

Date of Hearing: April 27, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
ACA 4 (Frazier) – As Introduced February 27, 2015

SUBJECT: Local government transportation projects: special taxes: voter approval

SUMMARY: Reduces the voter threshold from two-thirds to 55% for passage of local sales taxes dedicated to transportation purposes. Specifically, this constitutional amendment:

- 1) Provides that the imposition, extension, or increase of a special tax by a local government for the purpose of providing funding for local transportation projects under its jurisdiction requires the approval of 55% of the voters voting on the proposition.
- 2) States that a special tax for the purpose providing funding for local transportation projects is not deemed to have been increased if it is imposed at a rate not higher than the maximum rate previously approved in the manner required by law.
- 3) Defines "local transportation projects" to mean the planning, design, development, financing, construction, reconstruction, rehabilitation, improvement, acquisition, lease, operation, or maintenance of local streets, roads, and highways, state highways and freeways, and public transit systems.

EXISTING LAW:

- 1) Authorizes cities, counties, and special districts to impose a general tax for general governmental purposes with the approval of a majority of voters.
- 2) Authorizes cities, counties, and special districts to impose a special tax for specified purposes with the approval of two-thirds of the voters.
- 3) Authorizes school districts, community college districts, or county offices of education to incur school bonded indebtedness with the approval of 55% of the voters voting on the bond measure, requires bond proceeds only be used for purposes specified in the Constitution, and requires an audit to ensure that the funds have been expended only on the specific projects listed.

FISCAL EFFECT: Unknown

COMMENTS: Since 1923, California and the rest of the nation has relied heavily on gas taxes to support its local streets and roads and state highway system. Gas taxes have the benefit of being fairly inexpensive to administer. Furthermore, until recently, they have been a reasonably equitable means of distributing the tax burden amongst drivers in rough proportion to their use of the roadway system.

The gas tax is no longer a viable, sustainable revenue source, however. According to the Institute on Taxation and Economic Policy, two important developments have combined to greatly reduce the functionality of the gas tax:

- 1) The purchasing power of gas tax revenues has declined significantly due to inflation. If current tax rates, set in 1994, remain unchanged through 2035, real gas tax revenues will have declined by over 40%; and,
- 2) Improvements in vehicle fuel efficiency have cut directly into gas tax revenues by allowing drivers to travel farther distances while buying less gasoline. From an environmental and energy policy standpoint, this is undeniably desirable. Decreased fuel consumption reduces greenhouse gasses and our dependence on foreign oil. But with vehicle fuel efficiency set to nearly double in the next 20 years, gas tax revenues will be cut nearly in half.

In the face of rapidly declining gas tax revenues, voters in twenty counties throughout California have turned to imposing special taxes for local transportation projects and programs in their county. Collectively, these counties generate between \$3 billion and \$4 billion annually - money that is used for transportation projects as identified and prioritized by each county and ratified by the voters. These counties, referred to as "self-help counties," have consistently provided reliable and stable funding for transportation—funding that far outstrips state and federal funding on an annual basis. They also have in place:

- 1) Accountability measures.
- 2) Local elected oversight on taxpayer's dollars.
- 3) Expenditure plans that explicitly detail how funds will be spent, allowing the public to fully understand where their local transportation dollars go.

Despite the success of these self-help counties, a two-thirds voter approval threshold is a near-impossible hurdle for other counties that are aspiring to be self-help counties. As a result, these counties are deprived of much-needed funding for transportation infrastructure, maintenance, and operations.

ACA 4 could benefit these aspiring counties as well existing self-help counties whose existing special transportation tax is due to expire. If ACA 4 secures the necessary votes for passage, any county with a special transportation tax on the ballot at the same time need only achieve the 55% threshold to be successful.

Writing in support of ACA 4, the California Transportation Commission points out that, "Sales tax investments, directed towards local transportation needs, have proven to provide tremendous benefit to the overall state transportation system. Funds generated from sales tax measures serve to reduce congestion, improve public transportation, and enable local governments to better address the critical transportation needs of the state."

Opponents argue that a tax imposed on a group of taxpayers, rather than the general public, is worthy of a greater level of voter sanction and, thus, the existing two-thirds vote requirement is justified. They also argue that the two-thirds vote requirement serves two other purposes: to force local governments to justify a clear and critical need for a particular public function or program; and 2) to hold local governments to a higher level of accountability for taxes that are earmarked for specific purposes. Opponents fear that ACA 4 would undo these safeguards.

Previous legislation: ACA 23 (Perea) of 2012, was virtually identical to this constitutional amendment. ACA 23 died on the Assembly Third Reading inactive file.

Double-referred: This constitutional amendment will be referred to the Assembly Revenue and Taxation Committee should it pass out of this committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California State Association of Counties
California Transit Association
California Transportation Commission
Glendale City Employees Association
Move LA
Organization of SMUD Employees
Sacramento Metropolitan Chamber of Commerce
San Bernardino Public Employees Association
San Luis Obispo County Employees Association
Santa Clara Valley Transportation Authority
Solano Transportation Authority
Ventura County Transportation Commission

Opposition

California Taxpayers Association
Air Logistics Corporation
Associated Builders and Contractors of California
California Association of Realtors
California Retailers Association
California Tank Lines, Inc.
Orange County Business Council
Southwest California Legislative Council
California Chamber of Commerce
Chemical Transfer Company
Howard Jarvis Taxpayers Association
National Federation of Independent Business
West Coast Leasing, LLC
California Manufacturers and Technology Association
Orange County Taxpayers Association
Superior Tank Wash, Inc.
West Coast Leasing, LLC

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