



Caltrans Division of Research,
Innovation and System Information

Research

Notes

Planning, Policy
and System
Information

MARCH 2016

Project Title:
UTC - The Equity Impacts of California's
County Transportation Sales
Taxes (UCCONNECT)

Task Number: 2993

Start Date: October 20, 2015

Completion Date: April 30, 2017

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Off-Highway Vehicle (OHV) Fuel Tax Study

Analyzing the collection of LOSTs in California and fund expenditures to determine how they affect low-income and minority travelers and communities

WHAT IS THE NEED?

California's transportation revenue crisis has been well documented. Inflation-adjusted federal funding of transportation projects has been decreasing for decades, and on a per vehicle mile of travel basis the funding decline has been even greater. The basic 18-cent per gallon state gasoline sales tax has not been raised since 1993; bond proceeds of the 2006 Measure 1B have largely been spent; and state indebtedness is being repaid.

While transportation sales tax measures produce absolutely essential revenue for the maintenance, operation, and modest expansion of some transportation facilities and services, one important drawback of sales taxes is their "regressivity," meaning that they collect larger shares of household income from lower income households, on average, than from upper income ones.

Despite their regressive nature, Local Option Sales Taxes (or LOSTs) for transportation have proven popular politically. Voters like that the taxes are levied in very small increments (often a half-cent or cent per dollar) over a very large number of transactions, as well as the specific list of projects to be funded by the LOSTs. And while these measures have often been subject to vigorous debate when placed on the ballot, concerns over their fairness to low-income and minority communities have rarely been studied. In order to assess the efficiency, fairness, and political acceptability of continuing to expand the state's reliance on sales taxes for transportation in the future, California needs to know more about the impacts of these taxes on lower income and minority populations.



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knowledge that improves
California's transportation system

WHAT ARE WE DOING?

This project will examine the outcomes of elections to determine the incomes and ethnicities of people who vote for and against these measures. It will also examine the income “incidence” of (or of who pays) transportation sales taxes, but incidence of these taxes paints only part of the picture. More information is needed to know whether such taxes benefit or harm lower income populations. The inherent regressivity of sales tax collections can be tempered to a great extent by the way the money is spent.

Task 1: Literature Review- Transportation Sales Taxes, Income Incidence, and Effective Regressivity (Months 1 & 2)

Task 2: Assess the Income Incidence and Measure the Regressivity of California Transportation Sales Tax Revenue Collections in Counties that have voter approved Transportation Sales Taxes (Months 2 & 3)

Task 3: Analyze voting patterns to assess the extent to which County transportation sales tax measures were supported by populations of different income, racial, and ethnic compositions. (Months 3 & 4)

Task 4: For a representative sample of between three and six counties (rural, suburban, and urban) review expenditure plans to determine the extent to which projects benefit low income and minority populations. (Months 5 & 6)

Task 5: By reviewing documents and through interviews, assess the extent to which the process of designing these sales tax measures and listing projects for inclusion incorporated low income and minority population groups. (Months 7 & 8)

Task 6: Develop Findings and Recommendations and draft Final Report. (Months 9 - 12)

WHAT IS OUR GOAL?

To understand the actual impacts of LOSTs and their expenditures across various income groups, disaggregate analyses and case studies are needed and will be undertaken in this proposed project. From previous experience, we know that data to enable such analyses are not easily available and that compromises and approximations will be necessary, but the policy import of the issue warrants the effort.

This research will help inform all future efforts to enhance transportation revenue by demonstrating how one increasingly significant source of transportation revenue affects economically disadvantaged and minority populations in California and how those communities relate to an important revenue source. The findings with respect to local option sales taxes should influence future ballot initiatives, and the methods used in this study can also be adapted to the study and analysis of other revenue instruments in the years ahead.

WHAT IS THE BENEFIT?

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WHAT IS THE PROGRESS TO DATE?

The Task Order is being processed for execution. Expected execution date 5/1/2016.