

Date of Hearing: July 12, 2017

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
SB 797 (Hill et al.) – As Amended June 28, 2017

SENATE VOTE: Vote not relevant

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

SUMMARY: Allows the Peninsula Corridor Joint Powers Board, in specified conditions, to impose a retail transactions and use tax at a rate not to exceed 0.125%, subject to voter approval. Specifically, **this bill:**

- 1) Allows, upon the affirmative vote of two-thirds of the directors of the Peninsula Corridor Joint Powers Board (Board), a joint powers authority (JPA) formed pursuant to the Joint Exercise of Powers Act, the Board to, by resolution and consistent with 2), below, submit to the voters of the counties of San Francisco, San Mateo, and Santa Clara, a regional measure proposing only a retail transactions and use tax, at a rate not to exceed 0.125% and in accordance with Transactions and Use Tax Law and Article XIII C of the California Constitution, with net revenues from the tax to be used by the Board for the operating and capital purposes of the Caltrain rail service.
- 2) Specifies that the measure shall only be submitted to the voters upon approval by the boards of supervisors of the Counties of San Francisco, San Mateo, and Santa Clara, consistent with each county's applicable procedures, and approval by the San Francisco County Transportation Authority, the San Mateo County Transit District, and the Santa Clara Valley Transportation Authority by a majority vote of each transportation entity's governing board.
- 3) Requires the measure to be approved if two-thirds of all of the voters voting on the measure approve it.
- 4) Allows the Board to impose a retail transactions and use tax pursuant to 1), above, that, in combination with all taxes imposed in accordance with the Transactions and Use Tax Law, exceeds the 2% cap established in existing law.
- 5) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the need to provide a dedicated local funding source for the Caltrain rail service.

EXISTING LAW:

- 1) Allows, 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. Each public agency must independently possess the authority to perform the activity that is to be performed jointly pursuant to a joint powers agreement. The courts have found that the Act grants no new powers to public agencies, but merely sets up a new procedure for the exercise of existing powers.

- 2) Specifies that local agencies may jointly exercise the authority to levy a fee, assessment, or tax.

FISCAL EFFECT: None

COMMENTS:

- 1) **Background.** Caltrain is a commuter railroad operating between San Francisco and San Jose, with limited service to Gilroy. Caltrain is owned and operated by the Peninsula Corridor Joint Powers Board, which is made up of representatives from the City and County of San Francisco, the San Mateo County Transit District and the Santa Clara Valley Transportation Authority. The Transit District is the managing agency, providing administrative services and overseeing the operating contract.

According to Caltrain, “The Fiscal Year 2017 Operating Budget is fully balanced and requires no cuts in service and no fare increases. The budget depends on one-time-only funds to achieve balance, as has been the case for the last several years. The most significant source of one-time-only funds is a result of the historic growth in ridership, which has led to record-setting farebox revenues. Such growth cannot be relied upon however, as sustainable, dependable source of revenue year after year. Caltrain still must address a structural deficit that leaves the agency vulnerable in years of ridership decline or economic downturn. To help address that situation, Caltrain has teamed up with Bay Area employers and other local organizations to form the Caltrain Commuter Coalition, a group focused on the improvement of commuter rail services.”

- 2) **Bill Summary.** This bill would authorize the Peninsula Corridor Joint Powers Board, by a resolution approved by two-thirds of the board and with the approval of specified entities, to levy a tax pursuant to the Transactions and Use Tax Law at a rate not to exceed 0.125%, with net revenues from the tax to be used by the board for operating and capital purposes of the Caltrain rail service, subject to two-thirds voter approval of a regional measure submitted by the board to voters of the Counties of San Francisco, San Mateo, and Santa Clara. The bill would authorize the board to exceed the 2% limit described above to impose the retail transactions and use tax. This bill is sponsored by the author.
- 3) **Author’s Statement.** According to the author, “This bill gives local agencies and ultimately local voters in the counties of San Francisco, San Mateo and Santa Clara the ability to place on the ballot and vote on a 1/8 cent sales tax increase to expand Caltrain service and reduce traffic.

“Highway 101 is one of the most congested highway corridors in the country and it’s also home to 1.6 million jobs, produces 20 percent of the sales tax revenue generated in the state, produces 13 percent of our State’s Gross Domestic Product, and produces 53 percent of all the patents filed from California.

“SB 797 authorizes a regional approach to reduce gridlock on Peninsula highways while finally providing Caltrain with a stable funding stream for operations and capital improvements since it’s the only passenger rail service in the country that relies on voluntary annual contributions from its three funding partners to cover its yearly operations costs.”

4) **Prior Legislation:**

- a) AB 2170 (Mullin), Chapter 386, Statutes of 2014, specified 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 a tax.
- b) AB 418 (Mullin), of 2014, would have authorized the City/County Association of Governments (C/CAG) of San Mateo County to impose a special tax, in compliance with Article XIII C of the California Constitution, or to impose a property related fee, in compliance with Article XIII D of the California Constitution, to implement stormwater management programs consistent with the joint powers agreement of C/CAG's member agencies. The bill was held at the Senate desk.

5) **Arguments in Support.** Supporters argue that the bill is necessary to address the crippling congestion in the Highway 101/Caltrain Corridor, and that the bill recognizes the importance of bringing stakeholders together in order to enact any transportation ballot measure.

6) **Arguments in Opposition.** CalTax argues that businesses face a significant sales and use tax burden in California and that this bill imposes a regressive tax on disadvantaged communities.

REGISTERED SUPPORT / OPPOSITION:

Support

Northern California Carpenters Regional Council
San Mateo County Economic Development Association
Silicon Valley Leadership Group
SPUR

Opposition

CalTax

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