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**SENATE COMMITTEE ON TRANSPORTATION AND HOUSING**

**Senator Jim Beall, Chair**

**2017 - 2018 Regular**

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<b>Bill No:</b>	SB 797	<b>Hearing Date:</b>	9/7/17
<b>Author:</b>	Hill		
<b>Version:</b>	8/24/2017		
<b>Urgency:</b>	No	<b>Fiscal:</b>	No
<b>Consultant:</b>	Erin Riches		

**SUBJECT:** Peninsula Corridor Joint Powers Board: transactions and use tax

**DIGEST:** This bill authorizes the Peninsula Corridor Joint Powers Board (Board) to impose a retail transactions and use tax at a rate not to exceed 0.125%, subject to voter approval.

**ANALYSIS:**

*Existing law:*

- 1) Authorizes cities and counties to impose a local sales and use tax.
- 2) Prohibits, in any county, the combined rate of all taxes imposed in accordance with the state Transactions and Use Tax Law from exceeding 2%.
- 3) Authorizes, pursuant to the Joint Exercise of Powers Act, two or more public agencies to enter an agreement to jointly exercise any power held in common by the parties to the agreement. Specifies that local agencies may jointly exercise the authority to levy a fee, assessment, or tax.

This bill:

- 1) Authorizes the Board to submit to the voters of the Counties of San Francisco, San Mateo, and Santa Clara, a regional measure proposing a retail transactions and use tax, at a rate not to exceed 0.125%, with net revenues to be used by the Board for operating and capital purposes of the Caltrain rail service, provided that all of the following occur:
  - a) A two-thirds vote of approval by the directors of the Board.
  - b) A two-thirds vote of approval by each of the boards of supervisors of the Counties of San Francisco, San Mateo, and Santa Clara.

- c) A majority vote of each governing board of the San Francisco Municipal Transportation Agency, San Mateo County Transit District, and Santa Clara Valley Transportation Authority.
- 2) Provides that the measure must be approved by two-thirds of all voters voting on the measure.
- 3) Authorizes the Board to impose a retail transactions and use tax that, in combination with all other taxes imposed under the Transactions and Use Tax Law, exceeds the 2% cap established in existing state law.

**COMMENTS:**

- 1) *Purpose.* The author states that Caltrain is the only passenger rail service in the country that relies on voluntary annual contributions from its three funding partners in order to cover its annual operations budget. This unorthodox funding structure presents a significant challenge for Caltrain when conducting budget forecasting, near-term and long-term service planning, and funding estimates for capital improvements. An ongoing 1/8-cent sales tax across the three Caltrain counties will generate approximately \$100 million per year. This revenue will not only cover the annual contributions from the three counties, it will also provide roughly \$60 — \$70 million per year to fund the aging system's ongoing maintenance needs, as well as funding construction of new infrastructure to greatly increase the capacity and efficiency of Caltrain service.
- 2) *Transactions and Use Taxes.* Transactions and use taxes may be levied as general taxes (majority vote required), which are unrestricted, or as special taxes (two-thirds vote required), which are restricted for a specified use — such as transportation. Existing law authorizes cities and counties to impose transactions and use taxes in 0.125% increments in addition to the state's 7.5% sales tax, provided that the combined rate in the county does not exceed 2%. Currently, 24 counties within California have transactions and use taxes targeted to transportation.

The Legislature has approved several exemptions to the 2% cap; for example, SB 705 (Hill, Chapter 579, Statutes of 2015) authorizes San Mateo County to enact a transactions and use tax increase that exceeds the 2% cap by 0.5%, subject to voter approval. AB 1613 (Mullin), currently on the Governor's desk, provides the San Mateo County Transit District the same authority, as long as the county does not exercise it. This bill would allow an additional 0.125% over the cap, meaning that if voters approved a tax increase pursuant to SB 705

or AB 1613, and approved another tax increase pursuant to this bill, San Mateo County could potentially exceed the 2% cap by a combined 0.63%.

- 3) *Background: Caltrain.* The Board is the governing body for the Caltrain Peninsula commuter rail transit service between San Francisco, San Jose, and Gilroy. The board is a joint powers authority comprised of representatives from the San Francisco Municipal Transit Agency, the Santa Clara Valley Transportation Authority, and the San Mateo County Transit District. The contribution from each entity is determined by a formula based on ridership. The Caltrain corridor closely parallels Highway 101 between San Francisco and San Jose. Highway 101 is one of the most congested highway corridors in the country. During commute periods, many trains are currently operating at more than 125% of capacity.
- 4) *Where will the money go?* Caltrain has developed a modernization program that outlines improvements including electrification of the corridor, addition of high performance electric trains, installation of an advanced signal system, and station upgrades to accommodate increased service and more riders. Funding has been secured to complete the first phase of the program, which includes corridor electrification and conversion of 75% of Caltrain's fleet to electric trains. Additional funding — such as that provided in this bill — is needed to fully convert the fleet, operate longer trains, lengthen station platforms, and upgrade stations.
- 5) *Senate Rule 29.10(D) referral.* This bill initially pertained to the Board of Vocational Nursing and Psychiatric Technicians. It was amended in the Assembly to instead relate to the Peninsula Corridor Joint Powers Board. Pursuant to Senate Rule 29.10 (D), the Senate Rules Committee referred the amended bill to the Transportation and Housing Committee to consider the Assembly amendments.

### **Related and Prior Legislation**

**SB 595 (Beall, 2017)** — Directs a third regional measure (RM3) to be placed on the ballot in the San Francisco Bay Area that, if approved by a majority of the voters, would increase tolls on the seven state-owned toll bridges by up to \$3. *This bill is on the Assembly Floor.*

**SB 703 (Skinner, 2017)** — Authorizes Alameda County and the City of Santa Fe Springs to adopt an ordinance proposing the imposition of a transactions and use tax that exceeds the 2% statutory limitation. *This bill is on the Assembly Floor.*

**AB 467 (Mullin, 2017)** — Makes changes to certain requirements to voter information guides relative to regional sales tax measures for transportation projects, as specified. *This bill is awaiting Concurrence in the Senate.*

**AB 1189 (E. Garcia, 2017)** — Increases the maximum transactions and use tax rate that the Riverside County Transportation Commission (RCTC) may impose, subject to voter approval, from 0.5% to 1%. *This bill is awaiting Concurrence in the Assembly.*

**AB 1613 (Mullin, 2017)** — Authorizes the San Mateo County Transit District (SamTrans), subject to voter approval, to exceed the 2% transactions and use tax (TUT) limit at a rate of no more than 0.5%. *This bill is pending on the Governor's Desk.*

**SB 705 (Hill, Chapter 579, Statutes of 2015)** — authorizes San Mateo County to exceed the 2% cap to impose a transactions and use tax for transportation purposes by 0.5%, subject to voter approval.

**AB 464 (Mullin, 2015)** — would have increased the maximum combined rate of all transactions and use taxes that may be levied by authorized entities within a county from 2% to 3%. *This bill was vetoed by the Governor.*

**AB 2170 (Mullin, Chapter 386, 2014)** — Specifies that the common powers that public agencies may jointly exercise pursuant to a joint powers agreement include the authority to levy a fee, assessment, or tax.

**FISCAL EFFECT:** Appropriation: No    Fiscal Com.: No    Local: No

**POSITIONS:** (Communicated to the committee before noon on Wednesday, September 6, 2017.)

**SUPPORT:**

Northern California Carpenters Regional Council  
Peninsula Corridor Joint Powers Board  
San Mateo County Transit District  
San Mateo County Transportation Authority  
Silicon Valley Leadership Group  
SPUR

**OPPOSITION:**

None received.

**-- END --**