

# Transportation Utility Fee to Fund Transit in California

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## Introduction

Mass transit is a key tool to reduce greenhouse gas (GHG) emissions and combat climate change; improve safety for pedestrians, cyclists, and drivers; and expand accessibility and mobility for all. However, we can only realize this potential if we make sufficient capital investments to achieve transit service levels that attract and retain greater ridership.

A transportation utility fee (TUF) is based on the principle that transportation is a utility like water and electricity; therefore, transport users should pay for using transportation infrastructure and services like they pay water and electricity charges. The specific study objectives are to examine the feasibility of a) employing TUF to fund transit infrastructure and services in California and b) leveraging TUF to meet the state's GHG reduction goals by linking the fee with sustainable development practices such as green, transit-oriented developments (TODs).

## Study Methods

Through a review of extant literature, in-depth case studies of TUF programs, analyses of TUF-related court cases and California's legal statutes, and expert interviews, this study explores the legal, political, administrative, and equity implications of employing TUFs to fund transit in California.

## Findings

Scores of jurisdictions across the US fund a portion of transportation needs through TUFs. This study identified close to 100 local governments across the US that have adopted or are in the midst of adopting TUF or similar programs. However, very few are using TUFs to fund transit. This study discusses six TUF programs where jurisdictions have utilized, or are planning to employ, these fees to support transit and non-automotive modes. The study also reviews the legal environments TUFs exist within and how these environments shape TUFs' use and design.

The state of California has very restrictive statutory and constitutional requirements for a revenue source to qualify as a fee, to impose a new tax, and to raise tax rates. These requirements arise from several voter-approved propositions, especially Propositions 13, 218, and 26. These propositions also determine the characteristics of and differences between the revenue tools available to the local governments in California. Using the insights gained from reviewing the various propositions, case studies, and expert interviews, this study examines the pros and cons of levying a TUF as each of the following revenue tools: a general tax, a special tax, a parcel tax, an assessment, a property-related fee, and a fee. Specifically, this research considers the feasibility along the following dimensions: voting requirement, legal, political (includes stakeholder support), administrative, revenue yield, and equity.

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### Policy/Practice Recommendations

The main findings regarding the feasibility of employing a TUF in California as a fee, a special fee, an assessment, a general tax, or a special tax (or a parcel tax, which is a variant of the special tax) are as follows:

- Regardless of the option chosen, the legality of the revenue tool will likely be tested in courts.
- Each option has its pros and cons, but employing TUF as a special/parcel tax might be most defensible legally. It will also allow TUF to be used jurisdiction-wide and by special districts as well.

On a larger note, policy experts and lawmakers often view TUF as an additional measure or a fix to reduce the ever-present expenditure-revenue gap. However, it also provides an opportunity to view transportation as a level-of-service-based utility and pay for it as people pay for merit goods such as education and health care, which maximize social welfare, but—unless

subsidized—are likely to be undersupplied. We have an opportunity to conceptualize transit specifically, and transportation overall, from a user-centric and broader mobility perspective and to levy TUF at a rate needed to support transit as an integral component of a region's transportation system.

### About the Authors

**Dr. Shishir Mathur** is an MTI Research Associate and professor of Urban and Regional Planning at San Jose State University. In the past, he served as Associate Dean of Research of the College of Social Sciences. He has authored two scholarly books and more than 30 journal articles in the fields of transportation finance, urban and real estate economics, affordable housing, international development, infrastructure and development finance, and growth management. For more details, go to: <https://www.sjsu.edu/people/shishir.mathur/>

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### To Learn More

For more details about the study, download the full report at [transweb.sjsu.edu/research/2032](https://transweb.sjsu.edu/research/2032)



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