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Amber Crabbe, Rachel Hiatt, Susan D. Poliwka, and Martin Wachs

Policy Research Program



CALIFORNIA POLICY RESEARCH CENTER
UNIVERSITY OF CALIFORNIA

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California's Experiment in Transportation Finance**

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The views and recommendations in this report are those of the authors and do not necessarily represent those of the CPRC or the Regents of the University of California.

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EXECUTIVE SUMMARY

In the mid-1980s, the California legislature began authorizing sales taxes for transportation projects in individual counties. Since then, residents of 18 counties—representing 80% of the state’s population—have voted to raise their sales taxes for limited periods to pay for county and city ground transportation improvements. Collectively, these “local transportation sales taxes” (LTSTs) generate roughly \$2 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 and have become a major tool with which local civic and political leaders bypass obstacles in the state’s system of transportation finance and decision-making.

As many of these measures approach their expiration dates, and come up for reauthorization, California faces critical decisions about the role these taxes should play in transportation finance over the coming decades. Despite the broad adoption of LTSTs, there has been no systematic review or evaluation of the transportation issues they raise. To provide some perspective on their benefits and limitations, we undertook an examination of their contributions to transportation improvements and their implications for transportation decision-making.

The popularity of the LTST strategy for raising transportation revenues has been attributed to four important characteristics: direct local voter approval, finite lives (typically 15 or 20 years unless specifically reauthorized by another popular vote), specific lists of transportation projects, and county control over the revenues raised. These provisions give citizens more-direct control over the transportation investments that they pay for than has typically been the case with motor-fuel taxes, and their broad tax base enables large amounts of revenue to be raised with relatively low tax rates.

Method

To fully describe and evaluate California’s LTSTs, we collected data presented to the voters (ballot language, enacting ordinances, arguments for and against the measures, and expenditure plans) on successful and failing measures from every county that has attempted to pass them. In-person interviews were conducted with several dozen people active in California transportation policy-making. These included county transportation officials and representatives of the Bay Area’s Metropolitan Transportation Commission, the California State Association of Counties, the California Association of Councils of Government, and the Self-Help Counties Coalition, which represents the common interests of the counties that have enacted LTSTs. We examined the LTSTs adopted in 17 counties between 1984 and 1990. Despite many differences, these taxes share a common focus on financing a transportation expenditure plan administered by a special transportation authority.

What LTSTs Are Supporting

LTSTs have supported a wide variety of projects, with a fairly even split among highways, local roads, and public transit. Earlier measures generally earmarked LTST revenue for specific projects on the ballot; later measures more frequently allocated funds for “program categories,” less-explicit categories of uses and projects.

The most consistent trend in sales-tax expenditures across all counties is that operations and maintenance have received less funding than new capital projects. However, the content of LTST expenditure plans varies widely from county to county and measure to measure, reflecting differences in local priorities with respect to the types of projects and programs funded. Rural counties are more likely than urban ones to devolve the control of LTST revenues to local jurisdictions, and to spend most of their revenues on highway projects, streets, and roads rather than on transit.

Transportation Authorities: Roles, Relationships, Scope

Each county that collects and administers an LTST has a designated transportation authority, which enables joint oversight by city and county governments. These agencies may also serve as transit operators, metropolitan planning organizations, councils of government, or congestion-management agencies. While it is very common for a single agency to serve as both a transportation authority and a congestion-management agency, it is less common for such an authority to also act as a metropolitan planning organization, since most counties with LTSTs lie within the boundaries of multicounty metropolitan planning organizations. (The latter are regional agencies charged under federal law with conducting a “continuing, cooperative, and comprehensive” planning process to determine the allocation of federal transportation funds.)

The creation of county transportation authorities significantly reinforced the planning and delivery of transportation improvements at the *county* level. But stronger county-level decision-making weakens the regional planning mandate of California’s multicounty metropolitan planning organizations in urban regions. State and federal funds, for example, may be “diverted” to round out county expenditure-plan funding packages, rather than spent on projects prioritized by the regional metropolitan planning organization. Opportunities to plan regionally also suffer where a large proportion of LTST revenue is returned directly to local jurisdictions within a county. Another disadvantage of the county transportation-authority administrative structure, from the regional perspective, is the resource imbalance created when certain counties have sales taxes and their neighbors do not. Intra- and intercounty coordination, when it occurs, is typically focused on transit service. Intercounty road improvements do not gain the same level of cooperation.

Transportation authorities have the ability to deliver projects and improvements themselves, rather than relying on Caltrans, and LTST proponents cite this shift of authority from the state to its counties as a major benefit of the county-level taxes. Since LTSTs are approved directly by county voters rather than through state legislative action, county authorities claim that public participation and accountability have improved when transportation authorities deliver projects themselves.

The ways counties have defined the roles and responsibilities of their transportation authorities vary widely. But because these authorities have self-defined mandates and have evolved without state or metropolitan planning organization oversight, their governing boards consider themselves accountable solely to the county voters for implementing their expenditure plans expeditiously. Integrating land-use planning with county-level transportation planning, for instance, is not an explicit transportation-authority goal or responsibility. Some rapidly

developing counties, such as Contra Costa, have adopted traffic-impact fees or growth-management restrictions into their ballot language, while others do not address the transportation/land-use linkage at all. In most counties, transportation authorities are not required to address related issues and potential impacts that result from localized transportation investment, such as the need for interjurisdictional coordination, and considerations of land use, environmental protection, or socioeconomic equity.

Project Selection, Prioritization, and Delivery

Project Selection

Projects are typically selected, and often prioritized, on the ballot measure. All but five of California's LTST measures earmark some amount of revenue for specific projects, limiting the power of transportation authorities to reprioritize once the tax is approved. Even when funds are not earmarked for specific projects, the intended uses of these program categories of revenue are constrained to varying degrees in the ballot measure. Program categories allow the uses of LTST revenues to be determined on an ongoing basis, and provide greater flexibility in setting spending priorities. The uses of program-category funds are typically determined by formula or through a competitive grant-application process.

All but two measures require returning some funding directly to city and county governments or other local agencies such as transit agencies. Typically, allocation formulas take into account population or road miles, and sometimes other factors. In these cases, local agencies select and prioritize projects according to their local planning processes, but typically must submit an expenditure plan to the transportation authority for approval. Transportation authorities may place conditions on the approval of local jurisdictions' requests for LTST dollars, such as requiring expenditures to be consistent with growth-management standards adopted along with the LTST.

Project Prioritization

The state legislation requires all counties that adopt LTSTs to establish priority projects in their expenditure plans. Some counties circumvent the requirement by designating all projects "priority one." Other counties have developed explicit prioritization criteria. The criteria may be used to select from a "wish list" of ballot projects, or applied as part of a periodic strategic plan update to determine which ballot projects should be immediate priorities. Counties often make a priority of projects that can use LTST revenue as a match for funds from other sources.

Where leveraging state and federal sources of funding is a significant criterion for selection and prioritization, the county's planning process for "measure money" often occurs concurrently with the programming of these other sources. Counties also set project priorities so that geographic subregions all perceive some direct benefit from the LTST.

However, project selection and prioritization in practice are not always consistent with the prioritization formulas or criteria. Instead, the improvements that actually get funded may be those where the local jurisdiction does not oppose the project, or where local governments have been willing to manage the delivery of the project itself.

Project Delivery

Because they control the LTST revenues that make these projects possible, transportation authorities possess great leverage over the engineering and construction of transportation projects. The possibility of expediting project delivery through private-sector contracting is what motivated many of the Self-Help Counties to consider passing an LTST. Transportation authorities typically claim a number of advantages over Caltrans in developing and delivering transportation projects: greater sensitivity and flexibility in responding to local needs, less institutional inertia, and the flexibility to simultaneously pursue different phases of project delivery at once. However, some counties developed their sales-tax measures with the expectation that Caltrans would still implement their highway projects.

Flexibility to Respond to Changing Circumstances

Revenue shortfalls, cost escalations, or changing political sentiments about projects complicate the complete achievement of expenditure plans. Nevertheless, there are constraints to moving off target. Not only is it politically undesirable to amend a voter-approved expenditure plan, but many counties also have prohibitively difficult requirements for making revisions. Often, major changes require either voter approval or approval of the board of supervisors and a double majority of city councils (a majority vote of a majority of the councils in the county), while a transportation authority's board of directors or other oversight committee can approve only minor amendments.

On the other hand, several transportation authorities have succeeded in shifting spending priorities without formally revising their expenditure plans, for example, by imposing price caps on voter-approved projects and programs. The most common reason to alter an expenditure plan is deviation from anticipated revenue streams due to economic recession, over-optimistic revenue forecasts, or both. Other obstacles complicate the delivery of promised projects: insufficient external matching funds, cost overruns, unforeseen environmental barriers, litigation, rising energy and labor costs, and interjurisdictional disagreements.

Flexibly designed expenditure plans have suffered fewer problems as a result of uncertain tax-revenue streams. Committing to program categories of funding, rather than earmarking funds for specific projects, is the most common method of building flexibility into expenditure plans. Ballot measures that contained wish lists of potential projects but did not firmly commit specific amounts of money to particular ones also add flexibility. Incremental expenditure plans, which select and prioritize projects according to cycles of a few years, are a less common method of building in flexibility.

Policy Considerations and Conclusions

LTSTs are not just a new revenue source, gained with local voter approval, but also a new decision-making process and structure. Yet the reasons for their appeal also limit their value in some respects and raise important questions about their ultimate role in large-scale transportation matters. The relative inflexibility of ballot measures and the limited scope of most transportation authorities' responsibilities as planning agencies suggest that LTSTs and their authorities are more appropriate as temporary mechanisms for delivering a few key projects.

Indeed, in the earliest measures, proponents envisioned transportation authorities as focusing solely on the delivery of a few specified high-profile capital transportation projects, not on planning. LTSTs have since evolved into a funding source to serve ongoing transportation needs, such as maintenance of local streets and roads, paratransit services, and transit operations. Throughout the state, transportation authorities now play increasingly central roles in funding the ongoing operations of communities' transportation systems. Although transportation authorities are accountable as project-delivery agencies, their responsibilities have not been expanded by the legislature or the voters to a level of accountability more appropriate for permanent, powerful transportation planners and decision-makers.

LTST project lists tend to be written inflexibly into law, rather than functioning as a funding source that can be adapted to changing priorities and circumstances. Transportation authorities face pressure to expend funds in accordance with the ballot measures and to deliver on the commitments made by local political leaders regardless of changing budgets or shifting political priorities. This pressure can have serious drawbacks—as shown by the many obstacles to completion of projects administered by the transportation authorities—as the transportation authorities have no mandate to base their implementation priorities on project cost-effectiveness or environmental consequences.

This great pressure for accountability as defined by the ballot expenditure plans limits the transportation authorities' ability to respond to changing circumstances as well as to the changing transportation needs and priorities of the counties they serve, or to the regional needs that require improved coordination among agencies. The continued ability of LTSTs to meet certain of California's local transportation needs requires careful attention—at the state, regional, and local level—to how the institutional aspects of LTST administration shape transportation investments.

INTRODUCTION

During the last 20 years, residents of 18 California counties have voted to raise their sales taxes for defined periods to pay for ground transportation improvements. Collectively, these “local transportation sales taxes” (LTSTs), also known as local option sales taxes, generate roughly \$2 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, and they have become a major tool with which local civic and political leaders bypass obstacles in the state’s existing system of transportation finance and decision-making.

The state, many of 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 no systematic evaluation of their impact on the state’s transportation system. As Californians face the decision whether to continue these taxes or to let them expire, we have examined what their contributions and implications have been. Our study is intended to inform policy-making with respect to these taxes by providing an overview of the history, benefits, problems, and policy issues associated with them.

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 twentieth 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. Both 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.¹ 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 and 12 miles per gallon to nearly 30 miles per gallon today,

¹ See the recent report by the California Policy Research Center and the Institute of Transportation Studies, *The Future of California Highway Finance* (Brown et al., 1999), for a more detailed discussion of the gasoline tax.

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. 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.

In the meantime, public-transit districts have 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 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 the 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.

Year	Transit District	Method of Passage	Also an LTST 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.² Early in the 1980s, the state saw a brief wave of ballot proposals to fund road projects with 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

² For an examination of similar taxes in other states, see Goldman et al. (2001).

proceeds in keeping with voter-approved expenditure programs.³ 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 by the counties named in Figure 1, 17 counties adopted these taxes by 1990.

The proliferation of sales taxes in support of transportation programs was soon halted, however, as the antitax movement gained speed. In 1986 voters passed Proposition 62, which sought to close a “loophole” in Proposition 13 that enabled transportation sales taxes to be passed by a simple majority of the voters. Proposition 62 required that these measures be approved by a supermajority of two-thirds of those voting, but 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.⁴

More recently, local transportation sales taxes have seen a modest revival. In November of 2000, Alameda and Santa Clara counties achieved the necessary 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 that have sales taxes expiring soon. While Santa Clara and Alameda counties reauthorized their measures with majorities well in excess of this demanding requirement, as several additional counties approach their sunset dates it is unclear whether their taxes are sufficiently popular to be reauthorized under the two-thirds requirement. With this concern in mind, many proponents of sales taxes for transportation programs are urging that a statewide proposition be placed on the ballot that would reduce the majority required for these measures. For example, in its recent report to the citizens of California, the Commission on Building for the 21st Century recommended that a measure be placed before the voters to reduce the required majority to 55%.⁵

³ By placing these taxes under the control of new transportation authorities (instead of existing general-purpose governments with property taxation powers), the legislature enabled the taxes to be approved by a simple majority of voters, rather than the two-thirds majority required for new special-purpose taxes under Proposition 13.

⁴ Santa Clara County managed to circumvent the two-thirds supermajority requirement in a novel way. In 1996, it presented voters with two separate measures: a general-purpose tax increase requiring only a simple majority, and a nonbinding advisory measure endorsing a slate of transportation projects. This “A+B strategy” was upheld by the courts, but may no longer be feasible due to subsequent changes in state law.

⁵ Commission on Building for the 21st Century (2001), p. 95.

Figure 1
Counties with a Temporary Local Transportation Sales Tax



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

In a less-noticed development, the legislature has started to grant sales-tax authority to new types of local governments. In 1998, Truckee voters approved a half-percent sales tax for road maintenance—the first municipality to do so. Also noteworthy was an unsuccessful effort to establish a temporary sales tax to fund public-transit operations in North Lake Tahoe. 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 has been attributed to four important characteristics of LTSTs.

- ▶ The taxes must be *approved directly by the voters*.
- ▶ 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.
- ▶ Most of the LTSTs are *temporary* (typically lasting 15 or 20 years), after which they automatically expire or “sunset,” unless they are specifically reauthorized by another vote of the citizenry.
- ▶ 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 the transportation investments that they pay for 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 rates. In terms of potential income productivity, a general countywide sales tax of 1% 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 rate.⁶

Policy Questions Related to LTSTs

Many regard the LTSTs as very successful, but a number of 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 is 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 would tend to promote the use of public transit, carpooling, and the use of more fuel-efficient vehicles, while general sales taxes do not affect travel behavior in these beneficial ways.

⁶ Richards (1998).

Many important and 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 the 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 actually 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 fully describe and evaluate California's LTSTs, data were collected on successful and failing measures from each of the counties that have 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). Supplementing the documents that describe the measures, in-person interviews were conducted with several dozen people who are active in California transportation policy-making. Interviewees included county transportation-authority 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. Per request, 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.⁷

For the purposes of analysis, this study divides California's counties into three broad groups: urban, suburban, and rural.⁸ 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

⁷ See, for example, Metropolitan Transportation Authority (1998); California State Association of Counties (1999); Selix interview (2001); and West interview (2000).

⁸ The counties were assigned to categories as follows: *urban counties*, which contain a major city; *suburban counties*, which may not contain a core city but experience strong transportation influences from key cities in neighboring counties; *rural counties*, which have weaker (or nonexistent) relationships with neighboring major cities.

this problem, the division of counties into groups is a helpful tool for illustrating key patterns across the state.

This study examines the transportation sales taxes adopted in 17 counties between 1984 and 1990. While there are many differences among these taxes, 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 LOCAL TRANSPORTATION SALES TAXES SUPPORTING?

When compared to the total ground transportation expenditures in the state, it is clear that local transportation sales taxes contribute significant amounts of revenue to statewide transportation needs. In fiscal year 1998–1999, local entities in California raised approximately \$2.5 billion through locally enacted transportation sales taxes,⁹ or 17% of the state’s total transportation revenues.¹⁰ 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

Seventeen California counties, as shown in Table 2, have adopted LTSTs. 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. Most have been in rural areas. Several counties have seen multiple unsuccessful attempts over the years, most notably Sonoma County, where voters have defeated LTST proposals four times.

Although only 17 out of 58 counties in California have LTSTs, these counties contain more than 80% 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 dollars.¹¹ The revenues level off after 1990 (when adjusted for inflation), because no new counties have approved taxes since that date. Revenues have also recently been affected by the current economic downturn. Taxable sales, for example, in the nine-county San Francisco Bay Area were in the year 2001 a hefty 12.5% below those in the year 2000; and while the economy is slowly recovering, sales in 2002 are forecast to remain about 2% below those for the year 2000.¹²

⁹ This includes both locally enacted transit-district taxes and LTSTs. Expiring LTSTs alone raised approximately \$1 billion of this total.

¹⁰ Adams et al. (2001).

¹¹ California State Controller (various years).

¹² Metropolitan Transportation Commission (2002).

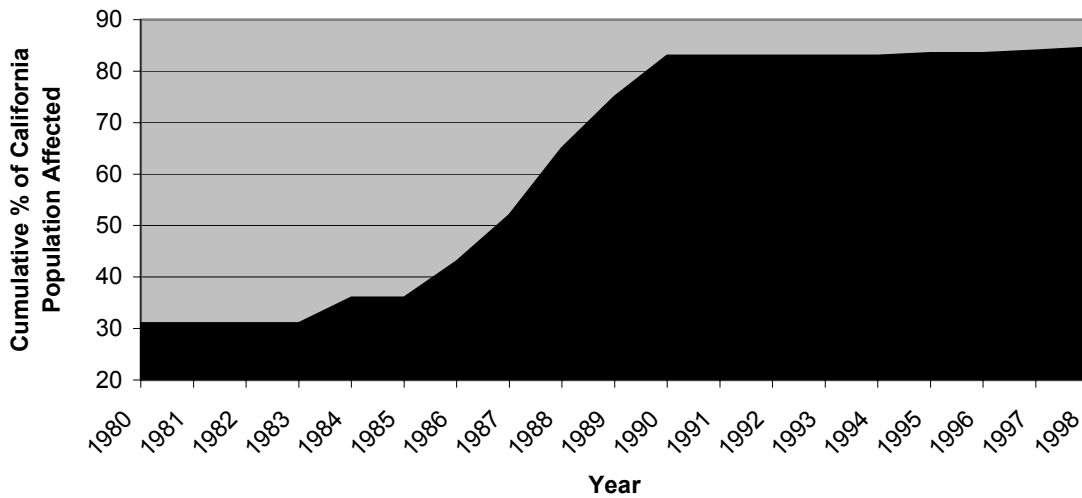
Table 2 Local Transportation Sales Taxes				
Year	County	Percent	Term	Additional Notes
1984	Santa Clara	½%	10 years	in addition to TDT
1986	Alameda	½%	15 years	in addition to BART
1986	Fresno	½%	20 years	
1987	San Diego	½%	20 years	
1988	San Benito	½%	10 years	expired
1988	San Mateo	½%	20 years	in addition to TDT
1988	Contra Costa	½%	20 years	in addition to BART
1988	Riverside	½%	20 years	
1988	Sacramento	½%	20 years	
1989	Imperial	½%	20 years	
1989	San Bernardino	½%	20 years	
1989	San Francisco	½%	20 years	in addition to BART
1989	Santa Barbara	½%	20 years	
1990	Madera	½%	15 years	
1990	Los Angeles	½%	permanent	in addition to TDT
1990	Orange	½%	20 years	
1990	San Joaquin	½%	20 years	
1996	Santa Clara (A+B)	½%	9 years	in addition to TDT
2000	Alameda	½%	20 years	in addition to BART
2000	Santa Clara	½%	30 years	in addition to TDT

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	
Suburban	Contra Costa Orange Riverside San Bernardino San Mateo Santa Barbara	Marin Sonoma Ventura
Rural	Fresno Imperial Madera San Benito San Joaquin	Kern Monterey Nevada Placer Sutter Tuolumne Yuba El Dorado (uncertain), Lassen (uncertain)

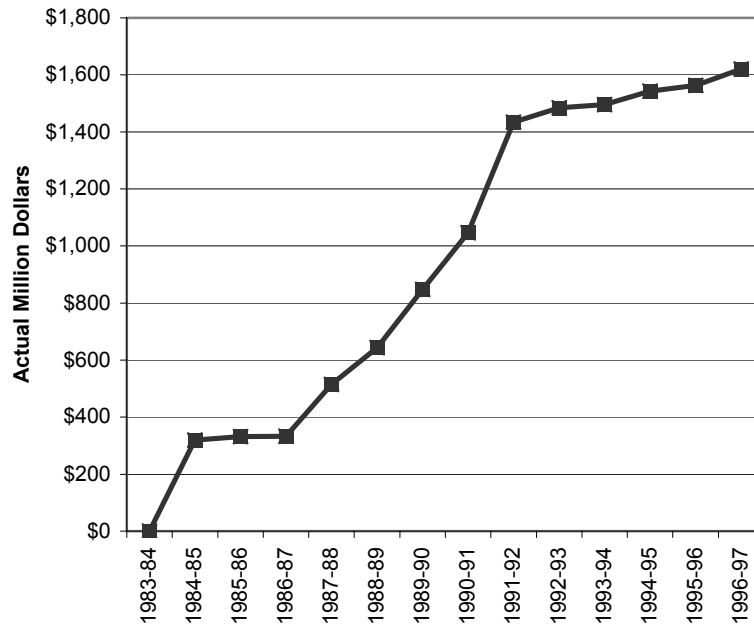
Source: Data compiled by the authors from county transportation-authority expenditure plans and annual reports.

Figure 2
Percent of Population Paying a Local Transportation Sales Tax, 1980-1998

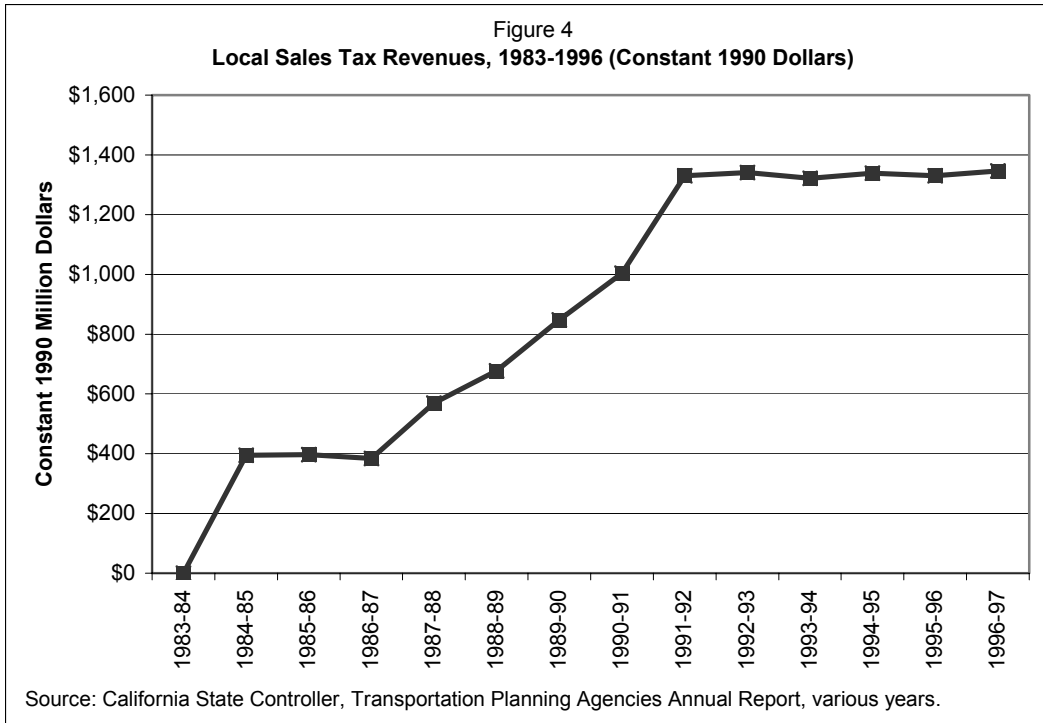


Source: Compilation of data from Public Policy Institute of California; Brown et al. (1998); and Goldman.

Figure 3
Actual Local Sales Tax Revenues, 1983-1996

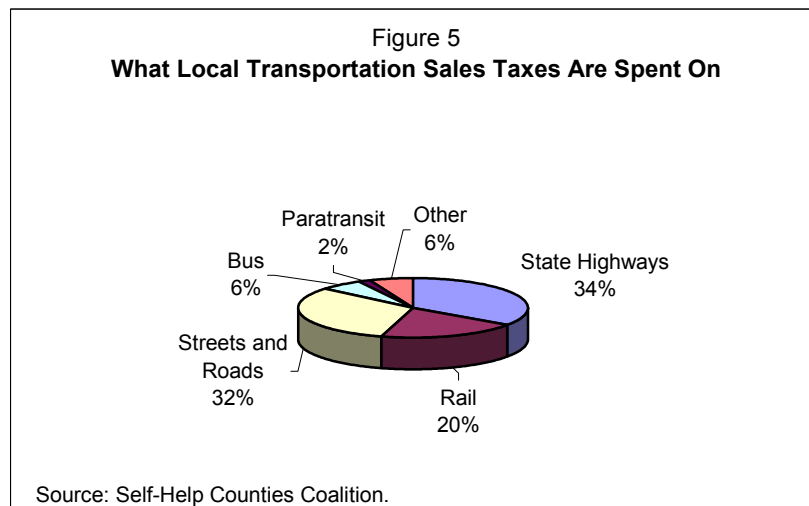


Source: California State Controller, Transportation Planning Agencies Annual Report, various years.



Uses of Revenues

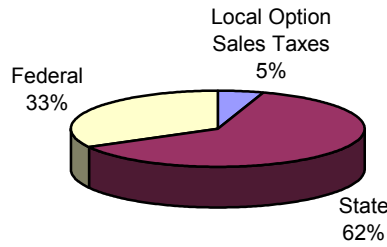
The Self-Help Counties Coalition has analyzed expenditures from all the LTSTs and has shown that they have supported a wide variety of projects, with a fairly even split between highways, local roads, and transit (Figure 5).¹³ Figures 6 through 9 respectively show the contributions of the LTSTs to funding highways, local streets and roads, transit capital projects, and transit operations.¹⁴



¹³ Self-Help Counties Coalition (2000).

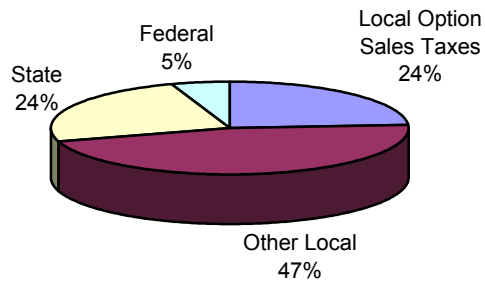
¹⁴ Wachs interview (2000).

Figure 6
Principal Highway Revenue Sources, 1998-1999



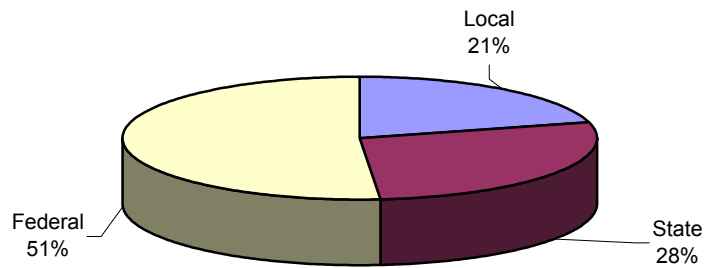
Source: California State Controller, Transportation Planning Agencies Annual Report, various years.

Figure 7
Funding for Local Streets and Roads, 1997-1998

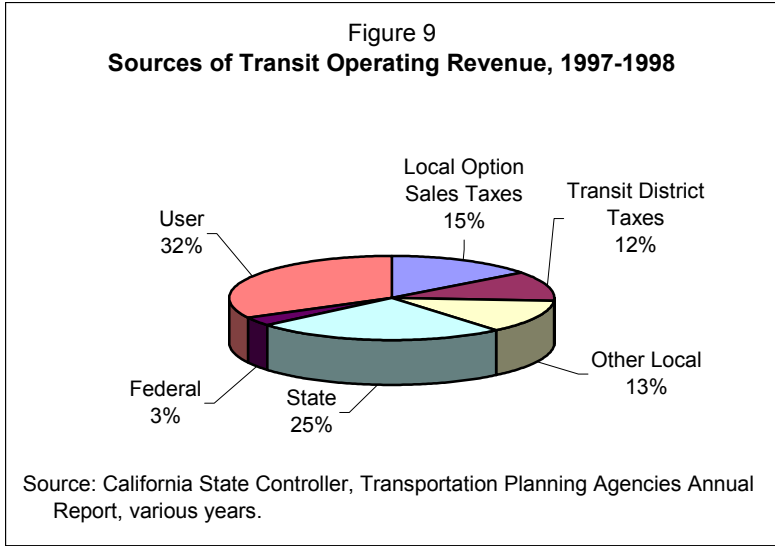


Source: California State Controller, Transportation Planning Agencies Annual Report, various years.

Figure 8
Sources of Transit Capital Acquisitions, 1997-1998



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



These broad patterns mask large variations across the state. The content of LTST expenditure plans varies 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 Plans 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 the authors from county transportation-authority expenditure plans and annual reports.

Table 5 Percent 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%	San Benito - 55% San Joaquin - 33%	Fresno - 25%
Unknown	Los Angeles, Riverside, Santa Clara (1996), Santa Clara (2000)		
Source: Data compiled by the 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 spend 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 the programming of the road projects rather than devolving that 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. Even though rural counties are more likely to return significant portions of their funds to local jurisdictions, 15 of 16 LTST measures devolve at least part of their revenues to local agencies.

Support of Non-Automobile Modes

Another clear distinction between the 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 the 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% of the revenue raised to non-automobile modes, and the 2000 measure will be used exclusively for transit. Alameda's 1986 measure promised 32% of the revenues to non-automobile modes, and its 2000 measure increases this proportion to 61%.

	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 the 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.

	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 the authors from county transportation-authority expenditure plans and annual reports.			

The California State Association of Counties has argued that new funds are needed for road maintenance statewide, particularly in rural counties where many county roads are ineligible for state support.¹⁵ However, these priorities are not reflected in the expenditure plans of most

¹⁵ California State Association of Counties (1999); Baker interview (2001).

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% of their revenues on capital improvements to the state and local road systems. Most rural counties have not passed a local sales tax, so the extent of their maintenance needs remains unclear.

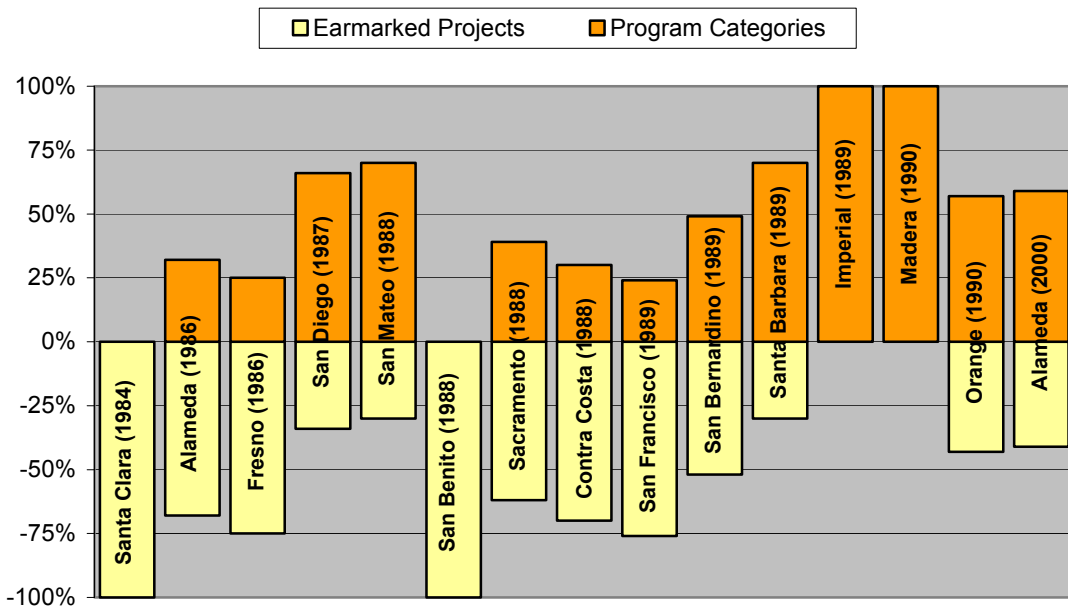
The expenditure plans do not address the need to secure future funds for operating and maintaining the new facilities to be built with LTSTs. While San Diego and Imperial counties include provisions in their plans that assign Caltrans responsibility for future maintenance of highway capital projects, few other counties make similar provisions. No county has set aside sales-tax revenues for future recurring maintenance needs of the projects it builds. The earliest measures, with their focus on new construction, introduced the assumption in their expenditure plans that Caltrans and rail operation authorities would pick up ongoing maintenance responsibilities.

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 the 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. When specific projects are mentioned within program categories, they are usually meant to guide project selection rather than guarantee it.

Figure 10 shows the balance over time between these two types of programming. While earlier measures generally earmarked projects, later measures have been more inclined to use 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 has resulted in decreased ability to alter spending in response to unexpected circumstances, such as revenue shortfalls. This will be discussed further under "Project Selection and Prioritization."

Figure 10
**Percent of Expenditure Plans to Earmarked Projects
 and Program Categories**



Note: Fresno did not actually have an expenditure plan when the measure was passed, but their first expenditure plan 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.

Conclusion

One of the primary traits of LTSTs is that they allow counties to support transportation projects of local priority. Each expenditure plan is written and executed differently, making it difficult to generalize about what the revenues are “typically” spent on, but clearly LTST revenues are playing an increasingly significant role in California’s system of transportation finance. The revenues provided by these sales taxes are addressing unique transportation priorities of each individual county.

ROLES AND RELATIONSHIPS OF SALES-TAX AUTHORITIES

California’s local transportation sales taxes are administered by independent transportation authorities, which enable joint oversight of this process by city and county governments. As the

significance of LTST revenue grows, these transportation authorities have increasingly significant roles in transportation planning in the state. This section discusses 1) the roles and responsibilities that these TAs assume 2) how TAs relate to the other structures for transportation decision-making in the state and 3) the implications of the increasing prominence of *county-level* decision-making.

Institutional Structures of Transportation Authorities

Each county that collects and administers an 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 the county government. In more rural counties, the transportation-authority board tends to be the same as the board of an existing county council of governments. With 30 members, San Bernardino County has the largest board, including an ex-officio Caltrans representative. A few counties, such as Fresno and Orange, have one public member selected by the other board members.

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:

- ▶ *Transit operators*: operating live-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.

In practice, as shown in Table 8, many of the organizations that administer transportation sales-tax expenditure programs also serve in one or more of these roles. While it is very common for a single agency to serve as both a transportation authority and a congestion-management agency, it is less common for a transportation authority to also act as a metropolitan planning organization. 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. Even in some of these cases, the metropolitan planning organizations tend to be different organizations from the sales-tax authorities.

**Table 8
Regional Transportation Agencies**

County	TA	MPO/ RTPA	CMA	Caltrans District	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		IVAG
Los Angeles	LACMTA	SCAG	LACMTA	7	Yes	SGVCOG
Madera	MCTA	MCTA	none	6		MCOG
Orange	OCTA	SCAG	OCTA	12 (only one)	Yes	OCCOG
Riverside	RCTC	SCAG	RCTC	8		WRCOG, CVAG
Sacramento	STA	SACOG	STA	3		SACOG
San Benito	CSBCG (Council of San Benito County Gov'ts)	AMBAG	none	5	Yes	CSBCG
San Bernardino	SANBAG (San Bernardino Associated Gov'ts)	SCAG	SANBAG	8		SANBAG
San Diego	SANDAG	SANDAG	SANDAG	11		SANDAG
San Francisco	SFCTA	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	SBCAG (Santa Barbara County Assoc. of Gov'ts.)	SBCAG	SBCAG	5		SBCAG
Santa Clara	Valley Transportation Authority	MTC	VTA	4	Yes	ABAG
Santa Cruz	n/a	AMBAG	SCCRTC	5	n/a	AMBAG

ABAG: Association of Bay Area Governments
 AMBAG: Association of Monterey Bay Area Governments
 COFCG: Council of Fresno County Governments
 CVAG: Coachella Valley Association of Governments
 IVAG: Imperial Valley Association of Governments
 LACMTA: Los Angeles County Metropolitan Transportation Authority
 MCOG: Mendocino Council of Governments
 MTC: Metropolitan Transportation Commission
 OCCOG: Orange County Council of Governments
 RCTC: Riverside County Transportation Commission
 RTPA: Regional Transportation Planning Agency
 SACOG: Sacramento Area Council of Governments
 SCAG: Southern California Association of Governments
 SCCRTC: Santa Cruz County Regional Transportation Commission
 SFCTA: San Francisco County Transportation Authority
 SJCOG: San Joaquin Council of Governments
 SGVCOG: San Gabriel Valley Council of Governments
 WRCOG: Western Riverside Council of Governments

Source: Compiled by the 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. Under the new law, 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 the level of transportation problems. With LTSTs, however, the ability of individual counties to perform transportation planning, raise revenue, and allocate resources as they see fit is reinforced. One major question of LTSTs is how these county authorities relate to the regional transportation planning structures.

Before ISTEA and before the creation of the LTSTs, the state transportation agency (Caltrans) dominated most decision-making on 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 management policies. Thus, counties were predisposed to allocate much of their sales-tax revenue for 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, Bay Area county transportation authorities 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 that are contained within their boundaries. According to Metropolitan Transportation Committee staff whom we interviewed, counties seeking to complement their local sales-tax revenues often divert regional funds: state and federal funds are often used to complete county funding packages rather than projects prioritized by the Metropolitan Transportation Committee. In cases where the metropolitan planning organization and county transportation agency are separate entities, the continued devolution of decision-making to the county level has diminished the opportunity to create a more interconnected regional planning process at the metropolitan planning organization level.

The strain between regional and local priorities also exists within the county agencies themselves, as can be seen in the implementation of Santa Barbara's sales-tax program. The Santa Barbara Council of Governments administers the LTST. The councils of governments also assumes the responsibilities of a metropolitan planning organization, and the state-mandated Congestion Management Agency (CMA). In addition to the sales-tax revenue, it controls its own

share of state and federal transportation funding. Santa Barbara is one of the few counties with consolidated planning and project programming responsibilities, and is thus set up to have a truly coordinated transportation program. The county's Regional Transportation Plan¹⁶ was the base document used for identifying projects for the expenditure plan, and the transportation authority hired a private contractor to help administer the new program efficiently. To maintain control of projects and expedite their delivery to the public, the transportation authority mandated that LTST revenue would not be mixed with other funding.¹⁷ In effect, Santa Barbara's regional transportation planning agency had a central voice in sales-tax expenditures because they and the implementing transportation authority are one and same.¹⁸

However, regional planning has suffered in Santa Barbara County because a large proportion (70%) of the revenue was returned directly to local jurisdictions within the county. According to the county, transit suffered because none of the local jurisdictions allocated local money for transit, and there was insufficient revenue left to program transit regionally. In addition, there was virtually no official coordination between transportation investment and land use. With its comprehensive transportation planning and programming structure, Santa Barbara was poised to advance a regional transportation agenda. But the expenditure plan, as was the case in other counties, focused on local needs to help ensure the sales-tax measure's successful passage and prevented the measure from achieving its regional planning potential. Many counties spoke of similar challenges associated with returning too much revenue directly to municipalities. Transportation authorities assumed the difficult responsibility of creating the political will for cities to fund inter-jurisdictional projects after the money was returned to the local level, and felt that this issue will need to be addressed during a reauthorization process.

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. Santa Clara County has established Regional Transit Partnerships, and contributes to the Capital Corridor (Amtrak service to Sacramento), Dumbarton bus service, and the Altamont Commuter Express (ACE) train service. Although examples of successful intercounty coordination abound, county transportation authorities 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 Contra Costa traffic. 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 regular, necessary coordination, and there is no real forum to advance regional goals. County transportation authorities are charged with implementing their expenditure plans and thus, are fundamentally constrained by their local priorities.

¹⁶ Interviews.

¹⁷ Most other counties mix measure money with other funding. Santa Barbara was in a unique position to be able to do this.

¹⁸ Kemp interview (2001).

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, the 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 growth.”¹⁹

Accountability and Public Input

Since LTSTs were created by voter approval at the ballot box rather than through legislative action, transportation authorities are held accountable directly by the public to implement the programs outlined in expenditure plans. Close scrutiny by local media and elected officials has placed pressure on the transportation authorities to continually justify how much money is spent and how projects are managed.

Counties claim that public participation and accountability have improved when transportation authorities deliver projects themselves. In addition, this accountability requirement is often cited as the main impetus for improving institutional relationships and project-delivery processes. Transportation authorities contrast this process to the way transportation projects were executed by Caltrans prior to LTSTs. Counties also cite responsiveness to local needs as a major success of their program. Although there are examples of new procedures developed by transportation authorities to increase public input, we have not gathered sufficient information to conclude that the public generally agrees. It remains a question for further research whether community and other interest groups share the transportation authorities’ claims of improved participation and accountability when they deliver projects themselves.

¹⁹ Contra Costa Transportation Authority (1988).

Conclusion

There is wide variation in the ways counties defined the roles and responsibilities of their transportation authorities. Because transportation authorities have self-defined mandates and have evolved without state or metropolitan planning organization oversight, their governing boards consider themselves accountable solely to the voters for the purpose of implementing their expenditure plans in an expeditious manner. In most counties, the defined scope of transportation authority accountability does not require that transportation authorities address related issues and potential impacts that result from localized transportation investment, such as the need for interjurisdictional coordination, and considerations of land use, environmental protection, or socioeconomic equity. As transportation authorities become decision-makers of increasing importance through their control of sales-tax revenue, and their emerging transportation planning and project delivery expertise, this narrow definition of their roles may need to be revisited. The inherently temporary nature of LTSTs, and their potential for conflict with the broader policy mandates of metropolitan planning organizations, may diminish the effectiveness of both types of organizations.

PROJECT SELECTION, PRIORITIZATION, AND DELIVERY

The county transportation authorities are responsible for administering and spending the sales-tax revenue. Their roles vary from county to county, but include:

- ▶ selecting and prioritizing transportation projects;
- ▶ managing the delivery of those transportation projects; and
- ▶ reallocating revenues and revising plans in response to changing economic and political circumstances.

Sales-tax enabling legislation and the content of sales-tax ballot measures direct the transportation authorities' ability to plan for and deliver transportation improvements. The importance of this planning capability grows as LTSTs grow in significance as a source of transportation funding. 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

Advance Selection of Projects

Many of the most important decisions about which transportation projects get funded are made long before a sales-tax proposal reaches the ballot box. 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 some amount of revenues 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 constraints.²⁰

Normally, sales-tax expenditure plans are drafted not by formal planning agencies, but by either 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 political and voter support for them. They employ extensive telephone surveying and polling to gauge the public's interest in various potential projects to receive sales tax dollars.

Sales-tax advocates believe that in order to get the necessary votes, their proposal must contain earmarked projects that appeal 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:

1. *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, these projects may not be the most efficient or effective long-term solutions. One county transportation authority's director remarked that its board prioritizes projects that will constitute "monuments" to the sales-tax measure, not necessarily the most needed transportation spending according to their technical criteria.²¹ 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.²²

2. The legal constraint of a ballot list of projects tends to *preclude 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. The "ballot-box" project selection and prioritization process does not often allow the uses of

²⁰ Santa Clara Valley Transportation Authority (1984).

²¹ Interview.

²² Interview.

revenues to be determined in an ongoing manner throughout the life of the sales-tax measure, as circumstances and priorities change over the years. 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.

3. 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 years.²³

The ballot language binds transportation authorities to deliver the projects listed on the ballot, even when unanticipated circumstances complicate these promises. In “Flexibility—Ability to Respond to Changing Circumstances” we discuss the most common difficulties encountered in project delivery, the ways transportation authorities respond to these changing circumstances, and how revenues are reallocated from their original ballot plans.

Ongoing Selection of Projects

As reported in “Support of Project Lists versus Program Categories,” not all LTST revenue is earmarked to specific projects on the ballot measure. Even when funds are not earmarked for specific projects, the intended uses of these program categories of revenue are defined and constrained to varying degrees in the ballot measure. Two types of programming allow the uses of the LTST revenue to be selected on an ongoing basis *after* the passage of a LTST measure: direct returns to local jurisdictions/agencies, and program categories.

Direct returns to local jurisdictions/agencies. All but two measures return some funding directly to the 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, according to their own local planning processes. However, transportation authorities restrict how local jurisdictions may spend this revenue through one or all of the following means:

- ▶ *Annual audits* to confirm that local expenditures comply with ballot measure requirements;
- ▶ *Preparation of an expenditure plan* by local jurisdictions for approval by the transportation authority prior to receiving funding; and/or
- ▶ *Compliance with growth-management standards, development of a growth-management plan, or adoption of traffic-impact fees.* A minority of counties place such conditions on local jurisdictions.

Program categories. Program categories also allow the uses of LTST revenues to be determined on an ongoing basis. As shown in “Support of Project Lists versus Program

²³ Santa Clara Valley Transportation Authority (2000).

Categories,” nearly all counties allocate a share of their revenues to program categories. Although in these cases the specific projects are not determined at the ballot box, the intended purpose and uses of the program category funds are usually defined in advance. Processes for determining how to use program category funds include:

- ▶ *Formula:* San Mateo County’s ballot measure defines a specific formula for prioritizing among the potential grade-crossing removal projects, based on measures of traffic volume and construction cost.²⁴ 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.²⁵
- ▶ *Competitive grants:* 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 prioritization criteria that have been adopted by the board. Grant recipients must be approved by the transportation authority Board.²⁶
- ▶ *Prioritization criteria:* All counties are required to establish “priority” projects in their expenditure plans.²⁷ Some counties circumvent this requirement by setting all projects “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 on the ballot, 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.

Criteria for Selecting and Prioritizing Projects

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.

Leveraging. Many counties prioritize those projects that have the greatest potential to “leverage” additional sources of state and federal funds. Counties often prioritize those projects that can use LTST revenue as a local “match” for funds from other sources. Counties also include priority projects on their expenditure plans with the intent of bargaining for the state and federal funding needed to complete their priority projects. Most counties’ expenditure plans use the potential of leveraging outside funding sources as a fiscal and political tool for gaining

²⁴ San Mateo County (1988).

²⁵ City and County of San Francisco (1989).

²⁶ Delgado interview (2001).

²⁷ California Public Utilities Code, Section 131051, “County Transportation Expenditure Plans.”

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.²⁸ A few counties, however, avoid funding many projects with a combination of sales-tax and STIP funds, preferring a “firewall” between their measure money and other sources in order to retain control over project delivery.

Geographic distribution. Counties set project priorities so that geographic subregions of the county 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 that geographic sub-area, 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 their county.

Growth management/traffic impacts. 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 upgrades in road capacity accompany new development in congested areas.

Countywide significance. In a few cases, the countywide (“regional”) 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.²⁹ 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 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 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.

²⁸ King and Moon interview (2001); Fresno County Transportation Authority (2000).

²⁹ Goode and Ugarte interview (2001).

Project Delivery

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

This was not always the case. Under the Caltrans interpretation of state law, Caltrans controlled delivery of projects on the state highway system if more than 50% of the funding came from state or federal gas tax-revenues.³⁰ Before sales taxes became a viable financing option in the mid-1980s, local governments could not fund projects themselves, so they played no role 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.

The Role of the Transportation Authority in Project Delivery

Expedited project delivery 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.³¹ This allowed the TA to have greater control over the construction of the measure’s highway projects:

Caltrans’s original estimate of how long it would take to build all these projects was over seventeen years. The transportation authority managed to get most of them built in ten—a very aggressive schedule, but we did it in a very community-sensitive way.³²

While developing its 1988 measure, Contra Costa county 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.”³³

Other counties developed their sales-tax measures with the expectation that Caltrans would still implement their highway projects. When Caltrans suffered difficulties with the additional workload that sales-tax projects generated in the mid-1990s, 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

³⁰ Interview

³¹ Razo et al. (1996).

³² Interview.

³³ McCleary interview (2001).

the stage [for] innovative approaches of program/project management and financing to dramatically accelerate delivery of construction projects.”³⁴

Project Delivery and Caltrans

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 relieve the political pressure and expedite the project’s completion.³⁵

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 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.³⁶

Counties can *simultaneously pursue different phases of project delivery*, which they believe leads to time savings. Caltrans has traditionally approached project phasing sequentially; a bottleneck at one stage in the process could entirely stall a project. However, a study by Hecht and Niemeier at the University of California, Davis, found no significant differences in project development efficiencies between Caltrans and county transportation authorities for projects on the state highway system.³⁷

Project Delivery and Local Jurisdictions

In “Methodology,” we discussed the devolution of a portion of LTST revenues to local jurisdictions for use on capital projects as well as operations and maintenance. How have county transportation authorities perceived the ability of smaller jurisdictions to handle these new project-delivery responsibilities? Generally, counties had varied degrees of success. While some cities had the expertise and manpower to deliver projects, others were unable to complete the projects without assistance from the transportation authority.

³⁴ Fresno County Transportation Authority (1994–1995).

³⁵ McCleary interview (2001).

³⁶ Kemp interview (2001).

³⁷ Hecht and Niemeier (unpublished manuscript).

Just as a number of transportation authorities developed project-delivery expertise when they had no other option, in several counties local jurisdictions are similarly developing their own specializations. For instance, 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.

While local agencies may have stumbled while attempting capital projects, local jurisdictions are more adept at managing street and road repair monies than any of the other program category funds. Supplementing existing public-works or road-maintenance programs with sales-tax revenues seems least likely to cause delay at the local level. In several counties we found that these types of funds are extremely popular. For instance, the expected LTST revenue surplus in Santa Barbara will most likely be returned to local jurisdictions, even though there is interest in funding a countywide transit system.³⁸

Flexibility—Ability to Respond to Changing Circumstances

The difficulties of project delivery are not the only factors that affect how much of the expenditure plan is eventually completed. Transportation-authority credibility is also put on the line if there simply is not enough money (due to revenue shortfalls or cost escalations), or if political sentiments about projects change during the life of the measure. This section will address the ways the transportation authorities are responding to fluctuating sales-tax revenues and other circumstances that demand flexibility in the implementation of the original expenditure plan.

Amending the Expenditure Plan

Not only is it politically undesirable to amend a voter-approved expenditure plan (as documented in “Support of Non-Automobile Modes”), but many counties also have prohibitively difficult requirements for making revisions. Often, major changes require either voter approval or approval of the board of supervisors and a double majority of city councils, while a transportation authority's board of directors or other oversight committee can approve minor amendments. Orange County, for example, was able to amend its original plan five times without having to return to a public vote.³⁹ Although there are no explicit criteria for determining the difference between “major” and “minor” alterations, most minor amendments do not require reallocation of funds among program categories, nor do they otherwise directly contradict the ballot measures approved by voters. In the case of Orange County, the changes in the expenditure plan shifted money among highway projects, among street and road projects, or among transit projects; there were no shifts from one program category to another, nor were any projects deleted from the expenditure plan altogether.

The Alameda County Transportation Authority is currently involved in a lawsuit regarding an alteration of their 1986 measure's expenditure plan.⁴⁰ The original expenditure plan described the construction of a highway connecting routes 580 and 880, and proposed a route “along

³⁸ Kemp interview (2001).

³⁹ Delgado interview (2001).

⁴⁰ Monson interview (2001).

Mission Boulevard then down along Route 84.”⁴¹ 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 process.⁴² The litigation continues, but the courts have 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.

On the other hand, several transportation authorities have succeeded in shifting spending priorities without formally revising their expenditure plans. Contra Costa, for example, imposed caps on the money going to their program categories when it suffered a decline in sales-tax revenues in the early 1990s. San Bernardino County also dealt with similar funding shortages and project cost overruns, but still avoided officially amending its expenditure plan. Instead, the San Bernardino Associated Governments ensured the completion of its cornerstone highway and Metrolink projects by reprioritizing funds from the arterial highway program category.⁴³ With this adjustment, the San Bernardino Associated Governments believes that the major projects can be completed as promised, and the arterial portion of the expenditure plan addressed through “arterial improvements associated with freeway and commuter rail construction, such as arterial/rail crossing improvements, frontage roads, and detours.”⁴⁴

Conversely, the public also has an interest in assuring that promises made in expenditure plans are still appropriate to changing transportation needs. Los Angeles’s 1998 Metropolitan Transportation Authority Reform and Accountability Act serves as an example of public interest that reshaped the original promises of an expenditure plan.⁴⁵ Reacting to allegations of the misuse of LTST revenues in the construction of the Los Angeles rail system, the 1998 ballot measure approved by the voters forbade the Metropolitan Transportation Authority from spending any future sales tax proceeds for “planning, designing, constructing, or operating any new subway.” While this was not an amendment of the expenditure plan per se, it illustrates another way that LTST expenditure plans have been adapted to changing financial and political needs.

LTST Revenue Streams

Local politics may have influenced changes in the LTST expenditures of Alameda and Los Angeles counties, but the most common motivation for altering expenditure plans was deviations from anticipated revenue streams. 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.

⁴¹ Alameda County Transportation Authority (1986).

⁴² Hayward Area Planning Association, Inc. v Alameda County Transportation Authority et al.

⁴³ San Bernardino Associated Governments. Annual Report, various years.

⁴⁴ Interview.

⁴⁵ Metropolitan Transportation Authority (1998).

Transportation authorities also encountered other obstacles to the delivery of promised projects: insufficient external matching funds, cost overruns, unforeseen environmental barriers, litigation, rising energy and labor costs, and interjurisdictional disagreements. Many counties suffered from one or more of these difficulties. 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 the earlier, 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.⁴⁶

When faced with declining sales-tax revenues, counties must either find extra money elsewhere, or risk breaking the 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.

Methods of Achieving Flexibility

Problems with sales-tax revenue streams had varying degrees of impact, since some expenditure plans had been designed with more flexibility than others. Three different methods are used to maintain this flexibility:

Program Categories. The most common method of introducing flexibility into expenditure plans is to commit to program categories. Unlike earmarked projects (which promise a specific amount of funding to a project), program categories typically receive a fixed percentage of LTST revenues, which require no adjustment during times of revenue shortfalls. This practice has been documented elsewhere in this paper, but it is also important to note that project categories themselves have varying degrees of flexibility. Orange County limited the flexibility of its program categories by requiring local agencies to meet many planning requirements before allowing them to compete for funds.⁴⁷ When program categories require local agencies or proposed projects to adhere to detailed criteria written into the ballot measures, then the flexibility of these program categories decreases.

Project Wish Lists. Rather than including enforceable commitments to build particular projects, many ballot measures contain longer “wish list” projects that are potentially eligible for funding with the sales-tax revenues. Often these wish lists are accompanied by specific instructions about prioritization, without forcing the transportation authority to commit a specific amount of money to any one project. San Mateo’s grade-crossing program (discussed earlier) is a good example of wish list flexibility.

⁴⁶ Fresno County Transportation Authority (2000).

⁴⁷ Orange County Transportation Authority. Annual Report, various years.

Incremental Revenue Programming. Madera County includes a wish list of projects for each of its three jurisdictions, making it clear that although the sales tax could possibly fund the listed projects, the local jurisdictions also may pursue other projects of local priority. The Madera plan further enhances the measure’s flexibility by making the programming of sales-tax resources an incremental process. The flexibility of this system is described in their 2000 expenditure plan update:

In practice the Expenditure Plan provides a flexible tool for the Authority... It is important to note that projects identified in the plan are intended to be changed in response to project development issues and changing agency priorities... The biennial update cycle of the Expenditure Plan is intended to reflect changing cost estimates and funding assumptions as projects move closer to the implementation phase.⁴⁸

Imperial County also utilizes an incremental expenditure plan (with a five-year cycle) in order to allow flexibility to meet changing circumstances.

Redistribution of Excess Revenues

Revenues in several counties have actually exceeded forecasts, sometimes intentionally. Just as other counties used optimistic forecasts in order to include more projects, other counties were deliberately conservative to ensure they would be able to meet or exceed the promises made to the voters. In the most prominent cases of conservative revenue estimates (San Joaquin, Madera, and Santa Barbara counties) there was no significant opposition to the LTST proposal, so there was little need to load the expenditure plans with projects.⁴⁹ These counties also learned from observing the difficulties with revenue shortfalls experienced elsewhere. Other counties set aside “contingency funds” in their expenditure plans to address unforeseen costs.

While some counties have struggled to meet the promises set by their expenditure plans, it seems that they have learned from one another and have developed creative ways to deal with the inflexibilities. This process seems to be a delicate balance of meeting the original intentions of the voters who passed the sales-tax measure, while allowing transportation authorities to respond to the changing needs of a dynamic transportation system.

FURTHER POLICY CONSIDERATIONS AND 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.

⁴⁸ Madera County Transportation Authority (2000).

⁴⁹ Chesley interview (2001).

LTSTs provide new funding for unmet transportation needs, but the requirement of project lists on the ballot has resulted in a tendency to favor “monumental” capital projects over other less flashy expenditures.

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 source of revenue.

Indeed, investment in local transportation systems is one significant 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.

Furthermore, our findings do not suggest that LTSTs simply substituted 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 the public that craft sales-tax ballot measures are readily drawn to capital project solutions—for example, new infrastructure or a new lane on a highway—despite the high cost and low cost-effectiveness of many such projects. 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, creating a 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 as well as less-explicit program categories.

County control over revenues raised by LTSTs can decrease regional transportation considerations and can fragment transportation decision-making.

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 that are 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, particularly as “regional” needs are often scanted, 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.

LTSTs have become a major tool with which local civic and political leaders bypass obstacles in the state’s existing system of transportation finance and decision-making. 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 introduced by ISTEAs 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 weaken the regional agency’s claims of programming authority.

Metropolitan planning organizations may not function ideally for many reasons, but continued emphasis on county sales taxes with county-level programming regardless of metropolitan planning organization structure does not strengthen the ability of these organizations to accomplish the objectives set for them under ISTEAs. LTST ballot mandates may conflict with the metropolitan planning organization’s objectives of regional coordination and performance, and may not consider the broader array of planning factors for which metropolitan planning organizations are responsible. LTST expenditures cannot evolve along with MPO priorities. In many counties, LTSTs reinforce fragmented decision-making among counties, as well as within them. Of course, in the few areas in which metropolitan planning organizations are also sales-tax transportation authorities, LTSTs may help enhance metropolitan planning organization abilities by giving them direct project-management experience or by enabling them to combine funding from various sources.

The finite lives of LTSTs encourage their use on capital projects more than their use on the ongoing repair and maintenance needs of existing infrastructure.

Local transportation sales taxes in California are not just a new revenue source, but a new decision-making process and structure as well. Earlier, the county transportation authorities were envisioned to be agencies focused solely on the delivery of a few specified transportation projects. More recently, 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.

According to transportation finance principles, spending on local transportation systems and for the ongoing operations of alternative modes are appropriate uses of sales taxes, since sales taxes (unlike the motor-fuel tax) are not user fees. However, the ballot constraints of LTST measures do not encourage the funding of ongoing planning.

Attempts to extend the sales tax statewide and reduce passage requirements to 55% reflect many counties' desires to retain these sales taxes as permanent parts of the transportation finance landscape. Currently, the mandate of transportation authorities within the structure of transportation planning and financing is unclear; the roles and responsibilities of transportation authorities vary widely throughout the state, and are self-defined. The structure of decision-making afforded by the process of passing LTSTs is one that is appropriate for temporary mechanisms by which to deliver a few key projects. However, LTSTs are not being used this way in practice, and transportation authorities are limited in their ability to take on the full range of responsibilities that is desirable for ongoing transportation decision-making agencies. Exactly what reforms may be needed in order to maintain public approval while facilitating more deliberative selection and prioritization of investments, more flexibility to respond to changing needs and circumstances, and better integration with other transportation investments is beyond the scope of this study. Nevertheless, the continued ability of LTSTs to meet California's transportation needs requires careful attention to how these institutional aspects of LTSTs shape transportation investments.

Direct voter approval of LTST expenditure plans narrows programmatic investment options and hinders the county's flexibility in solving future transportation problems.

The development of sales-tax expenditure plans is greatly affected by consideration of what will prove popular at the ballot box. This is a concern for several reasons. First, it creates a tendency to overcommit funds to large capital projects. These investments are popular among both political leaders and the public because of their visible physical legacy, but they tend to squeeze out improved system management, which can often deliver results more quickly and cost-effectively. They also leave essential investments in system maintenance and rehabilitation underfunded.

A second concern about ballot box planning is that it tends to write project lists inflexibly into law, rather than creating plans that are capable of evolving with changing priorities and circumstances. Transportation authorities face pressure to expend funds in accordance with the ballot measures and to deliver on the commitments made by local political leaders. However, this pressure can have serious drawbacks, as transportation authorities have no mandate to base their implementation priorities on project effectiveness, costs, or environmental consequences. This great pressure for accountability as defined by the ballot expenditure plans limits the transportation authority's ability to respond to changing economic circumstances as well as the

transportation needs and priorities of the counties they serve. This is especially a concern given the trend toward sales taxes with longer lives.

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. A transportation authority considers itself accountable when those who assembled and passed the ballot measure are satisfied. This notion of an accountability promise is appropriate for a temporary agency whose objective is only to build projects.

However, the expenditure of sales-tax dollars need not be coordinated with other revenue sources or 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 be considered, and there is 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 may be a necessary part of transportation investments, which also prove to be 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. Other agencies (such as 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. The transportation challenge is to 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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