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# Removes Responsibility and Funding for State Highway Construction and Maintenance from State. Transfers Such Responsibility and Funding to Individual Local Governments. Ends State High-Speed Rail Project. Constitutional Amendment

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## Recommended Citation

Removes Responsibility and Funding for State Highway Construction and Maintenance from State. Transfers Such Responsibility and Funding to Individual Local Governments. Ends State High-Speed Rail Project. Constitutional Amendment California Initiative 1861 (2019).

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The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

**REMOVES RESPONSIBILITY AND FUNDING FOR STATE HIGHWAY  
CONSTRUCTION AND MAINTENANCE FROM STATE. TRANSFERS SUCH  
RESPONSIBILITY AND FUNDING TO INDIVIDUAL LOCAL GOVERNMENTS.  
ENDS STATE HIGH-SPEED RAIL PROJECT. CONSTITUTIONAL AMENDMENT.**

Shifts responsibility for constructing and maintaining state highways from the state to local governments. Allocates revenues from state motor vehicle fuel taxes to local governments for road construction and repair by private, non-governmental entities. Allocates revenues from state taxes and fees on vehicles to local governments for road construction and repairs, and mass transit. Terminates funding for state's high-speed rail project. Requires State Auditor to audit certain transportation projects and Department of Motor Vehicles. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: **A shift of roughly \$10 billion in outgoing state revenues from state and local non-transportation programs to local transportation programs. Increased ongoing state spending of several billions annually to backfill certain programs affected by this shift. Also, roughly \$12 billion in existing ongoing state revenues for transportation would be provided to local governments. A shift of up to hundreds of millions of dollars ongoing from certain state and local programs to the enforcement of traffic and vehicle laws. Potential increased ongoing spending by the state and local governments to backfill programs affected by this shift. Reduced state expenditures on the high-speed rail project in the tens of billions of dollars from stopping the project. (18-0010)**

# REFORM CALIFORNIA

18-0010

September 25, 2018

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SEP 25 2018

Anabel Renteria  
Initiative Coordinator  
Office of the Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, CA 95814

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

**Re: Request for Title and Summary for Initiative Constitutional Amendment – “Citizens’ Lockbox for Road Repairs and Infrastructure Improvements”**

Dear Ms. Renteria:

Pursuant to Elections Code 9001(a), I hereby request that the Attorney General prepare a circulating title and summary of the chief purpose and points of the following proposed initiative measure. Enclosed please find a check for \$2000 for the fee required to initiate this process.

Any correspondence regarding this initiative should be directed to Reform California, Attention Carl DeMaio at PO Box 27227 San Diego CA 92198 (telephone: 619-786-8019) – email [carl@cardemaio.com](mailto:carl@cardemaio.com)

Thank you for your anticipated cooperation.

Sincerely,



Carl DeMaio

Proponent of Enclosed Initiative

*I, Carl DeMaio, declare under penalty of perjury that I am a citizen of the United States, 18 years of age or older, and a resident of San Diego county, California. (Elec. Code, § 9001.) I, Carl DeMaio, acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.*



(Signature of Proponent)

Dated this 25<sup>th</sup> day of September, 2018

***Section 1. Title.***

This Act shall be known, and may be cited as, the **Citizens' Lockbox for Road Repairs and Infrastructure Improvements**.

***Section 2. Findings & Declarations.***

(a) California's taxpayers already pay some of the highest gas taxes in the country but are forced to suffer with some of the worst roads and infrastructure in the country because politicians have diverted, stolen, and wasted the funds. California taxpayers desire to end the diversion of tax funds that should properly go to fund roads and infrastructure.

(b) Due to lack of accountability and efficient management, infrastructure projects cost far more in California than projects implemented in other states.

(c) Therefore, the people hereby amend the Constitution to impose accountability on the allocation and use of tax funds for road repairs and infrastructure improvements.

***Section 3. Article XIX E of the California Constitution is added to read:***

**ARTICLE XIX E**

**Citizens' Lock Box and Accountability Reforms for Infrastructure**

SECTION 1. Notwithstanding Articles XIX to XIX D, inclusive, all revenues collected on and after January 1, 2021, from taxes imposed by the State on motor vehicle fuels for use in motor vehicles upon public streets and highways shall be deposited into the Citizens' Lock Box for Road Repairs, Maintenance, and Improvement, which is hereby created and declared to be a trust fund, and shall be allocated monthly in accordance with Section 4 and shall be used solely for the following purposes:

(a) Capital outlay for public streets and highways, provided that the entity carrying out the capital outlay project is a private, non-governmental entity. For purposes of this subdivision, "capital outlay" means the expenditure of funds for the acquisition of land or other real property, major construction, improvements, equipment, designs, specifications, and equipment necessary in connection with a construction or improvement project on a public street or highway.

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(b) Repairs and maintenance of public streets and highways, which are intended to keep a facility functional at its designed level of services and life expectancy, provided that the entity carrying out the repairs and maintenance is a private, non-governmental entity.

SECTION 2. (a) Notwithstanding Articles XIX to XIX D, inclusive, and Section 15 of Article XI, all revenues collected on and after January 1, 2021, from taxes imposed by the State on the purchase, use, or operation of vehicles, including taxes and fees imposed pursuant to the Sales and Use Tax Law or the Vehicle License Fee Law and taxes imposed on insurance for motor vehicles used upon the public streets and highways, and all amendments and additions now or hereafter made to such statutes, shall be deposited into the Citizens' Lock Box for Transportation Infrastructure Repair, Maintenance, Operation, and Improvement, which is hereby created and declared to be a trust fund, and shall be allocated monthly in accordance with Section 4 and shall be used solely for the research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), public mass transit guideways (and their related fixed facilities), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and state administration and enforcement.

(b) Notwithstanding Articles XIX to XIX D, inclusive, all revenues collected on and after January 1, 2021, from fines and penalties imposed for violation of traffic and vehicle laws and from fees imposed by the State upon motor vehicles or their use or operation, including license fees, and all amendments and additions now or hereafter made to such statutes governing those penalties, fines, and fees, shall be deposited into the Citizens' Lock Box for Transportation Infrastructure Repair, Maintenance, Operation, and Improvement, and shall be used solely for the state administration and enforcement of laws regulating the use, operation or registration of vehicles used upon the public streets and highways of this state, including the enforcement of traffic and vehicle laws by state agencies, support for courts with regard to costs incurred for cases relating to the enforcement of traffic and vehicle laws, and the mitigation of the environmental effects of motor vehicle operation due to air and sound emissions.

SECTION 3. (a) For the purposes of this section, "transportation project" means any project or expenditure of state or local funds for activities related to the construction, improvement, maintenance, or operation of highways, roads, bridges, rail, transit, airport, port, or supporting infrastructure facilitating movement of people and things.

(b) State or local government resources shall not be used to fund any transportation project that limits the rights of any contractor or worker from participating on the project because of their union or non-union status, including any limitations imposed by a project labor agreement binding any contractor hired or funded by a state or local government entity.

(c) The State or a local government shall not impose any requirement regarding the amount of compensation and benefits that an employer or entity must pay to employees working on a transportation project that is greater than the requirements expressly mandated by federal law or regulation or a requirement imposed by the federal government as a condition for receipt of federal funds for that transportation project.

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(d) The Legislature shall not enact a law, and state government agencies shall not take any action, to prohibit or limit the ability of a local government to use competitive bidding or outsourcing as a means of carrying out work on a transportation project.

(e) (1) The Governor and Legislature shall terminate any funding for the project known as California High-Speed Rail, which is a project funded by in part by bonds authorized by Proposition 1A that was approved by voters at the November 4, 2008, general election. The state government shall cease all activities on the California High-Speed Rail project carried out or funded in whole or in part by public funds. The Governor may only expend such minimal funds as is necessary to effect the orderly and complete termination of the project no later than June 30, 2021. The Governor and the Legislature shall not take any action that would have the effect of extending activity or supporting the successful completion of this project.

(2) No further bonds shall be issued and sold for purposes of Section 2704.06 of the Streets and Highways Code on and after the effective date of this section. The unspent proceeds received from outstanding bonds issued and sold pursuant to Section 2704.06 of the Streets and Highways Code prior to the effective date of this section shall be redirected from high-speed rail purposes for use in retiring the debt incurred from the issuance and sale of those outstanding bonds.

(f) (1) The State Auditor shall conduct an annual program of transportation project performance and efficiency audits on transportation projects funded by revenues covered by Sections 1 and 2 that examines the quality of projects, the cost of projects, internal management efficiency, and contractor performance. The Legislative Analyst's Office (LAO) or its successor shall select the projects that are to be audited each year by the State Auditor. The LAO shall select one-quarter of the projects based on proposals from the majority party of the State Senate, one-quarter of the projects based on proposals from the minority party of the State Senate, one-quarter of the projects based on proposals from submissions from city and county governments, and one-quarter of projects based on proposals of citizens of California.

(2) By January 1, 2024, and at least every three years thereafter, the State Auditor shall conduct a performance and efficiency audit of the Department of Motor Vehicles or its successor that examines customer service, quality of projects, cost of projects, internal management efficiency, and contractor performance.

SECTION 4. (a) (1) All revenues described in Section 1 and in subdivision (a) of Section 2 shall be allocated to cities and counties. Each city and county shall receive a percentage of these revenues corresponding to the percentage of funds they received under any formulas or allocations governing transportation funding for cities and counties that were in place as of January 1, 2018.

(2) A statute enacted by the Legislature modifying the allocations required by paragraph (1) must be 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.

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(b) The revenues allocated by statute to cities and counties pursuant to this article may be used solely by the city or county to which they are allocated, and solely for the purposes described in Sections 1 and 2 and subject to the restrictions established in Section 3.

(c) Cities and counties are responsible for maintaining and constructing local streets and roads and the portions of state highways located within their jurisdiction. This section does not limit the ability of the state government to regulate the use, condition, or safety of local streets and roads and state highways.

(d) The Governor or the Legislature may not take any action that permanently or temporarily does any of the following: (1) changes the status of the Citizens' Lock Boxes established by this article as trust funds; (2) borrows, diverts, or appropriates these revenues for purposes other than those described in this article; or (3) delays, defers, suspends, or otherwise interrupts the payment, allocation, distribution, disbursal, or transfer of revenues from taxes described in this article to cities and counties.

(e) If the Legislature reduces or repeals the taxes described in this article and adopts an alternative source of revenue to replace the moneys derived from those taxes, the replacement revenue shall be deposited into the trust funds established by this article and dedicated to the purposes listed in this article, and allocated to cities and counties pursuant to this article. All other provisions of this article shall apply to any revenues adopted by the Legislature to replace the moneys derived from the taxes described in this article.



November 14, 2018

Hon. Xavier Becerra  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

RECEIVED

NOV 14 2018

Attention: Ms. Anabel Renteria  
Initiative Coordinator

INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional initiative related to transportation (A.G. File No. 18-0010).

## OVERVIEW

This measure has three major provisions. It:

- Shifts existing state funds and responsibilities to local transportation programs.
- Shifts existing state funds to provide funding for state administration of vehicle and traffic programs.
- Terminates the state's high-speed rail project.

Below, we discuss in detail each of these major provisions and their fiscal effects.

## TRANSPORTATION PROGRAMS AND FUNDING

### Background

***State and Local Transportation Responsibilities.*** The state's transportation system helps to move people and goods around and through the state. The state has responsibility for the state highway system, part of intercity passenger rail services, and the construction of a high-speed rail system, while local governments have responsibility for local streets and roads and transit operations.

***State Transportation Funding.*** Most state funding for transportation comes from certain fuel- and vehicle-related sources. The major sources include (1) excise taxes on gasoline and diesel, (2) sales taxes on diesel, (3) transportation improvement fees (an annual tax paid by vehicle owners), and (4) truck weight fees. The State Constitution restricts these revenues to specified state and local transportation purposes.

**Legislative Analyst's Office**  
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***Sales Tax and Insurance Tax General Fund Revenues.*** Currently, a portion of revenues from the state sales tax (including revenues from vehicle purchases) and all revenues from the state tax on insurance premiums (including on vehicle insurance) are deposited into the state General Fund—the state’s main operating account, which supports education, health and human services, criminal justice, and other programs. While the Legislature has discretion over how to spend General Fund monies, the State Constitution contains certain spending requirements. For instance, Proposition 98 (1988) requires the Legislature to provide schools and community colleges a minimum level of funding each year (commonly referred to as the “Proposition 98 minimum guarantee”). In addition, Proposition 2 (2014) requires the state to spend a minimum amount from the General Fund each year, through 2029-30, to pay down specified debts, and makes deposits from the General Fund into a “rainy day” reserve fund.

***License Fee and Sales Tax Special Fund Revenues.*** Currently, nearly all revenues from vehicle license fees (another annual tax paid by vehicle owners) as well as revenues from portions of the sales tax (including on vehicle and fuel purchases) pay for certain county-administered health, human services, and public safety programs. Specifically, they pay for certain program responsibilities (such as for child welfare and low-income health care) that were shifted from the state to counties in previous years—known as 1991 and 2011 realignment. The state provides counties these dedicated special fund revenues to pay for their share of program costs. Another portion of the sales tax was approved by voters in 1993 to pay for local public safety programs.

## **Proposal**

***Establishes Two New Transportation Accounts.*** This measure creates two new trust funds—or state accounts—for transportation and deposits in these accounts existing tax revenues dedicated to transportation, as well as existing tax revenues dedicated for other purposes. First, the measure requires that revenues from state excise and sales taxes on motor vehicle fuel (such as gasoline and diesel) be deposited into a new Citizens’ Lock Box for Road Repairs, Maintenance, and Improvement and be spent on road and highway capital outlay, repairs, and maintenance. Second, the measure requires that revenues from state taxes on (1) the sale of vehicles, (2) vehicle insurance premiums, and (3) vehicles (such as truck weight fees) be deposited into a new Citizens’ Lock Box for Transportation Infrastructure Repair, Maintenance, Operation, and Improvement to support specified transportation purposes, such as research, planning, construction, maintenance, and operations of roads, highways, and transit rails.

***Allocates All Funding to Cities and Counties.*** The measure provides all funding from the two new accounts to cities and counties. It also assigns cities and counties responsibility for maintaining and constructing portions of the state highway system located within their jurisdiction. Additionally, the measure (1) places restrictions on spending on transportation projects with respect to certain labor and wage requirements, (2) prohibits the state from limiting local governments from using competitive bidding and outsourcing on transportation projects, and (3) requires the California State Auditor to annually audit select projects.

## Fiscal Effects

The measure specifies that the above provisions would take effect in January 2021—consequently, the 2021-22 fiscal year would be the first full year of their implementation.

***Shifts in Existing Revenue.*** This measure would not increase or decrease state revenues. However, it would shift annual state revenues between program areas and between state and local governments as follows:

- ***Increased Revenues Dedicated for Transportation.*** The measure would increase state revenues dedicated for transportation by roughly \$10 billion annually. In addition, it would shift existing state transportation revenues (about \$12 billion annually) to local governments.
- ***Decreased Revenues for Realignment (Dedicated to Local Health, Social, and Public Safety Programs) and Other Local Public Safety Programs.*** The measure would reduce state revenues for local governments by roughly \$3 billion for 1991 realignment (local administration of health and social programs), \$2 billion for 2011 realignment (local public safety services), and \$1 billion for other local public safety programs.
- ***Decreased State General Fund Revenues.*** The measure would reduce state General Fund revenues by roughly \$4 billion annually.

***Impacts on State Spending.*** The proposal would have the following impacts on state spending:

- ***Increased State Spending on Realignment (Local Health, Social, and Public Safety Programs).*** The State Constitution requires the state to backfill counties for any loss of local public safety funds that were part of 2011 realignment. Thus, the state would have to spend an additional \$2 billion to make up for this lost revenue. The state would face pressure to backfill counties for revenues designated for local administration of health and social programs that were part of 1991 realignment. This would increase state spending by roughly \$3 billion, in addition to the \$2 billion to make up for the loss of the local public safety funds. (If the state did not provide this backfill, 1991 realignment could come undone, with major impacts on state and local revenues and spending.)
- ***State Spending on Transportation Bond Debt Service.*** The state likely also would have to use another fund source to pay for state transportation bond debt service that currently is paid for by truck weight fee revenues. This is because the measure provides all truck weight fee revenues to cities and counties. This debt service currently totals over \$1 billion annually.
- ***Proposition 98 and Proposition 2 Spending Requirements.*** Because the measure reduces General Fund revenues, it also would reduce the Proposition 98 minimum school funding requirement by around \$1.6 billion annually. How this affected state General Fund spending on schools would depend on future decisions by the

Legislature. The measure also could either positively or negatively affect the reserve deposits and General Fund debt payments that are required under Proposition 2.

## VEHICLE AND TRAFFIC PROGRAMS

### Background

***State and Local Responsibilities.*** The Department of Motor Vehicles (DMV) is responsible for regulating the use, operation, and registration of motor vehicles, while the California Highway Patrol (CHP) is responsible for the enforcement of traffic laws on the state highway system. Local governments are responsible for enforcing traffic and vehicle law violations on their local streets and roads. Disputes over traffic and vehicle law violations typically are resolved through the state trial court system.

***State Funding for DMV and CHP.*** State funding for DMV and CHP combined currently totals about \$3.8 billion. Most of this funding comes from vehicle registration and driver license fees. The State Constitution restricts revenues from these and other state fees related to the use and operation of vehicles to specified transportation purposes, such as state administration and enforcement of vehicle and traffic laws.

***Traffic Fine and Fee Revenue.*** In California, individuals convicted of traffic and vehicle violations are often required to pay various fines and fees as part of their punishment. The total amount owed can consist of a base fine, as well as various additional charges. Revenue from these payments is deposited in a number of state and local funds to support various programs and services—a number of which may not directly relate to traffic violations. Examples of supported programs and services include trial court operations, courthouse construction, victim restitution, peace officer training, DNA forensic labs, and various local purposes.

### Proposal

***Establishes New Account for Vehicle Regulation and Traffic Enforcement.*** This measure requires that all revenues from (1) state fees on the use and operation of vehicles (such as registration fees and driver license fees) and (2) fines and penalties imposed for the violation of traffic and vehicle laws be deposited in the aforementioned account—the Citizens' Lock Box for Transportation Infrastructure Repair, Maintenance, Operation, and Improvement. These funds would support the administration and enforcement of laws regulating the use of vehicles, including traffic laws, as well as related court costs. Additionally, the measure requires the California State Auditor to conduct a performance and efficiency audit of the DMV at least every three years, starting in 2024.

### Fiscal Effects

The main fiscal impact of the above provisions relates to revenue from traffic and vehicle violations. We note, however, the actual impact is uncertain and difficult to estimate, as it would significantly depend on how the measure is interpreted and implemented. For example, it is uncertain which specific charges currently assessed for traffic violations would be subject to the measure. It is also uncertain what existing state and local program costs that are currently

supported by fines and penalties imposed for the violation of traffic and vehicle laws could be supported from the new account established by the measure.

***Shifts in Existing Revenue.*** This measure would not increase or decrease state revenues from traffic and vehicle violations. However, the measure would shift up to hundreds of millions of dollars annually to vehicle and traffic programs from various programs not related to traffic and vehicles.

***Potential Increase in State and Local Spending.*** To the extent state and local governments chose to maintain existing service levels for programs not related to traffic and vehicles, this would increase state and local spending.

## HIGH-SPEED RAIL PROJECT

### Background

In 1996, the Legislature and Governor created the High-Speed Rail Authority to plan and construct an intercity high-speed train system to link the state's major population centers. In 2015, the authority began the construction of a 119-mile segment in the Central Valley. Under its current business plan, the authority expects to extend construction to San Francisco in the north and Bakersfield in the south to create an initial operating segment by 2029 that eventually would extend to Los Angeles and Anaheim. The authority estimates the cost to complete the San Francisco to Anaheim segment to be about \$77 billion. Currently, it only has funding authorized for a fraction of the total cost. This funding comes from voter-approved (Proposition 1A) high-speed rail bonds, cap-and-trade auction revenues, and federal grants.

### Proposal

***Terminates High-Speed Rail Project.*** The measure requires the state to cease all publicly funded activities on the high-speed rail project by June 30, 2021. It further prohibits the state from taking any action that would "have the effect of extending activity or supporting the successful completion of the project." The measure also prevents the state from selling high-speed rail bonds, and it requires any unspent bond proceeds be used to retire outstanding bond debt.

### Fiscal Effects

***Reduced State Expenditures.*** By terminating the high-speed rail project, the measure would reduce state expenditures on the high-speed rail project. The magnitude of the reduction would depend on the pace of construction spending between now and 2021, as well as how much the state would have spent on the project absent the measure. For example, if the state would have completed the San Francisco to Anaheim segment absent the measure, we estimate the measure would reduce expenditures on the project by close to \$70 billion. The actual reduction in state expenditures would depend on the extent that additional state funds were authorized in the future. Because the state likely would not have completed a usable intercity rail segment by 2021, it likely would have to repay around \$3 billion in grant monies to the federal government.

## SUMMARY OF FISCAL EFFECTS

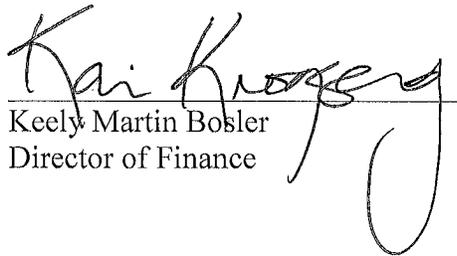
We estimate that this measure would have the following major fiscal effects:

- A shift of roughly \$10 billion in ongoing state revenues from state and local non-transportation programs to local transportation programs. Increased ongoing state spending of several billions annually to backfill certain programs affected by this shift. Also, roughly \$12 billion in existing ongoing state revenues for transportation would be provided to local governments.
- A shift of up to hundreds of millions of dollars ongoing from certain state and local programs to the enforcement of traffic and vehicle laws. Potential increased ongoing spending by the state and local governments to backfill programs affected by this shift.
- Reduced state expenditures on the high-speed rail project in the tens of billions of dollars from stopping the project.

Sincerely,

*for* 

Mac Taylor  
Legislative Analyst

*for* 

Keely Martin Bosler  
Director of Finance