

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. 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.

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

Statewide Transportation Needs Assessment Revenue Report

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.

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

Statewide Transportation Needs Assessment Revenue Report

- 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 a two-thirds approval within the state Legislature 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>