



S A C O G

## SACOG Board of Directors

Item #06-4-13  
Action

April 13, 2005

### Support Position on ACA 4

**Issue:** Should SACOG support one or more of the bills to ask the voters to approve either a total or strengthened firewall for Proposition 42, which dedicates sales taxes from gasoline to transportation purposes?

**Recommendation:** The Legislation & Public Affairs Committee recommends that the SACOG Board of Directors approve a support position for ACA 4, which would put before the voters a hard firewall to guarantee the transfer of Proposition 42 funds to transportation programs, and transmit that position to the Legislature.

**Committee Action/Discussion:** The Legislation & Public Affairs Committee discussed four proposals now in play, each of which would ask the voters to create a hard or partial firewall in Proposition 42, to make more likely or guarantee the transfer of Proposition 42 funds each year. The committee recommended that SACOG, an agency with a major stake in transportation programs, support the tougher provisions in ACA 4 (as described below), noting the other proposals would lessen but not eliminate the current uncertainty and undesirable consequences from Proposition 42 suspension.

Voters passed Proposition 42 in 2002, transferring sales taxes from gasoline into transportation programs for a variety of specified transportation purposes, but allowing the Legislature to suspend the transfer of these revenues to transportation in years when the state faced a general fund budget emergency. This in effect linked a major source of transportation revenues, currently about \$1.5 billion per year, to the State's general fund budget, for the first time since the mid-1930s. The Legislature then suspended the transfer for both the 2003/04 and 2004/05 budgets.

Because other transportation resources have been starved, transportation programs have become overly dependent on Proposition 42 revenues. Obviously the suspension benefited state general-funded programs, which faced multi-billion dollar deficits, because the revenue not transferred allowed for smaller budget cuts, and general fund program cuts have real-world consequences. But the consequences of Proposition 42 suspension have become very disruptive, cutting off state capital programs (the State Transportation Improvement Program - STIP - has now become 100% dependent on Proposition 42 revenues), reducing tight transit operating budgets marginally, and worsening by about 10% the continued underfunding of local road maintenance.

The Governor and Legislative leadership have agreed to seek either a full or partial firewall in Proposition 42, to make it harder or impossible to suspend the transfer of revenues. There are four options in play (three legislative bills with accompanying bill analyses are attached), and the three bills are moving in tandem for now:

- ACA 4 (Plescia) would repeal the Legislature's power to suspend the revenue transfer, guaranteeing the revenues to go to transportation programs (Attachments 1 & 2);
- ACA 9 (Bogh) would set a 4/5-vote requirement for the Legislature to suspend the transfer (Attachments 3 & 4);
- ACA 11 (Oropeza) would repeal the power to suspend, but allow loan of transportation funds back to the general fund with certain repayment provisions and payment of interest (Attachments 5 & 6).
- Transportation interests are gathering signatures for an initiative for a hard firewall if the Legislature fails to act.

Approved by:

Mike McKeever  
Executive Director

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Attachments

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