



Board of Directors Regular Meeting

Meeting Date: 3/15/2018

Agenda Item No.: 2018-March-13.

SACOG Board of Directors

Subject: Consider Proposition 69 and SB 1 Repeal Efforts

Action

Prepared by: Christina Lokke

Approved by: James Corless

Attachments: No

1. Issue:

Should SACOG take a position to support Proposition 69 and oppose efforts to repeal SB 1?

2. Recommendation:

The Government Relations & Public Affairs Committee recommends that the Board support Proposition 69 and oppose efforts to repeal SB 1.

3. Background/Analysis:

Proposition 69 is a measure on the June statewide ballot to provide additional protections for transportation revenues. It is a constitutional amendment to prohibit the Legislature from diverting or borrowing any new transportation revenues for non-transportation improvement purposes to ensure that revenues passed by the Legislature to pay for road and highway maintenance will be spent exclusively on transportation. It was placed on the ballot by ACA 5 (Frazier), which passed the Legislature last year as part of the transportation package. Additionally, efforts are currently underway to place a proposition on the November 2018, statewide ballot to repeal SB 1 (Beall).

4. Discussion/Analysis:

The Government Relations & Public Affairs Committee voted (4 yes, 1 no) to recommend the Board take a Support position on Proposition 69 and oppose efforts to repeal SB 1. Concerns were raised related to 1) whether or not the funds would actually be protected from future borrowing by the State of California, even if Proposition 69 passed; and 2) the desire to provide the public with the opportunity to vote on the increased taxes passed in SB 1. Based on the Committee's discussion, additional information is included at the end of this section regarding the existing and proposed protections of the transportation funds.

Proposition 69 extends constitutional protections to all new vehicle fee and gasoline and diesel tax revenues generated by SB 1 that are not currently protected. It prohibits the

Legislature from borrowing the new revenues or using them for any reason not currently outlined, including prohibiting loaning the funds to the State General Fund or another special fund.

SB 1 itself could potentially be in jeopardy this fall due to efforts to repeal the measure via a November 2018, statewide ballot proposition. SB 1, which SACOG supported last year, will raise an average of \$5.2 billion per year in new transportation funding at full implementation. Repeal of this measure would take away guaranteed funding for cities and counties for road maintenance and limit future state funding for transportation projects.

The Fix Our Roads Coalition, of which SACOG is a member, is requesting coalition members support Proposition 69 and oppose the repeal of SB 1. The California Association of Councils of Governments (CALCOG), California State Association of Counties (CSAC), League of California Cities and many other members of the coalition have taken this position to support Proposition 69 and oppose the repeal of SB 1.

Existing Constitutional Protections

Article XIX of the California State Constitution restricts the use of state taxes on fuel to:

- Plan, construct, maintain, and operate public streets and highways; and
- Plan, construct, and maintain mass transit tracks and related fixed facilities (such as stations).

The gasoline tax revenues cannot be used to operate or maintain mass transit systems or to purchase or maintain rolling stock (trains, buses, or ferries).

Over time, Article XIX has been amended to add additional protections.

In 1998, voters passed Proposition 2, which limits state General Fund borrowing of state transportation funds, including gas tax revenues and funds in the Public Transportation Account. Loans to the General Fund must be repaid within that fiscal year, except in a fiscal emergency, and then they must be repaid in full within three fiscal years.

In 2006, voters passed Proposition 1A, which further restricts the borrowing of the gas sales tax to twice in a ten-year period, but requires full repayment of the first loan before a second can be taken, and also requires repayment within three fiscal years.

In 2010, voters passed Proposition 22, which repealed the borrowing provisions of Propositions 2 and 1A. It also embedded in the Constitution specific transportation funding formulas, which can only be changed after a California Transportation Commission public process and a two-thirds vote of each house of the legislature. Finally, it precluded the Legislature from directing gas excise tax funds for bond repayment.

Also in 2010, voters passed Proposition 26, which requires a two-thirds vote of both houses for any change in statute after 2009 that results in any taxpayer paying a higher tax. In 2011, the Legislature reenacted the gas tax swap of 2010 to comply with this. Article XI of the California Constitution requires that all of the current revenue from the vehicle license fee be allocated to cities and counties. Certain portions are dedicated to health and social services as well as public safety.

Additional Constitutional Protections Contained in Proposition 69

Proposition 69 amends the California Constitution to provide the following additional protections:

- Prohibits the Legislature from diverting or appropriating diesel fuel sales tax revenues for purposes other than transportation planning and mass transportation.
- Requires revenues derived from the Transportation Improvement Fee to be used solely for transportation purposes, prohibits those revenues from being used to pay for previously authorized transportation bond debt service, and prohibits the Legislature from borrowing or using those revenues for unauthorized purposes.

Any changes to these protections would have to be voted on and approved by the voters of California.

5. Fiscal Impact/Grant Information:

This item has no direct fiscal impact.