

# Memorandum

To: Chair and Commissioners

Date: July 16, 2007

From: John F. Barna, Jr.  
Executive Director

File No: Ref. Agenda 4.1.  
ACTION

Ref: **STATE AND FEDERAL LEGISLATIVE MATTERS**

**Issue:** Should the Commission take a position:

- On SB 264 (Alquist), a bill that authorizes the Santa Clara Valley Transportation Authority (VTA), with a two-thirds vote of the county electorate, to impose a transactions and use tax (district tax) at a rate of 0.125%, for transit facilities and services.

**Recommendation:** Commission staff recommends that the Commission:

- Take a Watch position on SB 264 (Alquist). (The Senate passed SB 264; it will be scheduled for a third reading on the Assembly Floor.)

**Analysis of SB 264:** This bill authorizes VTA to submit to the voters a sales tax ordinance imposing a 0.125 percent (1/8 percent) sales tax for transportation purposes. Two-thirds of the voters must approve the ordinance.

A county can become a self-help county or extend that status by getting a voter-approved sales tax by two-thirds of its voters, include a program of transportation projects that would be funded from the sales tax in the ordinance adopted by the voters, and establish a sunset date for the sales tax. Existing state law permits increases in sales and transactions use tax in 0.25% increments or multiples of that increment, providing the tax is approved by a two-thirds vote of the board of supervisors and a two-thirds vote of the county's electorate. Existing law also limits the combined rate of all district taxes imposed in any county to 2%.

The rationale behind a 1/8 percent sales tax is to allow VTA to use the additional increment to fund transit programs and to address, if it is sufficient, the shortfall in its 2000 sales tax measure. Santa Clara experienced wide fluctuations in its local sales tax receipts due to downturns in its economy, particularly its high technology economy.

Currently the bill only helps VTA with its fiscal issues. If the proposed bill were broadened to apply to other transportation agencies, it could broaden the local agencies' ability to fund transportation projects at the lowest tax increment necessary.