Proposition 101

Colorado Legislative Council Staff

FISCAL IMPACT STATEMENT

Date: September 8, 2010 **Fiscal Analyst:** Jason Schrock, 303-866-4720

BALLOT TITLE: INCOME, VEHICLE, AND TELECOMMUNICATIONS TAXES AND FEES

Fiscal Impact Summary*	FY 2010-11	FY 2011-12	Fully Implemented**
State Revenue			
General Fund	($190 million)	($380 million)	($1,580 million)
Various Cash Funds	($174 million)	($364 million)	($364 million)
State Expenditures General Fund Various Cash Funds	See State Expenditures Section		
FTE Position Change	See State Expenditures Section		
Local Government Impact: Reduction in Revenue and Expenditures. See Local Government Section.			

* *All figures are shown in today's dollars.*

** *It is expected that the measure would take about 15 to 20 years to be fully implemented, though about half of the total fully implemented revenue impact would likely occur within the first four years.*

Summary of Measure

Proposition 101 asks voters to reduce or eliminate various taxes and fees on income, vehicles, and telecommunication services. Some of the reductions are phased in over time. It is important to note that how some of the tax and fee reductions would be implemented is unclear based on the language of Proposition 101. For example, whether specific transactions and fees are covered by the measure may require clarification from the state legislature or the courts. Thus, assumptions regarding how the measure would be implemented had to be used for this fiscal analysis. How specific taxes, fees, and transactions would actually be affected by Proposition 101 could affect the revenue impact of the measure.

Income taxes. Proposition 101 lowers the state income tax rate from 4.63 percent to 3.5 percent over time. The rate is first lowered to 4.5 percent starting in 2011. In the future, the rate is reduced by 0.1 percentage point each year in which state income tax collections grow by more than 6 percent until the income tax rate decreases to 3.5 percent.

Taxes and fees on vehicles. Proposition 101 reduces vehicle registration and license fees and the sales and specific ownership taxes paid on vehicles. The measure reduces the sales taxes due on vehicle purchases by exempting the first $10,000 of the vehicle's price and any manufacturer's rebate from the sales tax. The $10,000 exemption is phased in over a four-year period beginning in 2011. The measure also prohibits sales taxes from being imposed on vehicle rentals and leases.

Proposition 101 also phases in a reduction to specific ownership taxes over four years, beginning in 2011, for individual vehicle owners. The specific ownership tax is reduced to $2 for new vehicles and $1 per year for older vehicles. The measure eliminates any specific ownership taxes on vehicles that are rented or leased.

Proposition 101 combines all registration, licensing, and titling fees on vehicles into a single $10 annual fee beginning in 2011, with the exception of vehicle inspection and new license plate fees. This fiscal note also assumes the measure eliminates the state's daily rental car fee of $2 per day, use and permitting fees for large and overweight vehicles, and the passenger mile tax that is charged on passenger bus or shuttle businesses.

Taxes and fees on telecommunications services. Proposition 101 eliminates state and local sales tax and other fees on customer bills for any kind of telecommunications service, except for existing 911 fees. The measure sets 911 fees at their 2009 level. The measure lists the following as telecommunication services, even though some of them are not currently taxed: phone, pager, cable, television, radio, Internet, computer, and satellite services. Currently, the state and some local governments charge sales tax on a portion of the cost of phone services, and some local governments charge sales tax on cable services. State fees on telecommunications services that are eliminated include fees that subsidize access to phone service in rural areas of the state; to people who are blind, deaf, or speech impaired; and to low-income people. Local governments may have other fees, such as television franchise fees, that may be eliminated.

Voter approval requirements. Proposition 101 redefines all telecommunications fees and most vehicle fees as taxes. Because the state constitution requires a vote to increase taxes, governments would need to ask voters for permission to create new or increase existing vehicle or telecommunication charges in the future. Proposition 101 excludes vehicle-related fines, parking fees, tolls, vehicle impound fees, vehicle identification and emission inspection fees, and new license plate fees from this requirement.

Auditing requirements. Proposition 101 requires the state to conduct annual audits to ensure that all governments are complying with the tax and fee reductions in the measure.

State Revenue

Total state revenue will decrease by an estimated $744 million in the 2011-12 state budget year, the first full year the measure is in effect. Since the measure's tax and fee reductions would begin January 1, 2011 — the middle of the state budget year — revenue would decrease by about half this amount ($364 million) in the 2010-11 state budget year. When fully implemented, state tax and fee collections would decrease by an estimated $1.9 billion in today's dollars. The measure affects revenue to the state's General Fund and several cash funds. About $295 million of the first full year impact is a reduction in vehicle fees that are used for transportation-related spending. The non-transportation revenue reduction amounts to a decrease of about 6 percent in the first full year and an estimated 23 percent once fully implemented. The transportation-related revenue reduction amounts to about a 28 percent decrease in total state transportation-related revenue.

The revenue impacts of the measure were estimated using various methodologies depending on the tax or fee affected. The income tax revenue impact was determined using the June Legislative Council Staff income tax revenue forecast. The reduction in sales taxes on vehicles was estimated using data from the Department of Revenue on vehicle sales and their values and information on tax collections from auto sales and rental companies. The impact on other revenue from vehicle-related taxes and fees, including specific ownership taxes and license and registration fees, was also estimated using collections data provided by the Department of Revenue. The impact from taxes and fees on telecommunications services was determined using collections data from the Public Utilities Commission and the Department of Revenue.

Table 1 shows the revenue impact of Proposition 101 by fund in budget year 2010-11 (half-year impact), budget year 2011-12 (the first full year impact of the measure), and when all of the tax and fee reductions are fully implemented. The amounts are shown in today's dollars. Although the actual dollar amounts will differ in the future as inflation and growth increase the size of the economy, the relative revenue impact is expected to remain about the same. It is expected that the measure would take about 15 to 20 years to be fully implemented, though about half of the total fully implemented revenue impact would likely occur after four years. The table also shows each state department that uses a fund affected by Proposition 101.

Table 1. State Government Revenue Impact of Proposition 101
(*Millions in Today's Dollars*)

State Fund	Department(s) that Use Fund	Budget Year 2010-11 (half-year impact)	Budget Year 2011-12	Fully Implemented*
General Fund	Multiple Departments	($190)	($380)	($1,580)
Highway Users Tax Fund (HUTF)	Transportation Revenue Public Safety	($91)	($182)	($182)
Licensing Services Cash Fund	Revenue	($3)	($6)	($6)
P.O.S.T. Board Cash Fund	Law	($0.7)	($1)	($1)
Motorcycle Operators Safety Training Fund	Transportation	($0.4)	($1)	($1)
Colorado State Titling and Registration Account	Revenue	($4)	($8)	($8)
Emergency Medical Services Account	Public Health and Environment	($3)	($5)	($5)
State Bridge Enterprise Fund	Transportation	($31)	($83)	($83)
AIR Account	Public Health and Environment Revenue	($4)	($8)	($8)
Statewide Transportation Enterprise Special Revenue Fund	Transportation	($1)	($2)	($2)
Low-income Telephone Assistance Fund	Public Utilities Commission Human Services	($1)	($2)	($2)
Colorado High Cost Administration Fund	Public Utilities Commission	($30)	($60)	($60)
Colorado Disabled Telephone Users Fund	Public Utilities Commission Human Services Education	($1)	($2)	($2)
Off-highway Vehicle Recreation Fund	Natural Resources	($1)	($2)	($2)
Snowmobile Recreation Fund	Natural Resources	($0.4)	($0.7)	($0.7)
Parks and Outdoor Recreation Cash Fund	Natural Resources	($2)	($3)	($3)
	Total	**($364)**	**($744)**	**($1,944)**

* *It is expected that the measure would take about 15 to 20 years to be fully implemented, though about half of the total fully implemented revenue impact would likely occur after four years. Totals may not sum due to rounding.*

State Expenditures

The reductions in state revenue from the passage of Proposition 101 would result in a decrease in state expenditures on programs and services. The state would also incur certain costs to implement the measure. The following section discusses these changes in expenditures.

General Fund expenditure reduction — $190 million in the 2010-11 budget year, $380 million in the 2011-12 budget year, and $1.6 billion when the measure is fully implemented. As shown in Table 1, most of the reduction in revenue from Proposition 101 affects the General Fund, which funds most of the state's main programs, such as: preschool through higher education; health care; prisons; the courts; and programs that help low-income, elderly, and disabled people. How the state's General Funded programs would be affected would depend on the future decisions of the state legislature.

Impact on program expenditures from other state funds. In addition to affecting the General Fund, Proposition 101 affects revenue to various other state cash funds that pay for specific programs. However, as with General Fund programs, the measure does not eliminate these programs, which would remain in state law. How cash-funded programs would be affected would also depend on the decisions of the state legislature. For example, the legislature could find another funding source for the programs, or it could eliminate or reduce the programs. It is important to note that one of the fees eliminated by Proposition 101 funds telephone services for the deaf or speech impaired, which are required by federal law. Thus, another funding source will likely have to be found to continue to provide these services.

The following provides a listing of the state departments with programs whose funding source is reduced or eliminated by Proposition 101. The information includes a short description of the program affected and the revenue impact of Proposition 101 on the program.

- **Department of Education — Reading Services for the Blind.** Proposition 101 eliminates the telecommunications relay services charge, which raises about $2 million a year to subsidize access to telecommunications for disabled individuals. Of this, $250,000 is provided in the 2010-11 budget year to the Reading Services for the Blind Cash Fund to be used to provide reading services to the disabled.

- **Department of Human Services — Colorado Commission for the Deaf and Hard of Hearing and the Colorado Commission for Individuals Who are Blind or Visually Impaired**: A portion of the revenue raised from the aforementioned telecommunications relay services charge provides funding for the Commission on the Deaf and Hard of Hearing and the Commission on the Blind and Visually Impaired in the Department of Human Services. These commissions provide a variety of services to the deaf and blind. Also, the department receives funding from the low-income assistance program fee on telephone bills to fund the department's responsibility to certify and determine eligibility for the Low-Income Telephone Assistance Program, which provides subsidies for low-income individuals' phone bills. These Department of Human Services programs received about $1.1 million in the 2010-11 budget year from the telecommunication bill fees eliminated by Proposition 101.

- **Department of Law — Peace Officers Standards Training.** This fiscal note assumes that the Peace Officers Standards Training fee paid at vehicle registration would be eliminated by Proposition 101. Revenue from this fee, which amounts to about $1.3 million annually, is used by the Peace Officers Standards Training Board to provide training and certification to law enforcement officials statewide.

- **Department of Natural Resources — Parks and Recreation Activities.** Because the measure places a $10 cap on all vehicle registration and titling fees, this fiscal note assumes that the Division of Parks and Outdoor Recreation would receive less revenue from its registration of off-highway recreational vehicles, snowmobiles, and boats. The current registration fees for these vehicles are all higher than $10. It is estimated that the revenue reduction would be about $6 million in the first full year of the measure. The revenue from these registrations is used for various parks and recreation programs and services, including for trails used by recreational vehicles.

- **Department of Public Health and Environment — Oversight of motor vehicle emissions programs and Emergency Medical and Trauma Care Services.** This fiscal note assumes that the motor vehicle emissions fee paid during vehicle registration would be eliminated by Proposition 101. This fee provides funding of about $6 million a year for the department's Air Quality Control Division, which administers air pollution reduction efforts in the state. (The fee also provides funding to the Department of Revenue for its auto emissions program.) The annual amount of revenue collected from the emissions fee is about $8 million.

  Also, it is assumed Proposition 101 would eliminate the emergency medical services fee paid during vehicle registration, which provides funding for training and certification of emergency medical technicians (EMTs), investigation of complaints against EMTs, and the issuance of grants to local emergency medical services providers. The annual amount of revenue collected from the emissions fee is about $5 million.

- **Department of Public Safety — Colorado State Patrol.** Most of the Colorado State Patrol budget is funded by revenue from a portion ("Off-the-Top") of the revenue credited to the Highway Users Tax Fund (HUTF). The HUTF would receive less revenue as a result of the reduction in vehicle-related fees and charges under Proposition 101. How funding from the HUTF for the Colorado State Patrol would be affected by the measure would depend on budgeting decisions by the state legislature.

- **Department of Regulatory Agencies, Public Utilities Commission — Telephone services for rural areas, to the deaf or speech impaired, and to low-income people.** Proposition 101 eliminates the following three fees on telecommunications service bills that fund programs administered by the Public Utilities Commission (PUC) and the Departments of Education and Human Services:

  - The state universal services charge, which is used to subsidize access to telecommunications in rural areas. Revenue for the program will decrease by approximately $60 million per year.

  - The fee for low-income telephone assistance, which raises about $2 million each year to provide a discount for qualifying low-income individuals' phone bills.
  - The telecommunications relay services charge, which raises about $2.5 million a year to subsidize access to telecommunications for disabled individuals. About $1.5 million of the revenue is spent by the PUC to administer this service and, as noted above, about $1 million is provided to the Departments of Education and Human Services for services provided to the disabled.

- **Department of Revenue — Ports of Entry and various other vehicle-related programs.** The department's Motor Carrier Services Division, which operates the state's Ports of Entry for commercial vehicles, is partly funded from a portion of the revenue ("Off-the-Top") credited to the HUTF. The HUTF would receive less revenue as a result of the reduction in vehicle-related fees and charges required by Proposition 101. How funding from the HUTF for the Motor Carrier Services Division would be affected by the measure would depend on budgeting decisions by the state legislature.

  The Licensing Services Cash Fund receives revenue from vehicle-related fees and is used to help fund several different programs within the department, most notably drivers' licensing. The vehicle-related fee reductions would reduce revenue to this fund by about $6 million.

  The Colorado State Titling and Registration System Account also receives revenue from vehicle-related fees and is used to help fund several different programs within the department, most notably the vehicle titling and registrations program. The vehicle-related fee reductions would reduce revenue to this fund by about $8 million.

  This fiscal note also assumes that the revenue the department receives from the motor vehicle emissions fee paid during vehicle registration would be eliminated by Proposition 101. This fee provides funding of about $1.5 million for the department's vehicle emissions program. (The fee also provides funding for the Department of Public Health and Environment's Air Quality Control Division.) The annual amount of revenue collected from the emissions fee is about $8 million.

- **Department of Transportation — Transportation-related projects and programs.** Proposition 101 would reduce vehicle-related fee and surcharge revenue used by the Department of Transportation by up to about $180 million in the first full year of the measure. The impact could be different than this amount based on the legislature's budgeting decisions regarding "Off-the-Top" funding from the HUTF for the Colorado State Patrol and Ports of Entry. The state constitution requires that vehicle-related fees and surcharges collected by the state be spent on road safety, construction, and maintenance. Most of this money is shared between the state, cities, and counties for transportation projects. The expected amount of reductions for cities and counties is about $99 million in the first full year. Proposition 101 would also eliminate revenue specifically earmarked for bridge projects, amounting to about $83 million in the first full year, and for tolling-related transportation programs, amounting to about $2 million in the first full year.

This fiscal note assumes the measure will also eliminate the surcharge on motorcycle and motor-scooter registrations, which amounts to about $800,000 annually. This revenue is used for motor cycle training programs administered by the department.[1]

State costs to implement Proposition 101 — Up to $461,200 in the 2010-11 budget year, $24.3 million in the 2011-12 budget year, and $120.7 million when fully implemented. The state will incur specific costs to implement the reductions in taxes, fees, and charges, and to audit compliance with the Proposition 101's provisions. The state will also incur increased expenditures to replace most of the loss of vehicle specific ownership taxes for school districts due to current requirements in state law. Table 2 summaries these costs, the estimated increase in new staff (FTE) needed to administer the changes and provisions, and the state fund assumed to pay for the expenditures.

Table 2. State Government Cost Increases to Implement Proposition 101

State Fund	Budget Year 2010-11*	Budget Year 2011-12*	Fully Implemented***
General Fund**	$147,000 to $270,000 0.5 FTE to 1.6 FTE	$24,149,000 to $24,268,000 0.3 FTE to 1.6 FTE	$120,700,000
Fixed Utility Fund*	$0 to $276,500 0.0 FTE to 3.2 FTE	$0 to $130,700 0.0 FTE to 1.4 FTE	
Colorado State Titling and Registration Account	$36,100		
Capital Construction Fund	$1,600	$785	
Total	**$307,700 to $461,200 2.1 FTE to 3.7 FTE**	**$24,248,485 to $24,280,485 1.4 FTE to 1.9 FTE**	**$120,700,000**

* *The number of new staff needed and the amount of expenditures in the 2010-11 and 2011-12 budget years, as well as the expenditures amount from the Fixed Utility Fund, would depend on how Proposition 101 is implemented. See the Department of Regulatory Agencies, Public Utilities Commission section for further details.*

** *Most of the costs for the General Fund starting in budget year 2011-12 are due to the replacement of the loss of revenue to school districts from the reduction in specific ownership taxes that would be required under current state law. At least some portion of increased expenditures from the General Fund to replace this loss of revenue could be funded from other specific state funds, such as the State Education Fund and other cash funds that are currently used for funding schools. The fund(s) used would depend on the budgeting decisions of the state legislature.*
The first year estimated increase in state General Fund spending to replace the loss of specific ownership tax revenue indicated in Table 2 ($24 million) is half the $48 million amount shown in the analysis of Proposition 101 in the ballot information booklet (the "Blue Book"). This is because the Blue Book shows the first year impacts of Proposition 101 as a full year impact to give voters a better sense of the measure's first full-year effects. The impact in the 2011-12 budget year would be a half year impact because specific ownership tax revenue for schools is based on collections in the prior budget year. The measure becomes effective January 1, 2011, which is in the middle of the 2010-11 budget year.

*** *Because the reduction in specific ownership taxes would take four years to be fully phased in, it would take four years for the fully implemented increase in state expenditures to occur.*

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[1] The total amount of the estimated reduction in transportation-related revenue to the state indicated in the analysis of Proposition 101 in the ballot information booklet (the "Blue Book") is higher ($295 million) than the total state impact shown in the Department of Transportation section in this fiscal impact statement ($266 million). This is because $29 million of the total $295 million state transportation amount is a reduction in vehicle registration-related fees that are used by other state departments for transportation-related purposes. These fees and funding impacts are discussed in this fiscal impact statement under their respective state departments sections.

State expenditure increase for school districts — $24 million in the 2011-12 budget year (half year impact), and $121 million annually when Proposition 101 is fully implemented. State law requires that school districts receive a certain level of funding each year. This funding is provided by the state General Fund, State Education Fund, and other state cash funds, and from local property taxes and specific ownership taxes. Because specific ownership taxes would be reduced by Proposition 101, the state would be required to make up for the loss of funding to schools. This would cause the state to spend an additional $24 million in the 2011-12 budget year (half-year impact) and $121 million annually when the reduction in specific ownership taxes is fully implemented.[2]

Department of Regulatory Agencies, Public Utilities Commission — ranging from $123,300 and 1.6 new staff to $276,500 and 3.2 new staff in the 2010-11 budget year and from $98,700 and 1.1 new staff to $130,700 and 1.4 new staff in the 2011-12 budget year, depending on how the measure is implemented. As discussed earlier, Proposition 101 does not explicitly eliminate any programs, but reduces the revenue source currently used by programs. How the telecommunications programs discussed in the Department of Regulatory Agencies, Public Utilities Commission (PUC) expenditure section above would be affected would depend on the decisions of the state legislature or possibly court decisions. The programs may be reduced or eliminated, though telephone services for the deaf or speech impaired is required by federal law. In addition, the Low-income Telephone Assistance Program is also a federal program and thus there would continue to be federal subsidies for telephone services for qualifying individuals even if the state program is eliminated. The programs could also be continued and funded by another source, such as general tax revenue, an increase in overall telephone rates for consumers, or a combination of the two.

Regardless of what changes occur to the programs, because telecommunication providers are regulated by the PUC, the PUC would incur one-time costs to change its existing regulations relating to the programs. The amount of the costs would depend on what changes occur. The process for changing regulated programs involves administrative law proceedings and requires financial and other analysis of the changes. Thus, PUC staff would need to work with telecommunication providers and other interested parties on how the changes are implemented. The work would involve several different functions, such as creating or changing rules and regulations, analyzing telecommunication rate changes, and holding commission hearings.

The following provides the expected costs of three different potential scenarios regarding how the passage of Proposition 101 would affect the telecommunication programs. The costs would change if there was a combination of the scenarios, of if some other alternative were to be implemented. For example, the programs could be continued and partially funded through general tax revenue and partially through telecommunications rate increases.

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[2] The first year estimated increase in state spending to replace the loss of specific ownership tax revenue indicated in this fiscal impact statement ($24 million) is half the $48 million amount shown in the analysis of Proposition 101 in the ballot information booklet (the "Blue Book"). This is because the Blue Book shows the first year impacts of Proposition 101 as a full year impact to give voters a better sense of the measure's first full-year effects. The impact in the 2011-12 budget year would be a half year impact because specific ownership tax revenue for schools is based on collections in the prior budget year. The measure becomes effective January 1, 2011, which is in the middle of the 2010-11 budget year.

Scenario 1: The programs are repealed — $276,500 and 3.2 new staff in the 2010-11 budget year and $130,700 and 1.4 new staff in the 2011-12 budget year. The costs would likely be funded from the Fixed Utility Fund, which is the largest funding source for the PUC. However, since telephone services for the deaf or speech impaired is required by federal law, this scenario could result in federal penalties to the state or potential lawsuits. After incurring additional workload to end the programs, the PUC would have less administrative-related expenditures than under current law because the programs would be eliminated.

Scenario2: The programs are continued and funded by increased telecommunication rates — $214,000 and 2.4 new staff in the 2010-11 budget year and $98,700 and 1.1 new staff in the 2011-12 budget year. The costs would likely be funded from the Fixed Utility Fund. After incurring additional workload to change how the programs are funded, the PUC would have about the same administrative-related expenditures to oversee the programs as under current law.

Scenario 3: Programs are continued and funded by state and/or local governments, — $123,300 and 1.6 new staff in the 2010-11 budget year and $118,900 and 1.6 new staff in the 2011-12 budget year. Under this scenario, since the programs would be continued with another funding source, such as by the state General Fund, the administrative costs incurred would likely be funded from the source used to fund the programs. After incurring additional workload to change how the programs are funded, the PUC would have about the same administrative-related expenditures to oversee the programs as under current law.

State Auditor — $134,375 in the 2010-11 budget year, $33,500 per year in the 2011-12 through 2013-14 budget years, and $1,250 in subsequent budget years. The Office of the State Auditor would incur costs to audit compliance with the measure's provisions. It is estimated that Proposition 101 would require the addition of 0.5 new staff in budget year 2010-11 and 0.3 staff in the following few budget years to administer the auditing requirements, prepare reports, and coordinate auditing of the state Department of Revenue, the Public Utilities Commission, local governments, and to manage contracting with independent certified public accounting (CPA) firms. The cost for these new staff and CPA contracts is estimated to be $134,375 in the 2010-11 budget year, $33,500 per year in the 2011-12 through 2013-14 budget years, and $1,250 in subsequent budget years.

Department of Revenue — $50,300 in the 2010-11 budget year and $785 in subsequent budget years. The Department of Revenue would incur costs to implement the reductions in taxes, fees, and charges required by the measure. The department would have costs for programming changes to its computer tax systems and to mail to businesses notifications of the changes in the taxes and fees. Computer programming costs will be about $49,000 in the 2010-11 budget year and $785 in subsequent years when the state's income tax rate is decreased. The department would mail notifications of the tax and fee changes at a cost of about $1,200 in 2010-11 budget year. Of the 2010-11 budget year total amount, $36,100 would be from the Colorado State Titling and Registration Account, $12,600 would be from the General Fund, and $1,600 would be from the Capital Construction Fund.

Local Government Impact

Local governments would collect less revenue from sales taxes on vehicle purchases, leases, and rentals and on telecommunication bills; from vehicle specific ownership taxes; and from vehicle-related fees that must be used for transportation-related spending. Also, since the measure sets 911 fees at their 2009 level, the 911 authorities that would be required to lower their fees because they are above 2009 levels would collect less revenue. Local government revenue would decrease by about $629 million in the first year that Proposition 101's provisions are in effect and about $1 billion when they are fully implemented. The estimated revenue reductions to local governments were mostly determined using the same data sources that were used to determine the state revenue impacts. For example, the revenue impact of the changes in the specific ownership tax was based on data from the Department of Revenue. For the local sales tax impact on vehicles, a statewide average local sales tax rate of 4.1 percent was assumed.

The revenue impact on each government would depend on various factors. Sales tax reductions would depend on the amount of vehicle purchases and leases and the amount of telecommunications use within each government's boundaries. The reduction in specific ownership taxes would depend on each government's share of total property taxes statewide (which determines how specific ownership taxes are distributed to local governments). However, as noted above, state law requires that school districts be reimbursed by the state for most of their loss in specific ownership tax collections. The impact on a local government's transportation-related revenue would mostly depend on its number of vehicle registrations and road miles, and, for counties only, the size of bridges within its jurisdiction.

Table 3 shows the revenue impact of Proposition 101 by revenue source in the first full year of the measure and when all of the tax and fee reductions are fully implemented. The fully implemented amount is shown in today's dollars. Although the actual dollar amounts will differ in the future as inflation and growth increase the size of the economy, the relative revenue impact is expected to remain about the same. The tax and fee reductions shown in Table 3 will take four years to be fully implemented.

Table 3. Local Government Revenue Impact of Proposition 101
(*Millions in Today's Dollars*)

Local Government Revenue Source	First Full Year Impact	Fully Implemented
Sales Tax Revenue*	($357)	($471)
Specific Ownership Tax Revenue	($172)	($431)
Transportation-Related Revenue	($99)	($99)
911 Fees	($2)	($2)
Total**	**($629)**	**($1,002)**

* *Due to data limitations, the sales tax impact excludes the revenue reduction from sales tax that would no longer apply to cable and satellite television services. Thus, the revenue reduction will be larger.*

** *There are likely other revenue impacts to local governments that are not included due to data limitations. These impacts may include a reduction in revenue in franchise fees that some local governments apply to telecommunications bills. Other governments, such as public highway authorities, can charge additional vehicle registration fees. The revenue impact of reducing or eliminating any of these fees has not been estimated. However, the table reflects most of the revenue impact to local governments. Totals may not sum due to rounding.*

The reductions in local government revenue from the passage of Proposition 101 would result in a decrease in expenditures on programs and services. The extent to which each local government program would be affected by the reductions would vary depending on what services the government provides, how those services are funded, and the government's budgeting decisions. Local governments that rely on sales taxes and/or specific ownership taxes for a large portion of their funding would be most affected. Local governments may also have increased administrative costs to comply with the auditing requirements of Proposition 101.

Impact on Taxpayers

Table 4 shows the estimated change in tax and fee bills for three different households as a result of Proposition 101, in both the first full year the measure is in effect and when the measure is fully implemented, in today's dollars. Businesses will also experience reductions in taxes and fees. Households and businesses will be impacted differently depending on annual income, vehicles owned, vehicles purchased, and the amount paid for phone and cable service. Households and businesses will experience additional reductions during years in which vehicles are rented, leased, or purchased.

Table 4. Annual Change in Representative Households' Tax and Fee Bills Due to Proposition 101, First-Year Impact and When Fully Implemented*
(In Today's Dollars)

	Income Taxes	Vehicle Fees & Taxes	Telecom Fees & Taxes	Total
Household A	*Household Description:* Annual Income: $35,000; owns a 10-year-old car that had an original retail price of $13,000; $60 monthly phone bill.			
First Year	-$20	-$72	-$43	-$135
Fully Implemented	-$185	-$73	-$43	-$301
Household B	*Household Description:* Annual Income: $55,000; owns a 5-year-old car that had an original retail price of $17,000 and a 5-year-old car that had an original retail price of $23,500; $130 monthly combined phone bills.			
First Year	-$40	-$180	-$93	-$313
Fully Implemented	-$320	-$295	-$93	-$708
Household C	*Household Description:* Annual Income: $110,000; owns a 2-year-old car that had an original retail price of $37,500 and a 3-year-old car that had an original retail price of $26,000; $180 monthly combined phone bills.			
First Year	-$90	-$327	-$128	-$545
Fully Implemented	-$780	-$883	-$128	-$1,791

* *This analysis assumes a 7.0 percent combined state and local sales tax rate. Telecommunication tax and fee reductions are fully implemented in 2011. Some vehicle tax and fee reductions are fully implemented in 2011 and some are phased in between 2011 and 2014. It will take an estimated 15 to 20 years for the income tax rate reductions to be fully implemented. Totals may not sum due to rounding.*