

Memorandum

**TO: RULES AND OPEN
GOVERNMENT COMMITTEE**

FROM: James R. Helmer

SUBJECT: SEE BELOW

DATE: 08-16-07

Approved

Date

8/16/07

COUNCIL DISTRICT: Citywide

**SUBJECT: SB 264 (ALQUIST) – TRANSACTION AND USE TAXES
AB 444 (HANCOCK) – MOTOR VEHICLE REGISTRATION FEES**

RECOMMENDATION

The Department of Transportation recommends that:

1. The Mayor and City Council support SB 264 (Alquist) and AB 444 (Hancock).
2. The Committee provide a one-week turn around for Mayor and City Council review.

OUTCOME

If the Rules and Open Government Committee and the Mayor and City Council accept staff's recommendation, the City lobbyist could begin supporting SB 264 and AB 444.

BACKGROUND

Even with the infusion of capital funds provided by the passage of Proposition 1B in November 2006, transportation agencies as well as local agencies continue to search for additional funding solutions for ongoing transportation capital, maintenance and operating needs. Several bills have been introduced to address these funding shortfalls. SB 264 (Alquist) and AB 444 (Hancock) are two bills that seek to provide those funding opportunities.

ANALYSIS

A fact sheet with an analysis of SB 264 and AB 444 is attached.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This legislative item does not meet any of the above criteria.

COORDINATION

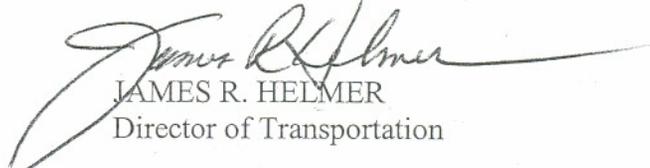
This memorandum was coordinated with the Office of Intergovernmental Relations, the City's Sacramento Office and the City Attorney's Office.

POLICY ALIGNMENT

The attached fact sheet and analysis are consistent with the Council-adopted 2007 Legislative Guiding Principles, and the Council-adopted guidelines.

CEQA

Not a project.


JAMES R. HELMER
Director of Transportation

For more information contact Kelly Doyle, Policy Manager, at 408-975-3240

Attachment

**SB 264 (ALQUIST) – TRANSACTION AND USE TAXES
AB 444 (HANCOCK) MOTOR VEHICLE REGISTRATION FEES**

What's the issue the bill is trying to resolve?

In November 2006, the voters of California approved Proposition 1B, the \$19.925 billion transportation infrastructure bond. It is estimated that the current statewide transportation infrastructure 10-year shortfall is more than \$120 billion. Proposition 1B was placed on the ballot to begin to address the overall need in transportation. Although the passage of Proposition 1B takes a step towards addressing the shortfall experienced by transportation and local agencies it does not close the overwhelming gap that remains. SB 264 and AB 444 are two bills that have been introduced to provide additional funding mechanisms to specific transportation agencies to address on-going capital, maintenance and operating shortfalls.

Senate Bill 264 (Alquist)

SB 264 authorizes the Santa Clara Valley Transportation Authority (VTA), with a two-thirds vote of the County electorate, to impose a one-eighth-cent retail transaction and use tax ("sales tax"). Currently, local agencies are able to impose a sales tax in multiples of .25 percent, subject to two-thirds voter approval, but do not have the authority to impose one at a lower level. By approving this bill, VTA gains additional flexibility in working to close its fiscal shortfall. The Board of Equalization (BOE) estimates that a one-eighth-cent sales tax would generate approximately \$39.5 million annually.

Assembly Bill 444 (Hancock)

AB 444 authorizes specified congestion management agencies, including VTA, by a majority vote of the agency's board, to impose an annual fee of up to \$10 on motor vehicles registered within the county for programs and projects related to improving traffic congestion. The bill requires that, for the fee to be effective, a majority of the voters in the County must approve the imposition of the fee and an expenditure plan. It also requires that the programs and projects included in the expenditure plan have a relationship or provide a benefit to the persons paying the fee. The legislation provides that programs and projects that could be funded through the fee include but are not limited to:

- HOV or HOT lanes
- Transit Improvements linked to Technology
- Traveler Information Systems
- Local Street and Road Rehabilitation
- Providing Matching Funds for State Bond Programs
- Bicycle and Pedestrian Improvements
- Signal Coordination
- Highway Operational Improvements
- Transit Service Expansion
- Creating or Sustaining Pollution Mitigation Programs and Projects

The opponents of AB 444 assert that the legislation imposes a tax. They assert that the legislation itself suggests this by requiring voter approval. Moreover, they claim that AB 444 is

a *special* tax because it requires the revenues to be spent for a specific purpose. The opponents point out that a special tax requires two-thirds – not majority - voter approval. Finally, the opponents argue that even if the legislation is not a tax, the nexus requirement must be established by an extensive study.

Legislative staff has estimated that the maximum surcharge of \$10 could generate net revenues of \$10 million per year per county. Not more than five percent of the fees distributed to a county congestion management agency could be used for administrative costs.

How would the passage of this bill affect San José?

If passed, there would not be any direct fiscal impacts to the City. Nevertheless, the bills could potentially prove to have significant benefits to the City.

The passage of SB 264 and AB 444 would provide VTA with additional potential sources of revenue, and provide VTA with greater flexibility and the ability to address specific transportation needs in Santa Clara County. It is estimated that a one-eighth-cent sales tax in Santa Clara County could generate \$39.5 million a year to be used by VTA for transit facilities and services. A \$10 vehicle license fee could generate up to \$10 million annually for congestion relief projects. If VTA were able to obtain these new sources of revenue, it potentially could further leverage transportation dollars to provide increased transportation benefits throughout the County of Santa Clara. Many of the major projects and services that are constructed, operated and maintained by VTA are located within the City's boundaries and are utilized by the resident's of San José.

VTA, as the sponsoring agency, would be responsible for any cost associated with the implementation of either SB 264 or AB 444

In addition to potentially raising revenue, the passage of SB 264 would have another fiscal impact throughout the County. Existing law imposes a two percent cap on the amount of local sales tax that can be imposed by all entities within the county. According to the Analysis of Senate Bill 264, Santa Clara County has a total of one percent of the two percent cap remaining. Passage of SB 264 would further reduce the cap by one-eighth-cent.

What is staff's Proposed Position?

Included in the Council's approved 2007 Legislative Guiding Principles is language to support innovative State and Federal transportation funding mechanisms that focus on flexibility in airport Passenger Facility Charges and surface transportation needs. Staff would recommend support of SB 264 (Alquist) and AB 444 (Hancock) based on Council direction.

Who are the bill's supporters and opponents?

As of July 3, 2007, supporters of SB 264 include:

- Amalgamated Transit Union
- Santa Clara Valley Transportation Authority
- Silicon Valley Leadership Group and Poverty.

SB 264 has been opposed by:

- BayRail Alliance
- Howard Jarvis Taxpayers Association
- Santa Clara VTA Riders Union

As of July 10th, support for AB 444 – Motor Vehicle Registration Fees includes:

- Alameda County Congestion Management Agency (ACCMA)
- Alameda-Contra Costa Transit District (AC Transit)
- Alameda County Transportation Improvement Authority (ACTIA)
- Transportation Authority of Marin
- Santa Clara Valley Transportation Authority (VTA)
- California Bicycle Coalition
- American Federation of State, County & Municipal Employees (AFSCME)
- Transportation and Land Use Coalition (TALC)
- Solano Transportation Authority (STA)
- Contra Costa Transportation Authority
- East Bay Municipal Utility District (EBMUD)

Registered opposition includes:

- Stop Hidden Taxes Coalition
- California State Automobile Association
- Automobile Club of Southern California
- California Association of Highway Patrolmen
- Howard Jarvis Taxpayers Association

What is the current status of the measure?

SB 264 (Alquist) is currently awaiting action on the Assembly Floor.

AB 444 (Hancock) is awaiting action in the Senate Revenue and Taxation Committee.

Are there fiscal impacts of this bill for San Jose?

If passed, there would not be any direct fiscal impacts to the City of San José. VTA as the sponsoring agency would be responsible for any cost associated with the implementation of either SB 264 or AB 444. It is estimated that a one-eighth-cent sales tax in Santa Clara County could generate \$39.5 million a year to be used by VTA for transit facilities and services. A \$10 vehicle license surcharge could generate up to \$10 million annually for congestion relief projects.