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The Equity Challenges and Outcomes of California County Transportation Sales Taxes

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RESEARCH TOPIC

Many counties in California are turning to local option sales taxes (LOSTs) to address the growing gap between transportation needs and available funding. The measures, popular with voters as well as policymakers, are currently in place in 24 of California's 58 counties. LOSTs are effective, too — they produce billions of dollars per year for transportation projects and maintenance statewide. Sales taxes can raise additional funding for transportation, but they also raise important questions about equity and fairness in how we pay for transportation. How do the taxes burden different income groups? And what benefits and types of projects do they provide?

To address these questions, researchers at UCLA examined LOST measures between 1976 and 2016 using a variety of sources. Their findings can inform future discussions on LOST implementation and tax equity in California.

MAIN FINDINGS

LOSTs are a popular tax mechanism among voters. Nearly 90 percent of LOST measures have received a majority of the votes cast. Since 1995, California has required a supermajority of votes to pass LOST measures, yet more than half garner enough support to pass even this high bar (see Figure 1). In addition, counties are little deterred by the supermajority requirement. Counties with existing or expiring LOSTs, and others pursuing a LOST for the first time, increasingly seek to fund transportation at the ballot box.

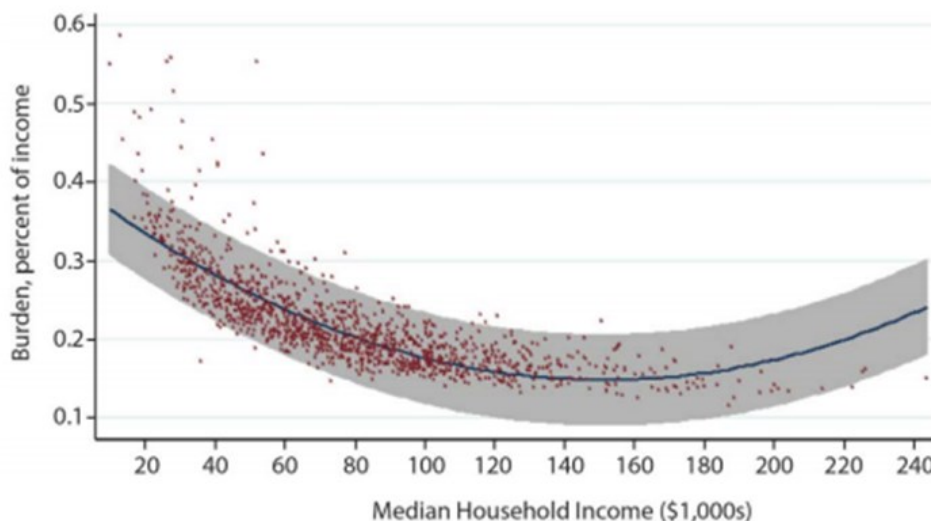


Figure 1: LOST tax burden with respect to household income

Lower-income neighborhoods shoulder a disproportionate sales tax burden. California’s LOST measures are regressive, as lower-income communities spend larger proportions of their income on LOSTs than do more affluent communities.

Equity considerations are frequently included in ballot arguments. Aside from general discussions of promoting fairness, modal equity – spending a “fair share” on transit or cycling – is the most frequently debated equity topic. These considerations are often overshadowed by arguments on the effectiveness of proposed projects.

LOST funding is usually split across modes. LOST funding reflects the diversity of counties across California and the dynamic of achieving political consensus. Few governments dedicate all funding to a single mode of transportation, and on average they dedicate 61 percent to roads and 31 percent to transit. Most measures fund transit to a greater extent than its modal share of commuting.

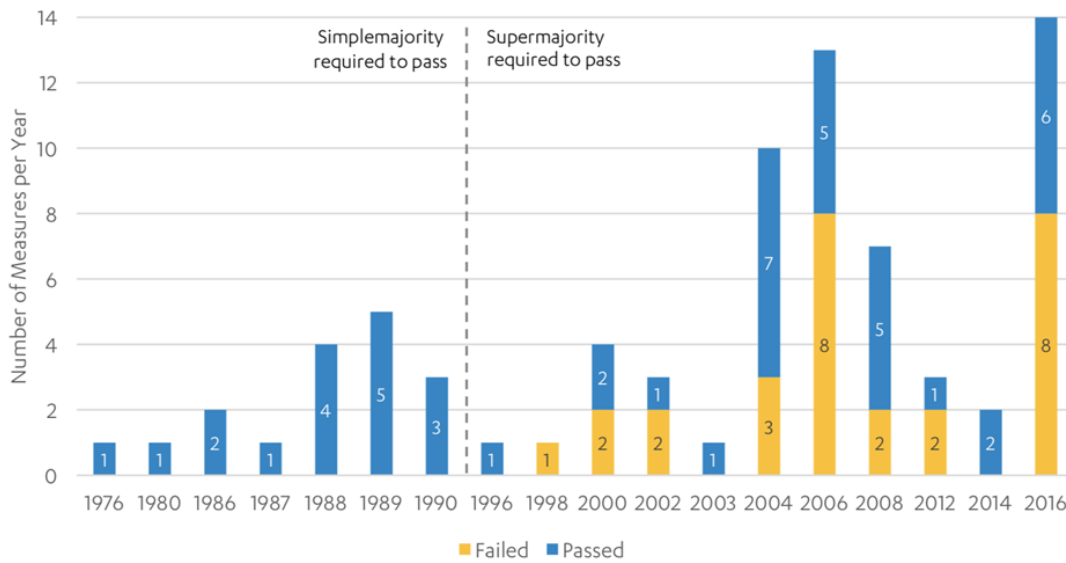


Figure 2: Number of passed and failed measures over time

STUDY APPROACH

Researchers used a mixed methods approach to consider equity in the context of LOSTs in California. They drew on both quantitative analyses of measure, financial, voter, and demographic data and qualitative analyses of theories of equity and the language used to debate it. Additionally, researchers conducted detailed analysis of six case studies chosen to represent the diversity of LOST measures in California.

RECOMMENDATIONS

Policymakers should consider the income equity issues with LOSTs. Low-income residents pay a higher share of their income than higher-income households under a sales tax. Sales tax equity should be weighed relative to the equity of tolls or other finance mechanisms.

Equity tradeoffs are inherent in LOSTs. Achieving equity across one dimension of transportation policy may reduce equity as measured across another. With different traveler, interest, and geographic groups vying for funding within LOSTs, policymakers must weight equity tradeoffs.

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