Proposition 91

Transportation Funding.
Initiative Constitutional Amendment and Statute.

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.