

Do Equity and Accountability Get Lost in LOSTS? An Analysis of Local Return Funding Provisions in California’s Local Option Sales Tax Measures for Transportation

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Jaimee Lederman, Stephanie Kellogg, Peter Haas, Martin Wachs, and Asha Weinstein Agrawal



This study explores how local return provisions of countywide local option sales taxes (LOSTs) for transportation in California are allocated and spent to meet local and regional transportation needs. “Local return” refers to the component of county LOST measures that provides funding directly to municipalities in the county to be used to meet local needs. Local return has become a fixture in LOSTs; of the 78 ballot measures analyzed, 58 included a local return provision in the expenditure plan (as of 2019). The average revenue allocated for local return was 35%. Local return provisions in the ballot measures often contain guidelines on how a portion of the money should be spent.

Study Methods

This paper conducts a mixed-methods analysis of all LOSTs with local return, analyzing ordinances and other public documents related to local return expenditures, supplemented with interviews with officials in six counties.

Findings

Local return provisions comprise a crucial part of transportation tax measure expenditure plans. Findings indicate that local return provisions are crafted to balance the needs of the county across different dimensions, including equity between urban and rural residents, investment in different transportation modes, and meeting both local and regional policy needs. City governments use LOST funds for various needs and purposes, including maintaining and repairing local streets and roads, addressing policy goals such as congestion management and mitigation of environmental impacts of growth and development, and leveraging additional funding in the form of locally issued bonds and state and federal grants.

Tax measures typically call for geographic equity provisions in the distribution and return funds, nearly always using variables such as population and road mileage in funding allocation formulae. These equity

concerns are also visible in the spending requirements attached to local return funds, which can be used to ensure spending on specific transportation modes and purposes. Counties vary considerably in how they attach both prerequisites for receiving funds and requirements for spending them. Measures are developed through collaboration with local governments and tend to balance reinforcement of both regional and local priorities with their return fund rules, smoothing their acceptability for city governments. Moreover, significant accountability mechanisms provide regulations to ensure that funds are distributed to and spent by jurisdictions as promised by the measures.

Policy/Practice Recommendations

The study findings suggest ways that counties should design successful local return provisions in future LOST ballot measures:

- Counties weighing passage of a new transportation tax measure or renewing an expiring one should consider a local return provision. Local return provisions offer ways of enabling these various potential benefits when tailored to the needs of their city governments and constituents.
- Counties can consider a range of possible allocation strategies to help maximize the fairness and rationality of how return funds are distributed.
- Counties should consider verifying to the public that they are following their measures' stipulations for allocating and spending local return funds by posting relevant information regularly on their transportation agency websites. However, any reporting requirements must be balanced with placing an undue administrative burden on cities.

Local return is a vital part of LOST measures in California, helping cities meet local needs, while simultaneously aligning local investment with regional priorities.

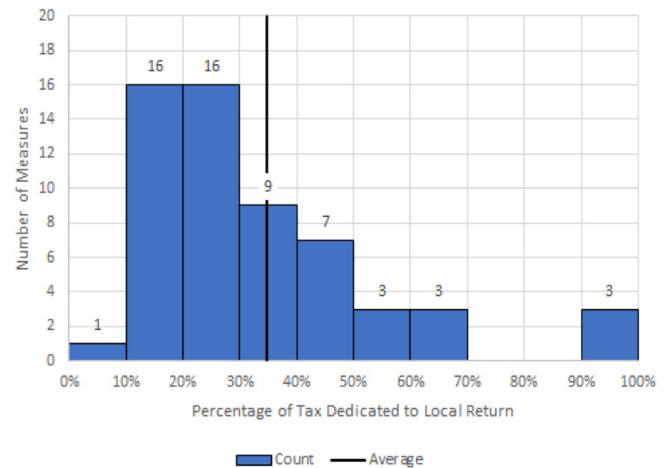


Figure 1. Percentage of LOST Revenues Dedicated to Local Return

About the Authors

Jaimee Lederman earned her PhD in Urban Planning at University of California, Los Angeles (UCLA).

Stephanie Kellogg completed her Master of Urban and Regional Planning at UCLA. **Peter J. Haas** is Professor Emeritus at San Jose State University (SJSU). **Martin Wachs** is Distinguished Professor Emeritus of Civil & Environmental Engineering and of City & Regional Planning at the University of California, Berkeley. **Asha Weinstein Agrawal** is the Director of the MTI National Transportation Finance Center and Professor of Urban and Regional Planning at SJSU.

To Learn More

For more details about the study, download the full report at transweb.sjsu.edu/research/1811



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