

2018

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TRANSPORTATION REVENUES BE USED
FOR TRANSPORTATION PURPOSES.
LEGISLATIVE CONSTITUTIONAL
AMENDMENT.

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REQUIRES THAT CERTAIN NEW TRANSPORTATION REVENUES BE USED FOR TRANSPORTATION PURPOSES. LEGISLATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State's website at <http://voterguide.sos.ca.gov/>.

- Requires that revenues generated by a 2017 transportation funding law, through a certain vehicle license fee and diesel sales tax, be used only for transportation purposes, including public transportation. Generally prohibits the Legislature from diverting those funds to other purposes.
- Prohibits revenue from new vehicle license fees from being used to repay general obligation bond debt.
- Exempts new revenues from state and local spending limits.

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

- No direct effect on the amount of state and local revenues or costs, as the measure does not change existing tax and fee rates.
- The measure could affect how some monies are spent by ensuring that revenues from recently enacted taxes and fees continue to be spent on transportation purposes.
- The measure would put the state a little further below its constitutional spending limit.

FINAL VOTES CAST BY THE LEGISLATURE ON ACA 5 (PROPOSITION 69) (RESOLUTION CHAPTER 30, STATUTES OF 2017)

Senate:	Ayes 28	Noes 10
Assembly:	Ayes 56	Noes 24

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

RECENT TRANSPORTATION FUNDING LEGISLATION

In April 2017, the state enacted legislation, Senate Bill 1 (SB 1), to increase annual state funding for transportation in California. Senate Bill 1 (1) increases revenues from various taxes and fees, and (2) dedicates the revenues to transportation purposes, including repairing state highways and local streets, and improving mass transit.

Taxes and Fees. Senate Bill 1 increased gasoline and diesel excise taxes, which are set on a per-gallon basis. It also increased diesel sales taxes, which are set based on price. For zero-emission vehicles (such as electric cars) model year 2020 and later, it increased vehicle registration fees by a fixed dollar amount. Additionally, SB 1 created a

new transportation improvement fee, which vehicle owners pay based on the value of their vehicle. Most of the taxes and fees already are in effect, with all taking effect by 2020.

Restrictions on Revenues. Senate Bill 1 will raise \$5 billion annually when all its taxes and fees are in effect. Figure 1 shows the annual revenues raised from each tax and fee, as well as whether existing provisions of the State Constitution restrict them for transportation purposes. Though the Legislature chose to dedicate all the SB 1 revenues to transportation, the State Constitution does not require this for the revenues from the transportation improvement fees and diesel sales taxes. As such, the Legislature could choose in the future to use these two revenue sources for purposes other than transportation.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

SPENDING LIMITS

The State Constitution requires the state and local governments to keep their annual spending at or below a certain level, based on a formula established by a voter proposition passed in 1979. The State Constitution exempts some spending from counting toward these limits, including spending from most gasoline and diesel excise tax revenues and spending on capital projects. Due to these exemptions, only a small portion (less than one-tenth) of spending from the new SB 1 revenues count toward the state limit. It is currently estimated that the state is several billion dollars below its limit.

PROPOSAL

Restricts Revenues for Transportation.

Proposition 69 amends the State Constitution to require that the Legislature spend revenues from the new diesel sales taxes and transportation improvement fees on transportation purposes. (This requirement also applies to existing diesel sales tax revenues—not just those imposed by SB 1.) Proposition 69 also prohibits the state from (1) loaning out these revenues (except for cash flow purposes), and (2) using transportation improvement fee revenues to repay state transportation bonds without voter approval. The only way to change these requirements would be for the voters to approve another constitutional amendment in the future.

Exempts Revenues From Spending Limits.

Proposition 69 exempts spending from all the revenues raised from SB 1 from counting toward state and local spending limits.

Figure 1

Existing State Constitutional Restrictions on Recently Enacted Senate Bill 1 Revenues
(In Billions)

Tax/Fee	Revenues ^a	Restricted for Transportation?
Gasoline Excise Tax	\$2.4	Yes
Transportation Improvement Fee	1.6	No
Diesel Excise Tax	0.7	Yes
Diesel Sales Tax	0.3	No
Zero-Emission Vehicle Fee	— ^b	Yes
Total	\$5.0	

^a In 2020–21, when all taxes and fees are in effect. Excludes revenues from taxes on fuel used in off-highway vehicles (totaling \$0.1 billion). The existing State Constitution and Senate Bill 1 both allow these revenues to be spent on purposes besides transportation.

^b About \$18 million a year.

FISCAL EFFECTS

No Direct Fiscal Effect but Could Affect How Some Monies Are Spent. Proposition 69 would not directly affect the amount of state and local revenues or costs. (This is because it does not change the tax and fee rates established in SB 1.) The proposition could affect how some monies are spent in the future by requiring the Legislature to continue to spend revenues from diesel sales taxes and transportation improvement fees on transportation purposes, rather than other purposes. Additionally, the proposition puts the state a little further below its constitutional spending limit.

Visit <http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/jun-18-primary.html> to access the committee’s top 10 contributors.

If you desire a copy of the full text of the state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email vigfeedback@sos.ca.gov and a copy will be mailed at no cost to you.

★ ARGUMENT IN FAVOR OF PROPOSITION 69 ★

YES ON 69: PREVENT THE LEGISLATURE FROM REDIRECTING TRANSPORTATION REVENUES AND ENSURE THEY CAN ONLY BE USED TO FUND TRANSPORTATION IMPROVEMENTS.

YES on 69 ensures existing transportation revenues we pay at the pump and when we register our vehicles can ONLY be used for road and transportation improvement projects. Proposition 69 constitutionally protects these funds by prohibiting the legislature from using these revenues for non-transportation purposes.

And YES on 69 won't raise taxes one cent.

YES ON 69 REQUIRES TRANSPORTATION FUNDS BE SPENT ON PRIORITIES LIKE FIXING LOCAL ROADS, HIGHWAYS, BRIDGES AND OTHER TRANSPORTATION PROJECTS.

Californians depend on a safe and reliable transportation network to support our quality of life and a strong economy. YES on 69 protects transportation taxes and fees we already pay for: • SAFETY IMPROVEMENTS to repair aging and deteriorating bridges, tunnels and overpasses, as well as highways, freeways and local streets and roads. • FILLING POTHoles and PAVING OVER CRACKED AND CRUMBLING ROADS. • RELIEVING TRAFFIC CONGESTION by adding new lanes and making repairs to remove bottlenecks that cause congestion. • UPGRADING LIGHT-RAIL AND COMMUTER RAIL, buses and other public transportation services to reduce traffic congestion and improve air quality. • IMPROVING PEDESTRIAN SAFETY by building and upgrading crosswalks and sidewalks.

YES ON 69 PROTECTS TRANSPORTATION FUNDS AND BENEFITS EVERY CALIFORNIA COMMUNITY.

Passing Proposition 69 protects revenues dedicated to every city, county and transportation agency in the state for repairing local roads and improving public transportation.

YES ON 69 PROTECTS EXISTING REVENUES AND DOES NOT INCREASE TAXES.

Proposition 69 protects existing taxes and fees we are already paying. It does not raise taxes.

YES ON 69 PROMOTES JOBS AND A STRONGER ECONOMY.

Ensuring transportation revenues are dedicated to transportation projects will support hundreds of thousands of good paying jobs and will boost our economy by improving the transportation network that gets employees to work and goods and services to the market.

YES ON 69 MEANS STRONG ACCOUNTABILITY TO PROTECT TAXPAYERS.

Proposition 69 ensures our transportation tax dollars can only be used to make road safety improvements, fill potholes, repair local streets, freeways and bridges, and to invest in public transit.

"Cracked, potholed roads in poor condition pose a major safety threat to California drivers," said Warren Stanley, commissioner, CALIFORNIA HIGHWAY PATROL. "We need Prop. 69 to protect revenues to fix the poor condition of our roads, to protect public safety and provide drivers with smoother, less congested roads and highways."

YES ON 69 IS SUPPORTED BY A BROAD COALITION.

YES on 69 is supported by a broad coalition representing business, labor, local governments, transportation advocates and taxpayers, including: • League of Women Voters of California • California Chamber of Commerce • California State Conference, NAACP • California Alliance for Jobs • California Business Roundtable • California State Association of Counties • League of California Cities • Southern California Partnership for Jobs • Transportation California • California Transit Association

VOTE YES ON PROP. 69 TO ENSURE OUR TRANSPORTATION REVENUES CAN ONLY BE SPENT ON TRANSPORTATION IMPROVEMENT PROJECTS.

www.YesProp69.com

WARREN STANLEY, Commissioner
California Highway Patrol

HELEN HUTCHISON, President
League of Women Voters of California

ALLAN ZAREMBERG, President
California Chamber of Commerce

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 69 ★

NO ON 69: BROKEN PROMISES HAVE LED TO A RUNDOWN, OUTDATED, AND CONGESTED TRANSPORTATION SYSTEM

Prior to the recent gas tax increases, Sacramento had plenty of your money through transportation-related fees and taxes to fix our crumbling roads, upgrade transportation infrastructure, and repair aging bridges. However, time and time again, the state spent YOUR money on everything BUT transportation. Now our roads are in complete decay, they promise that this time, they'll spend it as intended. While protecting your money is commendable, Californians are already unnecessarily taxed at the pump. If Sacramento were judicious in the handling of your money, California's transportation system would not be facing such crisis.

PROP. 69 PROTECTS TRANSPORTATION MONEY THAT WILL NOT FIX OUR ROADS

While the proponents argue protecting these dollars ensures traffic congestion relief, filling potholes, and

safety improvements, it's not quite the case. A portion of money protected by Proposition 69 is for transit, which is NOT fixing our roads; no new infrastructure, no updates to California's crumbling roads, and no traffic relief. Other dollars can go to projects like high speed rail, bike lanes, and protecting habitat.

PROPOSITION 69 FAILS TO PROTECT OVER \$1 BILLION Proposition 69 fails to protect ALL transportation dollars. Sacramento will collect \$1 billion annually in vehicle weight fees, which will go unprotected and backfill the State's General Fund. Proposition 69 fails to fully protect transportation taxes from being diverted to programs that do nothing to fix our roads and highways. **VOTE NO ON PROPOSITION 69.**

ASSEMBLYMAN FRANK BIGELOW

5th Assembly District

SENATOR JOHN MOORLACH

37th Senate District

★ ARGUMENT AGAINST PROPOSITION 69 ★

How insulting can a ballot proposition be? Last year, a two-thirds majority of state legislators voted for a gas tax and vehicle fee increase for transportation improvements. And now they are asking you to tell them to only spend the money on that intended purpose? Do you see the lunacy of this request?

Is this measure supposed to make us feel better? Or is it an indictment that Sacramento can't help itself when it comes to spending your money? It's wasting billions of dollars for high speed rail, with massive cost overruns. And this proposition is supposed to prevent them from spending drift? Or is this an admission that, like an alcoholic, Sacramento is saying it won't siphon off some of your gas tax for other boondoggles, this time? And, once again, they really mean it. How sad can California's legislature get? Did you know that Caltrans wastes some \$500 million per year? Because it's overstaffed by nearly 3,300 architects and engineers and it is hiring more? That it only outsources ten percent of engineering work when most states outsource half? Did Sacramento streamline Caltrans before raising your gas taxes? No!

It embarrasses me, as a fiscal conservative, to have to ask you to tell Sacramento to spend a gas tax on highway repairs. It's disingenuous and duplicitous. How long will the voters of this state enable free-spending liberals to drive our Golden State into the ground? Accordingly, I'm voting "No" on this tripe called Proposition 69. You should too.

SENATOR JOHN M.W. MOORLACH
37th Senate District

PROPOSITION 69 FAILS TO PROTECT ALL TRANSPORTATION REVENUE.

All transportation related revenues must be protected from being diverted by the legislature for programs that don't fix our roads. Fact: most transportation revenues, including gasoline, diesel excise taxes and vehicle registration fees, are constitutionally protected from being used for purposes other than transportation. Unfortunately, PROPOSITION 69 FAILS TO PROTECT OVER \$1 BILLION ANNUALLY FROM VEHICLE WEIGHT FEES THAT HAVE BEEN SIDETRACKED SINCE 2011. ALL transportation taxes must be protected from being diverted and misused by politicians, otherwise these games will continue.

PROPOSITION 69 ALLOWS UNCHECKED SPENDING.

In addition to Proposition 13 (1978)—California's landmark initiative that limited local property taxes—voters passed Proposition 4 (1979), which limited the spending of government operations. Proposition 69 exempts the recently enacted transportation taxes and fees from the state spending limit. This effectively RAISES THE CAP ON GENERAL FUND SPENDING BY APPROXIMATELY \$2 BILLION ANNUALLY. By exempting these expenditures, state spending would be allowed to grow to levels that otherwise could not be reached.

VOTE NO ON PROPOSITION 69

I am opposed to the new gas taxes and vehicle registration fees. Too many Californians struggle to pay for housing, food and other necessities in this high-cost state. Californians don't need more taxes. I don't support Proposition 69 because state spending will continue to spiral out of control, and it fails to fully protect transportation taxes from being diverted to programs that do nothing to fix our roads and highways.

ASSEMBLYMAN FRANK BIGELOW
5th Assembly District

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 69 ★

Proposition 69 prevents the legislature from diverting transportation dollars for non-transportation purposes. So it's not surprising that the arguments against Prop. 69 are signed by . . . legislators.

But their arguments are not accurate.

Here are the facts.

FACT: When voters approve Proposition 69, recently enacted transportation revenues will be protected and required by our state constitution to go to transportation improvement projects.

FACT: Prop. 69 does not increase taxes. It protects the transportation taxes and fees we already pay.

FACT: Prop. 69 does not increase the state spending limit. It ensures that transportation revenues are completely dedicated to transportation improvements and not state debt.

Passing Prop. 69 will ensure our transportation dollars are spent on transportation improvement projects including:

- FIXING POTHoles and paving crumbling roads.
- MAKING SAFETY IMPROVEMENTS to bridges, overpasses, streets and highways.

- RELIEVING TRAFFIC CONGESTION by making repairs to improve traffic flow.
- INVESTING IN PUBLIC TRANSPORTATION like buses and commuter rail to help relieve traffic and improve air quality.

YES ON 69 MEANS STRONG ACCOUNTABILITY TO PROTECT TAXPAYERS.

Proposition 69 is supported by a broad coalition of public safety officials, business, local government, labor, environmentalists, seniors, taxpayers, Democrats, Republicans and independents.

Vote YES on Prop. 69 to prevent the legislature from diverting our transportation dollars and to guarantee that transportation funding is spent fixing our roads.

www.YesProp69.com

GARY PASSMORE, President
Congress of California Seniors

ROBERT C. LAPSLEY, President
California Business Roundtable

ALICE A. HUFFMAN, President
California State Conference NAACP

State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds under this division shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this division or any previously issued refunding bonds. Any bond refunded with the proceeds of a refunding bond as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing that refunded bond.

80173. The proceeds from the sale of bonds authorized by this division are not “proceeds of taxes” as that term is used in Article XIII B of the California Constitution, and the disbursement of these proceeds is not subject to the limitations imposed by that article.

SEC. 4. Section 79772.5 is added to the Water Code, to read:

79772.5. Notwithstanding any other law, eighty million dollars (\$80,000,000) of the unissued bonds authorized for the purposes of Section 79772 are reallocated to finance the purposes of, and shall be authorized, issued, and appropriated in accordance with, Division 45 (commencing with Section 80000) of the Public Resources Code.

PROPOSITION 69

This amendment proposed by Assembly Constitutional Amendment 5 of the 2017–2018 Regular Session (Resolution Chapter 30, Statutes of 2017) expressly amends the California Constitution by amending a section thereof, and adding an article and a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENTS TO ARTICLES XIII B, XIX A, AND XIX D

First—That Section 15 is added to Article XIII B thereof, to read:

SEC. 15. “Appropriations subject to limitation” of each entity of government shall not include appropriations of revenues from the Road Maintenance and Rehabilitation Account created by the Road Repair and Accountability Act of 2017, or any other revenues deposited into any other funds pursuant to the act. No adjustment

in the appropriations limit of any entity of government shall be required pursuant to Section 3 as a result of revenues being deposited in or appropriated from the Road Maintenance and Rehabilitation Account created by the Road Repair and Accountability Act of 2017 or any other account pursuant to the act.

Second—That Section 1 of Article XIX A thereof is amended to read:

SECTION 1. (a) The Legislature shall not borrow revenues from the Public Transportation Account, or any successor account, and shall not use these revenues for purposes, or in ways, other than those specifically permitted by this article.

(b) The Public Transportation Account in the State Transportation Fund, or any successor account, is a trust fund. The Legislature may not change the status of the Public Transportation Account as a trust fund. Funds in the Public Transportation Account may not be loaned or otherwise transferred to the General Fund or any other fund or account in the State Treasury.

(c) All revenues specified in paragraphs (1) through (3), inclusive, of subdivision (a) of Section 7102 of the Revenue and Taxation Code, as that section read on June 1, 2001, shall be deposited no less than quarterly into the Public Transportation Account (Section 99310 of the Public Utilities Code), or its successor. The Legislature may not take any action which temporarily or permanently diverts or appropriates these revenues for purposes other than those described in subdivision (d), or delays, defers, suspends, or otherwise interrupts the quarterly deposit of these funds into the Public Transportation Account.

(d) Funds in the Public Transportation Account may only be used for transportation planning and mass transportation purposes. The revenues described in subdivision (c) are hereby continuously appropriated to the Controller without regard to fiscal years for allocation as follows:

(1) Fifty percent pursuant to subdivisions (a) through (f), inclusive, of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(2) Twenty-five percent pursuant to subdivision (b) of Section 99312 of the Public Utilities Code, as that section read on July 30, 2009.

(3) Twenty-five percent pursuant to subdivision (c) of Section 99312 of the Public Utilities Code, as that section read on July 30, 2009.

(e) For purposes of paragraph (1) of subdivision (d), “transportation planning” means only the purposes described in subdivisions (c) through (f), inclusive, of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(f) For purposes of this article, “mass transportation,” “public transit,” and “mass transit” have the same meaning as “public transportation.” “Public transportation” means:

(1) (A) Surface transportation service provided to the general public, complementary paratransit service provided to persons with disabilities as required by 42 U.S.C. 12143, or similar transportation provided to people with disabilities or the elderly; (B) operated by bus, rail, ferry, or other conveyance on a fixed route, demand response, or otherwise regularly available basis; (C) generally for which a fare is charged; and (D) provided by any transit district, included transit district, municipal operator, included municipal operator, eligible municipal operator, or transit development board, as those terms were defined in Article 1 of Chapter 4 of Part 11 of Division 10 of the Public Utilities Code on January 1, 2009, a joint powers authority formed to provide mass transportation services, an agency described in subdivision (f) of Section 15975 of the Government Code, as that section read on January 1, 2009, any recipient of funds under Sections 99260, 99260.7, 99275, or subdivision (c) of Section 99400 of the Public Utilities Code, as those sections read on January 1, 2009, or a consolidated agency as defined in Section 132353.1 of the Public Utilities Code, as that section read on January 1, 2009.

(2) Surface transportation service provided by the Department of Transportation pursuant to subdivision (a) of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(3) Public transit capital improvement projects, including those identified in subdivision (b) of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(g) *All revenues specified in Sections 6051.8 and 6201.8 of the Revenue and Taxation Code, as*

those sections read on January 1, 2018, shall be deposited no less than quarterly into the Public Transportation Account, or its successor. Except as provided in Sections 16310 and 16381 of the Government Code, as those sections read on January 1, 2018, the Legislature may not take any action that temporarily or permanently diverts or appropriates these revenues for purposes other than those described in subdivision (d), or delays, defers, suspends, or otherwise interrupts the quarterly deposit of these revenues into the Public Transportation Account.

Third—That Article XIXD is added thereto, to read:

ARTICLE XIXD
VEHICLE LICENSE FEE REVENUES FOR
TRANSPORTATION PURPOSES

SECTION 1. (a) Notwithstanding Section 8 of Article XIX, revenues derived from vehicle fees imposed under the Vehicle License Fee Law pursuant to Chapter 6 (commencing with Section 11050) of Part 5 of Division 2 of the Revenue and Taxation Code, or its successor, over and above the costs of collection and any refunds authorized by law, shall be used solely for transportation purposes, as defined by Section 11050 of the Revenue and Taxation Code, as that section read upon enactment of the Road Repair and Accountability Act of 2017.

(b) The revenues described in subdivision (a) shall not be used for the payment of principal and interest on state transportation general obligation bonds that were authorized by the voters on or before November 8, 2016, nor shall those revenues be used for payment of principal and interest on state transportation general obligation bond acts approved by the voters after that date, unless the bond act expressly authorizes that use.

(c) Except as provided in Sections 16310 and 16381 of the Government Code, as those sections read on January 1, 2018, the Legislature shall not borrow the revenues described in subdivision (a), and shall not use these revenues for purposes, or in ways, other than as authorized in subdivisions (a) or (b).

PROPOSITION 70

This amendment proposed by Assembly Constitutional Amendment 1 of the 2017–2018 Regular Session (Resolution Chapter 105, Statutes of 2017) expressly amends the