

C O U N C I L C O M M U N I C A T I O N

TO: THE CITY COUNCIL
FROM: THE CITY MANAGER'S OFFICE

COUNCIL MEETING DATE
JUNE 15, 1988

SUBJECT: REVIEW OF THE PROPOSED SAN JOAQUIN COUNTY TRANSPORTATION SALES TAX

PREPARED BY: City Manager

RECOMMENDED ACTION: That the City Council review the Council of Governments staff issue paper addressing a transportation sales tax in San Joaquin County and transmit to the COG Board of Directors comments as deemed appropriate.

BACKGROUND INFORMATION: A copy of the COG staff issue paper addressing a transportation sales tax in San Joaquin County was distributed to the City Council last week. The COG Board would like the City's comments on this issue prior to the Board's meeting on June 28, 1988, at which time this matter will be considered. A copy of this paper is attached (Exhibit A). I have invited a representative of the COG staff to be present at Wednesday night's meeting to present this item and answer any questions Councilmembers may have.

Respectfully submitted,



Thomas A. Peterson
City Manager

TAP:br

Attachments

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MAY 12 '88

City Manager's Office



SAN JOAQUIN COUNTY COUNCIL OF GOVERNMENTS

EXHIBIT A

1860 EAST HAZELTON AVENUE
STOCKTON, CALIFORNIA 95205
TELEPHONE (209) 468-3913

May 9, 1988

Mr. Thomas Peterson
City Manager
221 West Pine Street
Lodi, CA 95240

Dear Mr. Peterson:

Attached is a preliminary draft of a COG staff issue paper regarding a transportation sales tax in San Joaquin County. As staff we are particularly interested in informing decision makers of this financing option that is being utilized by a number of counties and will potentially be enacted by many more in this year. A copy of this preliminary draft is being sent to every City Manager and the County Administrator in the hope of generating comments on what additional material needs to be included in this paper. Please share it with your staff and policy makers as you see fit. I am available to discuss the issue with you and your staff or with your elected officials if you so choose. The COG Board will likely review the draft issue paper on June 28, so I would appreciate your comments by June 10.

It is important to note that the COG Board has taken no position and has had no substantive discussions on a transportation sales tax. The issue paper is not meant to advocate or oppose any sales tax measure. This paper is an explanation of the Transportation Sales Tax, its origins, how it has worked elsewhere, options, and prospects for implementation in San Joaquin County. The paper is for discussion purposes only. THIS IS A PRELIMINARY DRAFT. The conclusions are those of staff, and have not been endorsed by the San Joaquin County Council of Governments' Board of Directors. It is meant to assist policy makers in deciding whether such a measure is appropriate to San Joaquin County, and educating them as to how such a process works.

In 1988 the issue of whether to ask the voters to approve a sales tax for transportation purposes is a complex one. Besides the understandable reticence to ask voters to tax themselves, there are two transportation enhancing measures on the state's June ballot, there could be as many as thirteen transportation sales tax measures this year in separate counties, and there is legislation in progress to allow San Joaquin County to create a Jail Authority to raise a sales tax for adult detention facilities and crime prevention programs. All these, to some extent, have an impact on the decision of whether to try a transportation sales tax vote in San Joaquin County. A transportation sales tax is a possibility though, and depending upon what happens with the issues described above may be essential if San Joaquin County's local governments expects to participate in setting the future transportation agenda for this region.

The procedures ^{a majority} for taking the transportation sales tax to the voters is not a complex one. It requires the creation or the designation of an authority to prepare a plan. The plan would then be approved by ^{a majority of the incorporate} two-thirds of the cities representing 55% of the population. The Board of Supervisors would then have to place it on the ballot. The sales tax would be either a 1/2 or 1 percent increase, but could not bring the total sales tax in a county to over 7%. A number of counties have gone through this process in the past four years with mixed results. Fresno, Santa Clara, Alameda, and San Diego Counties have all passed such measures. Tuolumne, San Bernardino and Contra Costa Counties have all voted down a transportation sales tax.

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Is the need great enough in San Joaquin County, and are there other options? From an objective standpoint it appears that the answer to both questions is yes. For local public works departments it is safe to say that annually they are forced to defer 50% or more of their local road and street needs to future years. The County of San Joaquin very conservatively estimates that \$6-million in deferrals occur annually. Future highway improvements in San Joaquin County over the next 20 years will require over \$100 million more than the revenue available. Unfortunately that is a conservative estimate based upon project cost estimates that are outdated or nonexistent. Routes 205, 120, 99, 5, 12, 4, 26, and 88 all have present **and** projected needs that dwarf the resources available. And finally transit is going to be asked to meet intra- **and** inter-county demand which will outstrip the Stockton Metropolitan Transit District's ability to finance.

There are options to a transportation sales tax. Orange County is working hard at exploring public/private partnership arrangements. This is another way of describing means of having developers pay for transportation improvements. Also Orange County sponsored controversial legislation that allows for several toll roads in Orange County. What appears to be happening though is rather than these being alternatives they work as a package. Orange County is exploring once again the sales tax option. (In 1982 a 1/2% increase failed passage getting only 30% of the vote.)

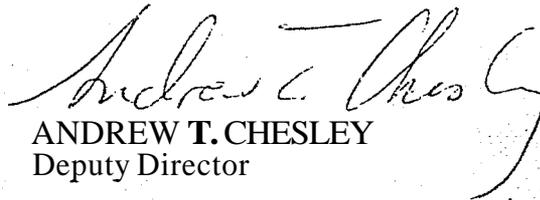
This paper concludes several things. First of all, a transportation sales tax is probably not a likely event in San Joaquin County in 1988. Propositions 72 and 74 are going to effect transportation funding if they pass, or fail. Policy makers will need to know what those effects are, Right now they can only be guessed at. A transportation sales tax requires agreement between the local jurisdictions. While it does not require unanimity, every opportunity should be available for achieving that goal. In other counties the effort has always taken longer than 6 months. The experience of counties going after a transportation sales tax this year should provide a better perspective on what San Joaquin County's opportunities are. Also of importance is working in coordination with the County of San Joaquin which has a sales tax interest beyond transportation. What is the likelihood of a jail and a transportation sales tax passing on the same ballot? Should they go on separate ballots, and if so which goes first? Is there a compromise situation like that worked out in Stanislaus County?

The funding of transportation purposes with sales tax revenue is not a brand new idea. The BART counties added 1/2% to the sales tax in the late 1960s to create and operate the rail system. Also, California passed the Transportation Development Act in the early 1970s which took 1/4 of 1% of the 6% sales tax and allocated it for local public transit and roads and streets. The Transportation Sales Tax has been urged on county governments by the Legislature and the Governor as a means of solving transportation financing problems. More recent efforts have met with mixed success in the state. Efforts in the early eighties

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had sales tax measures passing in Los Angeles and **Santa** Clara counties, but failing miserably in Orange County. More recent efforts have seen success in Alameda, Fresno, and San Diego Counties, but failures in Contra Costa, Tuolumne, and **San** Bernardino. **As many** as **13** counties may have transportation sales tax measures on the 1988 ballot. This should provide a better perspective as to the long term **viability** of using the sales tax as a transportation financing tool,

Very truly yours,



ANDREW T. CHESLEY
Deputy Director

Attachment

MAY 12 '88
City Manager's Office

***** PRELIMINARY DRAFT *****

THE TRANSPORTATION SALES TAX
ISSUE FOR SAN JOAQUIN COUNTY
POLICY MAKERS

San Joaquin County COG
May 9, 1988

THE TRANSPORTATION SALES TAX AND SAN JOAQUIN COUNTY

A. INTRODUCTION

This paper is an explanation of the transportation sales tax, its origins, how it has worked elsewhere, complimentary measures, and its prospects for implementation in San Joaquin County. The paper is for discussion purposes only. The conclusions are those of staff, and have not been endorsed by the San Joaquin County Council of Governments' Board of Directors. This is an attempt to explain a growing phenomena in public financing and to provide policy makers with guidance in approaching the subject.

In 1988 the issue of whether to ask the voters to approve a sales tax for transportation purposes is a complex one. Besides the understandable reticence to ask voters to tax themselves, there are two transportation enhancing measures on the state's June ballot, there could be as many as thirteen transportation sales tax measures this year in *separate* counties, and there is legislation in progress to allow San Joaquin County to create a Jail Authority to raise a sales tax for adult detention facilities and crime prevention programs.

The procedures for taking the transportation sales tax to the voters is not a complex one. It requires the creation or the designation of an authority to prepare a plan. The plan would then be approved by a **majority** of the cities representing 50% of the population. The Board of Supervisors would then have to place it on the ballot. The sales tax would be either a 1/2 or 1 percent increase, but could not bring the total sales tax in a county to over 7%. A number of counties have gone through this process in the past four years with mixed results. Fresno, Santa Clara, Alameda, and San Diego Counties have all passed such measures. Tuolumne, San Bernardino and Contra Costa Counties have all voted down a transportation sales tax.

Is the need great enough in San Joaquin County, and are there other possibilities? From an objective standpoint it appears that the answer to **both** questions is **yes**. For local public works departments it is **safe to say** that annually they are forced to defer 50% or more of their local road and street needs to future years. The County of San Joaquin very conservatively estimates that \$6 million in deferrals occur annually. Future highway improvements in San Joaquin County over the next 20 years will require over \$100 million more than the revenue available. Unfortunately that is a conservative estimate based upon project cost estimates that are outdated or nonexistent. Routes 205, 120, 99, 5, 12, 4, 26, and 88 all have present and projected needs that dwarf the resources available. And finally transit is going to be asked to meet intra- and inter-county demand which will outstrip the Stockton Metropolitan Transit District's ability to finance.

There are options to a transportation sales tax, and they are discussed later on in the paper. However, it appears that in operation these are not so much alternatives as complementary measures that may or may not be implemented at the same time.

This paper concludes several things. A transportation sales tax is probably not a likely event in San Joaquin County in 1988. Propositions 72 and 74 are going to effect transportation funding if they pass, or fail. Policy makers will need to know what those effects are. Right now they can only be guessed at. A transportation sales tax requires agreement between the local jurisdictions. While it does not require unanimity, every opportunity should be available for achieving that goal. In other counties the effort has always taken longer than 6 months. The experience of counties going after a transportation sales tax this year should provide a better perspective on what San Joaquin County's opportunities are. Also of importance is working in coordination with the County of San Joaquin which has a sales tax interest beyond transportation. What is the likelihood of a jail and a transportation sales tax passing on the same ballot? Should they go on separate ballots, and if so which goes first? Is there a compromise situation like that worked out in Stanislaus County?

As to whether voters will approve such a measure in San Joaquin County is not the purpose of this paper. As many as 13 counties may have transportation sales tax measures on the 1988 ballot. This should provide a better perspective as to the long term viability of using the sales tax as a transportation financing tool.

B. WHAT ARE THE ORIGINS OF THE TRANSPORTATION SALES TAX?

Historically, the gasoline tax has been the major source of revenue for road and street and highway improvements. California has had a gasoline tax (cents per gallon purchased) since 1923. It began at 2 cents per gallon and in 1988 is at 9 cents per gallon. Over time though, the buying power of the gasoline tax has greatly diminished. Table 1 shows the California gasoline tax adjusted to the CPI. (The CPI is for the San Francisco Bay Area.)

It would take a gasoline tax of 26.5 cents a gallon to equal 1940 revenue. What this table indicates is that the buying power of revenue from the gasoline tax is almost one third of what it was in 1940. What makes the discrepancy even greater is to consider that the number of vehicles on the road has greatly increased, the number of roadway mileage is up, and the standards to which we build and expect our roadways to operate is greatly increased as well.

TABLE 1

History of the California Gasoline Tax and CPI Adjustment

Year	Tax/ Gallon	CPI 1986	Cents/Gal. Adjusted to 1986
1923	2	.131	15.3
1930	3	.130	23.1
1940	3	.113	26.5
1950	4.5	.197	22.8
1960	6	.256	23.4
1970	7	.337	20.8
1980	7	.721	9.7
1986	9	1.000	9.0

Source: Robert Allen, BART Director,

The state of California has raised the gasoline tax only twice in the past 30 years. It went from 6 to 7 cents in 1964, and from 7 to 9 cents in 1983. It is unlikely that a gas tax will be implemented in the near future. In 1981, the Legislature balked at a 5 cent gas tax increase, instead voting for a two cent increase and giving counties the option to vote for their own gas tax increase. This local option gas tax required counties to submit the proposition to the voters for a two thirds approval. Six counties tried it with none getting greater than 45% approval. Interestingly enough, at the same time Reno, Nevada passed a 1/2% sales tax increase for transportation getting 70% approval.

In 1982, George Deukmejian was elected Governor promising not to raise the gasoline tax. In 1986 he was re-elected once again promising not to raise the gasoline tax. In all public comments he has remained true to his word. The Legislature has not seriously discussed mustering the two thirds vote to pass a gasoline tax increase since 1981. With the state's reaching its Gann spending ceiling cap, there is little reason to raise a gasoline tax. Added revenue could not be spent unless existing expenditures were reduced. This has caused some counties with the overt encouragement of the state to turn to a local sales tax option.

The sales tax is not new to transportation. The BART counties imposed a 1/2% sales tax on themselves to fund the construction and operation of a rail passenger system. Also, in 1973 the state passed the Transportation Development Act allocating 1/4% of the 6% sales tax for public transit and local roadways. In November of 1980 Los Angeles passed a sales tax increase for transportation and succeeded in the courts in upholding the results of the vote even though it failed to get 2/3 approval (the Richmond Decision). With passage of such a measure in Santa

Clara County in 1984, the Governor, the Legislature and the California Transportation Commission have all taken strong positions urging counties to utilize this revenue source.

SB 142 was passed in 1987 and is a measure establishing set procedures for counties to implement a transportation sales tax.

C. IMPLEMENTING A TRANSPORTATION SALES TAX VOTE

There are two ways to present to the electorate a transportation sales tax vote. The first is the more utilized method, the **SB 142** approach. As many as 12 counties may try it this year. Eight counties have already attempted this approach with half of them succeeding. The second approach utilizes **AB 999**. It is restricted to counties of under 350,000, and therefore does not apply to San Joaquin County, but is the method being used by Stanislaus county.

1. **SB 142**: Local Transportation Authority And Improvement Act

In 1987 the State Legislature passed and the Governor signed into law, **SB 142** by Senator Stirling. **SB 142** is a generic enabling legislation that allows counties to levy their own sales tax for transportation purposes. Previous to this bill, several counties had written their own enabling legislation. These had passed the Legislature, but applied only to their own individual counties. In 1987, the Legislature passed a number of individual county sales tax bills, but were vetoed by the Governor. The Governor preferred the use of the guidelines developed in **SB 142**.

The provisions of **SB 142** are not complex. The bill allows the following:

Step 1

A County Board of Supervisors is authorized to create a new Local Transportation Authority (LTA) or to designate an existing Regional Transportation Planning Agency (RTPA) for the implementation of a transportation sales tax. (The bill contains certain rules and procedures for the Authority.)

Step 2

The Local Transportation Authority may impose a sales tax in the county for transportation purposes if, two thirds of the membership vote to impose such a tax for a period not to exceed 20 years, and a majority of the electors voting in an election, called for by the Board of Supervisors, approve. Prior to such an election an expenditure plan for the funds must be approved by the Board of Supervisors and a majority of the cities representing a majority of the county's incorporated population. The purpose of the measure is to supplement not replace existing transportation revenue.

Step 3

The bill encourages a pay as you go approach, but does not prohibit the use of bonds. The LTA is authorized to issue bonds for financing transportation purposes with the expenses paid for from the proceeds of the tax.

This is how the steps are actually implemented.

Step 1

The initial choice to be made in the SB 142 process is whether to create a new Local Transportation Authority or to designate an existing Regional Transportation Planning Authority. In the three counties that adopted sales tax increases prior to 1987, each created a new agency to handle the money. For the two sales tax measures in 1987, San Bernardino and San Diego Counties, the existing RTPAs have been designated as the Local Transportation Authority (LTA). The San Diego Association of Governments (SanDAG) will now be responsible for implementing the expenditure plan. The San Bernardino Association of Governments will have to try to put another sales tax measure on the ballot to have any function as an LTA. But both agencies will continue to exercise their regional transportation planning responsibilities, and will maintain their RTPA designation. The choice appears to be based upon whether the RTPA is a multi-county agency, and/or what the existing political situation is in each county.

Step 2

Developing an expenditure plan can be difficult or easy. In Sacramento County the percentage going to transit has seen a continuous battle, and has united environmental groups advocating more transit dollars, and business groups advocating less transit dollars in opposing the measure. In San Diego County, it took a year to arrive at an expenditure plan. However, in Fresno County this was actually a simple procedure that engendered little public controversy, or much political opposition. In San Joaquin County this process would probably fall somewhere between the two extremes. Certainly an inventory should be spelled out. This is something that might be required of the COG in the adoption of its Regional Transportation Plan (RTP) in November. The existing effort in the RTP might be intensified to meet the demands of policy makers for a sales tax initiative.

Certainly major roles will be played in the effort by the San Joaquin County Board of Supervisors whose approval is required, and by the City of Stockton which represents 60% of the county's incorporated population. Still it would require at least 3 of the remaining 5 cities to approve the plan as well to secure a majority of the cities. Something that is important to point out is that the endorsement of the plan is not the same as the endorsement of the ballot measure. In

Fresno County, there was widespread support for the expenditure plan, but no political **body** took a formal position supporting the ballot measure.

Step 3

It is up to the Authority to issue bonds and take responsibility for the payment. If a pay as you go approach is taken, the LTA is responsible for disbursing the proceeds to the appropriate agencies.

2. AB 999

This approach is available only to counties of less than 350,000 population (January 1 1987). It was meant as a way to help small financially stricken counties to impose a tax increase with the approval of majority of the voters. The key here is that only the County Board of Supervisors is allowed to levy the sales tax increase, There are no provisions for allowing the approval of incorporated communities. There is no expenditure plan. Based on provisions in the State Constitution, (Proposition 62) the purposes for which the revenue is being raised may not be specified in the measure, If a purpose is specified, then it becomes a special purpose tax and would require a two thirds voter approval, As it is, Stanislaus County will collect the sales tax increase and per agreement will send 40% to the cities for transportation. None of this may be included in the ballot language.

3. Potential San Joaquin Co. Sales Tax Revenue

In San Joaquin County, an additional 1/2% sales tax would raise an estimated \$8.4 million in fiscal year 1988-89. Over 10 years it would raise \$110 million, The life of a sales tax increase is optional as is the distribution of the funds.

TABLE 2
TABLE 2

Revenue Raising Potential of Half Percent Sales Tax Increase

1988-89	16.8 \$ 8.4 million
1988-89 to 1997-98	\$110.0 million 220.0

The administration of a sales tax increase is not great. The Board of Equalization and merchants have worked with the system for a long time, and consumers are quite familiar with the sales tax. The only difficulties that might be expected would occur in the first few months, but in sales tax counties these have been minor.

TABLE 3

Effect of Half Percent Tax Increase On Taxpayers

Income	Family Size	Sales Tax Increase
\$42,000	2	\$ 47
\$27,000	4	\$ 40
\$55,000	5	\$ 65
\$18,000	1	\$ 24

Derived from 1986 Federal Income Tax Optional State Sales Tax Tables adjusting for CPI.

D. TRANSPORTATION SALES TAX EFFORTS

A transportation sales tax has been tried eight times since the Los Angeles landmark effort. It has proven successful in four and failed in four. Table 4 shows the results, and summarizes the purposes of these measures.

TABLE 4

Local Sales Tax Results

Where	When	Result
Los Angeles	1980	P - 52%
Orange	1984	F - 30%
Santa Clara	1984	P - 54%
Contra Costa	1986	F - 43%
Fresno	1986	P - 57%
Alameda	1986	P - 53%
Tuolumne	1986	F - 25%
San Diego	1987	P - 53%
San Bernardino	1987	F - 45%

It is difficult to draw any great conclusions from these results. It appears that success and failure are the results of local situations, and not indicative of any trend. Republican registration is high in Orange, San Diego and San Bernardino Counties. Democratic registration does seem to help. Alameda, Los Angeles, Fresno, Contra Costa, and Santa Clara have the five highest percentages of Democratic registered voters. A high voter turnout in the urban areas appears to help, but San Diego passed with only a 32% voter turnout, whereas Contra Costa failed with almost 63% of the electorate casting ballots.

TABLE 5

Local Sales Tax Purposes

Where	Purpose
Los Angeles	Transit
Orange	Highways and Roads
Santa Clara	Highways and Transit
Contra Costa	Highways, Roads, Transit
Fresno	Highways, Local Transportation
Alameda	Highways, Roads, Transit
Tuolumne	Highways, Local Transportation
San Diego	Highways, Roads, Transit
San Bernardino	Highways, Local Transportation

The ballot measures differed in each case. For instance, the life of **the** sales tax is 10 years in Santa Clara County, 15 years in Alameda County, and 20 years in Fresno County. Some are very general in their description of what they are funding such as the Fresno measure, but others are **very** specific like the Alameda measure. Not all have met with great political support, though generally local governments have been positive. An interesting example of this was Alameda County where a brochure **was** distributed showing all the seals of the cities supporting the measure on one side of the page and **the** lone city opposing it on the other. That city was Berkeley. The brochure was not distributed in Berkeley. It is not true either that the most expensive campaigns are the most successful. Contra Costa spent far more than did Alameda (which refused any development money). Fresno's campaign was minuscule. In Fresno they took the approach that the less publicity the better. The result is the highest support of any measure in the state.

All transportation experts agree that the voter's perception is what is the key. In Contra Costa a well financed campaign with a detailed plan failed because voters perceived it as a means of opening the east county to developers. Contra Costa is hoping to go forward with another attempt this fall and is revising the expenditure plan in an effort to deal with those voter perceptions.

The 13 counties that will be or may be going with transportation sales tax issues in 1988 are identified in Table 6.

TABLE 6

1988 Potential Transportation Sales Tax Counties

June 1988

El Dorado	San Mateo
Sacramento	San Benito

November 1988

Contra Costa	Xern
Marin	Riverside
San Bernardino	Santa Barbara
Tulare	Ventura
Stanislaus	

Exploring A Transportation Sales Tax

Yolo	Humboldt
Imperial	Nevada
Monterey	Placer
Orange	Tuolumne

Source: California Transportation Commission

E. COMPLIMENTARY ACTIONS TO A TRANSPORTATION SALES TAX

One of the criticisms of county transportation sales tax measures is that new development is not being asked to pay its fair share. In Contra Costa and Orange Counties this was the primary reason for the ballot measures failing. As a result of this, Orange County has pursued development fees to pay for highways and major arterials, and has pursued federal funding for its programs. One of the interesting approaches of Orange County is to secure authority to build toll roads on three separate highway projects. Even with these efforts, Orange County is not meeting all their financial needs, and the Orange County Transportation Commission has once again brought up the need for a sales tax.

A the misconception is that development fees are a substitute for a sales tax measure (or vice versa). The two actually work to complement each other. Development fees work to assess the direct and to a lesser extent the indirect impacts on the transportation system, while the sales tax is an effort to address community and regional problems that are not attributable solely to growth, or are not financially solvable through development fees. This is why it is important to educate the voters as to how each option will be used in funding transportation improvements.

An Example of development fees is the direct assessment of fees based upon a per unit, or trips generated standard. This is used by the City of Manteca in its interchange fee, and by the City of Stockton in its traffic signal assessment. Benefit assessment districts are another method, but create some difficulties when dealing with transportation. The City of Tracy has created a Mello-Roos Community Facilities District to deal with the financing of improvements in various newly developed areas of the City. In transportation this creates some difficulties though in assessing who actually benefits and to what extent from a new road or an interchange.

There are of course alternatives to a transportation sales tax. One alternative is the local option of a gas tax. However, the failure of this measure to pass in six previous attempts, and the requirement for two thirds voter approval make this an unlikely source of success. Another possibility would be a state gas tax increase. Once again though the existence of the Gann ceiling, the Governor's continued opposition, and the legislature's need to secure a 2/3 majority vote mean this is unlikely to occur in the near future.

F. SAN JOAQUIN COUNTY ISSUES

There are three issues that San Joaquin County decision makers should keep in mind when discussing a local transportation sales tax. These issues are; 1) existing state policies for transportation financing, 2) Propositions 72 and 74 on the June 1988 ballot, and 3) the potential for a sales tax issue for jail facilities and operations.

1. State Policy

The California Transportation Commission (CTC) is the responsible policy making body for state transportation issues. The nine member commission is appointed by the Governor and approved by the Legislature. The CTC has adopted policies that provide priority and state funds to highway projects that come with significant amounts of local revenue. Counties which adopt such funding mechanisms are referred to as self help counties, and the CTC, the Legislature and the Governor are all behind the concept.

The CTC has also adopted an interchange and overcrossing funding policy that makes it very difficult for new interchanges that connect the local system to a state highway to be funded with state highway revenue. The result has been that almost all new interchanges in the California State Transportation Improvement Program (STIP) are mostly, if not all, locally funded.

The Legislature has taken steps to reinforce the CTC policies. Legislation has been passed to encourage local funding means. SB 215 in 1981 provided for a county to raise its gasoline tax by

up to 5 cents, and since 1984, the Legislature has passed legislation authorizing nine counties to vote on a local sales tax increase of up to 1 percent. SB 140 was just signed into law. Besides the \$1 billion bond, the legislation encourages the adoption of local financing methods, and establishes a \$300 million local/state partnership program to offer an incentive.

Existing sales tax counties are already making their presence felt on the state highway program. In the 1988-89 budget there are Caltrans engineering positions allocated to each potential sales tax county. Should the tax measure pass, Caltrans will fill the positions allocated to that individual county. If it fails, Caltrans will not fill those engineering positions. At the California Transportation Commission (CTC) there is a willingness to reward self help counties by allowing them to leverage state highway dollars. The Commission has been hindered in doing so though because of the \$1.6 billion shortfall in the existing State Transportation Improvement Program. They are unable to reward self help counties without taking away from the other 54 counties. With additional counties falling into the self help category, there may very well be more pressure on the CTC to leverage state highway dollars with local transportation sales tax dollars.

The trend in state policy is clear. Certainly the decision makers at the state level have made it clear that local government agencies are going to have to find their own source of revenue for their region's high priority transportation projects.

2. Propositions 72 and 74 on the June Ballot

Proposition 72 is the Gann sponsored initiative on the ballot to revise the method for determining the state's Gann ceiling on expenditures. The measure would also transfer a portion of the state general fund sales tax revenue to transportation purposes. In order to avoid cutting other state programs, the spending ceiling would be raised by a margin greater than the transfer of sales tax revenue. This however, only works if there is a state surplus greater than the sales tax revenue transferred to transportation. If there is no surplus, as appears likely in 1987-88, then the Legislature will have to make cuts in existing programs. The sales tax revenue dedicated to local government is protected by the Proposition, but there is concern that state funding of local programs will be the first cut.

Proposition 74 is the Governor's \$1 billion bond proposal. It would dedicate \$700 million to highways, and probably an additional \$300 million to a new local/state partnership program. The bonds would be paid back from the state's general fund.

Should both these measures pass there would be added funding to transportation. Proposition 74 would provide \$700 million to the state's highway fund. While a large amount of money, it doesn't even cut the existing state shortfall in half. The five

year highway program, the State Transportation Improvement Program (STIP), is \$1.8 billion overprogrammed, and may be overprogrammed by as much as \$2.9 billion based upon new programming guidelines created in SB 140. It will take more than the bond measure to make a difference in the state's highway program.

Proposition 72 would transfer money annually to transportation. It is likely to be a better source of revenue to transportation than a bond measure. Estimates vary, but it would raise \$150 million in the first year, \$400 million the second, \$600 million the third, \$710 million the fourth, and in the mid \$700 million the fifth. It would annually escalate from there depending upon the amount of sales tax revenue raised from gasoline sales. There is no direction in the Proposition as to whether the revenue should go to state highways or to local governments. SB 140 though states that the legislative intent is for any new revenue to go to state highways, and AB 3745 (Chandler) which would have split Proposition 72 revenue 50/50 between the state and locals was defeated in Committee. Assemblyman Frizzle has stated his intention to amend AB 2589 to have Prop. 72 money go entirely to locals. At this writing it has not been amended. Whatever happens, the Legislature must act to allocate the monies.

The outcome of these two propositions could have an impact on sales tax measures throughout the state. If approved, will voters believe they have solved the transportation problem? If neither is approved, is that an indication of voter apposition to transportation financing measures? Will the results of these two propositions teamed with the Californians for Quality Government initiative (Proposition 71) make a gasoline tax increase a more attractive option for the state legislature? The answer to these questions is not likely to be fully known until November when the last of the 1988 county sales tax initiatives are voted on.

TABLE 7

Proposition 74 Revenue

State Highways	\$700M
Local/State Partnership	\$300M

TABLE 8

Proposition 72 Revenue Scenarios
Based on \$700 Million A Year
(in thousands of dollars)

Jurisdiction	100% Local	50% State
		50% Local
County of San Joaquin	\$ 6,328.5	\$ 3,164.2
city of Stockton	\$ 3,100.4	\$ 1,550.2
city of Lodi	\$ 753.4	\$ 376.7
City of Manteca	\$ 620.0	\$ 310.0
City of Tracy	\$ 443.8	\$ 221.9
City of Ripon	\$ 111.4	\$ 55.7
City of Escalon	\$ 69.0	\$ 34.5

This distribution is based on the present gasoline tax distribution. It is possible that the monies could be distributed by other methods.

3. San Joaquin County Jail Facilities Sales Tax Possibilities

Under the sponsorship of the San Joaquin County Board of Supervisors, Senator Garamendi has introduced SB 2745, the San Joaquin County Regional Justice Facility Financing Act. The bill would create the San Joaquin County Regional Justice Facility Financing Agency. This Agency would have the authority to levy a 1/2% sales tax increase with the approval of a majority of the electorate. The proceeds would go to the Authority and can be used for the construction of adult detention facilities, the retirement of existing bonds on adult detention facilities, and the operations of facilities constructed under the Authority. Also, under certain provisions the Authority could allocate monies to the county for "prevention programs".

In the context of this report, the main question is can a transportation and jail sales tax measure both pass in San Joaquin County? How should the region's local governments approach this question? There are two examples in the state that might provide a guide. San Diego and Stanislaus Counties have both faced this question. In 1986, a jail sales tax and a transportation sales tax measure were both heading for the November ballot. SanDAG (the San Diego Association of Governments (that area's COG)) voted in August to not move on the transportation sales tax until November of 1987. This was done when the polling firm of D. J. Smith Associates reported that support for the transportation measure was "broad, but shallow in intensity." They concluded that "additional public education needs to be accomplished, that an appropriate public/private sector group needs to be formed, and that this November will have a measure on the ballot that would utilize the same type of tax source, we recommend serious consideration of moving the transportation sales tax effort... to November 1987." (Memorandum to SanDAG Board of Directors, July 17, 1986.) D. J. Smith Associates found in their poll that if

both tax measures were to appear on the same ballot both would lose 5 to 10% of their support. Without the transportation sales tax, the jail sales tax received 51% approval, but required a 2/3 majority at that time and failed. The transportation sales tax went in November of 1987 and received 54% approval. Needing only a majority the measure passed. On the June 7, 1988 ballot, the jail sales tax will be going again. Under provisions similar to SB 2745, this measure will only require a simple majority vote. This will demonstrate whether voters are willing to approve two 1/2% sales tax increases within seven months of one another.

In Stanislaus County, a 1/2% sales tax increase will be on the November ballot. Ostensibly, 60% of the measure will go to the County for funding jail facilities, and the remaining 40% will go to cities for transportation purposes. This is a compromise worked out between the cities and the county after both surfaced their own sales tax proposals. This sales tax measure is being done under the provisions of AB 999 described earlier in this paper. This means that the ballot measure can not specify the purposes of new tax revenue. If it did it would require a 2/3 vote, rather than a simple majority.

Intuitively, it would seem that the sales tax measure (jail or transportation) that reaches the ballot first has the best chance of passing. The San Diego experience should give us some idea as to whether this is terminal for the second measure. It is worthwhile to note the advice given to the SanDAG Board of Directors by D. J. Smith and Associates in the Memorandum of July 17, 1986, "In all counties which have successfully pursued a sales tax for transportation, there has been to one degree or another a well organized public/private sector support group." "We are optimistic that there exists the seeds of such an effort, but that it needs to be nurtured and mature before a measure is put on the ballot." "If work can commence immediately on development of a strong, committed public/private sector support group and the refinements to the expenditure are completed as suggested, we believe that San Diego County voters would vote to increase their sales tax by one half percent for specific transportation improvements in November of 1987." What this indicates to COG staff is that far more important than getting on the ballot first is the development of a private/public coalition that would educate the citizenry on present transportation finance, and build the arguments that would successfully carry a transportation sales tax measure.

It is also the opinion of COG staff that placing two sales tax measures on the same ballot will result in a loss of 5 to 10% of support. Besides the loss of the 5 to 10% cited by D. J. Smith Associates, such a situation is likely to make those supporters choose one or the other. This would dramatically cut into the support of both proposals. It is obvious that cooperation between supporters of both tax measures would be essential.

G. CONCLUSIONS

The following are the conclusions of COG staff.

1. 1988 is not the opportune time for a transportation sales tax measure for the following reasons.
 - a. Propositions 72 and 74 are on the June Ballot.
 - b. Lack of a major educational campaign on transportation needs in San Joaquin County.
 - c. Lack of a Public/Private Partnership to advocate such a measure.
 - d. Not enough time to gather needed political concensus.
2. Successful passage of transportation sales taxes in other counties can make it more difficult for San Joaquin County to compete for discretionary state funds.
3. If a transportation sales tax is to go on the ballot at some time, it must be part of a package of measures that include development fees, and alternative transportation measures. A sales tax increase will have difficulty being approved if it is viewed as a substitute for these actions.

CITY CLERK
ALICE REIMCHE

RECEIVED

JUN 08 11 51 AM '88

ALICE M. REIMCHE
CITY CLERK
CITY OF Lodi

MEMORANDUM

TO: Honorable Mayor and
Members of the City Council

FROM: City Manager

DATE: June 6, 1988

SUBJ: San Joaquin County Transportation Sales Tax

Attached for your information and review is a copy of the County Council of Government's (COG) staff issue paper regarding a transportation sales tax in San Joaquin County. This issue paper is not meant to advocate or oppose any such sales tax measure, but rather is an explanation of the Transportation Sales Tax, its origins and how it has worked elsewhere. I will place this item for discussion on the agenda for the regular meeting of Wednesday, June 15, 1988. The COG Board would like our comments as soon after that as possible. The Board will likely review this draft issue paper at its June 28 meeting.

TAP:br

COUNC371



1660 EAST HAZELTON AVENUE
STOCKTON, CALIFORNIA 95205
TELEPHONE (209) 468-3913

SAN JOAQUIN COUNTY COUNCIL OF GOVERNMENTS

MAY 12 '88
City Manager's Office

May 9, 1988

Mr. Thomas Peterson
City Manager
221 West Pine Street
Lodi, CA 95240

Dear Mr. Peterson:

Attached is a preliminary draft of a COG staff issue paper regarding a transportation sales tax in San Joaquin County. As staff we are particularly interested in informing decision makers of this financing option that is being utilized by a number of counties and will potentially be enacted by many more in this year. A copy of this preliminary draft is being sent to every City Manager and the County Administrator in the hope of generating comments on what additional material needs to be included in this paper. Please share it with your staff and policy makers as you see fit. I am available to discuss the issue with you and your staff or with your elected officials if you so choose. The COG Board will likely review the draft issue paper on June 28, so I would appreciate your comments by June 10.

It is important to note that the COG Board has taken no position and has had no substantive discussions on a transportation sales tax. The issue paper is not meant to advocate or oppose any sales tax measure. This paper is an explanation of the Transportation Sales Tax, its origins, how it has worked elsewhere, options, and prospects for implementation in San Joaquin County. The paper is for discussion purposes only. **THIS IS A PRELIMINARY DRAFT.** The conclusions are those of staff, and have not been endorsed by the San Joaquin County Council of Governments' Board of Directors. It is meant to assist policy makers in deciding whether such a measure is appropriate to San Joaquin County and educating them as to how such a process works.

In 1988 the issue of whether to ask the voters to approve a sales tax for transportation purposes is a complex one. Besides the understandable reticence to ask voters to tax themselves, there are two transportation enhancing measures on the state's June ballot, there could be as many as thirteen transportation sales tax measures this year in separate counties, and there is legislation in progress to allow San Joaquin County to create a Jail Authority to raise a sales tax for adult detention facilities and crime prevention programs. All these, to some extent, have an impact on the decision of whether to try a transportation sales tax vote in San Joaquin County. A transportation sales tax is a possibility though, and depending upon what happens with the issues described above may be essential if San Joaquin County's local governments expects to participate in setting the future transportation agenda for this region.

The procedures for taking the transportation sales tax to the voters is not a complex one. It requires the creation or the designation of an authority to prepare a plan. The plan would then be approved by ^{a majority} ~~two-thirds~~ of the cities representing ^{a majority of the incorporated} ~~55%~~ of the population. The Board of Supervisors would then have to place it on the ballot. The sales tax would be either a 1/2 or 1 percent increase, but could not bring the total sales tax in a county to over 7%. A number of counties have gone through this process in the past four years with mixed results. Fresno, Santa Clara, Alameda, and San Diego Counties have all passed such measures. Tuolumne, San Bernardino and Contra Costa Counties have all voted down a transportation sales tax.

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Is the need great enough in San Joaquin County, and are there other options? From an objective standpoint it appears that the answer to both questions is yes. For local public works departments it is safe to say that annually they are forced to defer 50% or more of their local road and street needs to future years. The County of San Joaquin very conservatively estimates that \$6 million in deferrals occur annually. Future highway improvements in San Joaquin County over the next 20 years will require over \$100 million more than the revenue available. Unfortunately that is a conservative estimate based upon project cost estimates that are outdated or nonexistent. Routes 205, 120, 99, 5, 12, 4, 26, and 88 all have present and projected needs that dwarf the resources available. And finally transit is going to be asked to meet intra- and inter-county demand which will outstrip the Stockton Metropolitan Transit District's ability to finance.

There are options to a transportation sales tax. Orange County is working hard at exploring public/private partnership arrangements. This is another way of describing means of having developers pay for transportation improvements. Also Orange County sponsored controversial legislation that allows for several toll roads in Orange County. What appears to be happening though is rather than these being alternatives they work as a package. Orange County is exploring once again the sales tax option. (In 1982 a 1/2% increase failed passage getting only 30% of the vote.)

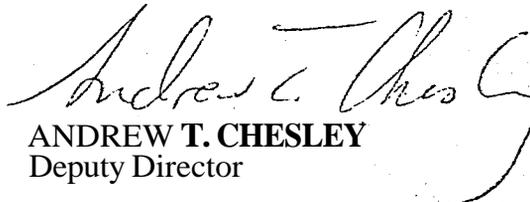
This paper concludes several things. First of all, a transportation sales tax is probably not a likely event in San Joaquin County in 1988. Propositions 72 and 74 are going to effect transportation funding if they pass, or fail. Policy makers will need to know what those effects are. Right now they can only be guessed at. A transportation sales tax requires agreement between the local jurisdictions. While it does not require unanimity, every opportunity should be available for achieving that goal. In other counties the effort has always taken longer than 6 months. The experience of counties going after a transportation sales tax this year should provide a better perspective on what San Joaquin County's opportunities are. Also of importance is working in coordination with the County of San Joaquin which has a sales tax interest beyond transportation. What is the likelihood of a jail and a transportation sales tax passing on the same ballot? Should they go on separate ballots, and if so which goes first? Is there a compromise situation like that worked out in Stanislaus County?

The funding of transportation purposes with sales tax revenue is not a brand new idea. The BART counties added 1/2% to the sales tax in the late 1960s to create and operate the rail system. Also, California passed the Transportation Development Act in the early 1970s which took 1/4 of 1% of the 6% sales tax and allocated it for local public transit and roads and streets. The Transportation Sales Tax has been urged on county governments by the Legislature and the Governor as a means of solving transportation financing problems. More recent efforts have met with mixed success in the state. Efforts in the early eighties

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had sales tax measures passing in Los Angeles and Santa Clara counties, but failing miserably in Orange County. More recent efforts have seen success in Alameda, Fresno, and San Diego Counties, but failures in Contra Costa, Tuolumne, and San Bernardino. As many as 13 counties may have transportation sales tax measures on the 1988 ballot. This should provide a better perspective as to the long term Viability of using the sales tax as a transportation financing tool.

Very truly yours,



ANDREW T. CHESLEY
Deputy Director

Attachment