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ABSTRACT

Over the last 25 years, voters in 20 California counties approved “local transportation sales taxes” to pay for transportation projects. A growing source of revenue, they generate roughly \$2.5 billion per year. Four features explain their popularity: they require direct voter approval; funds are raised and spent within the counties that enact them, so voters experience benefits directly; most automatically expire; and they usually specify the improvements to be financed. These taxes are an important revenue source, but tend to favor capital investments over operations and maintenance. They have enhanced local governments' decision-making authority, but may have made regional transportation planning in multi-county regions more difficult to achieve.

Key Words: Transportation Finance, Sales Taxes, California, Revenue, Public Works

INTRODUCTION

During the last 25 years, residents of 20 California counties voted to raise sales taxes for defined periods to pay for transportation improvements. Collectively, these “local transportation sales taxes” (LTSTs), generate roughly \$2.5 billion per year for the support of capital investments in new highways and transit systems and the maintenance and operation of existing ones. Since their inception, these taxes have been the fastest-growing source of revenue for transportation in California. They also enable local civic and political leaders to bypass obstacles in the state’s existing system of transportation finance and decision-making.

The state, its counties, regional transportation planning agencies, and ultimately the voters of California face critical decisions about the role these taxes should play in transportation finance and decision-making over the coming decades. Despite the importance of these taxes, there has been little systematic evaluation of their impact on the state’s transportation system. We have examined what their contributions and implications have been. Our study is intended to inform policy-making by providing an overview of the history, benefits, problems, and policy issues associated with them.

It is important that policymakers carefully consider the consequences of these measures, because the California transportation sales taxes are typical of a national trend. During the 90s, federal and state elected officials have been unwilling to raise motor fuel taxes, and in response ballot measures to enact local transportation taxes are becoming increasingly common across the country¹. In calendar year 2002 alone, there were 44 ballot measures in which voters were asked to raise taxes for transportation. Of these measures, only nine were statewide votes, and the rest were county or municipal measures. The vast majority involved local sales taxes, but a few proposed local fuel, property, income taxes, and payroll taxes. A majority of the measures were approved. Some of those approved were revised versions of measures that had failed in earlier elections, while some of the failed measures will give rise to additional attempts in the future^{2,3}.

HISTORY OF CALIFORNIA’S LOCAL TRANSPORTATION SALES TAXES

Motor-fuel taxes have been the principal source of state highway funding in California since the early 20th century. Viewed by many as “user fees” more than as traditional taxes, motor-fuel taxes function somewhat like tolls. Those who use the roads most often and drive the greatest distances provide through motor-fuel taxes most of the revenues needed to build,

operate, and maintain those highways. Because fuel taxes do not charge for the use of roads exactly at the time and place of travel, they are thought by many to be “second best” or “approximate” user fees, favored because fuel taxes are typically much less costly to administer than tolls⁴. State and federal governments levy motor-fuel taxes, and they have together financed most major state highways and the interstate system. For more than 30 years, public transit systems have also derived a substantial proportion of their revenue from motor-fuel taxes. A portion of the federal fuel tax is designated for the support of transit capital grants and operating subsidies, and sales taxes paid on gasoline provide California’s principal source of subsidy to transit operations.

Motor-fuel taxes have important drawbacks as well as unique strengths for transportation finance. In recent years, they have failed to produce sufficient revenues and have had to be augmented by other funds. Because motor-fuel taxes are enacted on the basis of cents per gallon, they do not rise automatically with inflation and must be raised periodically by the legislature. However, Congress and California’s state legislature have been reluctant to raise motor-fuel taxes in recent decades and have actually debated the possibility of *lowering* the per-gallon fuel tax. Compounding this are federal regulations that require automobile manufacturers to achieve certain rates of vehicle fuel economy. Since the energy crisis of the 1970s, fuel-economy rates have improved from between 10 or 12 miles per gallon to well over 20 miles per gallon today, meaning that road users pay far lower fuel taxes than they did 30 years ago, when measured in inflation-adjusted dollars per mile of driving. Fuel-efficient cars and gas guzzlers impose similar costs on the highway system but contribute different amounts of money to support their construction and maintenance. At the same time that fuel-tax revenues have been threatened, the costs of land and construction have grown faster than the cost of goods and services in general^{5,6}.

In the meantime, public-transit districts pioneered the use of local transportation sales taxes in California. Los Angeles had sought a source of funding for a rapid-transit system since the 1920s, without success. The creation of the Southern California Rapid Transit District (SCRTD) in 1964 enabled a regional transit system to be financed with a countywide sales tax. In the first vote of its kind in the state, Los Angeles County voters rejected a sales tax proposed in 1968 to fund construction of the system. The following year, the state legislature imposed a sales tax in three Northern California counties to cover debt service and operating costs of the

Bay Area Rapid Transit (BART) system, then already under construction. Soon, surrounding areas began to seek sales taxes to finance bus services. Over roughly the next decade, as summarized in Table 1, voters approved permanent sales taxes to fund transit operations and capital improvements in San Mateo, Santa Clara, and Santa Cruz counties. After two more failed attempts in 1974 and 1976, Los Angeles finally gained voter approval for a permanent sales tax to fund a rail system in 1980.

Table 1—Transit District Taxes

Year	Transit District	Method of Passage	Also an LOST administered by TA?
1969	BART District (Alameda, Contra Costa, San Francisco)	Legislatively Enacted	Yes (in each county)
1976	Santa Clara	Voter Approved	Yes
1978	Santa Cruz	Voter Approved	No
1980	Los Angeles	Voter Approved	Yes
1982	San Mateo	Voter Approved	Yes

Source: Data compiled by authors from transportation-authority expenditure plans and annual reports.

Faced with the difficulty of increasing the statewide gasoline tax, local governments in California and around the country began to seek authority to levy taxes of their own to fund new transportation investments. Early in the 1980s, the state saw a brief wave of ballot proposals to fund road projects through local gasoline taxes of one or two cents per gallon. However, none of these measures was able to muster the two-thirds majority needed for approval. In the late 1980s, the California transportation program faced a financial crisis, and it appeared that traditional sources of funding would provide insufficient revenue in the future to fund the State Transportation Improvement Program (STIP). The voters of California approved a fuel-tax increase in the early 1990s, but the tax rate has not been adjusted since, and there is today little political will for further increases in fuel taxes.

Sales taxes rose to greater prominence in the mid-1980s, as the legislature began authorizing sales taxes for transportation projects in individual counties. Under this legislation, counties and cities would cooperatively establish new “transportation authorities” to administer the tax proceeds in keeping with voter-approved expenditure programs. In 1984, voters in Santa Clara County approved the first such sales tax in California. The legislature soon gave all counties the power to adopt these taxes, prompting a deluge of new ballot proposals. As shown in Figure 1, 17 counties adopted these taxes by 1990. Some sales tax revenues are used for current expenses to cover maintenance and operations of transportation facilities. In other cases, revenue bonds have been issued to cover the capital costs of new projects, with future sales tax

revenues earmarked for the retirement of the debt.

Figure 1—Counties with temporary Local Option Sales Taxes



Source: Compiled by the authors

Notes: Transit-district taxes are not included on this map. The LTSTs in Los Angeles do not expire.

The proliferation of transportation sales taxes was soon halted, however, as the antitax movement gained speed. In 1986 voters passed Proposition 62, which required that these measures be approved by a supermajority of two-thirds of those voting. Proponents of the

transportation sales taxes challenged the measure in court, and its impact was not fully felt until the early 1990s, after the measure was upheld by a state appellate court. Voters in Santa Clara County had approved by a simple majority a new sales tax to succeed the expiring tax originally passed in 1984. The measure had not, however, achieved the two-thirds supermajority required by Proposition 62, and for several years the issue was left unresolved by suits and appeals. Finally, the appellate court's "Guardino decision" made it clear that two-thirds majorities are required, and the adoption of such taxes slowed in the 1990s as proponents feared that the attainment of a supermajority was virtually impossible.

More recently, local transportation sales taxes have seen a revival. In November of 2000, Alameda and Santa Clara counties achieved the supermajorities necessary to renew their existing transportation sales taxes for another generation. The overwhelming degree of voter support for these measures challenged conventional wisdom regarding the impossibility of winning approval from two-thirds of the voters and lent encouragement to other counties in which sales taxes soon will expire. Between 2002 and 2004 the counties of Riverside, San Francisco, Contra Costa, Marin, Sacramento, San Bernardino, San Diego, San Mateo and Sonoma all mustered the two-thirds supermajorities to pass or "reauthorize" their transportation taxes, in most cases extending the life of previous sales taxes or increasing the rates of taxation.

The popularity of this strategy for raising transportation revenues is impressive in the midst of a political climate that is generally averse to new taxes. This success is associated with four important characteristics of LTSTs: 1) the taxes must be approved directly by the voters; 2) the funds are raised and spent within the counties that enact them, so that voters experience the benefits of their tax expenditures directly in their own communities; 3) most of the LTSTs are temporary (typically lasting 15 or 20 years), after which they automatically expire or "sunset," unless specifically reauthorized by another vote of the citizenry; and 4) the measures that the voters have approved most often contain lists of specific transportation projects to be financed with the proceeds of the taxes.

In combination, these provisions give citizens more direct control over transportation investments than has typically been the case with motor fuel taxes. That control is clearly a factor in the success of the sales tax program. In addition, the sales taxes have proven more popular than alternative sources of revenue because their broad tax base enables large amounts of revenue to be raised with relatively low tax rates⁷. In terms of potential income productivity, a

general countywide sales tax of 1 percent would produce as much revenue as would a motor fuel tax of 20 to 30 cents per gallon, and polls have shown that voters prefer a broader tax base with a lower rate to a fuel tax at a higher rate⁸.

POLICY QUESTIONS RELATED TO LTSTs

Many regard the LTSTs as successful, but important questions about them remain. Both the fuel tax and the sales tax are regressive in that poorer citizens pay a larger proportion of their income in these taxes than do the rich. The regressivity of the fuel tax, however, is tempered by the fact that it approximates a user fee, and people of low income who pay also benefit directly from the projects and programs that it finances. The sales tax is borne by all citizens, whether they travel extensively or not, and the poor who travel little may not receive as much benefit from it as the rich. In addition, the fuel tax to at least some extent induces traveler behavior that tends to maximize the efficiency with which the transportation system is used. For example, higher fuel taxes tend to promote the use of public transit, carpooling, and more fuel-efficient vehicles, while general sales taxes do not affect travel behavior in these beneficial ways.

Many useful transportation projects have been built in California with the support of LTSTs, yet it is not completely clear whether or not most of the projects undertaken with this funding would have been built using funding sources that were available prior to the enactment of the measures. Did LTSTs permit the expansion of transportation investment programs into new areas, or was their major result the substitution of a new source of financial support for projects that would otherwise have been built? And, while it appears that LTSTs have increased the ability of counties to plan and deliver transportation projects, did concentration of increased transportation resources at the county level serve to weaken the regional transportation programs of metropolitan planning organizations (MPOs)? Are counties willing to spend their LTST funds on projects of statewide or regional benefit, or do they concentrate their expenditures on projects that produce benefits primarily for the local community?

Other questions of a more practical and immediate nature arise with respect to the future viability of LTSTs. Have the funds raised been expended in accordance with the expenditure plans included in the ballot measures, and have the funds allowed a majority of the projects included in the expenditure plans to actually be undertaken? What has happened when, for a variety of technical or political reasons, projects included in the expenditure plans have run into

widespread opposition, have caused unanticipated environmental mitigation problems, or experienced unexpected cost increases? What difficulties arise when economic recessions cause tax revenues to fall short of earlier projections?

METHODOLOGY

In order to evaluate California's LTSTs, data were collected on successful and failing measures from each of the counties that attempted to pass them. The data included information presented to the voters (ballot language, enacting ordinances, arguments made for and against the measures, and expenditure plans). In-person interviews were conducted with 35 people who are active in California transportation policy-making. Interviewees included county transportation officials and representatives of the Bay Area's Metropolitan Transportation Commission, the California State Association of Counties, and the California Association of Councils of Government. Senior administrators of county measures were selected for interview. Newspaper articles were used to identify leading proponents and opponents of the measures who were also contacted for interviews. Finally, each interviewee was asked to identify others whom they thought should be interviewed, and people suggested frequently were contacted in order to be sure that complete information was obtained. An interview guide contained several dozen questions, but the interviews were open ended so that issues that came up in discussion could easily be incorporated. Statements made in confidence during these interviews are not attributed to specific interviewees in the text of this report. The Self-Help Counties Coalition, an organization that represents the common interests of the counties that have enacted LTSTs, was particularly helpful to this project as a source of information, documents, and policy insights.

For purposes of analysis, this study divides California's counties into three broad groups: urban, suburban, and rural, because there are wide variations among programs as a function of which type of county they typify. In practice, many counties include areas that exhibit more than one of these characteristics, so it is difficult to find a fully satisfactory way to classify them. Despite this, the division of counties into groups is a helpful tool for illustrating key patterns across the state. This study examined transportation sales taxes adopted in 17 counties between 1984 and 1990. While there are many differences, they share a common focus on financing a transportation expenditure plan administered by a special transportation authority. This study does not examine the earlier transit-district taxes, which are important, but tend to involve less

significant year-to-year decisions about how they are to be used.

WHAT ARE LTSTs SUPPORTING?

In fiscal years 1998–2001, local entities in California raised through locally enacted transportation sales taxes about 17 percent of the state’s total transportation revenues⁹. Given that LTSTs are playing such an important role in California’s system of transportation finance, the question of what these taxes are supporting becomes important.

Location of Sales-Tax Counties

Twenty counties, as shown in Table 2, have adopted LTSTs, some more than once. So far, San Benito County’s sales tax has been the only measure to expire without being renewed. As seen in Table 3, the counties with sales taxes divide roughly evenly among urban, suburban, and rural counties. At least 10 other counties have unsuccessfully attempted to pass similar measures, some of them several times. Most have been in rural areas. Several counties have seen multiple unsuccessful attempts over the years, most notably Sonoma County, where voters defeated LTST proposals four times before passing one in 2004.

Table 2—Local Option Sales Taxes

1984	Santa Clara	1/2%	10 years	in addition to TDT
1986	Alameda	1/2%	15 years	in addition to BART
1986	Fresno	1/2%	20 years	
1987	San Diego	1/2%	20 years	
1988	San Benito	1/2%	10 years	expired
1988	San Mateo	1/2%	20 years	in addition to TDT
1988	Contra Costa	1/2%	20 years	in addition to BART
1988	Riverside	1/2%	20 years	
1988	Sacramento	1/2%	20 years	
1989	Imperial	1/2%	20 years	expired
1989	San Bernardino	1/2%	20 years	
1989	San Francisco	1/2%	20 years	in addition to BART
1989	Santa Barbara	1/2%	20 years	
1990	Madera	1/2%	15 years	
1990	Los Angeles	1/2%	permanent	in addition to TDT
1990	Orange	1/2%	20 years	
1990	San Joaquin	1/2%	20 years	
1996	Santa Clara (A+B)	1/2%	9 years	in addition to TDT
2000	Alameda	1/2%	20 years	in addition to BART
2000	Santa Clara	1/2%	30 years	in addition to TDT
2002	Riverside	1/2%	30 years	
2003	San Francisco	1/2%	30 years	
2004	Contra Costa	1/2%	25 years	

2004	Marin	1/2%	20 years	
2004	Sacramento	1/2%	30 years	
2004	San Bernardino	1/2%	30 years	
2004	San Diego	1/2%	40 years	
2004	San Mateo	1/2%	25 years	
2004	Sonoma	1/4%	20 years	

TDT: transit-district tax.

Source: Data compiled by the authors from county transportation-authority expenditure plans and annual reports.

Table 3 – LTSTs in Urban, Suburban, and Rural Counties

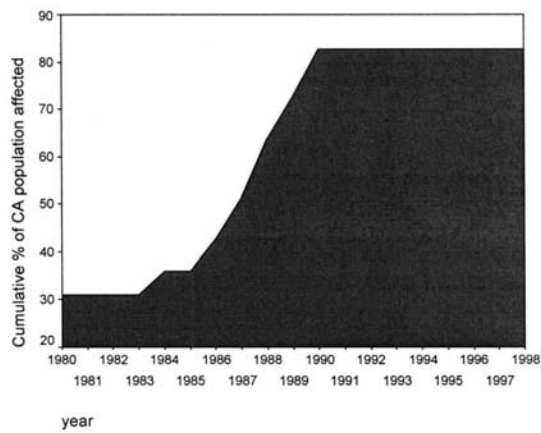
	Counties with LTSTs	Counties That Have Tried and Failed to Adopt LTSTs
Urban	Alameda	
	Los Angeles	
	Sacramento	
	San Diego	
	San Francisco	
	Santa Clara	
	Sacramento	
Suburban	Contra Costa	Ventura
	Orange	
	Riverside	
	San Bernardino	
	San Mateo	
	Santa Barbara	
	Marin	
	Sonoma	
Rural	Fresno	Kern
	Imperial	Monterey
	Madera	Nevada
	San Benito	Placer
	San Joaquin	Sutter
		Tuolumne
		Yuba
		El Dorado (uncertain)
		Lassen (uncertain)

Source: Data compiled by the authors from county transportation-authority expenditure plans and annual reports.

Although fewer than half of the state's 58 counties have LTSTs, these contain more than 87 percent of the state's population. The growing proportion of the state's population that has been paying LTSTs is shown in Figure 2. Similarly, the annual amount of money raised by the

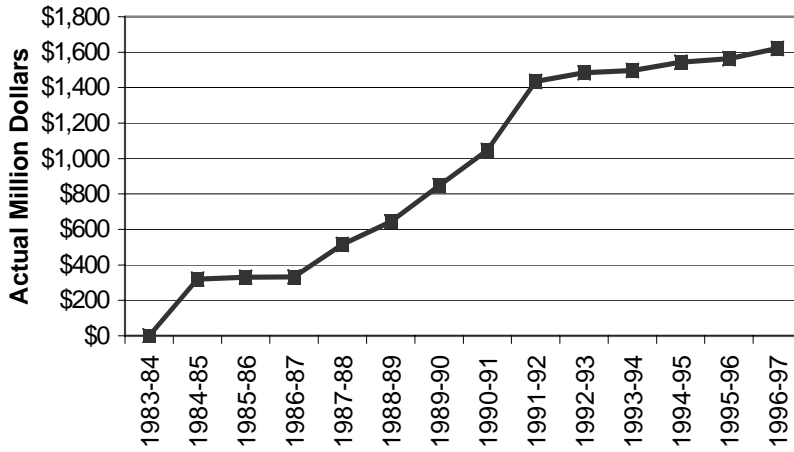
taxes rose during the 1980s, but more recently the rate of increase has declined. Figure 3 shows the actual revenues, and Figure 4 shows the revenues in constant 1990 dollars¹⁰. The revenues level off after 1990 (when adjusted for inflation), because most counties approving taxes since that date have been “reauthorizing” or extending existing taxes. Revenues have also been affected by the recent economic downturn. Taxable sales, for example, in the nine-county San Francisco Bay Area were in the year 2001 a hefty 12.5 percent below those in the year 2000; and sales in 2002 remained about two percent below those for the year 2000¹¹.

Figure 2—% of Population Paying a Local Option Sales Tax



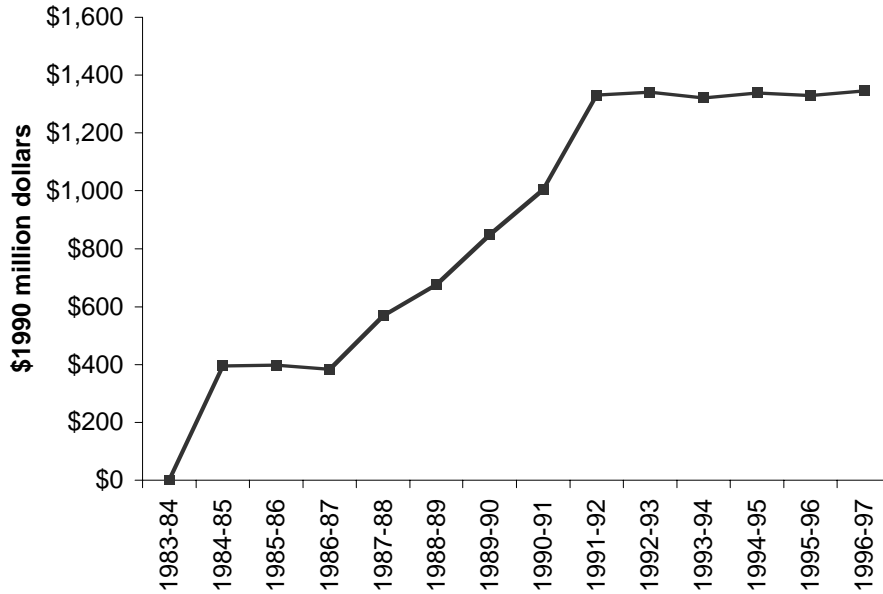
Source: Compilation of data from Public Policy Institute of California, Brown, et al. (1998) & Todd Goldman, (1999)

Figure 3 Actual Local Sales Tax Revenues, 1983-1996



Source: California State Controller, *Transportation Planning Agencies Annual Report*, various years.

Figure 4--Local Sales Tax Revenues 1983-1996

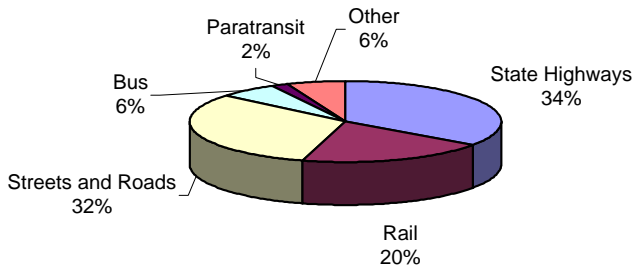


Source: California State Controller, *Transportation Planning Agencies Annual Report*, various years.

Uses of Revenues

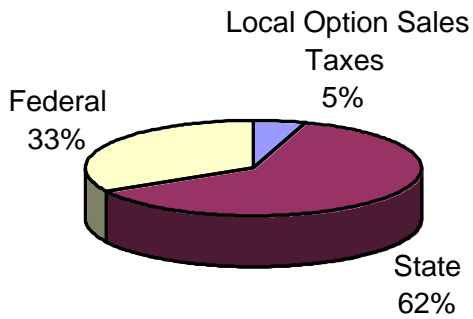
The Self-Help Counties Coalition has analyzed expenditures from the LTSTs. It has shown that the measures have supported a wide variety of projects, with a fairly even split between highways, local roads, and transit (Figure 5). Figures 6 through 9 respectively show the contributions of the LTSTs to funding highways, local streets and roads, transit capital projects, and transit operations¹².

Figure 5 What Local Option Sales Taxes Are Spent On



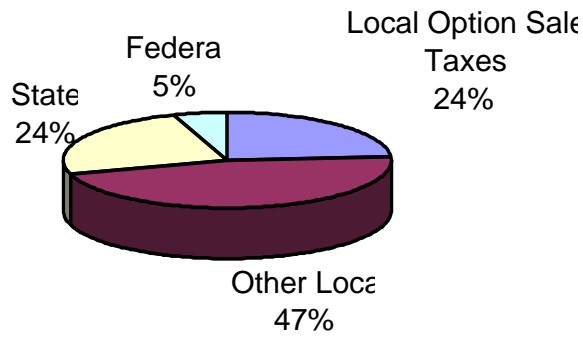
Source: Self-Help Counties Coalition.

**Figure 6
Principal Highway Revenue Sources, 1998-1999**



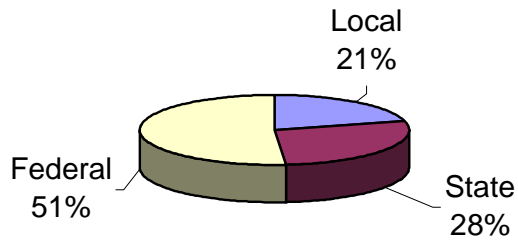
Source: California State Controller, *Transportation Planning Agencies Annual Report*, various years.

Figure 7 Funding for Local Streets and Roads, 1997



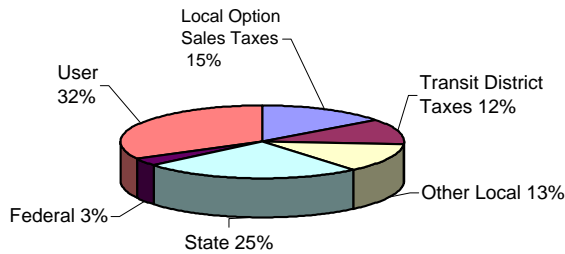
Source: California State Controller, *Transportation Planning Agencies Annual Report*, various years.

Figure 8--Sources of Transit Capital Acquisitions (1997-1998)



Source: California State Controller, *Transportation Planning Agencies Annual Report*, various years.

Figure 9--Sources of Transit Operating Revenue (1997-1998)



Source: California State Controller, *Transportation Planning Agencies Annual Report*, various years.

These broad patterns mask large variations across the state. The LTST expenditure plans specified in the ballot measures vary widely from county to county and measure to measure, reflecting differences in local priorities. For example, Santa Clara’s 1984 measure allocated all revenues for specific highway projects, but the measure it approved in 2000 calls for all proceeds to be used on transit projects.

Support of Local Transportation

LTSTs support local transportation in two ways: by providing money for use on local streets and roads, and by devolving control over the programming of the money to local jurisdictions. Table 4 shows the percentage of each county’s expenditure plan devoted to local streets and roads, and Table 5 demonstrates the percentage of LTST funds that has been returned to local jurisdictions by each of the Self-Help Counties.

Table 4 - Percent Expenditure Plan Designated for Local Streets and Roads

	High (> 70%)	Med (69% - 26%)	Low (< 25%)
Urban		San Diego - 33%	Alameda (1986) - 20% Alameda (2000) - 22% San Francisco - 25% Santa Clara (1984) - none Santa Clara (1996) - 9%
Suburban	Santa Barbara - 70%	Contra Costa - 43% Orange - 33% Riverside - 54%	San Bernardino - 21% San Mateo - 20%
Rural	Imperial - 95% Madera - 76%	San Joaquin - 33%	Fresno - 25% San Benito - 23%
Unknown	Los Angeles, Sacramento, Santa Clara (2000)		

Source: Data compiled by authors from county transportation-authority expenditure plans and annual reports.

Table 5 - Percent Expenditure Devolved to Local Control

	High (> 70%)	Med (69% - 26%)	Low (< 25%)
Urban		Sacramento - 64% San Diego - 33%	Alameda (1986) - 22% Alameda (2000) - 19% San Francisco - none Santa Clara (1984) - none
Suburban	Santa Barbara - 70%		Contra Costa - 19% Orange - 15% San Bernardino - 19% San Mateo - 20%
Rural	Imperial - 95% Madera - 100%	Riverside - 54% San Benito - 55% San Joaquin - 33%	Fresno - 25%
Unknown	Los Angeles, Riverside, Santa Clara (1996), Santa Clara (2000)		

Source: Data compiled by authors from county transportation-authority expenditure plans and annual reports.

Table 5 suggests that rural counties are the most likely to devolve the control of LTST revenues to their local jurisdictions. None of the urban counties spends more than a third of their sales-tax money on these projects, while the two highest percentage expenditures are by rural counties—Imperial and Madera. Suburban counties are likely to spend revenues on local streets and roads, but tend to maintain county-level control over programming of road projects rather than devolving control to local jurisdictions as rural counties do. In both Contra Costa and Orange counties, this is a result of countywide interest in expansion of arterial road networks.

Support of Non-Automobile Modes

Another clear distinction between expenditure plans of the rural and urban counties is their support of infrastructure for modes other than the automobile. As shown in Table 6, rural counties in California are more likely to spend their LTST revenues on highways or local streets and roads, while urban counties seem increasingly more likely to support transit. In November of 2000, Alameda and Santa Clara counties both renewed sales-tax measures, with significant increases in the proportion of the sales-tax revenue going to support non-automobile modes of transportation. As already noted, Santa Clara's 1984 measure was used for highway capital projects. Its 1996 measure promised 61 percent of the revenue raised to non-automobile modes, and the 2000 measure is being used exclusively for transit. Alameda's 1986 measure promised 32 percent of the revenues to non-automobile modes, and its 2000 measure increased this proportion to 61 percent.

Table 6 - Percent Expenditure in Support of Non-Automotive Modes

	High (> 60%)	Med (59% - 26%)	Low (< 25%)
Urban	Alameda (2000) - 61% Los Angeles - 100% San Francisco - 75% Santa Clara (1996) - 61% Santa Clara (2000) - 100%	Alameda (1986) - 32% Sacramento - 37% San Diego - 33%	Santa Clara (1984) - none
Suburban		Contra Costa - 40% San Mateo - 50%	Orange - 25% Riverside - 15% San Bernardino - 16% Santa Barbara - 10%
Rural			Fresno none Imperial - none Madera - none San Benito - none San Joaquin - 13%

Source: Data compiled by authors from county transportation-authority expenditure plans and annual reports.

Support of Operations and Maintenance versus Capital Expenditures

With a few exceptions, operations and maintenance have received less funding than new capital projects. Table 7 shows the percentage of each measure earmarked for operations and maintenance of either highways or transit. Urban, suburban, and rural counties are generally similar in their degree of support for operations and maintenance. However, urban counties are still more likely to use this money to support transit, and rural counties are more likely to spend on streets and roads.

Table 7 - Percent to Operations and Maintenance

	High (> 50%)	Med (49% - 21%)	Low (< 20%)
Urban		Alameda (1986) - 32% Alameda (2000) - 32% Sacramento - 28% San Diego - 40% San Francisco - 24%	Santa Clara (1984) - none Santa Clara (1996) - 9%
Suburban	Santa Barbara - 56%	Riverside - 49% San Bernardino - 25% San Mateo - 25%	Contra Costa - 9% Orange - 15%
Rural	Imperial - 95%	San Joaquin - 33% Fresno - 25%	Madera - none San Benito - none
Unknown	Los Angeles, Santa Clara (2000)		

Source: data compiled by authors from county transportation-authority expenditure plans and annual reports.

The California State Association of Counties argued that new funds are needed for road maintenance statewide, particularly in rural counties where many county roads are ineligible for

state support¹³. However, these priorities are not reflected in the expenditure plans of most counties, and it is the county itself that decides how to allocate its sales-tax funds. In fact, San Benito and Madera, two of the most rural counties with LTSTs, spend nearly 100 percent of their revenues on capital improvements to the state and local road systems.

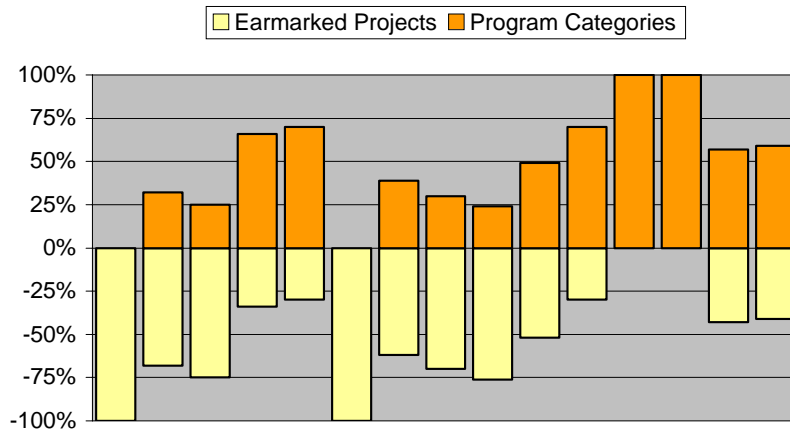
The expenditure plans do not address the need to secure future funds for operating and maintaining the new facilities to be built with LTSTs. While San Diego and Imperial counties include provisions in their plans that assign responsibility to the California Department of Transportation (Caltrans) for future maintenance of highway capital projects, few other counties make similar provisions. These provisions, incidentally, do not bind Caltrans to provide operating and maintenance support, but rather set priorities for the use of funds distributed by Caltrans to the counties on the basis of a formula. No county has set aside sales-tax revenues for future recurring maintenance needs of the projects it builds.

Support of Project Lists versus Program Categories

Items in the LTST expenditure plans can be classified into two groups: earmarked projects and program categories. Funds are earmarked when they are committed to *specific projects*. Santa Clara's 1984 measure listed three highway improvement projects to be funded by LTST funds, giving the county a clear mandate for what it had to accomplish during the life of the sales tax. Program categories commit revenues to support a specific type of investment, but refrain from earmarking money for specific projects.

Figure 10 shows the balance over time between these two types of programming. While earlier measures generally earmarked projects, later measures have more often used less explicit program categories. This shift may have been in response to difficulties resulting from revenue shortages. Earmarking money for specific projects as opposed to program categories resulted in decreased ability to alter spending in response to unexpected circumstances, such as revenue shortfalls.

Figure 10 - % of EP to Earmarked Projects and Program Categories



Note: Fresno didn't actually have an EP when the measure was passed but its first EP was of this proportion.
 Unknown: Los Angeles (1990), Riverside (1988), San Joaquin (1990), Santa Clara (1996), Santa Clara (2000)
 Source: Data compiled by the authors from county transportation-authority expenditure plans and annual reports.

ROLES AND RELATIONSHIPS OF SALES-TAX AUTHORITIES

California's local transportation sales taxes are administered by independent transportation authorities, which enable joint oversight by city and county governments. As the significance of LTST revenue grows, these authorities have increasing roles in transportation planning. This section discusses the roles and responsibilities that TAs assume, how TAs relate to the other transportation decision-making agencies in the state, and the implications of the increasing prominence of *county-level* decision-making.

Institutional Structures of Transportation Authorities

Each county that collects and administers a LTST has a designated transportation authority. These agencies were created either in anticipation of or as a result of passing a sales-tax measure in that county. Each transportation authority has a board of directors comprised of elected officials representing incorporated cities and county government. In rural counties, the transportation-authority board is often the same as the board of an existing county council of governments. Aside from the administration of transportation sales taxes, county and regional agencies have a variety of other policy and service roles. Some of these transportation authorities are also:

Comment [1]: 22 Which counties? How many?

- *Transit operators*: operating line-haul transit services as well as specialized services for elderly and disabled people.
- *Metropolitan planning organizations (MPOs)*: regional agencies charged under federal law with conducting a “continuing, cooperative, and comprehensive” planning process to determine the allocation of federal transportation funds.
- *Councils of governments (COGs)*: regional agencies, originally created to coordinate the delivery and planning of federal housing and environmental and social services programs.
- *Congestion-management agencies (CMAs)*: county-level agencies established in 1990 by Proposition 111 to establish performance standards for roadways and transit services, and to develop seven-year plans for achieving these standards through demand management, capital improvements, and coordination with land-use agencies.

Most counties with sales taxes lie within the boundaries of metropolitan planning organizations that serve larger, multicounty metropolitan regions. Only five counties are served by single-county metropolitan planning organizations.

Table 8—Regional Transportation Agencies

	TA's	MPO/ RTPA	CMA	Caltrans Dist	TA operates transit?	COG
Alameda	ACTA	MTC	ACCMA	4		ABAG
Contra Costa	CCTA	MTC	CCTA	4		ABAG
Fresno	Fresno TA (under umbrella of COFCG)	COFCG	COFCG	6		COFCG
Imperial	Imperial County Local TA	SCAG	none	11		IVCOG
LA	LACMTA	SCAG	LACMTA	7	Yes	SGVCOG ¹
Madera	MCTA	MCTA	none	6		MCOG
Orange	OCTA	SCAG	OCTA	12 (only one)	Yes	OCCOG
Riverside	RCTC	SCAG	RCTC	8		WRCOG, CVAG ²
Sacramento	STA	SACOG	STA	3		SACOG

¹ San Gabriel Valley Council of Governments

² Western Riverside Council of Governments and Coachella Valley Association of Governments

San Benito	Council of San Benito County Gov'ts (CSBCG)	AMBAG	none	5	Yes	CSBCG
San Bernardino	San Bernardino Associated Gov'ts (SANBAG)	SCAG	SANBAG	8		SANBAG
San Diego	SANDAG	SANDAG	SANDAG	11		SANDAG
San Francisco	SF County TA	MTC	SFTA	4		ABAG
San Joaquin	SJCOG	SJCOG	SJCOG	10		SJCOG
San Mateo	SMCTA	MTC	SM City/County Assn. of Gov'ts	4		ABAG
Santa Barbara	Santa Barbara County Assoc. of Gov'ts. (SBCAG)	SBCAG	SBCAG	5		SBCAG
Santa Clara	Valley Transportation Authority	MTC	VTA	4	Yes	ABAG
Santa Cruz	n/a	AMBAG	SCCRTC	5	n/a	AMBAG

Source: Compiled by authors from county transportation-authority expenditure plans and annual reports.

Transportation Authority Roles in Regional Transportation Planning

Federal transportation legislation passed in 1991 (the Intermodal Surface Transportation Efficiency Act, or ISTEA) concentrated greater authority in metropolitan planning organizations. These organizations were given greater control over the programming of federal transportation funds, but were required to develop fiscally constrained plans and ensure consistency with regional air-quality plans. This federal requirement was a significant step in devolving transportation planning and resource allocation to a level of government more closely linked to transportation problems. With LTSTs, however, the ability of individual counties to perform transportation planning, raise revenue, and allocate resources is reinforced. One major question of LTSTs is how these county authorities relate to the regional transportation planning bodies.

Before ISTEA and before the creation of the LTSTs, the state transportation department (Caltrans) dominated most decision-making about transportation funding. Local governments saw the sales tax as a unique opportunity to address local deficiencies resulting from statewide general taxation limits imposed by Proposition 13 and funding distribution and project delivery problems that they associated with Caltrans. Thus, counties were predisposed to allocate much of their sales-tax revenue to local projects. Once they were given the opportunity, counties quickly

embraced this greater role in transportation decision-making. Significantly, the creation of county transportation authorities (to administer the sales taxes) increased the ability of county-level agencies to plan and deliver transportation projects. The transportation authorities prepare expenditure plans and strategic plans in addition to serving as accountants and administrative bodies—these are all functions that were previously performed exclusively by Caltrans but could now be assumed at the local level.

Stronger county-level decision-making resulting from the establishment of transportation authorities has counteracted efforts to strengthen California’s urban, multicounty metropolitan planning organizations, despite their new powers under ISTEA. For example, several representatives of Bay Area county transportation authorities told us that they did not develop their expenditure plans based solely on the Metropolitan Transportation Commission’s Regional Transportation Plan, and do not feel constrained by the Regional Transportation Plan when prioritizing projects. Instead, counties consider “regional” projects to mean larger projects within their boundaries. According to Metropolitan Transportation Commission staff, counties seeking to complement their local sales-tax revenues often use state and federal funds to complete county funding packages rather than projects prioritized by the Metropolitan Transportation Commission.

One of the inescapable dilemmas of planning infrastructure improvements at the county level is that regional travel patterns cross county boundaries. The most common examples of intra-county coordination have centered on transit service. In Southern California, every Self-Help County contributes to the capital and operating costs of MetroLink, a regional commuter rail system. Santa Clara County has established Regional Transit Partnerships and contributes to the Capital Corridor Service (an Amtrak service to Sacramento), the Dumbarton bus service, and the Altamont Commuter Express (ACE) train service. Although examples of successful intercounty coordination abound, county transportation authorities told us that they are less willing to improve congested roads that are considered “feeders” to or from other counties. In Northern California, Contra Costa County worries about increased traffic from Solano County, while Alameda County must contend with increased congestion due to traffic originating in Contra Costa. Sacramento County is aware of emerging commute patterns and subsequent congestion from neighboring Placer County, but is reluctant to prioritize money for this corridor before addressing other needs within the county. When county priorities differ, there is no established

procedure or incentive to ensure coordination, and there is no forum to advance regional goals. Another disadvantage from the regional (multicounty) perspective is the imbalance created when certain counties have sales taxes and their neighbors do not. According to the Metropolitan Transportation Commission, this situation not only raises problems with regional projects, but also affects the overall state transportation program because the “haves” become increasingly disinterested in raising the motor-fuel tax or taking other steps to correct some of the inadequacies of the state transportation-finance system.

Coordination of Transportation Investment with Growth

The integration of land-use planning with county-level transportation planning is not an explicit goal or responsibility of transportation authorities administering transportation sales taxes. However, growth-management concerns have motivated rapidly developing counties to incorporate traffic-impact fees into their ballot measure language. The failure of sales-tax measures in certain counties was often attributed to voters’ fear that the resulting transportation investment would subsidize new development. As a result, counties included the mandate that local entities impose impact fees on new development in reaction to public concern that growth pay for itself. This was the case with Contra Costa’s failed measure in 1986. The subsequent measure (passed in 1988) featured a Growth Management Program that became the model for the state’s Congestion Management Program (1991). The inclusion of growth-related provisions in sales-tax measures was prevalent in counties that have experienced the most growth since the 1980s, such as Santa Clara, Orange, San Joaquin, and Contra Costa. In general, growth-management language in those sales-tax measures intended not so much to guide the location of growth, as to assure that the future residential, business, and commercial growth pays for the facilities required to meet the demands resulting from growth¹⁴.

PROJECT SELECTION, PRIORITIZATION, AND DELIVERY

County transportation authorities are responsible for administering and spending the sales-tax revenue. Their roles include selecting and prioritizing transportation projects, managing the delivery of those projects, and reallocating revenues and revising plans in response to changing economic and political circumstances. The importance of this planning capability grows as LTSTs grow in significance. This section documents the abilities of TAs to select and prioritize improvements, deliver projects, and respond to changing economic and political circumstances.

Project Selection and Prioritization

The ballot measures specify the intended uses of the revenues over the duration of the tax. All but five of California's local transportation sales-tax measures earmark a large proportion of their revenue for specific projects, limiting the power of transportation authorities to reprioritize once the tax is approved. This situation holds throughout the life of the sales-tax measure, which is typically 20 years or more. For example, Santa Clara County's 1984 Measure A earmarked all of its revenues for three highway capital expansion projects, and stipulated that no funds could be spent on any other projects unless those three were completed or could not be completed due to legal or other constraints¹⁵.

Many of the most important decisions about which transportation projects get funded are made long before a sales-tax proposal reaches the ballot. Sales-tax expenditure plans typically are drafted by commissions appointed by local political leaders or working groups of business and civic leaders. In many cases, economic-development interests, such as chambers of commerce and real-estate development and construction firms, have been the primary sponsors of efforts to develop expenditure plans and build support for them. They employ polling to gauge the public's interest in various potential projects to receive sales tax dollars.

Many of the public officials who were interviewed stated that in order to get the necessary votes, they worked hard to insure that their proposals contained earmarked projects that appealed to a variety of interest groups, including environmental interests and transit advocates. In places where these groups have demonstrated an ability to defeat sales-tax proposals, they are increasingly being invited to participate early in the planning process. Issues of "fair share" and geographic equity also play major roles in project selection. Ultimately, a "double majority" of city councils (a majority of cities, representing a majority of the county's population) must approve the proposed ballot measure before the board of supervisors can place it on the ballot. Winning their approval often means letting local areas choose their own investment priorities.

Using this process to earmark LTST revenues for specific projects on the ballot raises a number of policy concerns. High profile capital improvements are put on the ballot to win votes and passage of the tax. Many of these capital expansion projects are very expensive, and entail substantial operating and maintenance costs. Furthermore, projects that have "voter appeal" may not be the most efficient nor effective long-term solutions. One county transportation authority's director stated that its board prioritized projects that will constitute "monuments" to the sales-tax

measure, not necessarily the most needed transportation spending according to technical criteria. Another county transportation authority's director commented that:

The real decision-maker about what gets on the ballot measures are professional pollsters who interpret their polls and analyze focus group data. There is no question that the need to get a favorable vote means that technical analysis and performance criteria diminish in importance—especially with the two-thirds vote requirement.

The legal constraint of a ballot list of projects severely limits flexibility over many years. This is widely deemed to be attractive to the voters and likely to contribute to the passage of the measures, but it precludes reallocating revenues among uses or modifying project scopes to adapt to changing political or economic circumstances, or even to communities' changing transportation needs and priorities. Often, plans can be modified only if approved by a majority vote at a countywide election, or by a vote of the board of supervisors and a double majority of city councils. These concerns are exacerbated by the trend toward sales taxes with longer lives. For instance, Santa Clara's Measure A, which passed in November 2000, will begin in 2006 and continue for 30 years¹⁶.

Many of the measures have given rise to a tension between the specificity of the ballot language, seen as politically attractive at the time the measure appears on the ballot; and the flexibility that is useful later during implementation of the measure. An extreme example is provided by a lawsuit against the Alameda County Transportation Authority. Their 1986 measure's expenditure plan described the construction of a highway connecting routes 580 and 880, and proposed a route "along Mission Boulevard then down along Route 84." Since then, Alameda County Transportation Authority and Caltrans have found that routing infeasible and have instead pursued a routing through the Hayward hills. This option was politically unattractive during the development of the original expenditure plan, and the Hayward Area Planning Association has sued the Alameda County Transportation Authority over the decision to proceed with the new routing without due public process¹⁷. The litigation continues, but the courts have already recognized that the voter-approved expenditure plan has legal merit. Whether or not the Alameda County Transportation Authority will be obligated to construct the project as described in the original expenditure plan is yet to be determined, but the ruling will have clear implications about the flexibility with which transportation authorities can interpret

their original promises to the public.

To counter the rigidity of the earmarked lists of projects some flexibility is encouraged by allowing uses of some LTST revenue to be selected on an ongoing basis *after* the passage of a ballot measure. All but two of the county measures provide that some of the funds flow directly to city and county governments or other local agencies such as transit agencies. Funds are usually allocated by formulas that take into account population, road miles, or other factors. In these cases, local agencies select and prioritize projects independently of the transportation authority and according to their own local planning processes. However, transportation authorities restrict how local jurisdictions may spend this revenue through annual audits to confirm that local expenditures comply with ballot measure requirements; by requiring local jurisdictions to prepare expenditure plans for approval by the transportation authority prior to receiving funds; or by requiring that funds be spent in compliance with local growth management standards.

Another device by which some of the measures provide for a modicum of flexibility is through the use of “program categories.” In addition to listing many specific projects on which funds must be expended, nearly all of the measures employ broad categories, such as “public transit operating expenditures” or “highway maintenance.” Although in these cases the specific projects are not determined at the ballot box, the measures often do provide explicit direction as to how program category funds are to be spent, or they specify in quite some detail ways in which the allocations should be made after passage of the measures. For example, San Mateo County’s ballot measure defines a specific formula for prioritizing among the potential railway grade-crossing removal projects, based on measures of traffic volume and construction cost¹⁸. San Francisco’s measure requires street resurfacing priorities to be determined using the city’s existing pavement management system, which examines pavement condition, transit use, and car and truck traffic. About one-third of Orange County’s sales-tax revenue is awarded to local agencies through a competitive grant program. Project proposals are accepted and screened biannually for five-year funding cycles. Transportation authority staff and a technical advisory committee rank projects with respect to criteria that have been adopted by the board, and grant recipients must be approved by the transportation authority board.

The California measures all require counties to establish “priority” projects in their expenditure plans¹⁹. Some counties have circumvented this requirement by identifying all

projects as “priority 1.” Other counties have developed explicit criteria used by the transportation authority board and staff to prioritize projects. These prioritization criteria may be used to select from a “wish list” of projects included in the ballot measure, or they may be applied as part of a periodic strategic plan update to determine which ballot projects should be immediate priorities in the short run. In a few counties, ballot measures formally define the criteria for selecting or prioritizing projects, and a process for decision-making. The transportation authorities in a few other counties have adopted project prioritization criteria after the passage of the sales-tax ballot measure. The most common project selection/prioritization criteria are leveraging, geographic distribution, growth management/traffic impacts, and countywide significance.

Many of the public officials who were interviewed reported that counties prioritize projects that have the greatest potential to “leverage” additional sources of state and federal funds. Counties often give highest priority to projects that can use LTST revenue as a local “match” for funds from other sources. Counties also include priority projects in their expenditure plans with the intent of bargaining for the state and federal funding needed to complete them. Most counties’ expenditure plans use the potential of leveraging outside funding sources as a fiscal and political tool for gaining support for the ballot expenditure plans, but some counties are more explicit about prioritizing those projects that leverage other sources.

Where leveraging state and federal sources of funding is a significant project selection and prioritization criterion, the planning process for measure money often occurs concurrently with the programming of these other sources. San Bernardino and Fresno counties develop short-term strategic plans for LTST revenue that correspond with the cycle of state and federal fund availability. A few counties, however, avoid funding many projects with a combination of sales-tax and state funds, preferring a “firewall” between their measure money and other sources in order to retain control over project delivery.

For obvious political reasons, counties set project priorities so that geographic subregions all receive some direct benefit from the sales-tax revenue. For example, the Contra Costa Transportation Authority works with four sub-county “regional transportation planning committees,” comprised of city and county representatives from the sub-areas, as part of its process to determine funding priorities. When selecting top-priority projects, Santa Barbara County attempted to ensure that one project in each subregion of the county was included as a top priority. San Bernardino County’s expenditure plan provides for a distinct account of LTST

revenue that is spent only in the “mountain-desert” region of the county.

Many counties also use growth management goals as a way to select among or approve projects to be funded with sales-tax dollars. In Contra Costa, Sacramento, and Orange counties, for instance, local agencies are not eligible to receive sales-tax dollars unless they meet growth-management requirements adopted as part of the sales-tax measure. These requirements range from the imposition of traffic mitigation fees for new development projects to more complex requirements that up-grade road capacity in congested areas.

In a few cases, the countywide significance of a potential project is considered in project selection/prioritization. For example, San Mateo County’s formula for prioritizing grade-crossing projects attempts to measure the significance of any one crossing relative to others in the region. Orange County’s primary evaluation criterion for its competitive grant program is consistency with the county’s highway master plan. In this way, Orange County prioritizes projects that have already been endorsed by a countywide planning process. However, project selection and prioritization are not always truly consistent with these criteria. For instance, despite the specific formula outlined in San Mateo’s ballot measure, grade-crossing projects actually built have not been those ranked highest according to objective criteria. Instead, they have been located in areas without opposition to the projects, or where local governments have been willing to manage the delivery of the projects.

Project Delivery

After the TA decides which projects will be funded, the complex process of developing and delivering the projects follows. Because they control the sales-tax revenues that make these projects possible, county transportation authorities enjoy a great deal of influence over the engineering and construction of transportation projects.

This was not always the case. The California Department of Transportation, widely known as Caltrans, is a large and complex statewide transportation agency. Under its interpretation of state law, Caltrans controlled delivery of projects on the state highway system if more than 50 percent of the funding came from state or federal gas tax-revenues. Before sales taxes became a viable financing option local governments could not fund projects themselves, so they deferred to Caltrans in the design and construction of highway projects. However, after counties started adopting LTSTs, they were able to control projects if they provided more than half of the funds. They soon gained valuable expertise in engineering, contracting, and other

aspects of managing large construction projects—skills that most local governments did not previously have. Some county TAs have asserted that this newfound project delivery expertise was essential to successful implementation of their expenditure plans.

Expedited project delivery, in fact, has been one of the motivations for a county to consider passing a local transportation sales tax. This follows the success of Santa Clara’s 1984 measure, which capitalized on the transportation authority’s ability to contract with the private sector when Caltrans could not, allowing the TA to have greater control over the construction of the measure’s highway projects. When developing its 1988 measure, Contra Costa also expressed the desire to control the development and construction of its sales-tax projects, promising that the transportation authority would “take the lead whenever we can.”

As one county official stated rather proudly:

Caltrans’s original estimate of how long it would take to build all these projects was over 17 years. The transportation authority managed to get most of them built in 10 –a very aggressive schedule, but we did it in a very community-sensitive way.

Other counties developed their sales-tax measures with the expectation that Caltrans would continue to implement their highway projects. But, Caltrans suffered difficulties with the additional workload that sales-tax projects generated in the mid-1990s, so Santa Barbara, Fresno, and other counties turned to contractors to help with the increased responsibilities. Even though it had not initially intended to develop project delivery expertise, the Fresno County Transportation Authority found that its decision to hire a private firm to manage its state highway projects “set the stage [for] innovative approaches to program/project management and financing to dramatically accelerate delivery of construction projects.”²⁰

County transportation authorities claim a number of advantages over Caltrans in developing and delivering transportation projects. A county agency may be more likely to understand what the citizens of the county will find acceptable in a highway design. For example, when a project was faced with local controversy over the lack of a soundwall, Contra Costa’s transportation authority was able to negotiate between Caltrans, the county, and the City of Pittsburg in order to expedite the project’s completion.

Counties believe they have less institutional inertia and can more easily change directions in the project development process when absolutely necessary. While developing its plan for the

routes 101/154 interchange, Santa Barbara was able to account for an unexpected development:

The original project scope called for a bridge at the existing interchange with a standard diamond ramp configuration. Preliminary field investigation revealed sensitive archaeological resources at this site. That would have involved delays and could have been a project killer, so we moved the interchange half a mile north. If Caltrans were administering that, we'd be still waiting for it today. We spent time researching the site, but once it was determined that it was an important resource, we came up with a different plan.

Counties claim that they can simultaneously pursue different phases of project delivery, which they believe leads to saving time. Caltrans has traditionally approached project phasing sequentially; a bottleneck at one stage in the process could entirely stall a project. Despite frequent claims by counties that they could deliver projects faster than Caltrans, a study by Hecht and Niemeier found no significant differences in project development efficiencies between Caltrans and county transportation authorities for projects on the state highway system.²¹

While some cities had the expertise and manpower to deliver projects, others were unable to complete the projects without reliance upon the transportation authority. The City of Lafayette in Contra Costa County hired more staff to deal with increasing demands on its public works department. The Contra Costa Transportation Authority believes that this has improved the city's ability to manage its own projects. Local jurisdictions often appeared to be more adept at managing street and road repair monies than any of the other program category funds.

Despite pride in their ability to deliver projects more effectively than Caltrans, transportation authorities have encountered many obstacles to the delivery of promised projects: insufficient external matching funds, cost overruns, unforeseen environmental barriers, litigation, rising energy and labor costs, and inter-jurisdictional disagreements. The most common motivation for altering expenditure plans was deviations from anticipated revenue streams as California's economy was hit hard by the recession in the early 1990s, and the resulting dip in retail activity weakened sales-tax proceeds. These circumstances were occasionally exacerbated by the legacy of using optimistic revenue forecasts to make expenditure plans more appealing to voters. When faced with declining sales-tax revenues, counties must either find extra money elsewhere, or risk breaking promises made in their expenditure plans. While some counties such as Contra Costa looked for money elsewhere (it required all their local jurisdictions to apply for

State-Local Partnership Funds in order to receive return-to-source money), other counties looked for ways to change their expenditure plans or looked for flexibility within their own measures. For example, in Fresno County these problems compounded, as project-cost underestimates, unanticipated earthquake retrofit requirements, increases in the costs of labor and resources, and lagging tax revenues occurred simultaneously in the early years of the program. The shortage of funds was exacerbated by the fact that Fresno County had issued bonds based upon overly optimistic revenue forecasts to expedite their highway projects. Fresno County responded to these economic difficulties by scaling back its project list and decreasing funds to its program categories. Between 1998 and 2000, the economy in Fresno County began to show signs of recovery, but they will be unable to meet the expectations set forth in their 1988 expenditure plan.²²

CONCLUSIONS

The four most important factors in the popularity of LTSTs outlined in the introduction - specific lists of transportation projects; control over revenues by the counties in which the tax is collected; finite lives; and direct approval by voters - also pose major challenges to relying so heavily on LTSTs as a major transportation-finance mechanism.

Specific lists of transportation projects on the LTST ballots support a wide variety of modes in both the state and local systems. This research supports the conclusion that LTSTs have expanded transportation investment programs into new or underfunded areas. In some counties, LTSTs have greatly expanded the availability of funding for alternative modes of transportation, and all major transit systems in the state have come to depend upon LTSTs as a significant source of operating revenue. In other counties, investment in local roads and streets has won a significant new source of revenue. Indeed, investment in local transportation systems is one important opportunity afforded by LTSTs. Unlike motor-fuel taxes, sales taxes are not a user fee, rendering them especially appropriate for spending on local transportation systems, where the primary benefit is *access* rather than long-distance mobility. In this regard, sales taxes function to certain extent as a “benefit tax.”

Furthermore, our findings suggest that LTSTs did not simply substitute a new source of financial support for projects that would have been built anyway. Many of the capital projects are too costly to have been built without the sales-tax revenue. However, elected officials and

interest groups that craft sales-tax ballot measures are readily drawn to capital projects - for example new lanes or transit services. The resulting emphasis on “monumental” capital projects leaves a relatively small share for maintenance and operations of these new investments. Most county transportation authorities presume that Caltrans will allocate resources for operations and maintenance in the future for any projects built by counties on the state highway system. However, this presumption and the resulting emphasis on new construction risk overcapitalizing California’s transportation system, expanding the network of facilities without providing adequate resources for their ongoing management. Rather than decreased emphasis on earmarked funds for high-profile projects, we observe a trend toward sales taxes with longer lives that include both monumental projects and less-explicit program categories.

Sales taxes administered at the county level are politically palatable because they ensure that tax dollars are not diverted to build projects in distant counties. In crafting sales-tax expenditure plans, leaders in many counties have sought to take this a step farther, by giving each local area its “fair share” of the revenues, and letting them determine how they are used. From the division of power between mayors and supervisors on transportation authority governing boards, to the share of funds allocated to city governments, negotiating local/regional tensions is an important part of the LTST design process. A key challenge in the development of sales tax proposals is balancing local control with regional needs, as is the coordination of interjurisdictional projects. When individual counties are part of a multicounty metropolitan planning organization, county transportation authorities tend to see these organizations as obstacles to the successful completion of projects they have been charged with building, rather than as agencies charged with ensuring that transportation investments genuinely meet the needs of a region’s residents. Even in single-county metropolitan transportation organizations, interjurisdictional plans are an exception. Much of LTST revenue is devolved to individual cities, which lack incentive to coordinate the use of this revenue for solving transportation problems that cross jurisdictional boundaries.

While LTSTs have increased the ability of cities and counties to plan and deliver transportation projects, the concentration of increased transportation resources at the county level further decreases the capacity of metropolitan planning organizations to set priorities regionally. Transportation programming in California has historically focused on the county level, but the legislative mandate of ISTEA intended to shift that focus to regional agencies. The evolution of

LTSTs has furthered the tendency to focus on county programming of major projects, rather than increasing the programming authority of metropolitan planning organizations. Where regional priorities differ from the priorities of an individual county within a multicounty metropolitan planning organization, the regional agency continues to be limited in its ability to assert regional priorities. Individual counties' voter-approved ballot measures and the independent revenue source that LTSTs provide can weaken the regional agency's claims of programming authority.

Local transportation sales taxes have evolved from a revenue source by which a few high-profile capital projects would be delivered, into a funding source to serve ongoing transportation needs, such as maintenance of local streets and roads, paratransit services, and transit operations. As a result, transportation authorities play increasingly central roles in funding the ongoing operations of communities' transportation systems throughout the state. And, current interest in extending the sales tax statewide and in reducing passage requirements to a simple majority or a majority of 55 percent reflect many counties' desires to retain these sales taxes as permanent parts of the transportation finance landscape.

Unless they are specifically given other responsibilities, county transportation authorities are generally accountable only for implementing the projects specified in the expenditure plan in a manner that expedites the delivery of those projects. The expenditure of sales-tax dollars need not be coordinated with other revenue sources nor with the activities of other transportation planning agencies. Nor are those crafting and delivering sales tax expenditure plans expected to coordinate transportation investments across jurisdictional borders. The implications of LTST projects for land use or energy consumption need not today be considered, and there is presently no expectation among those who program sales-tax dollars that these transportation investments be coordinated with the efforts of other agencies who must plan for and respond to such externalities.

However, considerations such as land use and energy consumption are becoming a necessary part of transportation investments, and many believe they will yield solutions to the state's transportation problems. If efforts to make LTSTs a permanent part of California's transportation finance landscape are successful, then local transportation sales-tax ballot measures will continue to be powerful determinants of the state's transportation investment priorities. Transit agencies and local jurisdictions are already coming to depend upon the planning and programming decisions of county sales-tax transportation authorities, as the latter

increasingly fund their ongoing operating expenses. Sales tax agencies must, therefore, begin to consider interrelationships with energy consumption and land-use impacts in funding and programming decisions. Although many transportation authorities are accountable in their role as project-delivery agencies, the constraints currently built into local transportation sales taxes may limit the ability of transportation authorities to take leadership on these issues.

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