Ballots for Buses: Local Option Transportation
Sales Taxes in California
2:00-2:45pm ET
Speakers: Martin Wachs, Jeremy Marks
Moderator: Romic Aevaz

NEXT WEBINAR
Telework During COVID and Beyond: Leveraging Behavioral Science to Improve Virtual Work and the Future of Commuting
Thursday, August 11
2:00pm ET
Ballots for Buses: Local Option Transportation Sales Taxes in California

Martin Wachs &
Jeremy Marks
UCLA Institute of Transportation Studies
Presentation Roadmap

• Why Local Option Sales Taxes are Important
• Description of California LOSTS
• Major Findings from Decades of Research
• Introduction to Data Base We Have Made Public
• Questions, Answers, Discussion
Declining Federal Funding & “Devolution”

- Congress increased Federal gas tax 8 times between 1956 & 1993 – every 4 to 5 years.
- No Federal fuel tax Increase since 1993 – $0.184/gal.
- Federal gas tax was 17% of price at the pump in 1993; in 2017 it was 8%.
- Inflation & increases in MPG slowed revenue in relation to driving
Local Transportation Revenue is Critical in CA

In California, total $35B in transportation revenue per year
(Before 2017 passage of SB1, new state tax revenue phasing in now):

- **$16 billion** from **local** sources
- **$12 billion** from **state** sources
- **$7 billion** from **federal** sources
Recent National Results

• 2015 Elections  34 Transportation Measures in 10 States
  23 Approved    10 Defeated
• 2016 Elections  77 Transportation Measures in 23 States
  55 Approved    22 Defeated
• 2017 Elections  17 Transportation Measures in 12 States
  15 Approved    2 Defeated
• 2018 Elections  185 Transportation Measures in 34 States
  142 Approved   43 Defeated

• More Measures Fielded and Approved in High Turnout Elections
• 80% were sales taxes; also property taxes and local gas taxes
Long History of California LOSTs

• Proposition 13 created the context in 1978 – 57% reduction in property tax revenue
• Voter-approved sales taxes
• Expenditure plans – lists of projects – are enumerated in measures.
• Most have fixed sunset dates and need to be “reauthorized.”
• Many have accountability provisions & limits on amendments.
• Are administered by county transportation commissions
LOST Tax Burden as % of Household Income

LOSTs are regressive, but so are fuel taxes. LOSTs may be “doubly regressive.” Despite this, the are popular because they are borne in many small transactions rather than fewer larger ones.
California LOSTs over time

Includes new measures, extensions of expiring measures, and added measures in counties that have measures in effect.
Surprising Popularity Despite an Anti-tax Mood
Surprising Popularity

• Before 1995, Simple Majority was Required – 19 Measures Proposed
  18 were Successful
• Since 1995, 2/3 Supermajority Required – 64 Measures Proposed
  8 failed to garner a simple majority
  23 received a majority of votes in favor, but not a supermajority
  34 received supermajority support and were enacted
Designing LOSTs to Win

• Spread the money geographically, especially to highly populated areas
• Spread the money across modal interests (e.g., highways, rail, bikes, pedestrians, ferries, & paratransit services for elderly & disabled).
• Spread the money over time, but make sure each constituency gets benefits early.
• Aim to achieve funding balance between capital and operating projects.
• Promise relief on many fronts for many interests (e.g., congestion relief)
• All politics are local and a few exceptions reflecting that. A few counties fund only one program or project or mode.
**LOSTS fund many programs to attract many constituencies**

Share of all LOST money by “mode”

<table>
<thead>
<tr>
<th>Mode</th>
<th>Mean</th>
<th>Median</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highways</td>
<td>27%</td>
<td>26%</td>
<td>0-66%</td>
</tr>
<tr>
<td>Public Transit</td>
<td>31%</td>
<td>26%</td>
<td>0-100%</td>
</tr>
<tr>
<td>Local Roads</td>
<td>34%</td>
<td>30%</td>
<td>0-100%</td>
</tr>
<tr>
<td>Bike/Pedestrian</td>
<td>2.4%</td>
<td>0.7%</td>
<td>0-17%</td>
</tr>
<tr>
<td>Safe Routes to School</td>
<td>1.8%</td>
<td>0%</td>
<td>0-11%</td>
</tr>
<tr>
<td>Seniors/Disabled</td>
<td>4.4%</td>
<td>1%</td>
<td>0-100%</td>
</tr>
</tbody>
</table>

- Urban counties typically allocate a larger share of LOST revenues to transit than transit’s mode share in those counties.
- Rural counties typically spend mostly on local roads.
- For each “mode” shown, counties also differ in terms of capital versus operating expenditures.
If at first you don’t succeed.....try & try again:
Sonoma County ½% LOSTs

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Description</th>
<th>Result</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>Transit &amp; Road Improvements</td>
<td>Failed</td>
<td>46.0%</td>
</tr>
<tr>
<td>1998</td>
<td>Highway, Road, Transit, Bike &amp; Pedestrian Projects</td>
<td>Failed</td>
<td>47.6%</td>
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<tr>
<td>2000</td>
<td>Highway Improvements</td>
<td>Failed</td>
<td>58.5%</td>
</tr>
<tr>
<td>2000</td>
<td>Rail/Bus Road Maintenance, Pedestrian &amp; Bicycle Projects</td>
<td>Failed</td>
<td>60.3%</td>
</tr>
<tr>
<td>2004</td>
<td>Highway, Road, Transit, Bike, Pedestrian Projects</td>
<td>Passed</td>
<td>67.2%</td>
</tr>
</tbody>
</table>
Local return: Key to Garnering Local Support
Years of Taxes in LOSTs

• 93% of California LOSTs have specified lives; only five were permanent, and all of these passed:
  • Los Angeles, Proposition A, 1980
  • Los Angeles, Proposition C, 1990
  • Los Angeles, Measure M, 2016 (also made earlier Measure R permanent)
  • Santa Clara, Measure A1, 1976
**Accountability vs. Flexibility:**
Achieving “Credible Commitment” & Allowing Change

<table>
<thead>
<tr>
<th>Features that assure accountability</th>
<th>Features that allow flexibility</th>
</tr>
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<tbody>
<tr>
<td>• Annual financial audits</td>
<td>• Tiers of Projects</td>
</tr>
<tr>
<td>• Citizen Oversight Committees</td>
<td>• Allowing Amendments... but rarely</td>
</tr>
<tr>
<td>• Periodic Program Performance Reviews and Public Reporting</td>
<td>• Allowing Substitution within Geographic Areas</td>
</tr>
<tr>
<td>• Requiring multiple approvals for proposed amendments to pass</td>
<td>• Allowing Substitution within categories (capital vs. operations)</td>
</tr>
<tr>
<td>• Municipal veto/appeal rights w/r/to proposed amendments</td>
<td>• Allowing Substitution within modes</td>
</tr>
<tr>
<td>• Requiring resubmission to voters for certain types of amendments</td>
<td></td>
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</tbody>
</table>
Example of a Citizen’s Oversight Committee: Merced County

One member appointed by each City and the County (Total of 7); One representative from the building industry; One representative from the agricultural industry; One representative from an ethnic community group; One representative from a major private sector Merced County employer; One representative from an advocacy group representing bicyclists and pedestrians, and/or transit; One member who is a professional in the field of audit, finance, and/or budgeting with a minimum of five years in a relevant and senior decision-making position in the public or private sector; One representative from an environmental advocacy group" and four at-large representatives to be filled by Merced County residents through an application process.
LOSTs created a new transportation politics

• LOSTs do not pass just because they are inherently popular.
• An industry of campaign consultants and public officials have learned by trial and error how to get votes and measures are shaped according to a complex set of principles based on precedent.
• Does what is done to achieve a supermajority of votes match what would be the best transportation plan for a county if voting was not required? Do voters understand and carefully consider complex measures?
• The questions are in a sense “academic” because the revenue is needed and elections are held; and, of course we differ from one another in our beliefs as to how much should be spent on what. But it is not an unimportant question either – voting is not benefit cost analysis.
Example of the New Politics of Transportation

• In three counties (Riverside, Orange, San Diego), early measures were vehemently opposed by environmental groups (e.g. Sierra Club, NRDC) - roads destroy the environment!

• In later measures, those counties committed to spending money on acquiring land to mitigate transportation impacts on the environment — advance mitigation — under the Endangered Species Act.

• Environmental groups encouraged their members to vote FOR those measures, and they were approved.

• Transportation advocates did not want to spend “transportation” money to protect the kangaroo rat, but wanted the measures to pass.
We Have Created a California LOST Database

• Free to download from the Internet
• Can be used for research, teaching, or to help you design a LOST
California LOST Database

Measure Information  e.g., tax lifespan, rate, implementing authority, nature of each LOST (i.e., original, extension/renewal), % of “yes” votes, projected revenue

Project List/Expenditure Plan  e.g., hyperlinks to expenditure plans, proposed LOST expenditures by funding category (e.g., transit, highway, bike/ped, etc.)

Local Return  e.g., the % and nature of proposed local return funding

“Other”  e.g., LOST amendment procedures, hyperlinks to original ordinances

Ballots, Support/Opposition  e.g., ballot text/arguments, supporters, opponents

Public Oversight  e.g., Public Oversight Committee Info, Auditing Requirements
## Measure Information

<table>
<thead>
<tr>
<th>County</th>
<th>Ballot Designation</th>
<th>Date</th>
<th>Pass/Fail</th>
<th>Original or Extension/Renewal?</th>
<th>Tax Rate</th>
<th>Administering Agency</th>
<th>Sales Tax Title</th>
<th>Time Period</th>
<th>Life of Measure</th>
<th>Current or Expired? (as of June 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imperial</td>
<td>Measure D</td>
<td>1989</td>
<td>Pass</td>
<td>Original</td>
<td>1/2 cent</td>
<td>Imperial County Local Transportation Authority (LTA)</td>
<td>Imperial County Retail Transactions and Use Tax Ordinance</td>
<td>20</td>
<td>1990-2010</td>
<td>Expired</td>
</tr>
<tr>
<td>Imperial</td>
<td>Measure D</td>
<td>2008</td>
<td>Pass</td>
<td>Extension/Renewal</td>
<td>1/2 cent</td>
<td>Imperial County Local Transportation Authority (LTA)</td>
<td>“Safe Roads, Air Quality, Pothole Repair and Continuation Measure” Imperial County Local Transportation Authority Retail Transactions and Use Tax Ordinance and Expenditure Plan</td>
<td>40</td>
<td>2010-2050</td>
<td>Current</td>
</tr>
<tr>
<td>Kern</td>
<td>Measure I</td>
<td>2006</td>
<td>Fail</td>
<td>Original</td>
<td>1/2 cent</td>
<td>Kern Transportation Authority</td>
<td>Transportation Expenditure Plan and Retail Transactions and Use Tax</td>
<td>20</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Proposition A</td>
<td>1980</td>
<td>Pass</td>
<td>Original</td>
<td>1/2 cent</td>
<td>Los Angeles County Transportation Commission</td>
<td>“A Retail Transactions And Use Tax in the County of Los Angeles For Public Transit Purposes”</td>
<td>Permanent</td>
<td>1980-</td>
<td>Current</td>
</tr>
</tbody>
</table>
**Project List & Expenditure Plan**

<table>
<thead>
<tr>
<th>County</th>
<th>Ballot Designation</th>
<th>Date</th>
<th>Transportation Expenditures by Category (As presented in the measure)</th>
<th>Highway</th>
<th>Transit</th>
<th>Bike/Ped</th>
<th>Senior/ Disabled</th>
<th>Safe Routes to School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monterey</td>
<td>Z</td>
<td>2008</td>
<td>50% (&quot;Safety and Congestion Relief Projects&quot;); 25% (&quot;Local Road and Street Maintenance&quot;); 20% (&quot;Transit&quot;); 3% (&quot;Regional Bicycle/Pedestrian Facilities&quot;); 1% (&quot;Smart growth transportation incentives&quot;); and 1% (&quot;Habitat Conservation&quot;)</td>
<td>20% (&quot;Transit&quot;)</td>
<td>3% (&quot;Regional Bicycle/Pedestrian Facilities&quot;)</td>
<td>20% (some portion of &quot;Transit&quot;)</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Monterey</td>
<td>Measure X</td>
<td>2016</td>
<td>60% (&quot;Local Road Maintenance, Pothole Repairs &amp; Safety&quot;); 27% (&quot;Regional Road Safety &amp; Congestion Improvements&quot;); 13% (&quot;Pedestrian &amp; Bike Safety and Mobility Projects&quot;)</td>
<td>24.17% (&quot;Highway &amp; Road Safety&quot; minus 2.5% for &quot;Highway 1 Rapid Bus Corridor&quot;)</td>
<td>6.66% (4.16% - &quot;Commuter Bus, Salinas Valley Transit Center(s) &amp; Vanpools&quot;, 2.5% - &quot;Highway 1 Rapid Bus Corridor&quot;)</td>
<td>3.33% (&quot;Pedestrian &amp; Bike Safety&quot;)</td>
<td>2.5% (&quot;Senior &amp; Disabled Transportation&quot;)</td>
<td>3.3% (&quot;Safe Routes to Schools&quot;)</td>
</tr>
<tr>
<td>Monterey (only for the Monterey-Salinas Transit District)</td>
<td>Measure Q</td>
<td>2014</td>
<td>The money is to be used only for services and equipment that support transportation programs for veterans, senior citizens, and persons with disabilities. *Program ideas fall into five main categories: capital and technology needs; expanding eligibility of existing programs; improving links between existing programs; upgrading existing programs; and new programs for the county.&quot; *Six new projects are planned for implementation in the next five years: (1) Expand the MST Navigators program to serve more passengers who need assistance navigating the transit system; (2) Pilot a flex voucher program that will allow residents to use vouchers for transportation options in addition to MST’s taxi voucher program; (3) Nominate veterans for free passes to honor veterans for their outstanding service or simply to provide extra help; (4) Launch a veterans-helping-veterans program that will include training of veterans to help other veterans use public transit; (5) Assist families and friends with volunteer driver</td>
<td>0.00%</td>
<td>100%</td>
<td>0.00%</td>
<td>100%</td>
<td>0.00%</td>
</tr>
<tr>
<td>County</td>
<td>Ballot Designation</td>
<td>Date</td>
<td>Ballot Text</td>
<td>Ballot Arguments</td>
<td>Supporters</td>
<td>Opponents</td>
<td></td>
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<tr>
<td>Sacramento</td>
<td>Measure B</td>
<td>2016</td>
<td>&quot;To: Fill potholes and repave streets; Repair deteriorating bridges; Relieve traffic on roads and freeways; Build a new expressway between Elk Grove, Rancho Cordova and Folsom; Extend Light Rail toward the Airport and Elk Grove; Support Light Rail and bus operations, maintenance, and security; and Improve bicycle and pedestrian safety; Shall the ordinance enacting a 30-year countywide one-half cent sales tax, raising approximately $100 million annually, with independent oversight and audits, be adopted?&quot;</td>
<td>See here</td>
<td>See here</td>
<td>See here</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Benito</td>
<td>Measure P</td>
<td>2016</td>
<td>&quot;Shall the voters authorize implementing the San Benito County Transportation Safety and Investment Plan to: • Repair and maintain roads; • Improve safety and relieve congestion on Highway 25; • Improve safety and traffic flow on local roads; • Increase bicycle and pedestrian safety; and • Improve transit services for youth, senior, and people with disabilities by enacting a half cent sales tax, raising approximately $8 million annually over 20 years, with annual audits by an independent oversight committee?&quot;</td>
<td>See here</td>
<td>See here</td>
<td>See here</td>
<td></td>
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</tr>
<tr>
<td>San Benito</td>
<td>Measure G</td>
<td>2018</td>
<td>&quot;Shall the voters authorize a San Benito County Roads and Transportation Safety and Investment Plan to: repair potholes and maintain roads; widen Highway 25 to relieve traffic congestion and make it safer; improve pedestrian, bicycle, and transit options; and, qualify for state and federal matching funds by enacting a one cent sales tax, raising approximately $16,000,000 annually over 30 years, with annual audits, independent oversight, all funds spent locally, and a detailed expenditure plan?&quot;</td>
<td>See here</td>
<td>See here</td>
<td>See here</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
“Public Oversight”

<table>
<thead>
<tr>
<th>County</th>
<th>Busi Designation</th>
<th>Date</th>
<th>Oversight Committee Name</th>
<th>Oversight Committee Composition</th>
<th>Oversight Committee Responsibilities and Powers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacramento</td>
<td>Measure B</td>
<td>2016</td>
<td>The STB Independent Measure Oversight Committee</td>
<td>[Members list: public officials, experts in transportation infrastructure]</td>
<td>The STB Independent Measure Oversight Committee (ICOC) shall conduct an annual audit to assess the financial and operational performance of the Measure B sales tax program to ensure that all sales tax funds are expended effectively and in accordance with the provisions of this Ordinance and the Expenditure Plan. It shall provide advice and guidance to the Authority Board on issues related to the transportation infrastructure.</td>
</tr>
<tr>
<td>San Benito</td>
<td>Measure P</td>
<td>2016</td>
<td>Expenditure Plan Oversight Committee</td>
<td>[Members list: public officials, experts in transportation infrastructure]</td>
<td>The Authority and its successors shall be responsible for expenditure of sales tax funds in accordance with the provisions of this Ordinance and the Expenditure Plan. It shall conduct an annual audit to assess the financial and operational performance of the sales tax program to ensure that all sales tax funds are expended effectively and in accordance with the provisions of this Ordinance and the Expenditure Plan.</td>
</tr>
<tr>
<td>San Benito</td>
<td>Measure U</td>
<td>2018</td>
<td>Expenditure Plan Oversight Committee</td>
<td>[Members list: public officials, experts in transportation infrastructure]</td>
<td>The Authority and its successors shall be responsible for expenditure of sales tax funds in accordance with the provisions of this Ordinance and the Expenditure Plan. It shall conduct an annual audit to assess the financial and operational performance of the sales tax program to ensure that all sales tax funds are expended effectively and in accordance with the provisions of this Ordinance and the Expenditure Plan.</td>
</tr>
</tbody>
</table>

**“The Authority and its successors shall be responsible for expenditure of sales tax funds in accordance with the provisions of this Ordinance and the Expenditure Plan.”**
THANK YOU!

IT'S TIME FOR YOUR QUESTIONS AND COMMENTS

Contact us: mwachs@ucla.edu
jeremy.seth.marks@gmail.com
Sonoma 2000 Measure B: Ballot Question

In order to (1) widen and improve Highway 101 from Windsor to the Sonoma-Marin border; (2) improve or construct major Highway 101 interchanges; and (3) improve sections of Highway 116, shall a 1/2 cent sales tax be levied for a period not to exceed eight (8) years?
Proportion Voting for 2000 Measure B at the Block Group Level

Proportion Supporting Measure B
- 0 - 0.550000
- 0.550001 - 0.600000
- 0.600001 - 0.650000
- 0.650001 - 0.700000
- 0.700001 - 0.750000
- 0.750001 - 1.000000

Highway 1D1
Sonoma 2004 Measure M: Ballot Question

• To maintain local streets, fix potholes, accelerate widening Highway 101, improve interchanges, restore and enhance transit, support development of passenger rail, and build safe bike/pedestrian routes, shall the Sonoma County Transportation Authority be authorized to levy a 1/4 cent retail transactions and use tax for a period not to exceed 20 years, spend money raised by the tax on the projects proposed, and issue bonds to finance the projects?
Proportion Voting for 2004 Measure M at the Block Group Level
Congestion Relief is always promised and most popular, hard to measure, rarely delivered

- “Vote YES on Measure M to relieve congestion, improve traffic safety and fix local roads—without raising taxes!”
- “Vote YES to reduce gridlock and improve police, fire and paramedic response times.”
- “Relieve traffic congestion on all Expressways and key highway interchanges.”
My big worry

• To get a supermajority vote, proponents promise more than we can deliver.

• Once taxes are in place and projects are under construction, we find we do not have enough money to complete the projects to which we have committed.

• The more we raise taxes, the more we need to raise taxes. This is a really big problem.

• Los Angeles has FOUR half cent permanent measures and will raise $240 billion over forty years. It has bonded against future tax revenue and yet is looking for more funding.
Issues Raised by LOSTs

- Move away from user fee philosophy
- Sales tax is broad based tax
- More regressive than alternatives
- Consistency with regional transportation plans?
- Local authority and responsibility
- Flexibility versus specificity
- Salience of issue of “trust”
Voting on Measures

• Favors popularity and geographic distribution of projects (one dimension of equity) rather than cost-effectiveness or other dimensions of equity.

• Promotes many projects for many constituencies (one dimension of equity)

• Criteria for projects NOT whether they increase efficiency or fairness, but whether they will get votes
LOSTs: Efficiency & Equity Issues

• Greater distance between user and payer reduces both efficiency & equity
• Reliance on voting tends to emphasize political appeal of programs of projects rather than either equity or efficiency
• Local option taxes can weaken regional planning processes that attempt (imperfectly) to consider efficiency & equity
Q&A Session
What are your questions?