

Memorandum

TO: RULES COMMITTEE

FROM: Betsy Shotwell

SUBJECT: SEE BELOW

DATE: May 7, 2004

Approved

Date

SUBJECT: ACA 21(BOGH), REGARDING MOTOR VEHICLE FUEL: SALES TAX; ACA 24 (DUTRA), TRANSPORTATION INVESTMENT FUND: LOANS; ACA 29 (HARMAN), TRANSPORTATION INVESTMENT FUND; SCA 20 (TORLAKSON) MOTOR VEHICLE FUEL SALES TAX REVENUE.

RECOMMENDATION

That the Rules Committee recommend to the Council:

1. Support for ACA 21 (Bogh), Motor Vehicle Fuel: Sales Tax Revenue;
2. Support for ACA 24 (Dutra), Transportation Investment Fund: Loans;
3. Support for ACA 29 (Harman) Transportation Investment Fund;
4. Support for SCA 20 (Torlakson) Motor Vehicle Fuel Sales Tax Revenue.

BACKGROUND

Proposition 42, approved by the voters in the March 2002 as Article XIX (19) B of the California Constitution, requires the state's share of revenues from the sales tax on motor vehicle fuels be transferred from the State General Fund to the Transportation Investment Fund (TIF).

For the years FY 2003-2004 through FY 2008-2009, roughly \$678 million annually from funds in the TIF are to be allocated to pay for projects adopted in the Traffic Congestion Relief Program (TCRP). The balance of the funds in the TIF is to be allocated as follows: 20 percent to the Public Transportation Account (PTA), 40 percent to the State Transportation Improvement Program (STIP), 20 percent for county street and road improvements, and 20 percent for city street and road improvements.

After FY 2008-2009, transfers to the TCRP cease and funds in the TIF would be allocated as follows: 20 percent to the PTA, 40 percent to the STIP, 20 percent for county street and road improvements, and 20 percent for city streets and road improvements.

Proposition 42 currently permits the suspension of the transfer to the TIF if the Governor declares that the transfer will result in a "significant negative fiscal impact" on the

General Fund and the Legislatures enacts a stand-alone bill with a two-thirds vote of each house. Legislation associated with the FY 2003-04 state budget requires that the General Fund repay the TIF the suspended amount (\$856 million) in 2003-04 plus interest by June 30, 2009. In the Governor's budget for FY 2004-05 submitted in January 2004, the proposed suspension of Proposition 42 would provide \$1.1 billion to the General Fund.

Unlike FY 2003-04 budget, which required a repayment of the funds, the Governor's current proposal is for a permanent suspension with the suspended amount never returned to transportation.

ANALYSIS

During the first half of the 2003-2004 Legislative session, the focus on transportation funding measures was directed towards lowering the voter threshold requirements for passing transportation and infrastructure sales tax measures and bonds from the current two-thirds to 55 percent or lower. This year, because of the continued likelihood that transportation funds will be used by the state as a method to offset the deficit in the General Fund, the Legislature has sought to protect transportation funding.

Several members of the Assembly and Senate have introduced legislation that is designed to keep Proposition 42 funds available for transportation projects and programs. The bills include measures that would increase the voting requirements for suspending Proposition 42; would place specific requirements on the lending of Proposition 42 funds to the General Fund; delete the provisions in the State constitution that provide for the suspension of Proposition 42; and, authorize the suspension of Proposition 42 only if it is necessary because of a disaster. The following discussion describes the specific focus of each measure.

ACA 21 (Bogh) relating to Motor vehicle fuel: sales tax:

This measure, if passed by the voters of California would change the vote requirement to four-fifths of the membership of each house of the Legislature in order to enact a statute suspending in whole or in part the transfer of this particular revenue from the General Fund to the Transportation Investment Fund (TIF).

This bill seeks to protect transportation funds and ensure that funding for transportation projects under Proposition 42 is ongoing and that California's roads are properly maintained. ACA 21 proposes to put a measure on the ballot that would make it harder to suspend the transfer of the sales tax on gasoline from the General Fund to the Transportation Investment Fund (TIF), thereby maintaining transportation funds for transportation purposes.

STATUS: Assembly Transportation Committee

RECOMMENDED CITY POSITION: Support

ACA 24 (Dutra) relating to the Transportation Investment Fund: loans:

This bill, if passed by the voters of California, would delete a provision allowing for the suspension of a mandated transfer of the state's share of gasoline sales tax revenue from the General Fund to the Transportation Investment Fund (TIF). ACA 24 would also allow any money transferred to the TIF to be loaned to the General Fund of the state or any other state fund or account. The loan must then be repaid in full to the TIF during the same fiscal year in which the loan was made. 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. Additionally, the bill requires that any amount loaned be repaid in full with interest and other conditions applicable to loans of these revenues.

STATUS: Assembly Appropriations Committee.

RECOMMENDED CITY POSITION: Support

ACA 29 (Harman) relating to the Transportation Investment Fund:

This measure, if passed by the voters of California, would delete the provisions in the state constitution that authorize the Governor and the Legislature to suspend the transfer of revenues from the General Fund to the Transportation Investment Fund for a fiscal year during a fiscal emergency. The measure is intended to protect transportation funding by closing a loophole in the state constitution that allows for the suspension of Proposition 42.

STATUS: Assembly Appropriations Committee

RECOMMENDED CITY POSITION: Support

SCA 20 (Torlakson) relating to the Motor vehicle fuel sales tax revenue:

If passed by the voters of California, SCA 20 would authorize the suspension of Proposition 42 only if the suspension is due to a disaster, including, but not limited to, flood, fire, earthquake, or terrorist attack, and is enacted by a statute passed by a four-fifths vote of the membership of each house of the Legislature, and if the amount of any revenues not transferred due to suspension is repaid to the Transportation Investment Fund (TIF) within the next three fiscal years with accrued interest. If the amount were not repaid by the end of that period, this measure would transfer that amount from the General Fund to the TIF on the first day following that period.

STATUS: Passed the Senate Transportation Committee; pending in the Senate Constitutional Amendments Committee

RECOMMENDED CITY POSITION: Support

SUMMARY

The goal of these four measures is two-fold: first, to keep faith with the voters of California who have continuously supported transportation funding measures locally and

statewide and second, to provide a spark to the state's economy through the funding of major infrastructure projects. It has been estimated that for every \$1 put towards transportation there is a \$4 return. It is important to keep transportation projects and programs moving forward so that the benefits generated by these projects will aid in the recovery of the economy. Transportation projects provide jobs, infuse money into communities, and provide vital infrastructure that support business and economic development.

The American Road and Transportation Builders Association reports in a September 1999 study, *An Economic Analysis of the U.S. Transportation Construction Industry*, that every \$1 billion invested in building, managing or maintaining transportation infrastructure generates a total of 34,000 to 42,000 jobs throughout the American economy. Of the jobs created, roughly half are in construction, administration, or supply related fields. The others are induced as the income earned from these jobs is spent throughout the economy.

COORDINATION:

This memorandum was coordinated with the Department of Transportation, the City Attorney's Office and the City's Legislative Representative in Sacramento.

BETSY SHOTWELL
Director, Intergovernmental Relations