

2008

TRANSPORTATION FUNDS

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TRANSPORTATION FUNDS. INITIATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

TRANSPORTATION FUNDS. INITIATIVE CONSTITUTIONAL AMENDMENT.

- Prohibits certain motor vehicle fuel sales and use taxes, that are earmarked for the Transportation Investment Fund, from being retained in the General Fund. Currently such taxes may be retained if Governor issues a proclamation, a special statute is enacted by a 2/3 vote of the Legislature, repayment occurs within three years, and certain other conditions are met.
- Requires repayment by 6/30/17 of such vehicle fuel taxes retained in General Fund from 7/1/03 to 6/30/08. Currently repayment is generally required by 6/30/16.
- Changes how and when General Fund borrowing of certain transportation funds is allowed.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increases stability of state funding for highways, streets, and roads and may decrease stability of state funding for public transit. May reduce stability of certain local funds for public transit.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

California funds its transportation systems primarily with a mix of state and local funds.

State Transportation Funds

The state imposes various taxes and fees on motor vehicle fuels and the operation of motor vehicles (discussed below) to support transportation programs. In 2007–08, revenues from these sources are projected to total about \$9 billion.

Article XIX Revenues—Fuel Taxes and Motor Vehicle Fees. The state imposes an excise tax of 18 cents per gallon on gasoline and diesel fuel used in motor vehicles that are driven on public streets and highways. It also charges truck weight fees, driver license fees, and vehicle registration fees. Article XIX of the State Constitution restricts the use of these revenues to specified transportation purposes—primarily highways, streets and roads, and traffic enforcement. (These revenues are often referred to as Article XIX revenues.) The Constitution, however, allows these revenues to be loaned to the General Fund if the amount is repaid in full within the same fiscal year (that is, essentially for short-term cash flow purposes), except that the repayment may be delayed up to 30 days after adoption of a state budget for the

following fiscal year. Under specified conditions, these revenues may also be loaned to the General Fund for up to three fiscal years.

Sales Tax on Gasoline and Diesel. The state imposes a 6.25 percent sales tax on gasoline and diesel fuel.

- **Public Transportation Account (PTA).** A portion of the revenue from the gasoline and diesel sales tax is deposited into the PTA for public transit (bus and rail) and transportation planning purposes. The State Constitution allows funds in the PTA to be loaned to the General Fund for short-term cash flow purposes. The loan must be repaid within 30 days after a state budget is adopted for the following fiscal year. Under specified conditions, PTA funds may also be loaned to the General Fund for longer periods, up to three fiscal years.
- **Transportation Investment Fund (TIF).** A portion of the state gasoline sales tax revenue not deposited into the PTA is transferred to TIF to be used for highways, streets and roads, and transit systems. The State Constitution allows the transfer of these monies to be suspended, thus leaving the money in the General Fund, when the state faces fiscal difficulties. However, only two

suspensions may occur in ten consecutive years, and suspensions must be repaid in full, with interest, within three years. The transfer was suspended partially in 2003–04 and fully in 2004–05. The State Constitution requires that these suspended amounts be repaid by June 30, 2016, at a specified minimum rate of repayment each year. After a repayment is made in 2007–08, \$670 million will remain to be repaid from the General Fund.

Local Transportation Funds

Local governments provide substantial funding for transportation from local sales tax revenues. Each county has a “local transportation fund” (LTF) with revenues generated from a statewide one-quarter percent local sales tax collected in that county. Under the State Constitution, revenues in LTFs can be used only for specified transportation purposes—primarily public transit. In 2007–08, sales tax revenues to LTFs are projected to total about \$1.4 billion.

In addition to the statewide one-quarter percent local sales tax for transportation, counties have the option of levying an additional local sales tax, upon approval by two-thirds of the voters, for county transportation uses. Currently, 19 counties impose a local optional sales tax for transportation.

PROPOSAL

This measure amends the State Constitution in the following ways.

Suspension of Transfers to TIF. The measure eliminates the state’s authority to suspend the transfer of gasoline sales tax revenues to TIF for transportation uses. In other words, these revenues could not be used for nontransportation purposes, but would have to be used for transportation purposes. In addition, the measure requires that amounts suspended in 2003–04 and 2004–05 be repaid by June 30, 2017, at a specified minimum annual rate of repayment.

Loaning of Transportation Funds. The measure deletes the authority to loan Article XIX funds to the General Fund for multiple years. These funds could still be loaned to the General

Fund for short-term cash flow purposes within a fiscal year, and must be repaid within 30 days of the adoption of a budget for the following fiscal year.

The measure authorizes the loaning of TIF funds to the General Fund for short-term cash flow purposes within a fiscal year, to be repaid within 30 days of the adoption of a budget for the following fiscal year. Similarly, the measure may be interpreted to allow LTF monies to be loaned to the General Fund for short-term cash flow purposes within a fiscal year. The measure requires that any short-term loans from the above transportation funds not impede the transportation purposes for which the revenues were generated.

In addition, the measure deletes existing constitutional restrictions that limit loans of PTA funds to the General Fund. It is unclear whether the restriction that loans are only for short-term cash flow purposes, as discussed above, would apply to loans of PTA funds to the General Fund.

Fiscal Effects

By deleting the state’s authority to suspend the transfer of gasoline sales tax revenue to TIF and limiting the state’s ability to borrow these funds as well as Article XIX revenues for nontransportation uses, the measure would make state funding from these sources for highways and streets and roads—the main uses of these monies—more stable and predictable from year to year. At the same time, the measure may be interpreted to allow PTA funds to be loaned to the General Fund with no express time limitation for repayment. This may make the availability of these funds for public transit less stable.

Similarly, if the measure is interpreted to allow the loaning of LTFs to the state General Fund for short-term cash flow purposes, the availability of local transportation funding could become less stable.

To the extent the repayment of an outstanding TIF loan is stretched out by a year, to June 30, 2017, as allowed by this measure, there could be some additional interest costs to the General Fund.

★ ARGUMENT IN FAVOR OF PROPOSITION 91 ★

VOTE NO ON PROPOSITION 91. IT'S NO LONGER NEEDED.

As the official proponents of this measure, we are encouraging you to VOTE NO ON PROPOSITION 91.

In 2006, our coalition qualified this measure for the ballot as a means of stopping the Governor and Legislature from taking the state sales tax on gasoline, which is supposed to be used on transportation projects, and using those funds for non-transportation purposes.

As this initiative was being qualified, Governor Schwarzenegger and a bipartisan group of legislators put a different constitutional measure on the November 2006 ballot that also accomplished what Proposition 91 set out to do. That measure, Proposition 1A, was approved by an overwhelming 77% of California voters in November 2006.

Passage of Prop. 1A means that state politicians in Sacramento can no longer take our gas tax

dollars and use those funds for non-transportation purposes.

Because Prop. 1A is now law, hundreds of millions of dollars in existing gasoline sales taxes are being sent each year to local communities for projects to relieve traffic congestion, improve safety, and fund mass transit.

By passing Proposition 1A, voters solved the problem of state raids of our gas tax funds.

Proposition 91 is no longer needed. We respectfully urge you to vote NO ON PROPOSITION 91.

MARK WATTS, Executive Director
Transportation California

JIM EARP, Executive Director
California Alliance for Jobs

★ ARGUMENT AGAINST PROPOSITION 91 ★

No argument against Proposition 91
was submitted.

CALIFORNIA PRESIDENTIAL PRIMARY ELECTION PULL-OUT GUIDE TUESDAY, FEBRUARY 5, 2008

★ QUICK-REFERENCE GUIDE ★

**PULL OUT THIS
QUICK-REFERENCE GUIDE
AND TAKE IT WITH YOU
TO THE POLLS!**

This guide contains summary and contact information for each state proposition appearing on the February 5, 2008, ballot.



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PROP 91 Transportation Funds. Initiative Constitutional Amendment.

SUMMARY

Put on the Ballot by Petition Signatures

Prohibits certain motor vehicle fuel taxes from being retained in General Fund and delays repayment of such taxes previously retained. Changes how and when General Fund borrowing of certain transportation funds is allowed. Fiscal Impact: Increases stability of state funding for highways, streets, and roads and may decrease stability of state funding for public transit. May reduce stability of certain local funds for public transit.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: The state would no longer be able to suspend the transfer of gasoline sales tax revenue from the General Fund to transportation. In addition, the state would be able to loan specified transportation funds, potentially including certain local transportation funds, to the General Fund for essentially short-term cash flow purposes only. The state, however, may be able to loan to the General Fund, without express time limitation for repayment, certain state funds for public transit.

NO A NO vote on this measure means: The state would still be able to suspend, under certain conditions, the transfer of gasoline sales tax revenue from the General Fund to transportation. Additionally, the state would continue to be able, under certain conditions, to loan specified transportation funds to the General Fund for up to three fiscal years.

ARGUMENTS

PRO Prop. 91 is NO LONGER NEEDED. Please VOTE NO. Voters passed Proposition 1A in 2006, accomplishing what Prop. 91 set out to do. Prop. 1A stopped Sacramento politicians from taking our gas tax dollars and using those funds for non-transportation purposes. Prop. 91 is no longer needed. VOTE NO.

CON No argument against Proposition 91 was submitted.

FOR ADDITIONAL INFORMATION

FOR No contact information was provided.

AGAINST No contact information was provided.

PROPOSITION 91

This initiative measure is submitted to the people of California in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure amends, repeals, and adds sections to the California Constitution; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW**SECTION 1. TITLE.**

This act shall be known, and may be cited as, The Transportation Funding Protection Act of 2006.

SECTION 2. FINDINGS AND DECLARATIONS.

The people find and declare as follows:

(a) California's roads and highways are deteriorating at a rapid pace.

(b) The cause of this deterioration is the annual diversion by the Legislature of state gasoline and diesel taxes for purposes other than transportation.

(c) The purpose of this Act is to halt the diversions, preserve these revenues for the transportation purposes to which they are dedicated, and require repayment of transportation funds previously diverted for non-transportation purposes.

(d) If a catastrophic natural disaster or other grave emergency causes serious damage to California's transportation system, sufficient funds will be immediately available to repair the damage and rebuild the transportation system.

SECTION 3. Section 6 of Article XIX of the California Constitution is amended to read:

~~SEC. 6. The tax revenues designated under this article may be loaned to the General Fund only if one of the following conditions is imposed:~~

~~(a) That any amount loaned is to be repaid in full to the fund from which it was borrowed during the same fiscal year in which the loan was made, except that repayment may be delayed until a date not more than 30 days after the date of enactment of the budget bill for the subsequent fiscal year.~~

~~(b) That any amount loaned is to be repaid in full to the fund from which it was borrowed within three fiscal years from the date on which the loan was made and one of the following has occurred:~~

~~(1) The Governor has proclaimed a state of emergency and declares that the emergency will result in a significant negative fiscal impact to the General Fund.~~

~~(2) The aggregate amount of General Fund revenues for the current fiscal year, as projected by the Governor in a report to the Legislature in May of the current fiscal year, is less than the aggregate amount of General Fund revenues for the previous fiscal year, adjusted for the change in the cost of living and the change in population, as specified in the budget submitted by the Governor pursuant to Section 12 of Article IV in the current fiscal year.~~

~~(c) Nothing in this section prohibits the Legislature from authorizing *The Legislature may*, by statute, *authorize* loans to local transportation agencies, cities, counties, or cities and counties, from funds that are subject to this article, for the purposes authorized under this article. Any loan authorized as described by this subdivision *section* shall be repaid, with interest at the rate paid on money in the Pooled Money Investment Account, or any successor to that account, during the period of time that the money is loaned, to the fund from which it was borrowed, not later than four years after the date on which the loan was made.~~

SECTION 4. Section 1 of Article XIX A of the California Constitution is repealed.

~~SECTION 1. The funds in the Public Transportation Account in the State Transportation Fund, or any successor to that account, may be loaned to the General Fund only if one of the following conditions is imposed:~~

~~(a) That any amount loaned is to be repaid in full to the account during the same fiscal year in which the loan was made, except that repayment may be delayed until a date not more than 30 days after the date of enactment of the budget bill for the subsequent fiscal year.~~

~~(b) That any amount loaned is to be repaid in full to the account within three fiscal years from the date on which the loan was made and one of the following has occurred:~~

~~(1) The Governor has proclaimed a state of emergency and declares that the emergency will result in a significant negative fiscal impact to the General Fund.~~

~~(2) The aggregate amount of General Fund revenues for the current fiscal year, as projected by the Governor in a report to the Legislature in May of the current fiscal year, is less than the aggregate amount of General Fund revenues for the previous fiscal year, as specified in the budget submitted by the Governor pursuant to Section 12 of Article IV in the current fiscal year.~~

SECTION 5. Section 1 of Article XIX B of the California Constitution is amended to read:

~~SECTION 1. (a) For the 2003–04 fiscal year and each fiscal year thereafter, all moneys that are collected during the fiscal year from taxes under the Sales and Use Tax Law (Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code), or any successor to that law, upon the sale, storage, use, or other consumption in this State of motor vehicle fuel, and that are deposited in the General Fund of the State pursuant to that law, shall be transferred to the Transportation Investment Fund, which is hereby created in the State Treasury.~~

~~(b) (1) For the 2003–04 to 2007–08 fiscal years, inclusive, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, in accordance with Section 7104 of the Revenue and Taxation Code as that section read on March 6, 2002.~~

~~(2) For the 2008–09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated solely for the following purposes:~~

~~(A) Public transit and mass transportation.~~

~~(B) Transportation capital improvement projects, subject to the laws governing the State Transportation Improvement Program, or any successor to that program.~~

~~(C) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities, including a city and county.~~

~~(D) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties, including a city and county.~~

~~(c) For the 2008–09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, as follows:~~

~~(A) Twenty percent of the moneys for the purposes set forth in subparagraph (A) of paragraph (2) of subdivision (b).~~

~~(B) Forty percent of the moneys for the purposes set forth in subparagraph (B) of paragraph (2) of subdivision (b).~~

~~(C) Twenty percent of the moneys for the purposes set forth in subparagraph (C) of paragraph (2) of subdivision (b).~~

~~(D) Twenty percent of the moneys for the purposes set forth in subparagraph (D) of paragraph (2) of subdivision (b).~~

~~(d) ~~(1) Except as otherwise provided by paragraph (2), the~~ The transfer of revenues from the General Fund of the State to the Transportation Investment Fund pursuant to subdivision (a) may be suspended, in whole~~

or in part, for a *any fiscal year preceding the 2007–08 fiscal year* if *all both* of the following conditions are met:

(A) The Governor issues a proclamation that declares that, due to a severe state fiscal hardship, the suspension of the transfer of revenues required by subdivision (a) is necessary:

(1) *The Governor has issued a proclamation that declares that the transfer of revenues pursuant to subdivision (a) will result in a significant negative fiscal impact on the range of functions of government funded by the General Fund of the State.*

(B) (2) The Legislature enacts by statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, a suspension for that fiscal year of the transfer of revenues required by *pursuant to subdivision (a) and, provided that* the bill does not contain any other unrelated provision.

(C) ~~No later than the effective date of the statute described in subparagraph (B), a separate statute is enacted that provides for the full repayment to the Transportation Investment Fund of the total amount of revenue that was not transferred to that fund as a result of the suspension, including interest as provided by law. This full repayment shall be made not later than the end of the third fiscal year immediately following the fiscal year to which the suspension applies.~~

(2)(A) The transfer required by subdivision (a) shall not be suspended for more than two fiscal years during any period of 10 consecutive fiscal years, which period begins with the first fiscal year commencing on or after July 1, 2007, for which the transfer required by subdivision (a) is suspended:

(B) The transfer required by subdivision (a) shall not be suspended during any fiscal year if a full repayment required by a statute enacted in accordance with subparagraph (C) of paragraph (1) has not yet been completed:

(e) (1) *The total amount, as of July 1, 2007, of revenues that were not transferred from the General Fund of the State to the Transportation Investment Fund because of a suspension pursuant to subdivision (d) shall be repaid to the Transportation Fund no later than June 30, 2017. Until this total amount has been repaid, the amount of that repayment to be made in each fiscal year shall not be less than 1/10 of the total amount due.*

(2) *The Legislature may provide by statute for the issuance of bonds by the State or local agencies, as applicable, that are secured by the payments required by paragraph (1). Proceeds of the sale of the bonds shall be applied for purposes consistent with this article, and for costs associated with the issuance and sale of bonds.*

(e) (f) The Legislature may enact a statute that modifies the percentage shares set forth in subdivision (c) by a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, provided that the bill does not contain any other unrelated provision and that the moneys described in subdivision (a) are expended solely for the purposes set forth in paragraph (2) of subdivision (b).

(f) (1) ~~An amount equivalent to the total amount of revenues that were not transferred from the General Fund of the State to the Transportation Investment Fund, as of July 1, 2007, because of a suspension of transfer of revenues pursuant to this section as it read on January 1, 2006, but excluding the amount to be paid to the Transportation Deferred Investment Fund pursuant to Section 63048.65 of the Government Code, shall be transferred from the General Fund to the Transportation Investment Fund no later than June 30, 2016. Until this total amount has been transferred, the amount of transfer payments to be made in each fiscal year shall not be less than one-tenth of the total amount required to be transferred by June 30, 2016. The transferred revenues shall be allocated solely for the purposes set forth in this section as if they had been received in the absence of a suspension of transfer of revenues:~~

(2) ~~The Legislature may provide by statute for the issuance of bonds by the state or local agencies, as applicable, that are secured by the minimum transfer payments required by paragraph (1). Proceeds from the sale of those bonds shall be allocated solely for the purposes set forth in this section as if they were revenues subject to allocation pursuant to paragraph (2) of subdivision (b):~~

SECTION 6. Article XIX C is added to the California Constitution, to read:

SECTION 1. Tax revenues designated in Articles XIX and XIX B, and funds designated in Article XIX A may be loaned to the General Fund to meet the short term cash flow needs of the State only if the loan is to be repaid in full to the fund or account from which it was borrowed during the same fiscal year in which the loan was made, except that repayment may be delayed until a date not more than 30 days after the date of enactment of the budget bill for the subsequent fiscal year. In no event shall any loan authorized herein impede in any manner the transportation purpose for which the revenues are generated and exist.

SECTION 7. CONFLICTING BALLOT MEASURES.

In the event that this measure and another measure or measures relating to the disposition of transportation revenues shall appear on the same statewide election ballot, the provisions of the other measures shall be deemed to be in conflict with this measure. In the event that this measure shall receive a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measures shall be null and void.

PROPOSITION 92

This initiative measure is submitted to the people of California in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure amends provisions of, and adds provisions to, the California Constitution and the Education Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout~~ type and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title

This measure shall be known and may be cited as the “Community College Governance, Funding Stabilization, and Student Fee Reduction Act.”

SECTION 2. Findings and Declarations of Purpose

The people of the State of California find and declare that:

1. California’s community colleges enroll over 2.5 million students each year, providing opportunities for higher education and the skills to be competitive in California’s workforce.
2. California’s community colleges are affordable. Low student fees and financial aid have made community colleges a gateway to a better life for millions of Californians.
3. Business leaders call California’s community colleges a vital component of our state’s workforce development, contributing to a healthy economy.
4. The state can fund community college enrollment growth without raising taxes or taking funds from K–12 schools. A dual-funding mechanism under Proposition 98 will achieve both.
5. This initiative will lower student fees and prevent fees from increasing at a rate faster than the growth in personal incomes.
6. Community colleges should be accountable to taxpayers through the election of local boards facing regular election.

Therefore, the people of the State of California hereby adopt the Community College Governance, Funding Stabilization, and Student Fee Reduction Act.