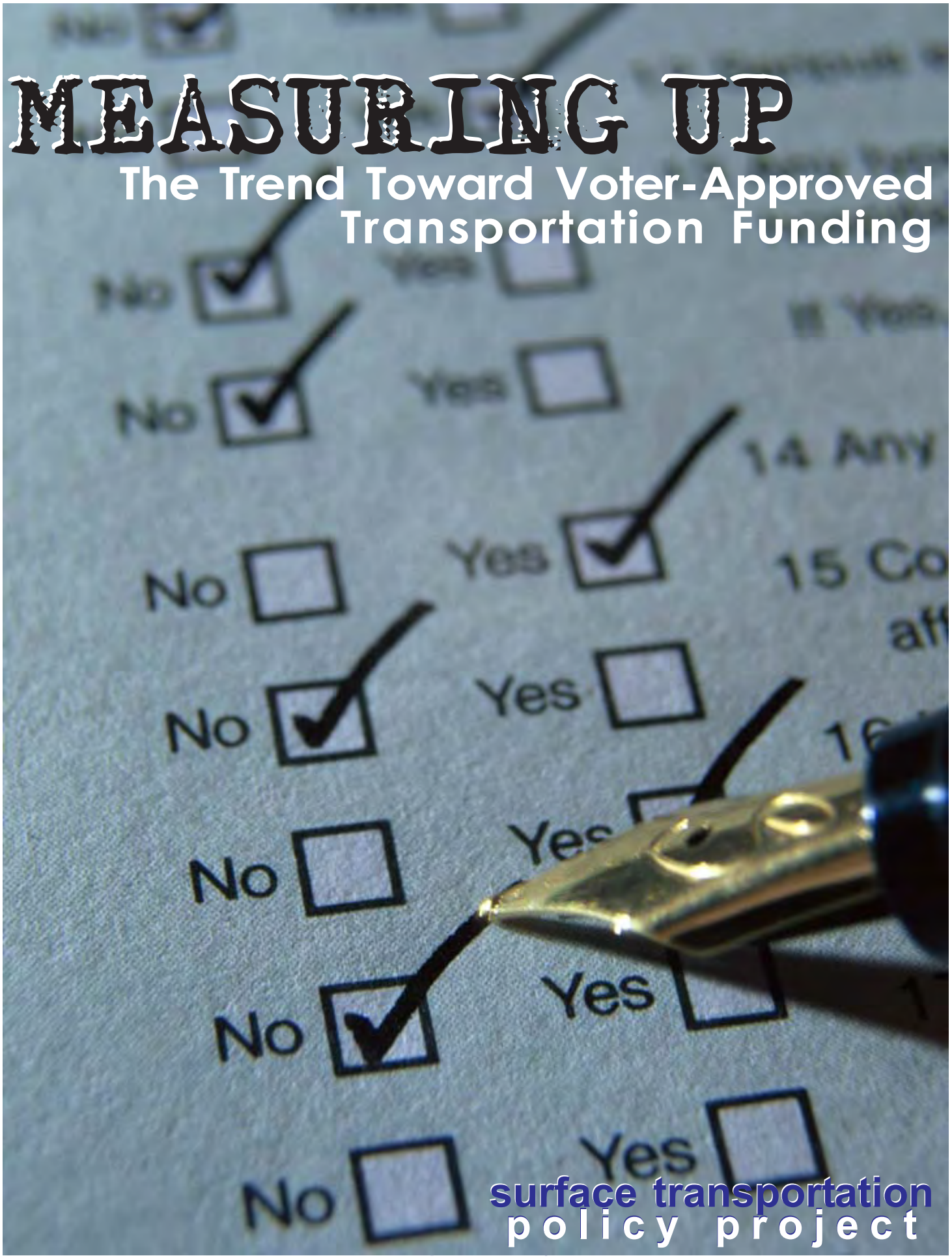
MEASURING UP

The Trend Toward Voter-Approved Transportation Funding



surface transportation
policy project

Measuring Up

The Trend Toward Voter-Approved Transportation Funding

Acknowledgements

Measuring Up: The Trend Toward Voter Approved Transportation Funding was written by Michelle Ernst, James Corless, and Kevin McCarty.

The authors would like to thank the STPP Board of Directors, Martin Wachs, and Andrea Broaddus for the ideas and editorial assistance they provided. Linda Bailey provided invaluable analysis support for this report. The authors would also like to thank Charlie King for formatting the report website. Finally, we would especially like to thank the Center for Transportation Excellence, and Jeffrey Rosenberg of the Amalgamated Transit Union for providing us with their research on 2002 ballot measures.

This report was made possible by the generous support of the Prince Charitable Trusts, the Surdna Foundation, and the Joyce Foundation.

surface transportation
policy project

1100 17th Street, NW, 10th Floor
Washington, DC 20036
www.transact.org

Table of Contents

Executive Summary

Overview:

Voters across the country are increasingly being asked to approve new funding measures for transportation at the polls. In 2002, as many as 41 transportation measures appearing on the ballot could – if approved – be worth as much as $117 billion in new funding over the next 20 years. This emerging trend marks a significant shift in the traditional method of financing transportation projects and programs – away from legislatively-approved user fees (e.g. gasoline taxes) and towards voter-approved general revenue taxes (e.g. sales taxes, general fund budget revenues, bonds, etc.). The move towards voter-approved transportation financing is found to be a product of two trends: (1) the reluctance to increase traditional "user fee" revenues, especially state gasoline taxes that have failed to keep pace with inflation; and (2) the demand for more public transit projects which are difficult to finance from traditional user fees.

This report places these ballot measures in the broader context of transportation finance, recognizing that each of these funding measures varies greatly in terms of effectiveness, equity, balance, and ability to meet stated goals. The report also sets forth five criteria to help voters and policy-makers evaluate pending and future ballot measures through an in-depth review provided by five case studies. The report recommends (1) broader public involvement in the initial development of transportation ballot measures, (2) an end to the "trust us" approach of failing to specify projects or dedicate locked-in funding categories, (3) the elimination of restrictions on the expenditure of state gasoline taxes on public transit, and (4) more emphasis on coordinated land use planning and growth management as part of larger transportation ballot measures. Further recommendations are made for improving the content, consistency, accountability and overall public support for future transportation financing measures presented to voters.

Next year, Congress will debate the reauthorization of the federal surface transportation law, known as TEA-21, a law that increased federal funding commitments to state and local governments by more than 45 percent. While the substantial growth in federal investment under TEA-21 is a matter of record, recent efforts by state and local governments to increase transportation funding are much less described and understood. This report is intended to provide some insights into what is now occurring at the state and local level — where roughly three out of every four transportation dollars nationwide are now raised — by examining selected funding measures that are appearing before voters.

These funding measures provide a glimpse into the changing alignments governing how the nation's transportation infrastructure needs are financed, contradicting popular assertions that users pay for all the improvements to these systems. While some observers assert that the nation's surface transportation infrastructure is funded by "user fees" – taxes on fuels, tires, vehicle sales, registrations, etc. – the reality is that these systems are only partially funded by users of the system. This report shows that there is now a trend away from user fees, where direct users in the future may carry even a smaller share of the costs of maintaining and expanding our transportation systems. Of the 41 transportation funding measures on the ballot this year, only four attempt to increase state taxes on users, with all of the other measures proposing to increase general taxes directly or indirectly in support of future transportation improvements.

The financing of our nation's transportation system relies on a complex arrangement of user taxes and fees as well as general fund taxes that, collectively, underpin the expansion and maintenance of our nation's bridges, highway, street and sidewalk networks and our public transportation systems. Prompted by the growing number of ballot measures appearing before the voter in 2002, this report examines some of the trends in transportation finance to provide some context for voters in reviewing pending ballot measures as well as for policy-makers at the federal and state level who next year will be considering new financial commitments to transportation infrastructure.

Summary of 2002 Transportation Funding Ballot Measures (total dollars in millions over a 20-year period)

Type of Measure	Number of Statewide Measures	Funding from Statewide Measures	Number of Local/Regional Measures	Funding from Local/Regional Measures	Total Number of Measures	Total Funding at Stake
Gasoline Tax	0	$0	1	$84	1	$84
Sales Tax	0	$0	20	$34,201	20	$34,201
Property Taxes	0	$0	5	$2,064	5	$2,064
*Multiple Taxes**	2	$25,820	1	$1,700	3	$27,520
Bonds	1	$227	2	$135	3	$362
Other	6	$51,429	3	$1,755	9	$53,185
All Finance-Related Measures	9	$77,476	32	$39,939	41	$117,416

* Multiple Taxes include a substantial portion of user fees in the form of motor fuel taxes.

The Shift Toward Voter-Approved Measures

The 41 transportation funding measures on the ballot in 2002 are evidence of a new trend away from asking direct users of the system to finance future infrastructure needs. This shift towards an increasing prevalence of voter-approved local tax and bond measures and a declining reliance on so-called user fees needs to be more closely examined and analyzed by transportation interests. Overall, there appear to be two main reasons for this trend:

- The growing reluctance to increase traditional transportation user fees such as state motor fuel taxes;
- The growing popularity of public transit which is difficult to finance through traditional "user fee" methods like state motor fuel taxes.

Table 1 shows the relative purchasing power of federal and state motor fuel taxes, adjusted for inflation, over the last 35 years. Interestingly, federal fuel tax rates have outpaced inflation over time, while state fuel tax rates have fallen substantially behind, by about 50 percent.

To illustrate this point during the most recent five-year period, Table 2 shows revenue growth for federal and state motor fuel taxes during the period 1995-1999. It is noteworthy that revenues from state fuel taxes largely follow driving rates, as measured by vehicle miles traveled (VMT). The growth in federal revenues – nearly seven times the growth in VMT – reflects the 1998 Congressional commitment to increase transportation spending under TEA-21. This suggests that while federal commitments were rising, state governments – both governors and legislators – generally chose not to increase motor fuel taxes in support of transportation investment. In fact, after TEA-21, only six states increased their gasoline taxes faster than the rate of inflation – most didn't increase gas taxes and five states actually decreased them. At the same time, the growth in non-user fee revenues outpaced even the growth in state motor fuel tax revenues.

Since state governments have been reluctant to pursue increases in traditional transportation user fees, local governments have been forced to turn to the general taxpayer – and often the voter – to support transportation infrastructure. Historically, local governments have not been given access by their states to user fees, such as motor fuel taxes, to finance transportation improvements. In addition to the difficulty local areas confront in gaining access to user fees, many state constitutions and statutes limit the expenditure of transportation user fees for anything other than highway improvements (see Table 3). In light of this development many local officials are asking state governments to open up state gasoline tax revenues and transportation trust funds for use on public transit and other local transportation projects. There is an increasing belief that states should not continue to sequester state transportation trust funds for their own uses, excluding the legitimate transportation needs of local governments, while asking local governments for additional project funding for the state system.

In many markets, particularly urbanized areas, local decision-makers have also not been receiving their "fair share" of revenues from the user fees that are generated in their areas, as state allocation decisions over both federal and state funds often move resources disproportionately to other parts of their respective states or state policies work against local control over project selection when resources are provided. As a result, localities are forced to turn to the general taxpayer and general taxes to support additional highway and street investment – including some state-owned roadways –as well as for alternative transportation investments, such as public transit. The transportation funding measures appearing before voters in 2002 animate these circumstances, as local officials seek increased local funding support for transportation. The pending measures also underscore the view that increased investment in public transportation is seen as a high priority all across the nation.

Table 1. 1957 State Motor Fuel Taxes Adjusted for Inflation to 2002 (cents)

	1957 State Motor Fuel Tax	1957 State Motor Fuel Tax Adjusted for Inflation to 2002	2002 Actual State Motor Fuel Tax	Difference Between Actual and Inflation Adjusted 1957 State Motor Fuel Tax
Alabama	7.0	37.9	18.0	-19.9
Alaska*	5.0	25.5	8.0	-17.5
Arizona	5.0	27.1	18.0	-9.1
Arkansas	6.5	35.2	21.7	-13.5
California	6.0	32.5	18.0	-14.5
Colorado	6.0	32.5	22.0	-10.5
Connecticut	6.0	32.5	25.0	-7.5
Delaware	5.0	27.1	23.0	-4.1
District of Columbia	6.0	32.5	20.0	-12.5
Florida	7.0	37.9	13.9	-24.0
Georgia	6.5	35.2	7.5	-27.7
Hawaii*	5.0	25.5	16.0	-9.5
Idaho	6.0	32.5	26.0	-6.5
Illinois	5.0	27.1	19.3	-7.8
Indiana	4.0	21.7	15.0	-6.7
Iowa	6.0	32.5	20.0	-12.5
Kansas	5.0	27.1	21.0	-6.1
Kentucky	7.0	37.9	16.4	-21.5
Louisiana	7.0	37.9	20.0	-17.9
Maine	7.0	37.9	22.0	-15.9
Maryland	6.0	32.5	23.5	-9.0
Massachusetts	5.0	27.1	21.0	-6.1
Michigan	6.0	32.5	19.0	-13.5
Minnesota	5.0	27.1	20.0	-7.1
Mississippi	7.0	37.9	18.4	-19.5
Missouri	3.0	16.3	17.1	0.8
Montana	7.0	37.9	27.0	-10.9
Nebraska	6.0	32.5	25.4	-7.1
Nevada	6.0	32.5	24.0	-8.5
New Hampshire	5.0	27.1	19.0	-8.1
New Jersey	4.0	21.7	14.5	-7.2
New Mexico	6.0	32.5	18.0	-14.5
New York	4.0	21.7	22.6	0.9
North Carolina	7.0	37.9	24.5	-13.5
North Dakota	6.0	32.5	21.0	-11.5
Ohio	5.0	27.1	22.0	-5.1
Oklahoma	6.5	35.2	17.0	-18.2
Oregon	6.0	32.5	24.0	-8.5
Pennsylvania	6.0	32.5	26.6	-5.9
Rhode Island	4.0	21.7	29.0	7.3
South Carolina	7.0	37.9	16.0	-21.9
South Dakota	5.0	27.1	22.0	-5.1
Tennessee	7.0	37.9	21.4	-16.5
Texas	5.0	27.1	20.0	-7.1
Utah	5.0	27.1	24.8	-2.3
Vermont	5.5	29.8	20.0	-9.8
Virginia	6.0	32.5	17.5	-15.0
Washington	6.5	35.2	23.0	-12.2
West Virginia	6.0	32.5	25.4	-7.2
Wisconsin	6.0	32.5	27.3	-5.2
Wyoming	5.0	27.1	14.0	-13.1
				0.0
Average	**5.7**	**31.0**	**20.3**	-10.7

*Alaska and Hawaii became states after 1957. The state gas taxes shown are for 1959.

Table 2. Trend in Selected Revenue Sources for Roads, Streets, Bridges, Bicycle and Pedestrian Facilities, and Transit, 1995 to 1999 (in thousands)

	Federal	State			Local		
	Highway-User Taxes	Highway-User Taxes	Other Imposts & Appropriations from General Fund	Bond Proceeds	Property Taxes	Appropriations from General Fund	Other Imposts
1995	$21,020,955	$36,200,106	$6,565,101	$4,316,831	$5,220,028	$12,326,330	$4,487,898
1999	$39,299,295	$42,730,665	$8,560,418	$8,298,715	$6,384,348	$15,857,197	$7,079,491
Change	**87%***	**18%**	**30%**	**92%**	**22%**	**29%**	**58%**

*Much of this increase is due to the repeal of the 4.3¢ contribution to the general fund from motor fuel taxes; contributions to the general fund from gasohol taxes were also lowered by 4.4¢ to 4.5¢, depending on the ethanol to gasoline ratio, raising trust fund receipts.

The longer term implications of this growth in local transportation ballot measures are significant, and ominous. If states are not willing to address the need to increase state gas taxes to fund projects, including public transit, and continue to shift the burden to local property, sales and general taxes, they will displace resources needed to fund other core functions of local government—schools, police, fire protection, parks and recreation etc. This report seeks to call attention to these developments in transportation finance and invite discussion on its longer-term implications.

General Evaluation Criteria for Local Transportation Funding Measures

This analysis of 41 transportation funding measures initiated across the country in 2002 seeks to provide voters some guidance on how to evaluate them for their effectiveness, equity, and balance. The measures on the ballot, if approved, could raise as much as $117 billion for transportation projects and operations over the next 20 years. This report poses the following questions to evaluate the measures:

(1) Where Will the Revenue Come From?

The source of revenue for transportation funding measures is becoming a critical question for transportation financing in general and local voter-approved measures in particular. While traditional "user fees" such as gasoline taxes promote more efficient use of the transportation system, their popularity appears to be waning among state policymakers. While federal gasoline taxes have kept pace with inflation since 1957 (just after the inception of the Interstate highway program), state gasoline taxes have not. Local sales taxes and other sources, including bonds, are increasingly being used to finance local transportation projects and, in effect, help offset the shortfall in state gasoline tax revenues. While sales taxes and gasoline taxes are regressive, both also have inherent advantages and disadvantages. Sales taxes are increasingly popular in part because they are far more flexible than gasoline taxes and can fund public transit operations. So-called GARVEE bonds are a newer innovation that promise future transportation revenues as payment for retiring bond debt – unfortunately they have negatively impacted state transportation budgets, and should be avoided until significant structural flaws in the financing mechanism can be worked out.

Table 3. States with Constitutional or Statutory Provisions Restricting Expenditure of State Gasoline Tax Revenues to Highways

	Constitutional or Statutory Restriction on State Gasoline Tax Expenditures
Alabama	Constitutional
Alaska	Statutory
Arizona	Constitutional
Arkansas	Statutory
Colorado	Constitutional
Georgia	Constitutional
Idaho	Constitutional
Indiana	Statutory
Iowa	Constitutional
Kansas	Constitutional
Kentucky	Constitutional
Maine	Constitutional
Minnesota	Constitutional
Mississippi	Statutory
Missouri	Constitutional
Montana	Statutory
Nebraska	Statutory
Nevada	Constitutional
New Hampshire	Constitutional
New Mexico	Statutory
North Dakota	Constitutional
Ohio	Constitutional
Oregon	Constitutional
Pennsylvania	Constitutional
South Dakota	Constitutional
Tennessee	Statutory
Utah	Constitutional
Washington	Constitutional
West Virginia	Constitutional
Wyoming	Constitutional

(2) How Will the Revenues Be Spent?

How revenues from a transportation funding measure are spent is typically the most controversial aspect of any financing effort. Local funding measures – particularly sales taxes – are often the most flexible source of funding for public transit operations. The public and many interest groups respond well to both a balance of projects – with a strong emphasis on public transit in metropolitan areas – along with an assurance that the money will be spent on specific projects or program types. Voters must also consider whether revenue is tied to specific projects or programs. The "trust us" approach of failing to specify either project or program categories is far from ideal. A significant problem on the expenditure side is the lack of ongoing maintenance and operations funding for both road and public transit, and the frequent absence of any land use planning criteria or incentives for local growth patterns that will protect the public's infrastructure investments. San Mateo County, California, presents an excellent case study in the use of transportation funds as incentives for better land use thereby reducing future needs for costly new transportation infrastructure.

(3) What Provisions for Oversight and Accountability Have Been Established?

Third-party monitoring is critical to ensure that transportation agencies and taxing authorities are accountable to users of the system and to their fiscal sponsors. Oversight committees should include a broad representation of agency staff, elected officials, stakeholders, interest groups and users of the system (the disabled, senior citizens etc.). Performance measures should be built into the funding measures to gauge the effectiveness of projects and programs in attaining public goals such as mobility, safety, air quality improvement, and traffic congestion relief. Sunset clauses to limit the life of the funding measures and require winning renewed support from voters after 10, 20 or 30 years also adds additional accountability assurances.

(4) How Do Proposed Projects Relate to Existing Plans and Processes?

Projects and programs funded via transportation ballot measures must reflect, rather than bypass or ignore, the planning process and existing plans. Under ISTEA and TEA-21, regions and states must produce continually updated short-term and long-term transportation plans. These plans run the gamut from a wish-list of projects, to detailed descriptions of proposed infrastructure changes or additions, including an analysis of those proposed projects' impacts on regional air quality.

Projects or programs contained in ballot measures should relate to and reflect those existing plans or processes. While ballot measures serve as an important mechanism by which citizens can voice their opinions about what the state or region's transportation system should look like, the authors of such measures must consider the plans already in place. Failing to do so could have detrimental impacts on agency budgets and efforts to improve mobility, safety, or air quality.

(5) Is the Proposed Initiative at the Appropriate Level of Government?

Finally, the voter must consider whether the proposed project or program will be administered at the appropriate level of government. Regional planning has gotten somewhat of a boost within recent legislation. Transportation problems and needs, like so many other issues today, no longer follow the political lines and boundaries that were established hundreds of years ago. While regions vary throughout the country, they are typically comprised of a traditional urban core and its multiplicity of outlying suburbs – often also encompassing several counties.

The federal transportation funding laws, ISTEA and TEA-21, greatly strengthened the regional transportation planning process. Those laws gave Metropolitan Planning Organizations (MPOs) increased funding and expanded authority to select projects and mandates for new planning initiatives in their regions in an effort to ensure that the transportation infrastructure would reflect regional needs and land use patterns. While a regional approach to transportation planning may be imperfect, it is no doubt an improvement over state-driven programs, which often don't reflect regional needs. A regional approach is also sometimes an improvement over a purely locally-based method, which may not be coordinated with other regional projects or goals.

Evaluating Five Transportation Funding Measures in Depth

In addition to an overall analysis of historical trends and a snapshot of 2002 transportation-related ballot measures, this report analyzes five measures in greater detail to illustrate how they could be evaluated for effectiveness, equity, and balance. The five were selected based on geographical distribution (one in the West, one in the Northwest, one in the South, one in the Midwest and one in the Mid-Atlantic region of the U.S.), scope (two statewide, one regional, two local), and anticipated impact. Of the five chosen for in-depth analysis, Alameda County's Measure B transportation sales tax was approved in November 2000 and Missouri's Proposition B was rejected by voters in August 2002. The three remaining measures — the Miami-Dade County sales tax in Florida, Referendum 51 in Washington State, and northern Virginia's regional sales tax referendum – will all appear on the ballot November 5, 2002. Initial findings once the five evaluation criteria are applied to the measures can be summarized as follows:

(1) **Alameda County, California**: the passage of Alameda County's Measure B sales tax in November 2000 presents a useful yardstick by which to judge other financing measures. Though using a more regressive sales tax, great care was taken to ensure that the measure's programs benefited lower income residents by dedicating one-third of revenues to public transit operations. Additional dedicated funding categories provided revenues for bicycle and pedestrian safety, land use incentives, local street and road repair, and new public transit and highway capital projects. The eventual measure won a rare show of unanimous support from a broad range of stakeholders and the public took notice, approving Measure B with 81.5 percent support.

(2) **State of Missouri**: the failure of Missouri's Proposition B in August 2002 by nearly a 3-to-1 margin was seen as a rejection of a poorly assembled plan that amounted to an effort to pay down previous funding obligations. The proposition would have set aside 13 percent of its funding for public transit and other "multimodal" measures, an amount that critics and many voters felt was too little to make much of an impact. The measure would have increased the state gasoline tax by four cents and the state sales and use tax on vehicles by a half percent. The general sales tax would have generated about 60 percent of the total revenue for the measure. The measure also failed to devolve much of its revenues down to the regional and local level and asked the voters to believe in the "trust us" approach.

(3) **Miami-Dade County, Florida**: a half cent sales tax measure on the November ballot will fund a variety of transportation projects including rail transit, bus transit, road repairs, highway widenings, sidewalks, bikeways and neighborhood-based improvements. The measure grew out of a unique and impressive community-based effort to identify the most pressing transportation problems countywide.

(4) **Northern Virginia**: the sales tax referendum appearing on the November 5th ballot has been broadly debated on many if not all of this report's evaluation criteria. Among these are the failure to lock in dedicated funding streams (i.e. almost half of the funding follows the "trust us" approach), the lack of any provision for performance measures or coordinated land use planning, and the problems that a subregional measure poses for the plans and processes already in place at the regional level – particularly for the entire region's air quality conformity.

(5) **State of Washington**: Though drawing from a variety of revenue sources, including a heavy reliance on user fees, Referendum 51 has drawn vocal opposition from a broad cross section of public interest groups for failing to spend enough of its funding on a wider range of transportation choices. The groups are asking for at least one-third of the measure's funding to be dedicated to transportation choices (public transit and other alternatives to solo driving) and a greater focus on traffic safety projects. Other analysts point out that the measure is almost exclusively focused on capital projects influenced more by politics than sound policy, with little funding included for project maintenance or repairs.

While a total of 41 transportation funding measures are appearing on the ballot in 2002, the ones selected provide a great deal of insight into the trends and issues that prove to be consistent throughout each.

Recommendations

While local transportation funding measures will vary widely according to the different transportation needs of any given region or state, the following seven recommendations can provide an important guide for improving the content, consistency, accountability and overall public support for future transportation financing measures presented to voters.

(1) **Make Traditional User Fees – Especially State Gasoline Taxes – More Flexible**: As of 2002, 30 states have prohibitions in their state constitutions or statutes on the expenditure of state gasoline taxes on public transportation services. These restrictions are arcane, outdated and are a large part of the reason voters are turning to ballot measures to help fund public transit.

(2) **Index Gasoline Taxes to Inflation**: If politicians are unwilling to raise gasoline taxes, states need to begin indexing gasoline taxes to at least match the increase in the consumer price index. Gasoline taxes may not play the dominant role in raising transportation revenues that they once did, but they should be maintained as an important part of the "user fee" financing structure.

(3) **Develop New User Fees to Supplement Gasoline Taxes**: While gasoline taxes are important in terms of being a "user fee," it's clear that their purchasing power and their political viability are eroding quickly. New forms of user fees must be developed as a means of providing additional transportation revenues and maximizing economic efficiency in the use of the transportation network. Possible user fees include road and bridge tolls, congestion pricing charges, a "vehicle miles traveled" (VMT) fee based on the distance driven, and energy taxes on vehicles with minimal fuel efficiency.

(4) **Avoid the "Trust Us" Approach**: One of the biggest problems that both stakeholder groups and many voters have with local financing measures is that they necessitate a basic trust of government and public agencies. One way to get around this mistrust is to end or discourage the practice of allowing large parts of funding measures to be left unaccounted for until after the election. At the very least, funding measures should specify specific program categories and purposes that funding will be distributed among. Measures should also contain performance measures and statistical analysis to substantiate promised benefits.

(5) **Require Greater Stakeholder Involvement**: Stakeholders and members of public interest groups should be closely involved in the development of transportation funding measures early on. An additional mechanism to ensure ongoing public involvement and encourage the trust of the voters (and the good will it takes to return to the voters in subsequent elections) is to establish citizen oversight committees that consist of both citizen appointees as well as specific interest groups. A good model is Alameda County's Measure B approved in 2000 that contained both a citizen advisory committee as well as a citizens' watchdog committee.

(6) **Apply a Social Equity Test for Non-User Fees**: Since general fund revenues are typically spent on health care, education and other social service programs, voters and officials must apply an "equity test" for non-user fee financing of transportation. The simple question is "who benefits and who pays?" In the case of poorer families paying sales taxes, it stands to reason that poorer families should also benefit from the programs and projects in the tax expenditure plan.

(7) **Encourage or Require Land Use Incentives in Funding Measures**: The missing component of all too many transportation financing measures is growth management and land use. Additional transportation investments will do nothing to meet future transportation needs if growth pressures and land use decisions are not closely coordinated. This must become a routine component of any responsible transportation finance measure and can help win additional voter and stakeholder support.

This year's transportation funding measures appearing on the ballot mark a significant shift in how the nation's transportation infrastructure needs are being financed. While some form of user fees (e.g. gasoline taxes) will continue to play an important role in transportation finance in the near future, the trend towards voter-approved measures looks to be only getting stronger. It is vital for transportation interests and decisionmakers to understand why this trend is happening, to do what they can to improve the content and consistency of the measures in terms of integrating them with existing transportation plans and processes, and perhaps most importantly re-orient traditional state and federal funding sources towards better supporting the trend toward better transportation choices.

Chapter 1:
Local Transportation Funding Measures: Issues and Trends

Surface transportation projects and programs[1] represent one of the largest public expenditures in the nation. Paying to build and maintain the nation's streets, roads, highways, buses, trains, bicycle facilities, and sidewalks costs taxpayers more than $150 billion annually.[2] Historically, the federal and state governments have raised the revenues to pay for state and local transportation projects through taxes, which are generally known as "user fees," assessed on transportation-related products like gasoline and diesel fuels, tires and vehicles. Local governments, on the other hand, have typically contributed non-user revenues from general fund support, largely through property and sales taxes, traditionally investing in the maintenance of existing local roads and streets with a more recent shift to the financing of public transit, paratransit, bicycle and pedestrian facilities.

Highway interests have long argued that revenues generated from transportation taxes and fees should be treated differently from other revenues, and should only be spent on transportation programs and only on highway facilities specifically. Consequently, many states went so far as to create rigid budgetary firewalls in their state constitutions and state laws that prevent state gasoline tax revenues from being spent on non-highway investments, with constitutional amendments that often prohibited expenditures on public transportation. A number of these restrictions were enacted in the mid-twentieth century at a time when transit operations were largely non-subsidized private enterprises. Transportation programs – however one-dimensional – would be self-supporting, so the thinking went, with users of the system paying their "fair share" for their use of the system.

Yet the reality has always been that transportation in the United States has been far from self-supporting, despite the mantra that users pay for these facilities. Local property taxes – clearly not a "user fee" – and other local general fund revenues have always been a major contributor to overall transportation spending, paying for a large part of street and road maintenance costs at the city and county level, systems that account for a substantial share of the nation's roadway infrastructure.[3]

Now, at the beginning of the twenty-first century, the nature of transportation finance is beginning to undergo yet another significant transformation, and the details of why and how things are changing have tremendous implications for the future of transportation policy all across the country. Two of the most significant new trends emerging in how government pays for transportation projects and programs are: (1) a move away from traditional "user fees," particularly motor fuel taxes, and towards sales taxes and other general fund revenues; and (2) asking voters for approval of the transportation funding measures.

The shift away from user fees is due to a number of factors, most notably a growing reluctance on the part of governors and state legislatures to increase state gasoline taxes and other transportation-related fees. In recent years, state gasoline taxes have remained relatively stagnant for the most part, failing to even keep pace with inflation, and several states have scrapped so-called "car taxes" (personal property taxes assessed on the value of a vehicle). While federal transportation funding has provided significant resources to state and local governments for transportation investment, particularly with the passage of the 1998 federal surface transportation law known as TEA-21, revenues have largely peaked as the growth in driving in the U.S. appears to have leveled off. In the face of these financial realities, states and localities in particular are increasingly looking to new funding sources to pay for highway expansion, rehabilitation and maintenance, public transit improvements and safety upgrades, and bicycle and pedestrian facilities. What is particularly notable about the many transportation financing measures before the voter this November is that all but three of these measures are asking the general taxpayer, not transportation system users, to support transportation improvements.

This shift towards an increasing prevalence of voter-approved local tax and bond measures and a declining reliance on so-called user fees needs to be more closely examined and analyzed by transportation interests. Overall, there appear to be two main reasons for this trend:

Table 1. 1957 State Motor Fuel Taxes Adjusted for Inflation to 2002 (cents)

	1957 State Motor Fuel Tax	1957 State Motor Fuel Tax Adjusted for Inflation to 2002	2002 Actual State Motor Fuel Tax	Difference Between Actual and Inflation Adjusted 1957 State Motor Fuel Tax
Alabama	7.0	37.9	18.0	-19.9
Alaska*	5.0	25.5	8.0	-17.5
Arizona	5.0	27.1	18.0	-9.1
Arkansas	6.5	35.2	21.7	-13.5
California	6.0	32.5	18.0	-14.5
Colorado	6.0	32.5	22.0	-10.5
Connecticut	6.0	32.5	25.0	-7.5
Delaware	5.0	27.1	23.0	-4.1
District of Columbia	6.0	32.5	20.0	-12.5
Florida	7.0	37.9	13.9	-24.0
Georgia	6.5	35.2	7.5	-27.7
Hawaii*	5.0	25.5	16.0	-9.5
Idaho	6.0	32.5	26.0	-6.5
Illinois	5.0	27.1	19.3	-7.8
Indiana	4.0	21.7	15.0	-6.7
Iowa	6.0	32.5	20.0	-12.5
Kansas	5.0	27.1	21.0	-6.1
Kentucky	7.0	37.9	16.4	-21.5
Louisiana	7.0	37.9	20.0	-17.9
Maine	7.0	37.9	22.0	-15.9
Maryland	6.0	32.5	23.5	-9.0
Massachusetts	5.0	27.1	21.0	-6.1
Michigan	6.0	32.5	19.0	-13.5
Minnesota	5.0	27.1	20.0	-7.1
Mississippi	7.0	37.9	18.4	-19.5
Missouri	3.0	16.3	17.1	0.8
Montana	7.0	37.9	27.0	-10.9
Nebraska	6.0	32.5	25.4	-7.1
Nevada	6.0	32.5	24.0	-8.5
New Hampshire	5.0	27.1	19.0	-8.1
New Jersey	4.0	21.7	14.5	-7.2
New Mexico	6.0	32.5	18.0	-14.5
New York	4.0	21.7	22.6	0.9
North Carolina	7.0	37.9	24.5	-13.5
North Dakota	6.0	32.5	21.0	-11.5
Ohio	5.0	27.1	22.0	-5.1
Oklahoma	6.5	35.2	17.0	-18.2
Oregon	6.0	32.5	24.0	-8.5
Pennsylvania	6.0	32.5	26.6	-5.9
Rhode Island	4.0	21.7	29.0	7.3
South Carolina	7.0	37.9	16.0	-21.9
South Dakota	5.0	27.1	22.0	-5.1
Tennessee	7.0	37.9	21.4	-16.5
Texas	5.0	27.1	20.0	-7.1
Utah	5.0	27.1	24.8	-2.3
Vermont	5.5	29.8	20.0	-9.8
Virginia	6.0	32.5	17.5	-15.0
Washington	6.5	35.2	23.0	-12.2
West Virginia	6.0	32.5	25.4	-7.2
Wisconsin	6.0	32.5	27.3	-5.2
Wyoming	5.0	27.1	14.0	-13.1
				0.0
Average	**5.7**	**31.0**	**20.3**	-10.7

*Alaska and Hawaii became states after 1957. The state gas taxes shown are for 1959.

- The growing reluctance to increase traditional transportation user fees such as state motor fuel taxes;

- The growing popularity of public transit which is difficult to finance through traditional "user fee" methods like state motor fuel taxes.

(1) The Erosion of Traditional Transportation "User Fees": Transportation finance has long been dominated by a "user pays" philosophy even though non-users have significantly contributed to transportation projects through property taxes and bonds. But gasoline taxes – state gasoline taxes in particular – have started to falter in terms of providing adequate financing due in part to their failure to keep pace with inflation.[4] Indeed, had the average state gasoline tax from 1957 kept pace with inflation, it would be worth about 30 cents today compared to the actual average of 20.3 cents (see Table 1). In contrast, the 18.4 cents per gallon federal gasoline tax has more than kept up with inflation. In 1957, the federal gas tax was 3 cents per gallon. Had that tax simply been adjusted for inflation, it would be 16.8 cents today.[5]

From 1995 to 1999, by far the largest increase in any non-federal transportation revenue source came from non-user fees (including appropriations from the general fund, sales taxes and other imposts, property taxes, miscellaneous income, and bond proceeds), with local non-user fee revenues increasing by 27 percent and state non-user fee revenues increasing by 46 percent. In contrast, federal gas tax revenues increased by 87 percent and state gas tax revenues increased by only 19 percent, and much of that increase was due to increased driving rather than an increase in the state gas tax[6] (see Table 2).

While some states do index their state gasoline taxes to the consumer price index, most do not – and state legislatures and politicians are increasingly reluctant to approve increases in state gasoline taxes.[7] Of the 41 transportation funding measures on the ballot in 2002, only two include an increased state gasoline tax.

Table 2. Trend in Selected Revenue Sources for Roads, Streets, Bridges, Bicycle and Pedestrian Facilities, and Transit, 1995 to 1999 (in thousands)

	Federal	State			Local		
	Highway-User Taxes	Highway-User Taxes	Other Imposts & Appropriations from General Fund	Bond Proceeds	Property Taxes	Appropriations from General Fund	Other Imposts
1995	$21,020,955	$36,200,106	$6,565,101	$4,316,831	$5,220,028	$12,326,330	$4,487,898
1999	$39,299,295	$42,730,665	$8,560,418	$8,298,715	$6,384,348	$15,857,197	$7,079,491
Change	**87%***	**18%**	**30%**	**92%**	**22%**	**29%**	**58%**

*Much of this increase is due to the repeal of the 4.3¢ contribution to the general fund from motor fuel taxes; contributions to the general fund from gasohol taxes were also lowered by 4.4¢ to 4.5¢, depending on the ethanol to gasoline ratio.

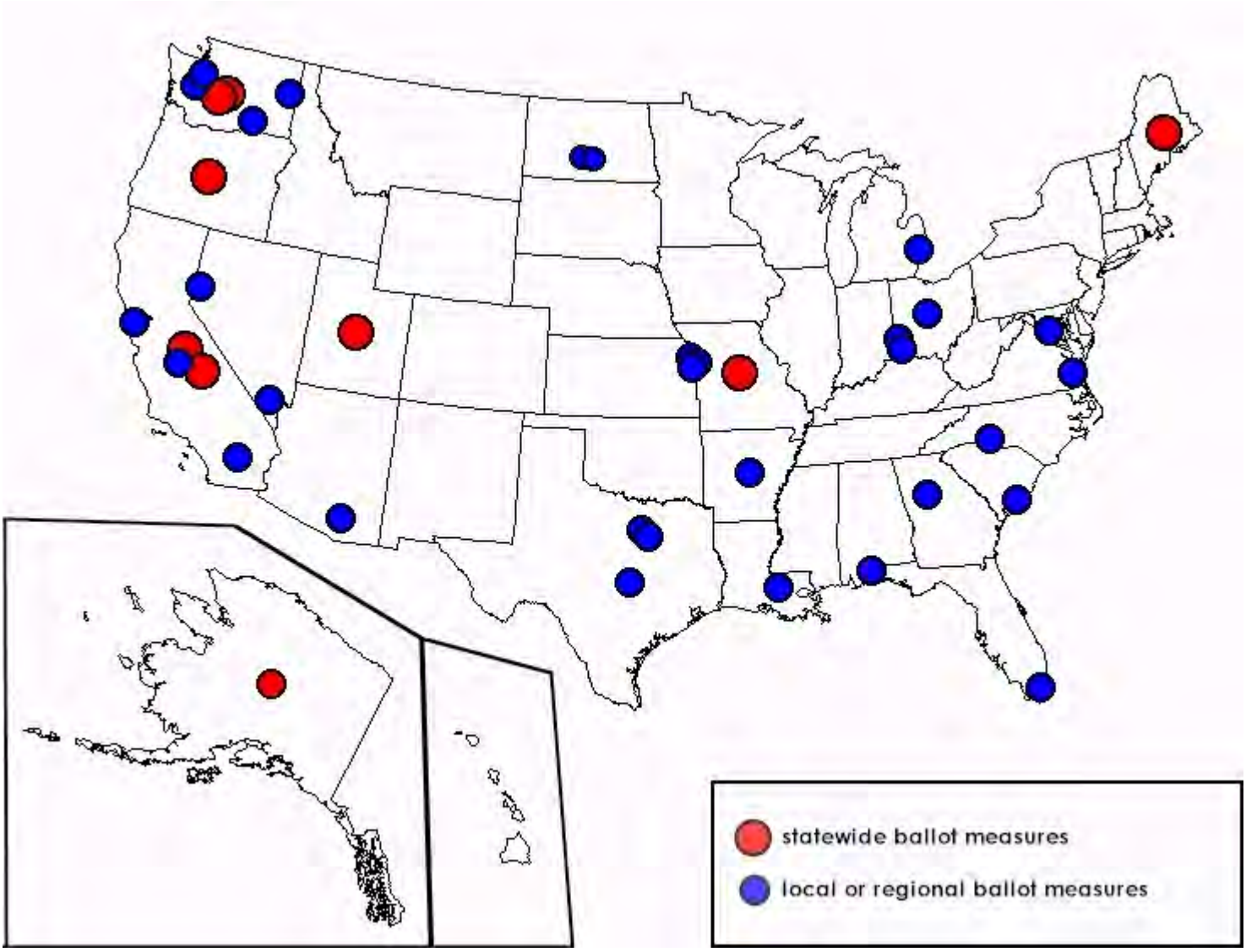
Table 3. States with Constitutional or Statutory Provisions Restricting Expenditure of State Gasoline Tax Revenues to Highways

	Constitutional or Statutory Restriction on State Gasoline Tax Expenditures
Alabama	Constitutional
Alaska	Statutory
Arizona	Constitutional
Arkansas	Statutory
Colorado	Constitutional
Georgia	Constitutional
Idaho	Constitutional
Indiana	Statutory
Iowa	Constitutional
Kansas	Constitutional
Kentucky	Constitutional
Maine	Constitutional
Minnesota	Constitutional
Mississippi	Statutory
Missouri	Constitutional
Montana	Statutory
Nebraska	Statutory
Nevada	Constitutional
New Hampshire	Constitutional
New Mexico	Statutory
North Dakota	Constitutional
Ohio	Constitutional
Oregon	Constitutional
Pennsylvania	Constitutional
South Dakota	Constitutional
Tennessee	Statutory
Utah	Constitutional
Washington	Constitutional
West Virginia	Constitutional
Wyoming	Constitutional

(2) **The Rising Popularity of Public Transportation**: By all accounts, public transportation is more popular with voters than ever[8] and public transportation ridership is higher than it's been since World War II.[9] Yet as explained earlier, most transportation "user fee" revenues are difficult if not impossible to spend on public transit (buses, trains, subways, paratransit jitneys for the disabled, etc.). Thirty states have constitutions or statutes that restrict their state gasoline tax revenues to just roadway expenditures (see Table 3) and federal transportation funding severely neglected mass transit until reforms were passed in 1991 to more evenly level the playing field. To this day, however, federal transportation funds and most state gasoline tax revenues have restrictions prohibiting their expenditure on public transportation operations – the money that provides for increased service frequencies and helps attract riders.[10] Many efforts to allow greater flexibility in the expenditure of state gasoline taxes on public transit have failed due to the political difficulties involved in amending state constitutions. Local transportation funding measures – often in the form of sales taxes – have increasingly provided a critical and somewhat stable source of funding for mass transit systems. Of the 41 transportation funding measures on the ballot in 2002, 28 are specifically intended to fund public transportation services with some portion of the revenue.

Given this trend towards an increasing reliance on local voter-approved transportation funding measures, this paper seeks to provide some guidance on how to evaluate them for their effectiveness, equity, and balance. This report identifies information on 41 transportation measures initiated across the country in 2002. Some 28 transportation-related measures in 16 states on the ballots this November could raise almost $117 billion for transportation projects, programs and operations over the next twenty years (see Appendix for details). Earlier this year, nine other measures passed and four failed.

In addition to this initial scan of 2002 transportation-related ballot measures, this report identifies five measures to analyze in greater detail to illustrate how they could be evaluated for effectiveness, equity, and balance. The five were selected based on geographical distribution (one in the West, one in the Northwest, one in the South, one in the Midwest and one in the Mid-Atlantic region of the U.S.), scope (two statewide, one regional, two local), and anticipated impact. Of the five chosen for in-depth analysis, Alameda County's Measure B transportation sales tax was approved in November 2000 and Missouri's Proposition B was rejected by voters in August 2002. The three remaining measures — the Miami-Dade County sales tax, Northern Virginia's Regional Sales Tax Referendum, and Referendum 51 in Washington State– will all appear on the ballot November 5, 2002.



The Origin of Voter-Approved Measures

Americans have the populist movement to thank for voter approval of statutes, constitutional amendments, and funding measures. In use throughout many states since 1898, ballot measures have long given voters a voice in the legislative and finance arena. The two main methods of placing items on the ballot are citizen-led measures – also known as "initiatives" – and legislative-sponsored measures – commonly known as "referenda." Twenty-four states allow some form of initiative to appear on the ballot. Every state except Delaware allows referenda to appear before voters. While issues that cut across the political spectrum have consistently shown up on the ballot for over a hundred years now, it is only more recently that transportation funding measures in particular have appeared on the ballot in large numbers. This is partly due to the anti-tax movement requiring more funding measures to be put to a public vote and partly due to the more local nature of the measures (local governments more often require public approval of financing measures than do states).

Chapter 2:
Evaluating Local Transportation Funding Measures

In order to conduct a systematic and detailed evaluation of transportation ballot measures, it was necessary to develop a set of questions which can be asked of each. The basic questions of where the funds are coming from, and what the revenues will be spent on, must be answered. Evaluators must also ask what provisions for oversight and accountability have been established. The ballot measure must be considered in the context of existing plans and processes. Finally, it is important to ask if the proposed measure is at the appropriate level of government.

First and foremost, voters need to ask whether additional transportation funding is truly needed. This is a very difficult, but obviously very important, question to ask before any of the others. While this paper does not directly address this issue in the detailed analysis of each of the five measures, current transportation funding projections and needs should be analyzed in great detail. While there is often a strong case to be made for new revenues and new projects or programs, the case for new money over and above existing transportation revenues must be made by the proponents of any new funding measure. It should be noted that this often relates directly to the issue of underlying land use patterns and assumptions – if land use and growth aren't well managed, the thirst for new transportation funding may prove insatiable.

Critics of voter-approved funding measures also argue that such measures are inherently flawed because the voter's voice on the matter is limited to a simple yes or no. This puts the voter who favors some elements of a ballot measure, but is opposed to others in the awkward position of having to choose the lesser of two evils. This paper does not presume to address that issue inherent to the nature of these measures, but STPP feels that it is important to acknowledge the criticism.

Of course, one important way to enhance voter approval and general public support is by involving a diverse range of stakeholders in the development of the funding measure itself. Broad support from business, environmental, disability, labor, community development groups and other key interests has made the difference between success and failure for many local financing efforts. Voters should obtain third party position statements of local funding measures if at all possible (some are printed in voter election guides but are generally incomplete) when deciding whether to support or oppose a local measure. Alameda County's Measure B in 2000 (see Chapter 3) and Clark County's Question 10 on the November 2002 ballot are good examples of broad based support from a variety of stakeholder interests. In addition to third party support and opposition statements, the following five criteria provide an important initial framework for evaluation.

Where Will the Revenue Come From?

In 2002, 41 transportation finance measures were or will be on the ballot. The sample includes three bond issues, one motor vehicle excise tax, one cigarette tax, one gas tax, five property taxes, three multiple tax measures, and twenty sales tax measures. Additionally, other ballot measures seek to change the distribution of transportation funds by restricting or broadening the eligible uses of certain funding pots, and several advisory measures would authorize state legislators or local representatives to seek additional funding sources.

That 41 referenda in 2002 relate to transportation financing serves as evidence of the fiscal constraints states and regions are presently facing. The dire condition of state transportation budgets must be contrasted with federal funding for transportation that grew by more than 45 percent with the passage of TEA-21 in 1998, from $155 billion over the life of ISTEA to $227 billion under TEA-21.[12] Unfortunately, even as states were enjoying record levels of federal funding, as noted above, traditional sources of state funding, gasoline and motor vehicle taxes, remained relatively steady. This resulted in a situation in which state Departments of Transportation were forced to dig into state coffers to meet the required state match for federally sponsored projects. Confident of consistent

growth in the number of miles driven (thus increasing state gasoline tax revenues), most states failed to increase the rate of their primary funding source – the state gas tax. In fact, of the 50 states and the District of Columbia, only six increased state gasoline taxes faster than inflation since 1998, when TEA-21 ushered in a more than 45 percent increase in federal transportation funding.[13] Five states – Connecticut, Nebraska, Nevada, New Mexico, and New York – actually lowered state gasoline taxes.[14] As a result, several states have had trouble even providing the match for federal highway funds. When the growth in the number of miles driven (VMT) slowed and then stalled in 2000, many states suddenly discovered that they would have to dip well into their reserves in order to find funds for the state share of transportation projects.

California is particularly notable for its recent increase in diverting general fund revenues for transportation purposes. A combination of recent ballot measures and state legislation has locked up tens of billions of dollars in general fund revenues, at a time when the state has been experiencing budget deficits as high as $24 billion. In 2004, a measure placed on the ballot by the California state legislature will ask voters to approve yet another portion of general fund dollars, setting aside a growing percentage state's general fund – worth as much as $5 billion a year — specifically for transportation projects.

Public transit programs have been particularly hard hit by dwindling state transportation budgets. As of 2002, thirty states have constitutional or other restrictions prohibiting gasoline tax revenues from being spent on transit facilities, operations or maintenance. In recent years, as the U.S. is experiencing record transit ridership, these restrictions have made it difficult for transit agencies to keep up with demand.[15] Even for states which don't prohibit gasoline tax revenues from being spent on public transit, agencies face the same state budget shortfalls that have crippled state highway and transportation departments.

Now, as their funding reserves dwindle, states are scrambling to find revenue to fund projects already on the books. Hence the 41 financing initiatives on 2002 ballots. Interestingly, only two initiatives seek to address the ultimate source of states' funding shortfalls – the failure to raise state gasoline taxes. The majority of the referenda look to raise funding by increasing sales taxes, property taxes, or even the cigarette tax. This approach to raising revenue for transportation projects is problematic for two reasons.

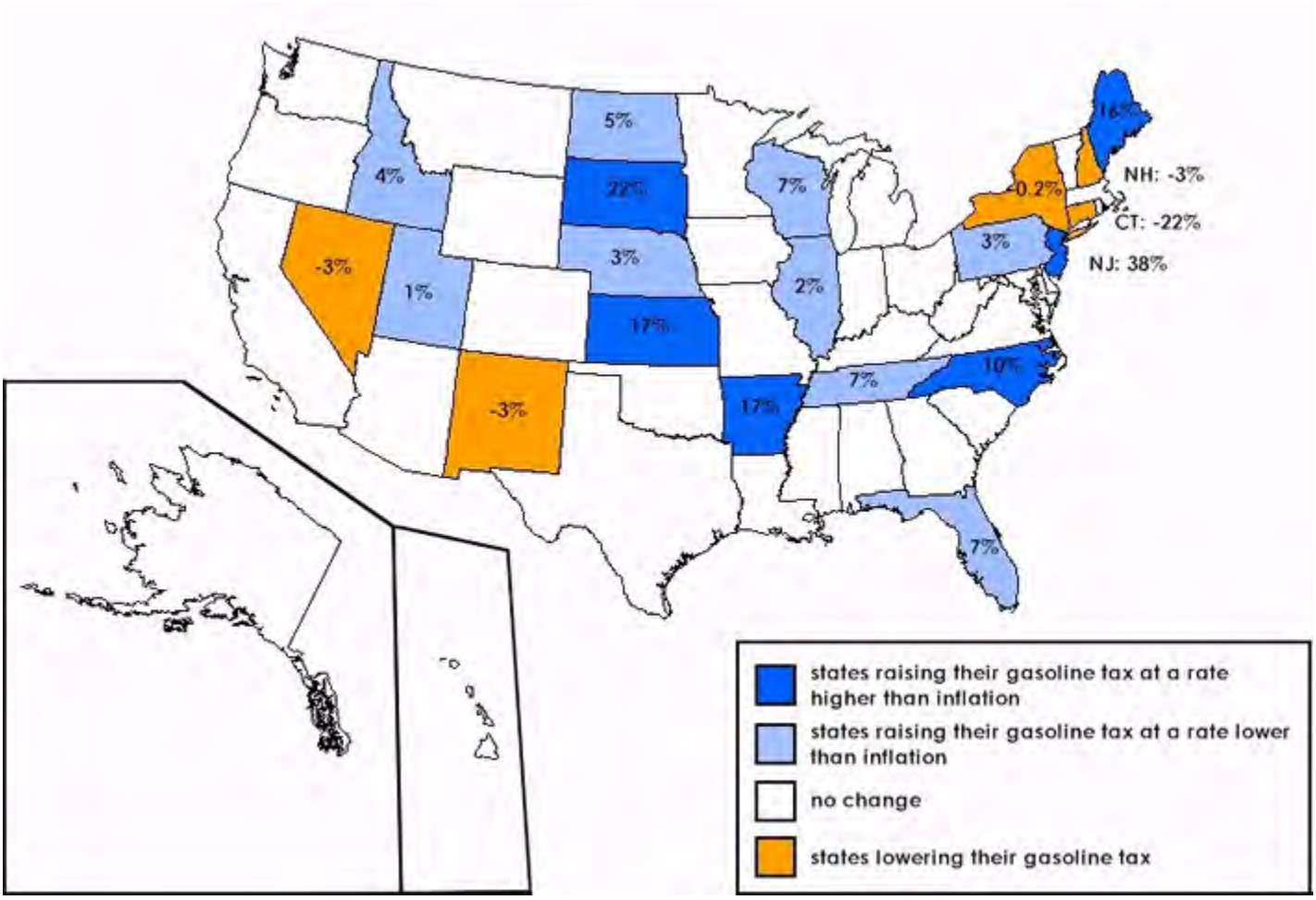
First, like all taxes not directly tied to income (including the gasoline tax), sales taxes are regressive, meaning that lower-income individuals must devote a larger share of their budget to those taxes than higher-income individuals. This puts an unfair burden on the poor to spend more of their income to support a transportation system that benefits all individuals, and is especially burdensome in states which permit sales taxes on food, medicine and other necessities.[16]

Second, even though both the sales tax and the gasoline tax are regressive, the sales tax is a non-user fee. Except for motor-vehicle and motor-fuel excise taxes, sales taxes are not explicitly tied to the use of the transportation system. In contrast, the gasoline tax attempts to approximate the payer's use of the system. For every gallon of gasoline consumed, the driver contributes 18.4 cents to the federal highway trust fund and a varying amount to the state transportation trust fund, which is largely used to build and maintain roads (for a full list of all current state gas tax rates, see Table 1). The gasoline tax also serves as a small incentive to use the system more efficiently – the more you drive, the more you pay.

In addition to the sales and gasoline taxes, voters will be considering or have already decided the fate of several bond issues. Bonds have been a popular, and mostly proven mechanism for raising up-front capital to pay for infrastructure projects. Even though they also amount to a non-user fee and must typically be paid back through general fund revenues, they were among the first methods used to finance road projects in the early twentieth century. However, many states are experimenting with a new type of bond, with negative results. In an attempt to provide states with innovative financing mechanisms, Congress, in the federal transportation funding bill TEA-21, established the guaranteed anticipated revenue vehicle or GARVEE bond. The GARVEE bond allows states to borrow against expected future federal transportation funds, essentially pushing debt off into the future.

This is an attractive financing opportunity for policy-makers who correctly discern that they will be able to take credit now for new roads or transit facilities, while the bill for those projects will be passed on to future elected officials. Unfortunately, in using GARVEE bonds, states are leveraging their future capacity to maintain the infrastructure expansions they're constructing now with those GARVEE bonds. Already, after just a few years in existence, this innovative financing mechanisms appears to be sending states into bankruptcy. New Mexico, which has used GARVEE bonds and other innovative financing liberally, must now devote more than 20 percent of its federal funds to debt service. As a result, New Mexico's $60.5 million "100 Percent State Construction Program," intended to fund highway improvements on the 1,200 miles of roads not eligible for federal funding, will go unfunded next year. As Alaskans go to the polls this November to vote on the issuance of $100 million in GARVEE bonds, they should take a long, hard look south to New Mexico before casting their vote.

While GARVEE bonds may prove disastrous for some states, their use points to an important financing issue. That is, some taxes and financing mechanisms might be more appropriate for lower-cost, short-range solutions. Other taxes or financing mechanism may better address large-scale, high-cost investment for long-range solutions. While there is no hard and fast rule for determining this, voters should consider the question before casting their ballot.



How Will the Revenues Be Spent?

Perhaps even more contentious than where the revenues are coming from is how those revenues will be spent. In evaluating a local transportation funding measure, voters must consider whether the revenue is tied to specific projects or programs – essentially if basic guarantees exist for how the money will be spent. This is vitally important, as many local spending measures are increasingly being sold on the promise of better mass transit without proper assurances that the funding will eventually be spent on the programs that are highlighted in the public campaign to

win voter support. This "trust us" approach must be closely examined and is far from ideal. The voter must also examine the modal mix and balance of specified or eligible projects and programs, and weigh the relative share dedicated to maintenance and operation against the share going to capital expenditures and capacity expansion. Finally, the voter must attempt to evaluate both the short-term and long-term effectiveness of the proposed measure.

It has become increasingly clear that the public – particularly in metropolitan areas where nearly 80 percent of Americans now live – is demanding a more balanced transportation system and a greater diversity of travel choices, including better public transit service. A 2000 poll conducted for Smart Growth America found that 60 percent of Americans want their state governments to spend more of its transportation budget for improvements in public transportation, such as trains, buses and light rail. Seventy-seven percent of respondents support using part of their state transportation budget to create more sidewalks and stop signs in communities to make it safer and easier for children to walk to school.[17] It may be appropriate for smaller funding mechanisms to be narrowly focused on a single mode (i.e. road maintenance) or a single project, but larger funding initiatives should include a well-balanced mix of different project and program types. The right mix will necessarily vary widely from region to region, but priority should be given to programs and projects that can't typically be funded through traditional "user fee" financing mechanisms: transit operations, paratransit for seniors and the disabled, local street and sidewalk repairs, road maintenance and land use incentives.

To be truly effective at meeting ongoing transportation needs, local funding measures should provide funding not just for the initial construction of a facility, but also for its long-term maintenance and continued operation. This seems like an obvious point, but states and regions are often tempted to raise short-term capital for the construction of infrastructure projects, without consideration of the long-term operations and maintenance costs. New Mexico, for example, has been forced to divert federal and state funds away from its maintenance program in order to pay the debt service incurred in its recent road-building program.

Finally, and perhaps most importantly, transportation problems in general and traffic congestion in particular will never truly be solved unless far more aggressive efforts are undertaken to influence local land use and growth patterns. Highways inevitably attract development, which inevitably attracts more traffic to the highway, which leads to cries for solutions to an already congested investment. Likewise, transit facilities without transit-oriented development will struggle to meet ridership goals, and may not achieve air pollution reduction goals if riders must drive their cars to the station. Transportation funding measures should include strong provisions for coordinating transportation and land use and ideally will include distinct funding categories for transportation incentives that reward local efforts to both deter residential and commercial development around highways as well as attract intensified development around new public transit facilities.

An excellent example of this incentive approach can be found in San Mateo County, California, as part of the county transportation agency's new transit-oriented development incentive program. In a recent study of the underlying causes of traffic congestion, planners concluded that their transportation problems didn't necessarily have transportation solutions. The study pointed to the lack of affordable housing near jobs and close to public transit as one of the main causes of traffic congestion. The county transportation agency thus started a new program to reward local cities with transportation dollars based on the construction of housing near jobs and public transit. If the city breaks ground on the housing units, they are rewarded with transportation dollars based on an incentive of $2,000 per bedroom constructed. County officials are planning to include funding for these land use incentives in the development of their next local transportation sales tax measure that will likely appear before voters in 2004. Transportation officials have often distanced themselves from any debate over how growth patterns contribute to traffic congestion (by failing to build affordable housing close to jobs, for example) and the overall responsibility that the transportation sector has to help promote better land use. Yet an increasing number of experts and local decision-makers are beginning to see the strong connection between transportation and land use, and there is no longer any reason why growth management measures and land use incentives shouldn't be included

in a local transportation funding measure. Indeed, the public's investment of its tax dollars will be much better served and protected if there are strong land use provisions and incentives included.

What Provisions for Oversight and Accountability Have Been Established?

In this era of Enron and MCI-Worldcom accounting scandals, the need for financial oversight in both the private and public sector has become increasingly clear. Several state departments of transportation have recently come under scrutiny for their less than forthright accounting practices and project selection process. It seems clear that third-party monitoring is critical to ensuring that agencies and programs are accountable both to their fiscal sponsors and to the users of the system. Third-party monitors can also help assure that programs and agencies are making progress toward meeting objective performance measures.

Key to the success of an oversight committee is whether or not its structure includes ample public representation. The best oversight committees include not just decision-makers, agency officials, engineers, planners, and other transportation experts, but also representatives from the general public. These are the people the system is designed to serve, and whose tax dollars are paying for the improvement, thus their input is vital to the success of a project or program. The influential oversight committee (called the Citizens' Watchdog Committee) created under Alameda County's Measure B is composed of ten appointees from local-elected officials, and seven interest groups specifically identified by the referendum.

Accountability typically refers to fiscal disclosure. But accountability can and should go far beyond the question of who's looking after the books. Agencies and programs must be answerable to objective performance measures beyond financial efficiency. Taxpayers want to know how the project or program will help increase mobility, alleviate traffic congestion, make the system safer, improve air quality, better link land use and transportation planning, and help to enrich, rather than detract from quality of life. Established performance measures must be objective and quantifiable, as opposed to vague promises or goals. For example, rather than stating that the funding measure will improve air quality, a quantifiable performance measure might seek a five ton reduction in nitrogen oxides. The funding measure should not make a hollow promise to end traffic congestion, instead it should endeavor to reduce travel times or increase transit ridership. Objective, quantifiable performance measures provide policymakers and the public with the ability to test the effectiveness of an effort.

How Do Proposed Projects Relate to Existing Plans and Processes?

Under ISTEA and TEA-21, regions and states must produce continually updated short-term and long-term transportation plans. These plans run the gamut from a wish-list of projects, to detailed descriptions of proposed infrastructure changes or additions, including an analysis of those proposed projects' impacts on regional air quality.

Projects or programs contained in ballot initiatives should relate to and reflect those existing plans or processes. While ballot measures serve as an important mechanism by which citizens can voice their opinions about what the state or region's transportation system should look like, the authors of such measures must consider the plans already in place. Failing to do so could wreak havoc on agency budgets and efforts to improve mobility, safety, or air quality.

Is the Proposed Initiative at the Appropriate Level of Government?

Finally, the voter must consider whether the proposed project or program will be administered at the appropriate level of government. The transportation challenges of the 1950s were addressed by building an interstate highway system to link major cities and states. Now, the transportation challenges of the 21st century are more about how people move *within* rather than *between* growing metropolitan areas – the expanding areas of cities and suburbs where a majority of Americans now live. Regional planning has gotten somewhat of a boost within recent legislation. Transportation problems and needs, like so many other issues today, no longer follow the political lines and boundaries that were established hundreds of years ago. While regions vary throughout the country, they are

typically comprised of a traditional urban core and its multiplicity of outlying suburbs – often also encompassing several counties.

The federal transportation funding laws ISTEA and TEA-21 greatly strengthened the regional transportation planning process. Those laws gave Metropolitan Planning Organizations (MPOs) increased funding, expanded authority to select projects and mandates for new planning initiatives in their regions, in an effort to ensure that the transportation infrastructure would reflect regional needs and land use patterns.

While a regional approach to transportation planning may be imperfect, it is no doubt an improvement over state-driven programs, which often don't reflect regional needs. A regional approach is also sometimes an improvement over a purely locally-based method, which may not be coordinated with other regional projects or goals.

However, financing mechanisms for regionally- or locally-specific programs or projects may encounter strong opposition from areas of a state which will not benefit from such programs or projects. For this reason, it is more practical to propose a regional funding mechanism for regionally-specific projects or programs such as the creation or expansion of a transit system.

Chapter 3
Analysis of Selected Measures

Alameda County's Measure B (approved November 2000)

Background

Alameda County in California – spanning from the eastern shore of the San Francisco Bay and the City of Oakland eastwards towards the Central Valley – has a diversity of transportation needs and issues. The county has enjoyed the benefit of one-half percent of the county's sales tax that has been dedicated to transportation projects and services since the voters approved an initial 15-year sales tax in 1986. Aiming to renew the county "half-cent" sales tax before it expired, officials drew up a 15-year reauthorization measure and quickly placed it on the ballot in November 1998. Yet community-based organizations and environmental groups objected to the speed with which the measure was drawn up, as well as to the inadequate funding for public transit and other community-oriented transportation services that they wanted for seniors and people with disabilities in particular. The groups officially opposed the measure, and the 1998 renewal effort failed at the polls.

Immediately after the failure of the sales tax renewal, officials sat down with both supporters and opponents of the measure. Intense negotiations ensued until a compromise was finally brokered by the Alameda County Transportation Authority with the help of the Bay Area Transportation and Land Use Coalition, a coalition of area community, environmental and social equity groups. New funding categories were added to a revised measure and locked in for bicycle and pedestrian safety projects, paratransit services for seniors and people with disabilities, and increased night and weekend public transit services.

Groups representing the homeless and the working poor featured prominently in the negotiations over spending categories and percentages. Social justice advocates argued persuasively that if they were going to support a regressive tax that their clients would have to pay as a significant portion of their overall income, then the tax should support transportation services that would help connect low income individuals with jobs and services. Officials with the Alameda County Transportation Authority accepted the requests of many social justice and environmental organization in return for their active support of the tax measure. More than $186 million was shifted into new projects and programs that would address a wider range of transportation solutions focused on a balance of mass transit, paratransit, road repairs, highway construction and bicycle and pedestrian safety measures. For one of the first times in the state history of local tax measures, a broad and diverse coalition actively supported a transportation tax measure – from road construction interests to environmental groups to homeless advocates – and the public took notice. At the polls in November 2000, 81.5 percent of Alameda County voters approved the new Measure B, reauthorizing the half cent for transportation purposes countywide. The story of Measure B provides one of the best examples of how public participation and stakeholder negotiations can build a broad base of support for a successful transportation funding measure.

Where Will the Revenue Come From?

Measure B reauthorizes a half percent sales tax county-wide in Alameda County that is funded as part of the county's sales and use tax. Retail sales of tangible personal property in California are generally subject to sales tax.[19] County sales tax rates vary by county and city – local sales tax rates are added onto the base statewide sales tax rate of 7.25 percent. Alameda County's sales tax rate is 8.25 percent. The half percent for transportation purposes will generate roughly $1.2 billion over the life of the twenty year measure. A half percent sales tax for transportation purposes was originally authorized by county voters in 1986; the 2000 renewal of the tax allows it to extend through 2022. Even though the sales tax is regressive, it should be noted that Measure B dedicates a substantial share of its expenditures to projects and programs that particularly benefit lower income individuals and families.

How Will the Revenues Be Spent?

Alameda County's Measure B renewal provided funding for one of the more diverse local transportation funding measures ever. This includes guaranteed funding for paratransit (11 percent), mass transit operations (22 percent), local street and road repairs (22 percent) and bicycle and pedestrian safety measures (five percent). Still, several of the individual projects for both highway and transit expansion were criticized as unneeded and a result of the "pork barrel" politics that often drives the development of many ballot measures. The breakdown of the funding categories – in addition to the fact that they were locked in by program rather than vague and unspecific – was crucial in winning support of the many interest groups involved in the development of the 2000 measure. Measure B also provides funding incentives for transit-oriented development, a visionary component that, though small, attempts to address the inherent problems of land use in tackling the problems of transportation.

What Provisions for Oversight and Accountability Have Been Established?

One of the many innovative features in Alameda County's Measure B is the plan's emphasis on accountability. Measure B included provisions for both a citizen advisory committee as well as a "citizen's watchdog committee." The watchdog committee contains citizen appointments made by local cities and county supervisors, as well as one representative each from the local League of Women Voters, the countywide taxpayers association, the local bicycle club, local business interests, disability groups and environmental interests. The watchdog committee reports directly to the public rather than the taxing authority, and is charged with issuing at least one report a year demonstrating progress on the expenditure of funds and completion of projects and services. The taxing authority is also audited annually by professional auditors.

Table 4. Comparison of Alameda County, California's 1998 Plan and 2000 Plan

	approval)		voters)	
Category	**Funds (millions)**	**Percent of Total**	**Funds (millions)**	**Percent of Total**
Transit Operations	$217	18.80%	$312	22.00%
Paratransit	$105	9.00%	$149	10.50%
"Non-Motorized" Bike-Ped	$27*	2.30%	$71	5.00%
Transit-Oriented Development	N/A	0%	$3	0.20%
Local Transportation	$263	22.70%	$318	22.30%
Capital Projects	$547*	47.20%	$569	40.00%
Total	**$1,159****	**100%**	**$1,421****	**100%**

How Do Proposed Projects Relate to Existing Plans and Processes?

One of the few downsides to Measure B is an inherent difficulty in many of the local funding measures both in California and around the country – that the plans that are drawn up for the purposes of winning voter support don't always overlap or integrate well with existing transportation plans that are developed by multi-county regional transportation agencies or metropolitan planning organizations (MPOs). As metropolitan areas continue to grow, transportation needs must be planned for at the regional level, often including multiple counties.

The good news is that federal law has recognized the regional nature of transportation problems and has required the careful and considered development of regional transportation plans that seek to achieve a regional consensus. These plans are also developed within a constrained budget that prevents the assembling of "wish lists" and requires local elected officials to negotiate over funding ahead of time, avoiding over-promising major projects. Yet local transportation funding measures can sometimes usurp these regional plans by ignoring carefully crafted regional compromises and plans. Alameda County's Measure B avoided most of these problems by choosing a majority of projects from the already approved regional transportation plan. The Measure also successfully avoided triggering problems with air quality plans by selecting projects that heavily favored cleaner air such as mass transit, bicycling and walking.

Is the Proposed Initiative at the Appropriate Level of Government?

Measure B provides funding for transportation projects and services at the county level in Alameda County. While there are some advantages to developing transportation programs at a very local level, transportation projects and programs in the San Francisco Bay Area are perhaps better developed by the nine-county Metropolitan Transportation Commission (MTC). As transportation issues become more and more regional, multi-county approaches that draw heavily on already approved regional transportation plans are the key to successful planning. Transportation no longer follows the traditional political boundaries of cities or counties, yet the authority to raise revenues – particularly through taxation – is still only granted to traditional levels of government. MTC is one of the few regional transportation agencies in the country that recently won approval from the California state legislature to levy a unique regional gasoline tax that would cover all nine counties in the Bay Area. While the agency has yet to go to voters to ask for approval of a regional tax, the idea is an innovative one whose time has come.

Missouri State's Proposition B

Background

On August 6th, by a nearly 3-1 margin, Missouri voters rejected a transportation measure known as Proposition B that proposed sales, use and fuel tax hikes to pay for additional spending in its state transportation program as well as for local efforts to mitigate cuts in public transit services, particularly in the state's two largest metropolitan areas. The measure would have raised more than $500 million annually, with most of the revenues directed toward the state's road fund, which has generally focused on expanding the state's highway network.

It was a stunning defeat by any measure, with many political pundits and newspapers explaining the defeat of the measure was due to "angry voters" in the wake of the many corporate accountability scandals, suggesting that the Missouri vote may presage other elections this fall. The broader national political climate at the time of the vote was obviously a factor. It is more likely, however, that the result was due to a complicated confluence of events, many of which were homegrown.

The referendum was the product of a concerted effort by highway users, road contractors, and other highway and business interests who had been pressing state legislators and the Governor to increase revenues to the state road fund and the Missouri Department of Transportation (MoDOT). These interests, particularly, understand that revenues into the state road fund have not kept pace with the state's commitments to new highway capacity and other projects, forcing the state to increase its borrowing over the last few years to prop up the fund's spending levels. Most of the unfulfilled highway building promises came from two earlier tax campaigns, in 1987 and 1992. These ill-advised and unrealistic commitments by MoDOT were eroding financials of the state's road fund, leading to postponement of needed preservation activities, and severely damaging MoDOT's reputation and credibility.

In an effort to mend its public credibility, MoDOT began issuing bonds in 2001 to increase the size of its highway construction program. In 2002, MoDOT had the largest construction program in its history, with ambitious construction projects highly visible across the state. Ironically, this effort to build credibility simply led voters to question the need for higher taxes to support an already prosperous agency. Further, the Missouri General Assembly, at the same time as it was voting to put Proposition B on the ballot, was making unprecedented cuts elsewhere in the state's budget, many affecting essential public services. At the outset, Proposition B faced a formidable challenge to reverse some deep-seated voter beliefs about MoDOT and the state's financial security.

The referendum's proposed tax increases – principally a half-cent increase in the statewide sales tax and a four cents per gallon increase in the state motor fuel tax – were needed to pay for existing MoDOT commitments and to head off a collapse in future highway spending sometime over the next 2 to 3 years. The referendum was less about paying for a new generation of transportation investments, but rather about securing additional revenues now to pay for previous unfulfilled commitments, some more than a decade old.

More problematic was the design of the package, which was largely shaped by traditional state legislative politics and pressures from highway contractors, truckers, other highway users and business interests, lacking any formal process or involvement by the public to help shape the measure to be brought before the voter. Despite polling information that showed that only a minority of the state's voters supported the tax increases, the enabling legislation moved forward even though history in the state has shown that voter support for tax increases either holds or erodes, but doesn't increase during the campaign. In another miscalculation, Proposition B was placed on the ballot in the primary election, because another statewide revenue measure – a tobacco tax increase known as Proposition A – was slated for the November ballot. It is generally accepted that low turnout elections, such as a primary with a 22 percent turnout, are less than optimal for securing approval of proposed tax increases. Finally, the package did not appear to respond to the needs and interests of many voters. For example, a poll of voters in the St. Louis

region, conducted just before the state's decision to put the referendum before the voters, showed a strong majority support (about 60 percent) for an increase in the sales tax to expand the region's rail transit service, called MetroLink. Yet, transit funding included in Proposition B would have been insufficient to expand MetroLink. Proposition B, the largest tax increase in the state's history, directed most of the new resources to highway investment, including expanded highway capacity. The St. Louis region accounts for about one out of every three voters in Missouri. Interestingly, Proposition B failed by almost identical margins in urban and rural areas of the state.

Another obstacle to voter approval was the lingering perception of prior transportation tax increases. The benefits of the 1992 statewide fuel tax increase (six cents on top of the then 11 cents per gallon) had largely run its course, failing to keep pace with the state's aggressive road expansion efforts, which at one point promised voters that every community of 5,000 or more, and every lake, would be interconnected by a network of 4-lane state highways. In its failed attempt to fulfill promises made in 1992, MoDOT deferred prudent maintenance and preservation expenditures. In making the argument that a new tax was now needed to catch up on necessary road and bridge rehabilitation, MoDOT was caught in a problem of its own making, and many voters perceived the Department as poor managers who were asking to be rewarded for past mistakes. Others faulted MoDOT for stretching the truth about commitments made in 1987 and 1992 and demanded that these promises be fulfilled before raising taxes. While many of the state's political observers and key backers of the referendum pointed to national corporate accountability scandals and angry voters, only a handful placed the issue squarely at the door of MoDOT and the interest groups that supported them who clearly share in the "accountability" problem.

The campaign itself was widely viewed as deceptive, focusing on how the new funds would improve highway safety, in particular providing more money for the state Highway Patrol and building safer roads in rural areas. In fact, as opponents pointed out, the Highway Patrol was not guaranteed more money and far more cost-effective ways of improving safety were neglected, such as better enforcement, primary seat-belt laws, etc.

It is also noteworthy that the proposition did little to tap into the growing positive perception among voters on the future of public transportation in the state, with rising public support in the St. Louis region for MetroLink rail transit service and growing interest in the Kansas City region for a major fixed guideway investment. In previous statewide measures, support in the state's urban counties proved crucial in amassing a majority for statewide tax increases. In fact, the 1987 gas tax was carried by majorities largely in the two metropolitan region who produced 55 percent of the "yes" votes, offsetting disapproval by most of the state's rural counties.

Where Will the Revenue Come From?

If approved by the voters, Proposition B would have increased the state's general sales taxes as well as the sales and use tax on motor vehicles by one-half percent and the state's motor fuel tax by four cents. The new taxes were expected to generate an estimated $509 million in 2004, with nearly 70 percent of the revenue of the package coming from one-half percent increase in the state sales and use taxes. The four-cent increase in the motor fuel tax was projected to raise the remaining revenues.

Among the criticisms of the package was the disproportionate share of the additional transportation spending, and largely highway improvements at that, to be carried by the increase in taxes paid by the general taxpayer, rather than highway users. It is estimated that the general sales and use tax increases represented the equivalent of an additional 9 cents per gallon in the state's motor fuel tax. Absent general fund taxes, about 13 cents per gallon, not four cents, would be needed if all of the new revenues were raised from highway users. Some voters saw the proposition as one where those who benefit most from the state's highway network, such as the trucking industry and other large businesses, were being shielded from paying their fair share of the costs of the system. Instead, it was perceived that the general taxpayer was being asked to make up the difference. Some believed that this was a cynical attempt by highway advocates to tap into a new source of revenue, conveniently setting aside all those well-worn

arguments that the highway system pays for itself through user fees (as opposed to public transit, which is widely labeled as "subsidized").

In addition, little attention was given to the distributional effects of the tax. The state's major metropolitan areas (where the greatest numbers of the state's poor and the state's wealth are concentrated) are where the referendum would generate a disproportionate share of the sales and use tax receipts. While it is estimated that about one-third of the motor fuel tax receipts would be generated in the St. Louis metropolitan area, nearly forty percent of the sales and use tax receipts would come from that one region. The proposition was a tax shift away from users of the highway system to the general taxpayer, and placed the burden disproportionately on the urban taxpayer.

How Will the Revenues Be Spent?

Aside from the mode split of 87 percent for highways and 13 percent for multi-modal projects, the referendum did not chart any new direction in the distribution of funding between the state and its local governments and provided no clear assurances about how and where funds would be directed within areas of the state. Finally, the measure did not deal directly with key programmatic challenges before the State of Missouri – and common to other states for that matter – such as addressing clean air attainment problems, rail transit expansion needs, pedestrian and bike safety, and/or increased local decision-making and local empowerment, among others.

In somewhat of a breakthrough for state policy, the measure did not limit all of the new funding to highway expansion and maintenance projects. Missouri is one of many states where statutory or constitutional restrictions prohibit the use of motor fuel or other user tax receipts for anything other than building or maintaining highways. Hence, Proposition B proponents had a ready excuse for proposing a sales tax. Generally, the State of Missouri has not provided state resources to local agencies in support of public transportation services or projects. Proposition B would have set aside about 13 percent of the new revenues (projected to be $509 million in the first year) for multi-modal projects, most of which was to be provided to public transit. This redirection of state funding practice acknowledged the reality that about 60 percent (or about $300 million annually) of the total revenues in the referendum would likely have come from the general taxpayer, not directly from highway users. Unlike most states, Missouri state law requires that voters approve most tax increases. Other states have the authority to raise user taxes legislatively, but generally have chosen not to or have simply enabled local taxpayers to raise their taxes (see Commonwealth of Virginia's referendum, discussed later in this report).

Proposition B broke little new ground in how it distributed funds among state and local agencies, reserving a substantial share of the new revenues for the state's transportation fund, as current law generally provides. Overall, 75 percent of the revenues from the measure were destined for the state road fund to be used by the Missouri Highway and Transportation Commission. This allocation of a substantial share of the resources to the state was consistent with current practice; if anything, the state would have improved its relative position with the new resources provided by the measure. All of the receipts from the sales tax on motor vehicles would be shared between states and local governments, largely following current practice: 74 percent to the state road fund; 15 percent to the cities' road fund and 10 percent to the counties' road fund. The motor fuel tax was distributed: 70 percent to the state fund; 15 percent to the cities' fund and 15 percent to the counties' fund. For revenues garnered through non-user fees (60 percent of the total), the state road fund would have benefited the most, as sales tax and use tax funds (non-motor vehicles) were allocated: 78 percent to the state fund; 20 percent for multi-modal projects and 2 percent for incentives for the development and production of ethanol and biodiesel fuels.

Under the referendum, about three out of every four new dollars were destined for the state road fund, with the remaining funds split among multi-modal projects (13 percent); local road funds (11 percent) and ethanol/biodiesel projects (1 percent). Ironically, the measure proposed to deliver a larger share of resources to the one agency, MoDOT, which had been the subject of the most controversy. In contrast, local communities did not make any

progress, and even lost some ground, in shaping state investment priorities. Only one out of every four dollars – less than existing law provides – were slated to return to local areas, be it for local roads or transit projects. It is also important to note that the referendum provided no assurances about "return to source" (i.e. investing funds in the communities where the money comes from) and made no other commitments to spend funds within communities or regions.

Moreover, under the measure, the state would continue to allocate the lion's share of all funding. This approach – large sums for unspecified or certainly unclear purposes – challenged the voter to trust MoDOT that specific outcomes, improved performance and accountability would simply materialize, an expectation that was clearly at odds with their actual experience. Such an approach stands in stark contrast to local areas, largely urban counties, that have had success in securing voter approval of ballot measures by committing new funds to politically accountable decision-makers and allocation processes that are publicly determined and readily transparent.

Finally, the design of the referendum offered voters no clear information on what the biggest tax increase in the state's history would buy. There was no attempt to deliver a program that responded to important local priorities, whether rail transit expansion, clean air, bridge repair, or community and rural road safety. For example, the two largest areas of the state, representing more than one-half of the state's population, have been challenged by air quality problems for some time. This important public health concern was ignored in the design of the referendum and in the public debate on the measure.

Proponents of the measure focused all of their attention on highway facility needs, leading with the claim that the referendum would improve all of the state's Interstates up to good condition, not a strong argument when general tax revenues, not user fees, are carrying most of the revenues. Proponents also promised rehabilitation of 14,000 bridges, which may not have been as persuasive, particularly in a state that spent only 70 percent of its federal bridge rehabilitation funds during the period 1992-2001. It also again promised to accelerate spending on a number of pending highway expansion projects, some of which were relatively large investments. In contrast, other referenda have proved successful when the funds were breaking new ground, such as starting a light rail transit system, or when pledged to specific programmatic needs, such as the successful Alameda County referendum, which is discussed further in this report.

What Provisions for Oversight and Accountability Have Been Established?

Perhaps the weakest aspect of the referendum was its lack of accountability provisions. In retrospect, strengthened commitments by the state in this area were needed to reassure voters that the measure was not simply pouring more money into a state highway bureaucracy without any assured outcome. In exit polling on the referendum, those who voted against the measure cited the issue of accountability most often. In fact, the only significant feature of Proposition B that spoke directly to voter concerns in this area was a provision that established an independent auditor function within MoDOT to oversee the agency's use of road funds. Proponents of the measure clearly underestimated voter concerns here, choosing not to include other processes that would have brought the public and others more fully into shaping the use and allocation of the resources.

The referendum did not directly address voter concerns about financial transparency. A central theme of the 1992 tax increase was that the revenues would be used to fund a major highway expansion effort, a program that was subsequently abandoned after six years when it became obvious that revenues were insufficient to deliver promised projects. Given this history, it is surprising that the new package, particularly the state level funds, were again committed so extensively to road-building, without offering voters any safeguards to make sure that MoDOT would keep its promises this time. To remind voters about the connections to the past, the Missouri General Assembly also eliminated the scheduled sunset (2008) on the 1992 motor fuel tax increase. In the end, inattention to financial and other accountability issues seriously damaged prospects for voter approval of Proposition B.

How Do Proposed Projects Relate to Existing Plans and Processes?

The additional resources were largely expected to accelerate projects that were already in the state's plan, essentially moving a number of planned projects forward in the construction cycle. Reports following the defeat of the referendum indicated that projects slated for completion within ten years given the additional revenues are now expected to slip back to 25 years. The biggest issue raised by the failure of the referendum is how the state will revamp its long-term plan as debt-financed spending is exhausted, payments for debt service accelerate, and projected revenues do not keep pace with needed expenditures, primarily for road and bridge preservation.

Is the Proposed Initiative at the Appropriate Level of Government?

The Missouri referendum might be a bellwether for the future, signaling the challenges before state transportation departments in convincing voters to embrace new taxes for largely unspecified spending plans consisting predominantly of major highway investments. It also suggests that while local and regional voters often approve sales tax and other general fund commitments to transportation improvements, most of which have been directed toward public transportation, these successes may not readily transfer to state transportation agencies. Clearly, shifting the future tax burden away from highway users, shielding them from paying the full costs of Interstate and major state highways improvements, proved problematic. The level of voter opposition suggests that an entirely different formulation of how revenues are distributed among governments and among modes, including broader accountability features linked to new revenues, will be needed in the future.

It is probable that had local areas shared more directly in the allocation of these resources, this would have improved prospects for passage. It is also clear that a traditional highway formulation, even in a state like Missouri, may no longer satisfy the many concerns of the voter. One has to wonder how increased commitments to investments for improved air quality or in expanded transit capacities, such as St. Louis' MetroLink system and to challenge the Kansas City region and their stalled rail transit efforts, would have changed the vote. More commitments to special needs transportation – rural transit, and specialized transportation for seniors and persons with disabilities – or improved pedestrian and bicycle access might have been important elements in a broader package. The level of opposition to Proposition B suggests that a more diverse funding package would have fared better with the voter.

The People's Transportation Plan (Miami Dade Transit Sales Tax)

Background

Like most major cities in the U.S., Miami-Dade is experiencing severe traffic congestion. According to the Texas Transportation Institute, Miami had the fifth worst (tied with Seattle) traffic congestion among the 75 metro areas included in TTI's study of 2000 data. In response to the worsening traffic, an extensive grassroots campaign to improve transit service, and because of the controversies experienced in the last transit tax referendum proposal,[20] Miami-Dade's Mayor Alex Penelas launched "One Hundred Opportunities to be Heard" in March 2002. The campaign has so far included more than 80 public outreach meetings, including a televised townhall session, numerous radio call-in shows, and a series of civic and business presentations throughout the county with the goal of soliciting community input on transportation issues. The campaign has also included both a Municipal Mayors and a Community Council Transportation Roundtable, two transportation summits attended by more than 2,000 people, and a website (http://www.trafficrelief.com) aimed at collecting suggestions from the public: the website has received almost 100,000 hits since it was launched.

This extensive public outreach process culminated in the People's Transportation Plan (the Plan), which seeks an increase in the sales tax of one-half penny to pay for an expanded rail transit system and bus service improvements. Central to the Plan is the creation of a Citizens' Independent Transportation Trust. The Trust will be a carefully selected group of citizens who will function as a truly independent decision-making body, separate from government, with significant powers over the use and expenditure of the surtax proceeds.

Where Will the Revenue Come From?

If approved by voters on November 5th, the referendum will impose a one-half penny increase on the sales tax for all transactions except those involving certain medicines and food items. The new tax would generate about $150 million annually and, because it establishes a dedicated local funding source for transit, would help leverage millions more in federal funds. The Plan assumes a federal match of 50 percent for "New Starts" rail expansion projects.

As a sales tax, Miami-Dade's surtax for transit is subject to some criticisms. The sales tax may disproportionately impact lower-income households. While food and certain medicines are excluded from the tax so as not to raise the cost of basic needs, lower-income households will nevertheless contribute a larger portion of their family budgets to the tax. However, because South Florida has a largely tourism-based economy, much of the tax will be paid by tourists to the area. Miami-Dade County estimates show that as much as 40 percent of the revenues for the Plan will be paid by tourists.

More importantly, the Plan is expected to greatly benefit lower-income households and individuals by providing improved and expanded transit service. A 2001 study by STPP and the Center for Neighborhood Technology found that the poorest one-fifth of families in the U.S. spend nearly 40 percent of their income on transportation.[21] In metro areas without adequate transit service, where families must own a vehicle in order to get to work, to school, to the doctor, or to grocery stores and shops, transportation expenditures take up even more of the family budget. By providing an alternative to driving a private vehicle to meet these daily needs, the Plan may actually reduce the burden transportation expenditures place on lower-income families. For this reason, the Plan has received the endorsement of grassroots organizations working to improve conditions for lower-income families and individuals.

A second criticism of the Plan is that like all general sales taxes, the surtax for transit is not a user-fee: the proceeds being raised are not generated from the use of the service to be supported by those revenues. Anti-tax advocates contend that only the users of a service, rather than the larger population, should be taxed to support that service. Further, proponents of user-fees as an alternative to sales taxes argue that by making users pay the full social and environmental cost of an activity, the tax may discourage the unnecessary consumption of a good or activity.

While both of these arguments are theoretically valid, there are few alternatives open to finance a transit program. Increasing gasoline taxes to support transit systems typically meets strong resistance, as Miami-Dade has experienced. Property taxes are a viable option, but because those taxes are collected on a periodic (typically quarterly or biannually) basis, the perceived impact on a family's budget is greater than a sales tax which is collected at every purchase in small increments. Finally, because transit's benefits extend beyond just bus and train riders – by making the roads less congested for drivers and providing a less environmentally-harmful alternative to driving – a sales tax may be the most appropriate financing mechanism.

How Will the Revenues Be Spent?

The one-half penny surtax for transit will fund improvements to the existing bus system, a quintupling of the rail system, and some road and highway improvements. All told, the tax will pay for a $17 billion overhaul of Miami-Dade's transit system. Specific capital expenditures and operating directives account for just over half of the revenue expected to be raised through 2025. That project list, which is included in the ordinance authorizing the tax referendum, may be changed or added to, however, with the consent of the Citizens' Independent Transportation Trust (see **What Provisions for Oversight and Accountability Have Been Established?** for more about the Trust) and the County Commission. The project list may also be changed as a result of the MPO process as mandated by federal and state law.

The specifically identified projects include an almost doubling of the bus fleet, increases in both the locations served, and the hours of operation, an increase in the frequency of service for both peak and non-peak periods, and an improvement in public information about bus service. On the rail side, the sales tax will fund a 9.5-mile North Corridor, and a 17.2-mile East-West Corridor. The project list also identifies several other potential rail expansions which have not yet completed the necessary federal, state, and local planning process: a 3.1-mile Earlington Heights/ Airport Connector, 5.1-mile Baylink, 15-mile Kendall Corridor, 13.6-mile Northeast Corridor, 21-mile Rail Extension to Florida City, and 4.5-mile Douglas Road Extension.

The ordinance also includes proposed neighborhood and municipal improvements, but does not identify specific projects or programs. An agreement brokered with the Miami-Dade League of Cities will allow 20 percent of the tax revenues to be spent by municipalities on transit-related projects. Those funds will be distributed to the county's 31 municipalities based on population. The plan also proposes spending an unspecified amount on neighborhood improvements such as the modification of intersections, resurfacing of local and arterial roads, installation of school flashers and enhancement of greenways and bikeways. Mayor Penelas has advocated that funds be spent to repair some 9,000 sidewalks within one-quarter mile of a bus stop or other transit link.

Finally, the measure will also provide funding for some highway and road improvements such as upgrading the traffic signalization system, constructing major ingress/egress improvements in downtown Miami, completing roadway construction projects already in progress, funding grade separations of intersections, and funding the preliminary engineering and design study for I-395.

These programs, along with approximately $6 billion identified by city officials for the upkeep and operation of the transit system, will make up the balance of the $17 billion program. While obviously focused on transit, the proposed plan also includes significant funding for roadway improvements, bikeways, and pedestrian facilities. The plan also contains provisions for coordinating pedestrian facilities with proposed or existing transit stops, thereby helping to create more walkable, transit-oriented neighborhoods. In sum, the tax plan as proposed meets most of the goals established for the appropriate use of funds: it is well-rounded and includes provisions for the long-term maintenance and operations of the program.

The only obvious omission is the failure to explicitly tie investments to land use development. However, the plan does move towards achieving this with its provision for linking pedestrian facilities to transit stops. Further, Miami-Dade County benefits from several existing processes coordinating land use and transportation. These include the consideration of transit service during local planning and zoning reviews (subject to Impact Fees for permitting), as well as a special approval process for large-scale developments or "Developments of Regional Impact." Miami-Dade County also created opportunities for higher density and transit-oriented developments along the existing Metrorail, with a 1978 ordinance that created the "Rapid Transit Zone."

A further concern is that many of the projects listed are not clearly defined, or designed. Some may not even be feasible when right-of-way, land use, and land acquisition issues are considered. However, should it be decided that projects cannot be built, the measure provides for the Plan to be revised through the Citizens Independent Transportation Trust.

What Provisions for Oversight and Accountability Have Been Established?

Perhaps the most interesting element of the proposed surtax for transit is that its passage will usher in a Citizens' Independent Transportation Trust (Trust). Mayor Penelas has called the Trust "the most important component of this plan." The Trust will be composed of 15 members, one appointed by the Mayor, one appointed by the Miami-Dade League of Cities, and one from each of the 13 commission districts, nominated by the Trust's Nominating Committee, which itself is composed largely of city officials and civic leaders from the grassroots and advocacy community.

The Trust will have responsibility for overseeing the implementation of the transportation projects identified in the People's Transportation Plan, and any other projects funded by the surtax for transit. The Trust is also charged with assuring compliance with applicable federal and state requirements, as well as limitations imposed in the levy such as the requirement that not more than five percent of raised revenues be spent on administrative expenses. Essentially, the Trust has the responsibility to assure the public that city officials follow both the spirit and the letter of the Plan, and spend the taxpayers' dollars according to what the voters want.

How Do Proposed Projects Relate to Existing Plans and Processes?

The People's Transportation Plan includes several clauses explicitly tying it to existing plans and processes. The Plan recognizes that federal and state law mandate that projects conform to an existing metropolitan planning process and that the list may need to be amended to address findings of that process. As such, the surtax for transit ordinance includes specific language permitting changes in the project list necessary to conform to the MPO process.

The plan also addresses the temptation to use the new dedicated source of local funding as an excuse to cut local and state contributions to Miami-Dade transportation needs. The transit surtax is intended to serve as supplemental, rather than replacement funding for Miami-Dade's transit system. To prevent the state and local commissions from cutting their funding, the ordinance includes two "maintenance of effort" clauses, requiring that general fund support not fall below current levels.

Is the Proposed Initiative at the Appropriate Level of Government?

The Plan is a local, rather than regional transportation financing measure. Only the voters of Miami-Dade County will have the opportunity to vote on the proposed tax, and most of the improvements identified are specific to that county. In fact, several of the proposed rail extensions run right up to, and end at the adjacent county line (Broward County). The Plan does call for expansion of the existing bus service into Broward County, but extension of the rail line in that neighboring county will be the responsibility of Broward County. Although there is significant commuting between the Tri-County area (Miami-Dade, Broward, and Palm Beach), it appears each individual county will have to formulate individual plans for transit improvements and funding.

Fortunately, however, plans to form a regional transportation agency are in the works. Palm Beach, Broward and Miami-Dade will ask the Florida legislature next year to transform Tri-Rail, which currently administers the commuter rail line, into the South Florida Regional Transportation Authority. The new agency would oversee and coordinate regional bus and rail service in South Florida. If approved, the agency would impose a $2 fee on all vehicle registrations and renewals, generating about $8.3 million a year. That money could be used to improve county bus service on east-west roads that feed Tri-Rail's existing commuter rail service. The tag surcharge would also be critical to winning federal matching funds and could be supplemented by bond issues - a right already granted Tri-Rail that would carry over to the expanded authority.

Most importantly, however, the creation of a regional transportation authority presents an opportunity to plan future investments and projects cooperatively and streamline the administration of the region's transportation system. This new framework may help ensure that investments made possible by Miami-Dade County's People's Transportation Plan will be coordinated with other regional transportation priorities.

Further, as a local sales tax, the surtax for transit may create a situation in which funds are inequitably distributed based on the ability of the population to afford the levying of additional taxes. Other counties in the State will continue to lose out in their bids for funding – as Miami-Dade has to this point experienced – since the availability of matching funds is given more weight in the decision to fund projects. This is particularly problematic for transportation funding which may be used to leverage additional federal funds. Supporters of the surtax for transit have been frank about the opportunity to use proceeds from the tax to leverage both federal and state funds.

Further, because the proposed sales tax is largely dedicated to improving and expanding the metropolitan transit system, setting that tax at the local level is the only practical way to get the tax approved by the voters. Florida voters living outside of the region served by the transit system would be unlikely to support a tax which would not directly benefit them.

Northern Virginia's Regional Sales Tax Referendum

Background

Encompassing 16 local jurisdictions in two states and the District of Columbia, the metropolitan Washington, DC region is governed by perhaps the most complicated structure in the country. To address the regional nature of travel patterns and transportation needs, the local and state governments of the metropolitan area created the National Capital Region Transportation Planning Board (TPB) in 1965. The move was prompted by federal highway legislation which required the establishment of a "continuing, comprehensive and coordinated" transportation planning process in every urbanized area in the U.S. The TPB was later designated a Metropolitan Planning Organization (MPO) and assumed responsibility under ISTEA for ensuring that transportation projects addressed regional needs.

The TPB does not exercise direct control over transportation funding, nor does it implement projects. However, the TPB is responsible for a number of activities which promote an integrated approach to transportation development. Most important among its roles is ensuring compliance with federal laws and requirements, such as completion of a fiscally-constrained long range transportation plan, and a shorter-term transportation improvement program. In completing those documents, the TPB leads the planning process required to demonstrate that the region has the fiscal capacity to build the projects identified, and that the list of projects will conform to the Clean Air Act. The TPB also provides a regional transportation policy framework and forum for coordination, and lastly, technical resources for decision-making.

The Transportation Coordinating Council (TCC) of Northern Virginia was until recently an advisory group of state and locally-elected officials that served as a Northern Virginia caucus to recommend regional transportation priorities. While the TCC had no authority to raise or distribute funds or to implement projects, it had been effective in influencing the state's transportation priorities for the region.[22]

In 2002 the Virginia General Assembly created the Northern Virginia Transportation Authority (NVTA) to replace the TCC. The NVTA is vested with much broader powers than the TCC, including the authority to issue bonds, oversee regional transit and congestion-mitigating programs (i.e. ridesharing), recommend transportation priorities to the federal government and the state, apply for funds from any source, and oversee transportation projects. The NVTA also has responsibility over long range planning, "both financially constrained and unconstrained,"[23] and the power to construct, operate or acquire transportation facilities, as well as the power to acquire land. Despite giving NVTA broad powers, the NVTA legislation does not provide any performance goals, fiscal obligations, or planning requirements (see below, **What Provisions for Oversight and Accountability Have Been Established?**).

Where Will the Revenue Come From?

In the Washington, DC region, the greatest share of transportation funds (42 percent) comes from the states and the District of Columbia. The federal government also provides significant funding, comprising 27 percent of total revenues. Transit fares contribute an additional 17 percent to revenues, and tolls add one percent. Local governments, through sales taxes, property taxes, bonds and other financing mechanisms provide about 13 percent to transportation revenues in the region. In Northern Virginia, state policy-makers are looking to shift that distribution of revenue sources, by putting a much greater burden on the local tax base to provide funds for new facility construction, including Interstate highways and other facilities that are traditional state and federal responsibilities.

Subsequent to the creation of the NVTA, the Virginia legislature passed legislation authorizing the NVTA to issue $2.8 billion in bonds to finance all or part of 23 generally identified projects. The same law mandates a voter

referendum in the counties and cities represented by the NVTA, asking voters to approve a one-half percent sales tax to finance the bond issue and raise up to an additional $2.2 billion in cash.

As a sales tax, the proposed referendum suffers from two of the potential problems identified in the above evaluation criteria. First, like all sales taxes, the proposed one-half percent sales tax is regressive, meaning that lower-income families (including the poor, lower middle class, senior citizens and retirees) in the region will devote a larger proportion of their budget to the tax than wealthier families. Various experts calculate that the tax could cost families between an average of $4,100 and $7,400 over the next 20 years.

Secondly, because the sales tax is a non-user fee, residents who receive no benefit from the proposed projects will have to contribute to the tax. Conversely, as many of the projects listed are major highways and even Interstate improvements, many of those enjoying the benefits paid for by the tax (e.g. interstate trucking companies) will not contribute to the new revenue stream.

Because individuals are not paying directly for their use of those expanded and new highways and improved transit service there is no incentive to use them efficiently (e.g. utility rate structuring charges only users, and charges them more at congested peak hours on the electrical grid; this model of economic efficiency has generally not taken hold in the transportation sector). In fact, since the cost of providing those expansions is distributed across every family in the region, individuals have a strong incentive *to* use the highways and transit system. Together with induced travel (see below), this may have the effect of filling up the newly expanded system well before its time. Furthermore, the local sales tax increase, by creating a dedicated local funding stream, may have the effect of excusing jurisdictions from following through on already promised funds. For instance, the referendum proposes to dedicate $350 million out of the $2.8 billion bond issue to Dulles Corridor Transit. However, according to the Chairman of the Dulles Corridor Rail Association, the financing plan for rail to Dulles does not hinge on the passage of the sales tax increase. If the tax is approved it will replace, not add to, funds raised from taxes on commercial landowners along the route.

Finally, the proposed sales tax has raised concerns because it lacks a sunset clause. The sales tax will remain in place until both the bonds are repaid and the projects are completed. Depending on the schedule and timing of the NVTA bond issuance, and because many of the projects are loosely defined highway corridors, it is conceivable that the NVTA could be paying back bonds for 40 years or more – in essence, for the foreseeable future. An analysis based on the financing scenario presented to the Virginia General Assembly found that the sales tax could continue for at least 40 years, producing an additional $11 billion in unearmarked revenues.[24]

How Will the Revenues Be Spent?

Northern Virginia's proposed one-half percent sales tax is expected to raise $5 billion over the next 20 years – and possibly much more thereafter. Of that $5 billion, $2.8 billion is dedicated to roughly outlined projects and programs such as "Dulles Corridor Transit" at $350 million, "I-66 Improvements and Rail Extension (I-495 to Route 15)" at $300 million, and "I-495 Improvements and Transit Improvements," (where "transit" is used to describe HOV lanes) at $200 million.

The remainder of the expected $5 billion plus in proceeds is essentially left un-assigned to a specific project or program. The legislation specifies that those additional funds must first be used to pay the expenses of the NVTA. Up to 15 percent of the remaining funds may be spent on transit operational costs. The remaining 85 percent can be spent on any transportation project at the discretion of the NVTA. This is seen as a significant problem and amounts to a traditional "trust us" approach that gives voters little assurance of how and where the remainder of their money will be spent. While providing flexibility is important, the referendum could have provided far more specificity in terms of project categories, e.g. highway expansion, public transit, pedestrian safety. Specific categories give both voters and interest groups a much clearer idea of where their tax dollars will be spent, and was used successfully in Alameda County's Measure B to win broad public trust and voter support.

On its face, the proposed distribution of revenues would seem to be fairly well-balanced among different transportation modes. Yet the referendum is unusual in that it counts high occupancy vehicle lanes (HOV) as public transit. Because those HOV lanes are reserved for carpools during only 3 hours of every day, they may be used as general-purpose lanes for most of the day.

Proponents of the referendum argue that 41 percent of the bond funds allocated to specific projects will go to transit improvements, exclusive of HOV. However, when the entire $5 billion in expected revenues from the sales tax is considered, the maximum share going to transit is less than 30 percent (assuming that fully 15 percent of remaining funds are spent on transit operational costs), and is likely to be even lower. Furthermore, no funding is provided for bicycle or pedestrian facilities. Nor is any funding tied to improvements in coordinated land use. The proposed projects may prove ineffective in the absence of complementary land use planning. New roadway capacity expansion projects may soon fill up with induced traffic caused by new development the investment will trigger, unless land use planning can be better planned and coordinated along the corridor. In the same way, transit improvements which are only served by park-and-ride lots will not have the same air quality benefits or ridership levels as those which include transit oriented development (TOD).

Finally, of the $2.8 billion raised by the bond issue, no funds are specifically allocated to the long-term maintenance or operation of the proposed facilities. Nearly all of the projects listed are described as "Improvements." This vague term may be construed as routine maintenance work. However, the high dollar amounts assigned to the improvement projects indicate that, in this case, improvement means capacity expansion. A policy such as this one seems irresponsible, especially in times of dire fiscal constraints such as the Commonwealth of Virginia is currently facing.

What Provisions for Oversight and Accountability Have Been Established?

The legislation creating the NVTA gives a nod to performance-based criteria by stating that its "policies and priorities shall be guided by performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, improve safety, improve air quality, and move the most people in the most cost-effective manner."[25] However, both the legislation and the ballot initiative lack detailed quantitative performance measures by which the proposed projects can be evaluated based on the above goals. Without any performance measures, much less quantitative performance measures, the proposed projects and programs are the antithesis of performance-based planning, and voters are being asked to increase the sales tax without any assurance that this increased funding will actually improve the situation.

In fact, as noted, in the absence of coordinated land use development, critics argue that the proposed package of projects will exacerbate congestion, air pollution, and perhaps even safety concerns (expanding roadways to allow for higher travel speeds may result in fewer minor accidents, but it often leads to a greater number of deadly traffic crashes[26]). Once again, because the package includes no provision for quantitative performance measures, there is no way to evaluate the proposed projects' effectiveness at meeting their stated goals.

While $2.8 billion may appear substantial to most voters, it would not fund the full cost of the projects described. The ballot measure fails to provide information about the projected cost to complete each project. However, based on the scope of the projects listed, the $2.8 billion bond issue will be merely a down-payment on an expensive (some analysts estimate the total cost as $20 to $25 billion) highway and transit expansion program. Voters must consider where additional funds needed to complete the proposed projects may come from. An obvious source is the $2.2 billion excess which will be raised from the one-half percent sales tax. However, many analysts believe even this may not be enough; will state or federal funds make up the shortfall, or will Northern Virginia voters be asked to approve additional taxes? In light of other pressing regional needs such as more funding for education, will Northern Virginia voters be asked to choose between raising taxes for schools and raising taxes to finish road and transit projects?

The lack of total estimated costs, coupled with the failure to allocate funds to the maintenance of the program after completion perpetuates the patterns that resulted in the collapse of the Virginia Department of Transportation's (VDOT) financial management systems in 2002. The Washington Post recently reported (October 20, 2002, "VDOT Crisis Worsened Even as Gilmore Boasted") that over-commitments for new construction and unbudgeted cost overruns contributed to the depletion of maintenance funds, placing existing facilities at risk.

Due to VDOT's financial crisis, Governor Warner requested state's Auditor of Public Accounts to audit the agency. The nearly 130-page audit found, among other things, that:

> The Virginia Department of Transportation's recent cash shortages resulted from a lack of cash and project management, and not matching construction projects in the Six Year Program to available resources. Transportation does not have a systematic way to identify its maintenance needs, and therefore cannot reasonably determine or quantify these maintenance needs.[27]

Despite VDOT's apparent accountability lapses, it is likely that the job of implementing and constructing many if not most of the proposed projects will fall to the department because the newly-created NVTA has no experience with large-scale transportation construction. Virginia is one of the few states where the Department of Transportation is responsible for the construction and maintenance of most public streets and roads, including local roads. Voters must question the wisdom of asking a now nearly bankrupt agency to properly and effectively manage additional tax dollars for new construction projects, especially when insufficient funds exist to maintain the current system.

Finally, the referendum, and the bill which authorized the NVTA, provide little opportunity for citizen oversight. The NVTA is designated as the body responsible for overseeing the construction and implementation of the proposed projects and programs and for "on the basis of a regional consensus, whenever possible, setting regional transportation policies and priorities."[28] However, of the 16-member NVTA, there are two members appointed by the Governor as "citizen representatives." Of those two, one must be a member of the Commonwealth Transportation Board – the Governor-appointed board that makes decisions about transportation statewide – and the other must have significant experience in transportation planning, finance, engineering, construction, or management. County and city officials, members of the House of Delegates, and a member of the Senate comprise the remaining 14 seats. This is a critical shortcoming in the proposed referendum, as everyday citizens are excluded from the transportation planning process. Initial meetings of the NVTA have been characterized by the absence of effective public notice and the failure to solicit or provide for public comment.

How Do Proposed Projects Relate to Existing Plans and Processes?

Because many of the projects identified in the legislation have not been reviewed as part of the regional transportation planning process coordinated by the TPB, they have not been considered for their air quality impacts. VDOT's recent "cash shortage" has forced the department to cut $3 billion and 111 projects comprising over 100 lane miles

of roads from its 6 year transportation program. Cutting those projects had the unexpected consequence of suddenly bringing Northern Virginia into air quality conformity. However, the projects proposed in the upcoming referendum will almost certainly increase driving and push the region back out of conformity.[29] Beyond the obvious negative health impacts and harm to the region's economic competitiveness of seriously degraded air quality, a conformity lapse could restrict the amount of federal funds available to the state, and the region.

To avoid losing federal funds, the TPB will be forced to consider other means to achieve conformity. It is unlikely, given their political support, that the projects identified in the legislation could be amended through the regional planning process. As a result, other regional projects may have to be scaled back or cut outright. At the same time, other jurisdictions may be asked to fund transportation demand management and other programs which reduce air pollution. Obviously, this would put an unfair burden on the District of Columbia and the state of Maryland to offset the additional pollution generated by Northern Virginia's proposed projects.

Is the Proposed Initiative at the Appropriate Level of Government?

Interestingly, the Northern Virginia sales tax referendum more closely resembles a state-level ballot measure than a regional one. With its enormous scope and emphasis on improving highways – which have traditionally been the responsibility of the states – the proposed measure shares many commonalities with both Washington State's Referendum 51 and Missouri State's Proposition B (described in this report). In this way, the NVTA is acting more like a state than a region.

ISTEA gave MPOs increased authority to plan transportation projects, in an effort to ensure that the transportation infrastructure would reflect regional needs and land use patterns. The newly created NVTA does not correspond to the MPO. By law, it is authorized to consider only the transportation needs of the 9 counties and cities in northern Virginia that it represents. While better than proposing a measure city by city, the subregional nature of the measure means that the NVTA need not consider the transportation priorities of other jurisdictions in the larger metro area. By ignoring the regional nature of transportation patterns, many believe that the NVTA jeopardizes the spirit of ISTEA.

Washington State's Referendum 51

Background

Like many rapidly growing states, Washington state suffers from severe traffic congestion. Recently, transit has begun to see increased support as the public begins to recognize that the state cannot build its way out of congestion. Unfortunately, the recognition of the need for improved public transit service coincided with a successful initiative to reduce the graduated motor vehicle excise tax (MVET) to a flat rate of $30 per year. The state's Supreme Court ruled this initiative unconstitutional, but legislators, arguing that the "voters had spoken," passed legislation reducing the MVET to the $30 rate the voters had approved. New legislation the following year repealed the local transit properties' legal authority to receive any of the MVET revenues.

With the loss of MVET revenues, Washington state's public transit operators are struggling to find funds to maintain existing services. This is evidenced by the five separate ballot measures in 2002 seeking to increase sales taxes to raise revenue for transit operations or projects. Of the four which have already been voted on, three passed easily. The fourth, to provide funds for Spokane Transit, failed by a slight margin.

Meanwhile, as both voters and public opinion polls show support for better and more extensive transit service, the largest package on the ballot this November contains little in the way of significant new funding to expand public transportation services. Referendum 51, at $7.8 billion, is the most expensive public works project on the ballot in the state's history. Like the five transit-related sales tax measures, Referendum 51 was born out of policy makers' concerns over shrinking budgets.

Where Will the Revenue Come From?

Referendum 51, the "State Package," purports to raise the gasoline tax by 9 cents. The proposed increase would raise the state gas tax to 32 cents, a jump of nearly 40 percent. If approved, Washington's state gas tax would be the highest in the country; only Rhode Island, with a 29 cent state gasoline tax, comes even close. The referendum also seeks a 30 percent increase in the truck weight fee and a one percent tax on the sale of new and used cars. Additionally, after 2005, the sales tax from highway construction projects (not from transit construction projects) would be earmarked under Referendum 51 for funding highway and transit.

Under Referendum 51, the proposed financing mechanisms are user-fees. As such, the beneficiaries of the projects are the same people paying for those projects. In theory, by fixing the tax to quantity of gasoline consumed (a surrogate for the number of miles driven), the more one benefits from the projects, the more one pays. Even interstate truckers are asked to pay their share through the increase in truck weight fees. And regardless of how much an individual or family drives, the greater number of vehicles they own, the more they'll pay under the new one percent sales tax on new or used cars.

The user fees, such as gas taxes, can act as an incentive to use the transportation network more efficiently. However, the 9 cent increase in the gas tax proposed under Referendum 51 is not so burdensome that it will radically change the average individual's behavior.

Finally, Referendum 51 provides initial funding for a list of 80 projects that critics argue it cannot come close to finishing. The final cost of many projects cannot be determined, but estimates conducted by transportation analysts show that the state will need an additional $11 to $32 billion just to finish the seven largest projects started by Referendum 51. Like the sales tax proposed for Northern Virginia and a similar legislative funding measure in California in 2000, Referendum 51 is but a small down payment on all 80 of the road projects it funds, and Washingtonians will likely be asked to approve additional tax increases to fund their completion. In fact, if Referendum 51 is approved by voters this November, experts expect that those same voters may be asked to approve as

many as four more tax increases, each the same magnitude as Referendum 51, just to finish the seven largest projects.

How Will the Revenues Be Spent?

Referendum 51 is expected to generate $7.8 billion for transportation projects and programs over the next 10 years, making it the most expensive public works on the ballot in state history. Referendum 51 earmarks that entire $7.8 billion in expected proceeds for a package of projects and programs emphasizing the expansion of roads.

Proponents of Referendum 51 contend that with $1.2 billion, or 15 percent of the total package dedicated to "choices," the initiative offers voters a balanced proposal to address traffic congestion. The package includes approximately $700 million for transit agencies over the next 10 years, about $250 million in capital funds for rail track, $100 million for trip reduction programs, $104 million for passenger-only ferry and terminal improvements, and about $45 million each for vanpools and park & ride lots. While this is not an insignificant funding package, it is a merely an attempt to restore $250 million in annual revenues lost when legislators approved a repeal of the car tax in 1999. In that sense, Referendum 51 will not provide funds to add transit or train service, but will merely help bring service back to pre-1999 levels. Even were this not the case, allocating just 15 percent state-wide (and just seven percent of county-wide funds in Seattle's King County) of the total expected revenues to transit and trains will do little to substantially improve service and offer commuters a viable alternative to driving. The Washington State Blue Ribbon Commission on Transportation recommended that one-third of the proceeds should be dedicated to "choices," including trains, transit and ferry service, and trip reduction measures.

Referendum 51 designates less than ten percent of funds for safety and maintenance projects. This includes a portion of the funds required for replacing the aging Alaskan Way Viaduct ($450 million towards a $5 to $11 billion project), a fraction of the cost of replacing the deficient SR-520 bridge over Lake Washington ($100 million towards a $5 to $8 billion project), and $102 million in other safety projects. Additionally, Referendum 51 allocates $6 million to preservation projects, and $26 million to environmental retrofit projects.

With a heavy emphasis on capital expansion and new construction, Referendum 51 includes no provision for ensuring that these investments will last. Funds for on-going maintenance and repair of the newly built or expanded roadways are conspicuously missing. In fact, given the extent of the proposed projects, analysts worry that the state will be forced to divert funds away from maintenance of the current system and towards new construction. With construction expected to drag out over several decades, Referendum 51 could send the state's roads, highways, and bridges into severe disrepair.

The vast majority of the $7.8 billion in expected proceeds from Referendum 51's increase in the state gasoline tax, increase in the truck weight fee and one percent sales tax on new and used vehicles, about $5 billion, will go to expand roadway capacity. Referendum 51 contains funding for 34 projects that would add general-purpose highway capacity. The biggest of those projects is the $1.8 billion allocated to widen I-405. Additionally, Referendum 51 proposes to fund further planning for the "Cross Base" highway in Pierce County, and expand I-90 through Spokane to 19 lanes. Altogether, the social, financial and environmental impacts of the proposed package have not been property estimated or quantified. Critics argue that even the referendum's purported goal of alleviating traffic congestion isn't supported by any quantifiable analysis or statistical measures.

Research shows that general purpose additions may actually worsen traffic in two ways. First, construction usually requires one or two lane closures for extended periods, reducing capacity and increasing gridlock and air pollution. The time lost during this construction period may never be recovered after completion.[30] Second, because of the phenomenon of induced travel, much of the new road capacity may be quickly filled by additional traffic as drivers shift from other routes, other modes, other hours, or simply choose to make more trips.[31]

Approximately half the general-purpose projects are wholly or partially outside urban growth boundaries. Adding highway capacity outside the urban growth boundary could easily encourage new business and housing developments to locate on cheaper "greenfield" land on the urban fringe. That lower-density, scattered development may cause even more of the traffic congestion the proposed highway capacity expansions are intended to alleviate.

The group of proposed projects funded under Referendum 51 may also cause irreparable damage to the natural environment. According to WSDOT, I-405 widening would impact 209 riparian corridors and 168 wetlands. The expansion of the Cross Base highway would cut through the core habitat of an endangered species, the Washington gray squirrel. The National Marine Fisheries Services is also concerned about the "indirect" impacts of highway widening projects. "Indirect" impacts result from additional low-density, auto-oriented business and residential development stimulated by additional single occupancy vehicle capacity. I-405 expansion alone would add 600 acres of new impervious surface, all in threatened salmon-bearing creek basins. Dozens of other new projects would add several hundred more acres of impervious surface, allowing highly-polluted urban and agricultural run-off to flow directly into sensitive creeks, streams and rivers. A recent study by the Pew Oceans Commission found that significant degradation of streams, creeks, rivers, lakes, wetlands, and estuaries may occur when as little as ten percent of the watershed is covered by impervious surfaces.

Despite the serious impacts on the natural environment that could arise from projects funded through Referendum 51, all of the proposed projects are subject to a 2001 Washington state "streamlining" law which is moving to delegate federal and state environmental permitting procedures to WSDOT, to assist in expediting project delivery. The projects proposed under Referendum 51 will be the first true test of this law. Opponents fear that the law will allow WSDOT to avoid National Environmental Policy Act (NEPA), Clean Air Act (CAA), Endangered Species Act (ESA) and other important environmental protection requirements.

Finally, the highway capacity expansion projects proposed under Referendum 51 would irreversibly damage the social fabric of several neighborhoods. The new freeway project, SR 395 and the I-90 interchange in Spokane would take 400 family homes in an historic neighborhood, while widening I-405 could require the condemnation of about $1.4 billion worth of the adjacent 1,400 residential and commercial properties throughout the corridor.

Referendum 51's opponents have put forward the Washington Mobility Strategy as an alternative to the ballot measure. Their proposed strategy would raise $7.5 billion from a 6.5 percent sales tax on gas (which is not subject to the same constitutional prohibition against spending receipts on transit as the gasoline excise tax), a 30 percent increase in truck weight fees, a one percent surcharge on new and used vehicles, a 3 cent gas tax increase, and tolls. In contrast to Referendum 51, the Mobility Strategy would allocate 45 percent (or $3.4 billion) of the funds raised to safety and maintenance, including $600 million to address all of the state's Top 10 "high-accident locations" as defined by the state Department of Transportation. The proposed Mobility Strategy identifies the highest priority road and public transportation projects and funds them to a level that ensures completion, whereas Referendum 51 provides just a down-payment on the projects it lists. Finally, the Mobility Strategy doubles R-51's spending on transit, devoting a third of the money raised to transportation choices, in line with the recommendation of the governor's Blue Ribbon Commission on Transportation.

What Provisions for Oversight and Accountability Have Been Established?

The legislation authorizing Referendum 51 also establishes a bi-partisan legislative transportation accountability committee composed of members of the Washington state legislature. This newly created body will assume all of the duties of the legislative transportation committee it replaces, and additionally, in conjunction with an independent transportation accountability board, will report to the public on how tax dollars are spent on the projects identified in the legislation. The committee must further submit an annual report to the governor on the progress WSDOT is making on each project. Finally, the committee is charged with making necessary policy recommenda-

tions (and in particular, innovative project delivery strategies), providing oversight, assuring accountability, and promoting efficiency measures.

A complementary transportation accountability board, composed of experts nominated by the governor and appointed by the legislative transportation accountability committee is also created by the legislation.

The same legislation mandates WSDOT to submit a comprehensive quarterly audit on each of the transportation projects identified under Referendum 51. This "transportation accountability audit" will include a project status update, fiscal assessment, and a detailed explanation for any significant deviation from either the estimated project cost or date of completion. The audit will also report on mitigation efforts to relieve both traffic and environmental impacts, workforce effectiveness, and the outlook for the upcoming year. After a period of review by the transportation accountability committee and the transportation accountability board, the report will be made available to the public.

Unfortunately, the proposal suffers from some critical omissions. The legislation fails to provide an opportunity for the general public to participate in the monitoring of WSDOT. The responsibility for ensuring that WSDOT spends the public's money efficiently and effectively falls largely to the state legislature and the governor. And since Referendum 51 has been initiated by the legislature and the governor, those bodies have an interest in seeing that WSDOT receives a favorable review.

Furthermore, the transportation accountability audit does not establish objective, quantifiable performance measures by which projects and programs can be tested for their effectiveness. Referendum 51 was established under the premise of working to relieve congestion. However the authorizing legislation includes no provision for measuring improvements to traffic congestion.

Finally, because the oversight and accountability provisions established occur after project selection rather than before project selection, there is no opportunity for auditors to evaluate the proposed projects against a set of alternatives. As such, the audits will serve to ensure that the projects stay on-time and on-budget, but will not consider whether the projects are most effectively meeting the mobility needs of Washington residents.

How Do Proposed Projects Relate to Existing Plans and Processes?

There appears to be little relation of the projects proposed under Referendum 51 to existing plans or processes. In selecting the list of projects, the legislature failed to confer with existing regional transportation plans and priorities in the Puget Sound Regional Council's Destination 2030 Plan (the four county long-range Puget Sound transportation plan). That plan was developed in an effort to comply with the requirements of ISTEA and TEA-21 for the express purpose of providing a coordinated and comprehensive transportation system. The legislature also failed to heed WSDOT's advice on project priorities. As a result, the project list bears no relation to existing priorities and needs. Indeed, critics charge that the project list appears to be politically motivated (a consistent problem with voter-approved measures in general), with the projects selected on the basis of their ability to garner legislative and voter approval of Referendum 51.

Is the Proposed Initiative at the Appropriate Level of Government?

A state-level financing mechanism has the potential to permit a more equitable and comprehensive distribution of funds. Unlike a local option transportation tax, which may only be spent in the region in which the funds were raised, a state-level tax or fee may be spent where the need is greatest. Of course, in order to be politically feasible, voters in the most populous areas of a state must perceive that they are getting their "fair share" of the revenues to be raised. Hence, Referendum 51 proposes to spend the largest portion of its proceeds on widening I-405, a suburban Seattle bypass. Similarly, with the funds earmarked for some 80 projects across the state, Referendum 51

provides something for just about every legislator.

On the other hand, Referendum 51 may bypass the metropolitan planning process promoted by the federal transportation laws ISTEA and TEA-21. The priorities established under Referendum 51 are not driven by the systematic and coordinated planning process created to ensure that the most regionally-appropriate transportation projects and programs will be selected. Rather, the list of projects is politically motivated, with every legislator given something to bring home to his or her constituents, regardless of how it might fit in the context of the current transportation system.

Chapter 4: Recommendations

(1) **Make Traditional User Fees – Especially State Gasoline Taxes – More Flexible**: As of 2002, 30 states have prohibitions in their state constitutions or statutes on the expenditure of state gasoline taxes on public transportation services. These restrictions are arcane, outdated and are a large part of the reason voters are turning to ballot measures to help fund public transit.

(2) **Index Gasoline Taxes to Inflation**: If politicians are unwilling to raise gasoline taxes, states need to begin indexing gasoline taxes to at least match the increase in the consumer price index. Gasoline taxes may not play the dominant role in raising transportation revenues that they once did, but they should be maintained as an important part of the "user fee" financing structure.

(3) **Develop New User Fees to Supplement Gasoline Taxes**: While gasoline taxes are important in terms of being a "user fee," it's clear that their purchasing power and their political viability are eroding quickly. New forms of user fees must be developed as a means of providing additional transportation revenues and maximizing economic efficiency in the use of the transportation network. Possible user fees include road and bridge tolls, congestion pricing charges, a "vehicle miles traveled" (VMT) fee based on the distance driven, and energy taxes on vehicles with minimal fuel efficiency.

(4) **Avoid the "Trust Us" Approach**: One of the biggest problems that both stakeholder groups and many voters have with local financing measures is that they necessitate a basic trust of government and public agencies. One way to get around this mistrust is to end or discourage the practice of allowing large parts of funding measures to be left unaccounted for until after the election. At the very least, funding measures should specify specific program categories and purposes that funding will be distributed among. Measures should also contain performance measures and statistical analysis to substantiate promised benefits.

(5) **Require Greater Stakeholder Involvement**: Stakeholders and members of public interest groups should be closely involved in the development of transportation funding measures early on. An additional mechanism to ensure ongoing public involvement and encourage the trust of the voters (and the good will it takes to return to the voters in subsequent elections) is to establish citizen oversight committees that consist of both citizen appointees as well as specific interest groups. A good model is Alameda County's Measure B approved in 2000 that contained both a citizen advisory committee as well as a citizens' watchdog committee.

(6) **Apply a Social Equity Test for Non-User Fees**: Since general fund revenues are typically spent on health care, education and other social service programs, voters and officials must apply an "equity test" for non-user fee financing of transportation. The simple question is "who benefits and who pays?" In the case of poorer families paying sales taxes, it stands to reason that poorer families should also benefit from the programs and projects in the tax expenditure plan.

(7) **Encourage or Require Land Use Incentives in Funding Measures**: The missing component of all too many transportation financing measures is growth management and land use. Additional transportation investments will do nothing to meet future transportation needs if growth pressures and land use decisions are not closely coordinated. This must become a routine component of any responsible transportation finance measure and can help win additional voter and stakeholder support.