California Counties

State Summary of Transportation Funding and Finance

## **Transportation and Financial Authority:**

Counties have authority to:

• Levy real property taxes.

• Form special districts to collect specific property taxes dedicated to local improvements such as drainage, flood control, street lighting, and maintenance of roads. A county may propose various other taxes within districts that are subject to approval by a two thirds majority of qualified voters in an election.

• Levy taxes on all personal property, tangible and intangible.

• Levy a general sales and use tax not to exceed 2 percent of gross receipts. This tax (or similar taxes called transaction and use taxes) may apply countywide or in special districts in a similar fashion to taxes on real property.

• Levy taxes on motor fuel not used in aviation, or natural gas at a rate in increments of $0.01 per gallon of fuel or per 100 cubic feet of natural gas.

**Mandated/Authorized Transportation Services:**

• Counties are charged with laying out, maintaining, vacating, and constructing public roads, rights-of-way, easements, bridges, and other infrastructure the county provides.

• The board is additionally empowered to provide street lights on public highways.

• Counties may provide airport service districts and facilities. If the county does not provide airport facilities but a municipality contained therein does, then the county may appropriate and expend money to fund the city’s operations.

## **Funding Sources for County Transportation Projects:**

State Funding:

• Federal Funds.

• State Fuel Excise Tax.

• State Sales Tax: The state also collects 7.25 percent sales tax, certain portions of which are earmarked for transportation: The 1971 Transportation Development Act (TDA) earmarked ¼ percent of the state sales tax for transit and created a Local Transportation Fund (LTF) in each county to receive the money ($1 billion).

• Proposition 1B Bonds: 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.

Transportation Funding Programs Available to Counties:

• 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.

• Local Assistance Program: Caltrans' Local Assistance Program oversees more than one billion dollars in federal and state funds annually available to over 600 cities, counties and regional agencies for the purpose of improving their transportation infrastructure or providing transportation services.

Local Funds:

• Local Sales Tax Measures (Self-Help Counties): Counties are authorized to adopt up to 1 percent sales tax increase for transportation programs, subject to 2/3 voter approval, and generally for 20 to 30 years. (Nineteen counties have approved sales tax measures for transportation.)

• Transit Fares: Provide about $1.2 billion for local transit systems

• Local General Funds and Other Local Funds: Include property taxes, developer fees, street assessments, bond revenues and fines and forfeitures.

## **Challenges in Funding and Financing Transportation Projects:**

Needs Assessment Report Findings from the California Transportation Commission:

• The cost of system preservation (rehabilitation and maintenance) is estimated at $341 billion to bring transportation facilities into a state of good repair within the ten-year period from 2011 to 2020

• The cost of system expansion and system management over the same period is estimated at $197 billion based on fiscally constrained regional transportation plans.

• The revenue from all sources from 2011 to 2020 is estimated at $242 billion, which represents about 45 percent of the estimated total need. This leads to a shortfall of about $296 billion.

• Assuming historic levels of funding for preservation, nearly $150 billion of all revenues would be allotted for system preservation, leaving less than $95 billion for system expansion and system management projects (less than 50 percent of the projected need).

## **Innovative Solutions to Funding and Financing Challenges**

• Fuel Tax Swap, enacted in 2011, reenacted the provisions of the Fuel Tax Swap of 2010 addressing issues raised by the passage of Propositions 22 and 26. The Fuel Tax Swap eliminated the state sales tax on gasoline and instead imposed an additional excise tax on gasoline of 17.3¢ (July 2010). The increase in the excise tax would generate revenues equivalent to what would have been collected from the state sales tax on gasoline. These revenues are intended for new construction (STIP), highway maintenance and operations (SHOPP), and local roadways.

• 80 percent of the state's population lives in counties that tax themselves to support local transportation.