 60,000,000	Nov-04	42%	Sep-11	61%	2014?	no position	Darren Kettle	dkettle@goventura.org
	Sum total	5,345,853	314,622,482									

SCO = State Controllers Office, 1/4c of LTF reported, doubled (Kern was missing, used 8/9)

Aspiring Counties Summary	
17	# of Aspiring Counties
5,345,853	Total Population represented
17	# of Surveys conducted since 2000
16	#of Surveys that found 55%+ support
\$50,000	Average cost of those surveys
12	# of Ballot Measures put to the voters since 2000
8	# of Ballot Measures receiving 55%+ vote, but failed
\$220,000	Average cost of those ballot measures
\$314,622,482	Amount that 1/2c could have raised in 2009/10 (SCO, LTFx2)