NACo National Association of Counties

STATE SUMMARY OF COUNTY TRANSPORTATION FUNDING AND FINANCE

CALIFORNIA COUNTIES

FUNDING SOURCES FOR COUNTY TRANSPORTATION PROJECTS

From State Funds:

- Counties receive a portion of the state fuel excise tax. The state levies two distinct fuel excise taxes. The base rate of $0.18 cents per gallon provides counties with approximately $500-$550 million annually. An additional rate, which is currently set at $0.215 cents per gallon, is annually adjusted to keep pace with what a sales tax would have otherwise generated since the sales tax on gasoline was eliminated in 2010. Counties receive 22 percent of the revenues generated by the additional excise tax, which amounts to approximately $300-350 million annually.
- Counties receive a portion of the state sales tax for transportation purposes. The state collects a 7.25 percent sales tax, certain portions of which are earmarked for transportation. The 1971 Transportation Development Act (TDA) earmarked 1/4 percent of the state sales tax for transit and created a Local Transportation Fund (LTF) in each county to receive the money, amounting to approximately $1 billion per year for counties. In counties with fewer than 500,000 residents, the law allows LTF to be used for road maintenance after transit needs are met.
- Counties may receive Proposition 1B Bond funds. The 2006 bond act provides $19.9 billion to fund projects to relieve congestion, facilitate goods movement, improve air quality and enhance the safety and security of the transportation system, which is available to local governments. Counties received $1 billion in dedicated Prop 1B funds for improvements to the local street and road system. The funds have been fully appropriated by state legislature and will be obligated by California's counties at the end of FY 2013-14.
- The State Transportation Improvement Program (STIP) funds new construction projects that add capacity to the transportation system. STIP funding comes from a mix of state, federal and local taxes and fees.

From Federal Funds:

- Federal funds are allocated to counties through state programs such as STIP.

From County Funds:

- Counties are authorized to adopt sales tax increases for transportation programs, subject to 2/3 voter approval, generally for 20 to 30 years. Twenty (20) counties have approved sales tax measures for transportation.
- Countywide transportation agencies that have adopted Congestion Management Programs can levy an annual vehicle registration fee of up to $10 per vehicle, subject to 2/3 voter approval.

Share of County Owned **Road Miles** Out of Public Roads Statewide	**37%**
Share of County Owned **Bridges** Out of Public Bridges Statewide	**29%**
Share of **Structurally Deficient Bridges** Out of County Owned Bridges	**16%**

COUNTY FINANCIAL AUTHORITY

	County Authority	Limitations
Levy Property Taxes	X	Property taxes are capped at 1% of the value at time of purchase. Annual assessments increases are capped at 2% per year.
Levy Personal Property Taxes	X	
Levy Local Option Sales Taxes	X	Needs voter approval —2/3 vote for a special purpose and majority vote for general purpose. Total tax rate may not exceed 10% of combined city, county and state rates.
Levy a Local Gas Tax	X	Taxes must be levied at increments of 1cpg. No county has implemented this tax.
Charge a Motor Vehicle License or Registration Fee	X	County transportation agencies may levy an annual vehicle registration fee of up to $10 per vehicle with 2/3 voter approval.
Form Special Districts for Transportation	X	Counties may levy assessments with voter approval in special districts for various purposes including road maintenance and street lighting.

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- Local General Funds and Other Local Funds include property taxes, developer fees, street assessments, bond revenues and fines and forfeitures. In FY 2010-11, counties allocated $55.9 million of these funds, or 3.2 percent of the total funding made available for county roads, for this purpose.

BREAKDOWN OF COUNTY TRANSPORTATION FUNDING[1]

Local Share	27%
State Share	54%
Federal Share	18%

[1] Funding Made Available to Counties, California, FY 2010-11. From CA State Controller, Street and Roads Annual Report, FY 2010-11.

COUNTIES FACE THE FOLLOWING CHALLENGES IN FUNDING AND FINANCING TRANSPORTATION PROJECTS

- Counties face limitations in generating additional tax revenue for transportation because of voter approval requirements in Proposition 13. State ballot initiative, Proposition 13 was passed in 1976 and placed a 2/3 voter approval requirement for any additional taxes for a designated or special purpose, which includes transportation. The 2/3 vote requirement is difficult for counties to achieve; since 1995 there were 34 proposed measures for new sales taxes for transportation in counties, but only seven garnered the necessary 66.67 percent voter approval for passage.
- As a result of property tax limits imposed through the state's Proposition 13, counties are reliant on the state for transportation funding, leaving counties with little flexibility in determining how revenue is spent.
- Counties in California have to contend with a lengthy and duplicative regulatory process for transportation and other large construction projects. Counties must comply with both federal and state regulations, which adds to costs and delays project delivery.
- California counties lost a federal funding guarantee with the elimination of the Highway Bridge Program in MAP-21for locally owned on-system bridges. Nearly half of county bridges in California are on-system bridges. (In most states, county bridges are almost all off-system). On-system and off-system bridges are eligible for funding under the Surface Transportation Program (STP), however, only off-system bridges receive a 15 percent dedicated under the STP. Only bridges on the National Highway System (NHS) are eligible for funding under the National Highway Performance Program (NHPP). The state keeps the share of the NHPP funds for the state's NHS bridges. Counties receive a share of the 15 percent set-aside for off-system bridges and have reached an agreement with the California Department of Transportation to use a share of the STP funds for locally owned on-system bridges. The agreement between the state and counties is done on an annual basis, so without a federal guarantee the funds for locally owned on-system bridges are at risk (approximately $228 annually).

NEW FUNDING AND FINANCING SOLUTIONS FOR COUNTIES

- The Fuel Tax Swap, enacted in 2010, was designed to take transportation funding programs out of the State General Fund and ensure dedicated funding. The Fuel Tax Swap eliminated the state sales tax on gasoline and replaced it with an additional 17.3 cents per gallon excise tax on gasoline (July 2010). The increase in the excise tax generates revenues equivalent to what would have been collected from the state sales tax on gasoline. These revenues are intended for new construction, highway maintenance and operations, and local roadways.

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