

CITY OF OAKLAND
BILL ANALYSIS



Date: August 21, 2006

Bill Number: Proposition 1A (previously SCA 7)

Author: Senator Tom Torlakson

DEPARTMENT INFORMATION

Contact: Shanna O'Hare

Department: Public Works Agency

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RECOMMENDED POSITION: SUPPORT

Summary of the Bill:

Proposition 1A, also known as the Transportation Funding Protection Legislative Constitutional Amendment, closes a loophole in Proposition 42 which voters approved in 2002. During a state "fiscal emergency," this loophole permits the legislature to suspend transfer of the state sales tax on motor fuels for transportation projects and instead to retain these revenues in the General Fund. Proposition 1A amends the State Constitution to limit conditions under which Proposition 42 transfer of motor fuel sales tax revenues can be diverted to the General Fund. Specifically, the measure requires Proposition 42 suspensions to be treated as loans to the General Fund that must be repaid in full, including interest, within three years of suspension. Furthermore, the measure only allows suspension of Proposition 42 to occur twice in ten consecutive fiscal years. No suspension could occur unless prior suspensions (excluding those made prior to 2007-08) have been repaid in full.

Positive Factors for Oakland:

By closing the Proposition 42 loophole that permits diversion of state sales taxes on motor fuels to the General Fund, Oakland will see a more stable flow of revenues for local street and road maintenance. In the two years immediately following the March 2002 passage of Proposition 42, the legislature, citing a "fiscal emergency," suspended transfer of the motor fuels sales tax. This action resulted in the short-term loss of over \$3 million in street resurfacing funds for Oakland. (These funds are being repaid with interest this fiscal year -- FY 06-07.) When suspensions of Proposition 42 funds for transportation occur in the future, Proposition 1A will require repayment with interest within three years.

Negative Factors for Oakland: None.

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Rules & Legislation Comte.
September 14, 2006

PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:

Very Important (priority for City lobbyist, city position necessary)

Known support:

See attached list of supporters


Known Opposition:

None known.

Attach bill text and state/federal legislative committee analysis, if available.

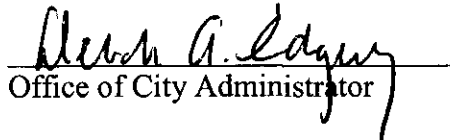
SCA 7 and the Legislative Analyst Office's analysis of Proposition 1A are attached.

Respectfully Submitted,



Raul Godinez, II P.E.
Director, Public Works Agency

Approved for Forwarding to
Rules & Legislation Committee



Office of City Administrator

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Californians to
IMPROVE TRAFFIC NOW
www.close42loophole.com

We Support Proposition 1A!

*Measure Closes the Prop. 42 Loophole and Ensures Once and For All
that Existing State Sales Taxes on Gas Go to Fund Transportation Improvements*
8/4/06

Transportation

California Transportation Commission
California Alliance for Jobs
Transportation California
Automobile Club of Southern California
Rail Passenger Association of California
California Association of School Transportation
Officials
Long Beach Transit
San Francisco Bay Area Rapid Transit (BART)
AC Transit
Amador County Transportation Authority
Contra Costa Transportation Authority
Community Transportation Agency, Inc.
Eastern Contra Costa Transit Authority (Tri Delta
Transit)
El Dorado County Transportation Commission
Modoc County Transportation Commission
Transportation Agency for Monterey County
Orange County Transportation Authority
Sonoma County Transportation Authority
Placer County Transportation Planning Agency
Shasta County Regional Transportation Planning
Agency
Tuolumne County Transportation Council
Western Contra Costa Transit Authority

Labor

California Labor Federation
California State Council of Laborers
Operating Engineers, Local No. 3
Northern California Carpenters
Northern California District Council of Laborers

Labor (cont.)

Southern California District Council of Laborers
Laborers' International Union of North America, Pacific
Southwest Region
California Conference Board Amalgamated Transit
Union
Building and Construction Trades Council of Alameda
County, AFL-CIO
Laborers' International Union of North America, Local
777
Laborers' Union Local 802
Laborers' Union Local 220
Laborers' Union Local 270

Public Health and Environment

Cleaner Air Partnership
North Cal-Neva Resource Conservation and
Development

Public Safety

San Luis Obispo Police Officers' Association
Fresno Police Department

Ethnic/Community

Hispanas Organized for Political Equity
San Jose/Silicon Valley NAACP

Taxpayer

California Taxpayers' Association
Howard Jarvis Taxpayers Association
National Tax Limitation Committee
Contra Costa Taxpayers Association
Kern County Taxpayers Association
Marin United Taxpayers Association

Taxpayer (cont.)

Orange County Taxpayers Association
Pleasant Hill Taxpayers Association
Sonoma County Taxpayers' Association
Alliance of Contra Costa Taxpayers
Waste Watchers, Inc.

Local Governments

League of California Cities
California State Association of Counties
California Contract Cities Association
American Planning Association, California Chapter
California Association of Councils of Governments
Regional Council of Rural Counties
Gateway Cities Council of Governments
Association of Monterey Bay Area Governments
Butte County Association of Governments
Contra Costa County Mayors' Conference
Las Virgenes – Malibu Council of Governments
San Bernardino Associated Governments
San Gabriel Valley Council of Governments
San Luis Obispo Council of Governments
League of California Cities – Los Angeles County
Division
Sierra County Board of Supervisors
City of South San Francisco
City of Alturas
City of Antioch
City of Benicia
City of Bishop
City of Burlingame
City of Calabasas
City of Calistoga
City of Carson
City of Chino Hills
City of Clayton
City of Cloverdale
City of Cotati
City of Daly City
City of Gilroy
City of Goleta
City of Greenfield
City of Healdsburg
City of Inglewood
City of La Quinta

Local Governments (cont.)

City of Monterey Park
City of Mountain View
City of Novato
City of Palmdale
City of Pasadena
City of Petaluma
City of Redondo Beach
City of Redwood City
City of Rohnert Park
City of San Mateo
City of Santa Clara
City of Sebastopol
Town of Tiburon
City of Torrance
City of West Covina
City of Westmorland
City of Woodlake
City of Yountville

Business/Economic Development Organizations

California Chamber of Commerce
California Business Alliance
California Business Roundtable
California Association for Local Economic
Development
California Business Properties Association
California Building Industry Association
American Subcontractor Association California Inc.
Engineering and Utility Contractors Association
Associated General Contractors of California
California Grocers Association
California Manufacturers & Technology Association
Women Construction Owners & Executives, USA,
California Chapter
Association of Engineering Construction Employers
Bay Area Council
Contra Costa Council
Orange County Business Council
North Bay Council
Los Angeles Area Chamber of Commerce
Silicon Valley Leadership Group
Valley Industry and Commerce Association
California Nevada Cement Promotion Council

**Business/Economic Development Organizations
(cont.)**

California Trucking Association
California Dump Truck Owners Association
Southern California Contractors Association
Associated General Contractors of California, San Diego Chapter
Consulting Engineers and Land Surveyors of California
Asphalt Pavement Association
Nevada County Contractors' Association
California Chapters of the National Association of Industrial and Office Properties
San Gabriel Valley Economic Partnership
Salinas Valley Builder's Exchange
Builders' Exchange of Santa Clara County
Shasta Builders Exchange
Construction Materials Association of California
California Metals Coalition
Infrastructure Delivery Council
International Council of Shopping Centers
Retail Industry Leaders Association
Cloverdale Chamber of Commerce
Downey Chamber of Commerce
Fairfield-Suisun Chamber of Commerce
Fullerton Chamber of Commerce
Greater Fresno Area Chamber of Commerce
Greater Riverside Chambers of Commerce
Hayward Chamber of Commerce
Otay Mesa Chamber of Commerce
Orange Chamber of Commerce and Visitor Bureau
Mountain View Chamber of Commerce
Redwood City – San Mateo County Chamber of Commerce
Rialto Chamber of Commerce
Santa Clara Chamber of Commerce and Convention-Visitors Bureau
San Jose Silicon Valley Chamber of Commerce
Santa Clarita Valley Chamber of Commerce
Tuolumne County Chamber of Commerce

State Elected Officials

(voted for SCA 7 to put 1A on ballot)
Senate President Pro Tem Don Perata (D – Oakland)
Assembly Speaker Fabian Núñez (D – Los Angeles)

State Elected Officials (cont.)

Senate Minority Leader Dick Ackerman (R – Irvine)
Assembly Republican Leader George Plescia (R – San Diego)
Senator Sam Aanestad (R – Grass Valley)
Senator Richard Alarcón (D – Sun Valley)
Senator Elaine Alquist (D – San Jose)
Senator Roy Ashburn (R – Bakersfield)
Senator Jim Battin (R – La Quinta)
Senator Debra Bowen (D – Marina del Rey)
Senator Gil Cedillo (D – Los Angeles)
Senator Wesley Chesbro (D – Arcata)
Senator Dave Cox (R – Fair Oaks)
Senator Jeffrey Denham (R – Merced)
Senator Denise Moreno Ducheny (D – San Diego)
Senator Joseph Dunn (D – Santa Ana)
Senator Bob Dutton (R – Rancho Cucamonga)
Senator Martha Escutia (D – Whittier)
Senator Liz Figueroa (D – Sunol)
Senator Dean Florez (D – Shafter)
Senator Dennis Hollingsworth (R – Murrieta)
Senator Christine Kehoe (D – San Diego)
Senator Sheila Kuehl (D – Santa Monica)
Senator Alan Lowenthal (D – Long Beach)
Senator Mike Machado (D – Linden)
Senator Abel Maldonado (R – Santa Maria)
Senator Bob Margett (R – Arcadia)
Senator Tom McClintock (R – Thousand Oaks)
Senator Carole Migden (D – San Francisco)
Senator Kevin Murray (D – Los Angeles)
Senator Deborah Ortiz (D – Sacramento)
Senator Charles Poochigian (R – Fresno)
Senator Gloria Romero (D – Los Angeles)
Senator George C. Runner (R – Antelope Valley)
Senator Jack Scott (D – Altadena)
Senator Joe Simitian (D – Palo Alto)
Senator Nell Soto (D – Pomona)
Senator Jackie Speier (D – Hillsborough)
Senator Tom Torlakson (D – Antioch)
Senator Edward Vincent (D – Inglewood)
Assemblymember Greg Aghazarian (R – Stockton)
Assemblymember Joe Baca (D – Rialto)
Assemblymember Karen Bass (D – Los Angeles)
Assemblymember John J. Benoit (R – Palm Desert)

State Elected Officials (cont.)

Assemblymember Patty Berg (D – Eureka)
Assemblymember Rudy Bermúdez (D – Norwalk)
Assemblymember Russ Bogh (R – Beaumont)
Assemblymember Ronald S. Calderon (D – Montebello)
Assemblymember Joe Canciamilla (D – Pittsburg)
Assemblymember Ed Chavez (D – La Puente)
Assemblymember Rebeca Cohn (D – Campbell)
Assemblymember Joe Coto (D – San Jose)
Assemblymember Lynn Daucher (R – Brea)
Assemblymember Hector De La Torre (D – South Gate)
Assemblymember Mervyn M. Dymally (D – Compton)
Assemblymember Bill Emmerson (R – Redlands)
Assemblymember Noreen Evans (D – Santa Rosa)
Assemblymember Dario Frommer (D – Glendale)
Assemblymember Jerome Horton (D – Inglewood)
Assemblymember Shirley Horton (R – Chula Vista)
Assemblymember Guy Houston (R – San Ramon)
Assemblymember Bob Huff (R – Diamond Bar)
Assemblymember Dave Jones (D – Sacramento)
Assemblymember Betty Karnette (D – Long Beach)
Assemblymember Johan Klehs (D – San Leandro)
Assemblymember Paul Koretz (D – W. Hollywood)
Assemblymember John Laird (D – Santa Cruz)
Assemblymember Mark Leno (D – San Francisco)
Assemblymember Lloyd E. Levine (D – Van Nuys)
Assemblymember Sally J. Lieber (D – Mountain View)
Assemblymember Ted W. Lieu (D – Torrance)
Assemblymember Carol Liu (D – La Cañada Flintridge)
Assemblymember Barbara Matthews (D – Tracy)
Assemblymember Kevin McCarthy (R – Bakersfield)
Assemblymember Cindy Montañez (D – San Fernando)
Assemblymember Gene Mullin (D – South San Francisco)
Assemblymember Alan Nakanishi (R – Lodi)
Assemblymember Pedro Nava (D – Santa Barbara)
Assemblymember Gloria Negrete McLeod (D – Chino)

State Elected Officials (cont.)

Assemblymember Roger Niello (R – Fair Oaks)
Assemblymember Jenny Oropeza (D – Long Beach)
Assemblymember Nicole Parra (D – Hanford)
Assemblymember Fran Pavley (D – Agoura Hills)
Assemblymember Keith Richman (R – Northridge)
Assemblymember Mark Ridley-Thomas (D – Los Angeles)
Assemblymember Sharon Runner (R – Lancaster)
Assemblymember Ira Ruskin (D – Redwood City)
Assemblymember Lori Saldaña (D – San Diego)
Assemblymember Simon Salinas (D – Salinas)
Assemblymember Alberto Torrico (D – Newark)
Assemblymember Van Tran (R – Costa Mesa)
Assemblymember Tom Umberg (D – Santa Ana)
Assemblymember Juan Vargas (D – San Diego)
Assemblymember Lois Wolk (D – Davis)
Assemblymember Mark Wyland (R – Del Mar)
Assemblymember Leland Yee (D – San Francisco)

Former Assemblymember Lynne C. Leach
Marian Bergeson, Chair, California Transportation Commission
Michael Brown, Commissioner, California Highway Patrol
Joseph Levy, Past Chairman, California Transportation Commission

Local Elected Officials

Mayor Heather Fargo, City of Sacramento
Mayor Jeannie Bruins, City of Citrus Heights
Mayor Harry T. Price, City of Fairfield
Mayor Andy Morin, City of Folsom
Mayor Tom Cosgrove, City of Lincoln
Mayor Jim Spering, City of Suisun City
Mayor Pro Tem Sophia Sherman, City of Elk Grove
Mayor Pro Tem Stephan Lieberman, City of Grover Beach
Mayor Pro Tem Patsy Marshall, City of Buena Park
Vice-Mayor Paul V. Morris, City of San Pablo
Supervisor Tom McGowan, Glenn County
Supervisor Gary Freeman, Glenn County
Supervisor Daniel Macsay, Modoc County
Supervisor Rose Comstock, Plumas County
Supervisor Robert A. Meacher, Plumas County

Local Elected Officials (cont.)

Supervisor Roger Dickinson, Sacramento County
Supervisor Anthony Botelho, San Benito County
Supervisor Jaime De La Cruz, San Benito County
Supervisor John Silva, Solano County
Supervisor Gregg Avilla, Tehama County
Supervisor Kathy Long, Ventura County
Council Member Michael Segala, City of Suisun City
Council Member Frank Kardos, City of Fairfield
Council Member Peter Hill, City of Rocklin
Council Member Kathy Lund, City of Rocklin
Council Member Rochelle A. Bird, City of Moraga
Council Member Kelly Chastain, City of Colton
Council Member Janice Rutherford, City of Fontana
Council Member Susan Seamans, City of Rolling Hills Estates
Council Member Pat Gilardi, City of Cotati
Council Member Patrick Kwok, City of Cupertino
Council Member Stanley Cohen, City of Sonoma
Council Member Mike Smith, City of Dixon

Individual Businesses

Teichert Construction – Sacramento
Granite Construction, Inc. – Watsonville
Concrete Coring Company – Los Angeles
Post Equipment Company – Tustin
Alliance Contracting – Camarillo
The Lessler Group – Suisun City
Mesa Contracting Corporation – Orange
Mosler Rock Ojai Quarry – Ventura County
Toro Enterprises, Inc. – Oxnard
Jezowski and Markel Contractors, Inc. – Orange
Irv Burnham Construction, Inc. – Camarillo
Specialty Crane and Rigging Corp. – Santa Barbara
Burns-Pacific Construction, Inc. – Thousand Oaks
QC Southwest, Inc. – Escondido
August Construction – Los Angeles
Ugalde Trucking Co. Inc. – Orange
Miller Blades Inc. – Alta Loma
Sharma Contractors, Inc. – Moorpark
Hudson Business Networks, Inc. – Suisun City
Ralph Stone & Company, Inc. – Los Angeles
Rossco Inc. Equipment Rentals – Gardena
Toomey Industries – Long Beach

Individual Businesses (cont.)

Riverside Construction Company, Inc – Riverside
DeSilva Gates Construction – Dublin
Stacy and Witbeck, Inc. – Alameda
Meyer Crest Ltd. – Redding
ISE Corporation – Poway
Vintage Paving Co. Inc. – Winters
CFI – Contemporary Floors Inc. – Concord
Swiridoff Construction – Sacramento
Thermal Mechanical – Santa Clara
Bayside Interiors Inc. – Fremont
Monschein Industries Inc. – Riverbank
Pacific Coast Drilling Co. Inc. – Petaluma
Harris Salinas Rebar Inc. – Livermore
Sierra Lathing Company Inc. – Rialto
Seawright Custom Precast, Inc. – Coachella
The McIntyre Co. – San Diego
McGuire and Hester – Oakland

BILL NUMBER: SCA 7 CHAPTERED
BILL TEXT

RESOLUTION CHAPTER 49
FILED WITH SECRETARY OF STATE MAY 9, 2006
ADOPTED IN ASSEMBLY MAY 5, 2006
ADOPTED IN SENATE MAY 4, 2006
AMENDED IN SENATE MAY 4, 2006
AMENDED IN SENATE JANUARY 12, 2006
AMENDED IN SENATE JANUARY 9, 2006

INTRODUCED BY Senator Torlakson

FEBRUARY 15, 2005

A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 1 of Article XIX B thereof, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

SCA 7, Torlakson Transportation Investment Fund.

Article XIX B of the California Constitution requires, commencing with the 2003-04 fiscal year, that sales taxes on motor vehicle fuel that are deposited into the General Fund be transferred to the Transportation Investment Fund (TIF) for allocation for various transportation purposes. Article XIX B authorizes this transfer to the TIF to be suspended in whole or in part for a fiscal year during a fiscal emergency pursuant to a proclamation by the Governor and the enactment of a statute by a 2/3 vote in each house of the Legislature if the statute does not contain any unrelated provision.

This measure would recast these suspension provisions. This measure would authorize a suspension, in whole or in part, of the transfer of these revenues to the TIF for a fiscal year if (1) the Governor issues a proclamation that the suspension is necessary due to a severe state fiscal hardship, (2) a statute containing no other unrelated provision is enacted by a 2/3 vote of each house of the Legislature suspending the transfer, and (3) a statute is enacted to repay, with interest, the TIF within 3 years for the amount of any revenues that were not transferred as a result of the suspension. This measure would also prohibit a suspension of transfer of these revenues from occurring more than twice during any period of 10 consecutive fiscal years, and would prohibit a suspension in any fiscal year in which a required repayment from a prior suspension has not been fully completed.

This measure would also require payments to be made from the General Fund to the Transportation Investment Fund relative to a portion of the revenues that were not transferred due to a suspension of transfer occurring on or before July 1, 2007, with payments made pursuant to a specified schedule.

Resolved by the Senate, the Assembly concurring, That the Legislature of the State of California at its 2005 -06 Regular Session commencing on the sixth day of December 2004, two-thirds of

the membership of each house concurring, hereby proposes to the people of the State of California, that the Constitution of the State be amended as follows:

That Section 1 of Article XIX B thereof is amended to read:

SECTION 1. (a) For the 2003-04 fiscal year and each fiscal year thereafter, all moneys that are collected during the fiscal year from taxes under the Sales and Use Tax Law (Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code), or any successor to that law, upon the sale, storage, use, or other consumption in this State of motor vehicle fuel, and that are deposited in the General Fund of the State pursuant to that law, shall be transferred to the Transportation Investment Fund, which is hereby created in the State Treasury.

(b) (1) For the 2003-04 to 2007-08 fiscal years, inclusive, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, in accordance with Section 7104 of the Revenue and Taxation Code as that section read on March 6, 2002.

(2) For the 2008-09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated solely for the following purposes:

(A) Public transit and mass transportation.

(B) Transportation capital improvement projects, subject to the laws governing the State Transportation Improvement Program, or any successor to that program.

(C) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities, including a city and county.

(D) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties, including a city and county.

(c) For the 2008-09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, as follows:

(A) Twenty percent of the moneys for the purposes set forth in subparagraph (A) of paragraph (2) of subdivision (b).

(B) Forty percent of the moneys for the purposes set forth in subparagraph (B) of paragraph (2) of subdivision (b).

(C) Twenty percent of the moneys for the purposes set forth in subparagraph (C) of paragraph (2) of subdivision (b).

(D) Twenty percent of the moneys for the purposes set forth in subparagraph (D) of paragraph (2) of subdivision (b).

(d) (1) Except as otherwise provided by paragraph (2), the transfer of revenues from the General Fund of the State to the Transportation Investment Fund pursuant to subdivision (a) may be suspended, in whole or in part, for a fiscal year if all of the following conditions are met:

(A) The Governor issues a proclamation that declares that, due to a severe state fiscal hardship, the suspension of the transfer of revenues required by subdivision (a) is necessary.

(B) The Legislature enacts by statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, a suspension for that fiscal year of the transfer of revenues required by subdivision (a) and the bill does not contain any other unrelated provision.

(C) No later than the effective date of the statute described in subparagraph (B), a separate statute is enacted that provides for the full repayment to the Transportation Investment Fund of the total amount of revenue that was not transferred to that fund as a result of the suspension, including interest as provided by law. This full

repayment shall be made not later than the end of the third fiscal year immediately following the fiscal year to which the suspension applies.

(2) (A) The transfer required by subdivision (a) shall not be suspended for more than two fiscal years during any period of 10 consecutive fiscal years, which period begins with the first fiscal year commencing on or after July 1, 2007, for which the transfer required by subdivision (a) is suspended.

(B) The transfer required by subdivision (a) shall not be suspended during any fiscal year if a full repayment required by a statute enacted in accordance with subparagraph (C) of paragraph (1) has not yet been completed.

(e) The Legislature may enact a statute that modifies the percentage shares set forth in subdivision (c) 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 and that the moneys described in subdivision (a) are expended solely for the purposes set forth in paragraph (2) of subdivision (b).

(f) (1) An amount equivalent to the total amount of revenues that were not transferred from the General Fund of the State to the Transportation Investment Fund, as of July 1, 2007, because of a suspension of transfer of revenues pursuant to this section as it read on January 1, 2006, but excluding the amount to be paid to the Transportation Deferred Investment Fund pursuant to Section 63048.65 of the Government Code, shall be transferred from the General Fund to the Transportation Investment Fund no later than June 30, 2016. Until this total amount has been transferred, the amount of transfer payments to be made in each fiscal year shall not be less than one-tenth of the total amount required to be transferred by June 30, 2016. The transferred revenues shall be allocated solely for the purposes set forth in this section as if they had been received in the absence of a suspension of transfer of revenues.

(2) The Legislature may provide by statute for the issuance of bonds by the state or local agencies, as applicable, that are secured by the minimum transfer payments required by paragraph (1). Proceeds from the sale of those bonds shall be allocated solely for the purposes set forth in this section as if they were revenues subject to allocation pursuant to paragraph (2) of subdivision (b).

Proposition IA
Transportation Funding Protection. Legislative Constitutional
Amendment.

Background

California spends about \$20 billion a year to maintain, operate, and improve its highways, streets and roads, passenger rail, and transit systems. About one-half of the funding comes from various local sources, including local sales and property taxes, as well as transit fares. The remainder comes from the state and federal levels, largely from gasoline and diesel fuel taxes, and truck weight fees.

Currently, the state levies two types of taxes on motor fuels:

- An excise tax of 18 cents per gallon on gasoline and diesel fuel. (This is generally referred to as the gas tax.)
- A statewide 6 percent tax on the sale of gasoline and diesel fuel ("sales tax").

Gas Tax. Revenues from the state excise tax on gasoline and diesel fuel used on public roads total about \$3.4 billion per year. The State Constitution restricts the use of these revenues to specific transportation purposes. These include constructing, maintaining, and operating public streets and highways, acquiring right of way and constructing public transit systems, as well as mitigating the environmental effects of these facilities.

Sales Tax. The state's sales tax on gasoline and diesel fuel currently provides about \$2 billion a year. Until 2002, most of the revenues from the state sales tax on gasoline were not used for transportation purposes. Instead, these revenues were used for various general purposes including education, health, social services, and corrections. Proposition 42, which was approved by voters in 2002, amended the State Constitution to dedicate most of the revenue from the sales tax on gasoline to transportation uses. Specifically, Proposition 42 requires those revenues that previously went to the General Fund be transferred to the Transportation Investment Fund to provide for improvements to highways, streets and roads, and transit systems. Proposition 42, however, allows the transfer to be suspended when the state faces fiscal difficulties. Proposition 42 is silent as to whether suspended transfer amounts are to be repaid to transportation.

Since 2002, the state has suspended the Proposition 42 transfer twice because of the state's fiscal condition. In 2003-04, the transfer was suspended partially, and in 2004-05, the full amount of the transfer was suspended. Existing law requires that these suspended amounts, with interest, be repaid to transportation by 2008-09 and 2007-08, respectively.

Proposal

This measure amends the State Constitution to further limit the conditions under which the Proposition 42 transfer of gasoline sales tax revenues for transportation uses can be suspended. Specifically, the measure requires Proposition 42 suspensions to be treated as loans to the General Fund that must be repaid in full, including interest, within three years of suspension. Furthermore, the measure only allows suspension to occur twice in ten consecutive fiscal years. No suspension could occur unless prior suspensions (excluding those made prior to 2007-08) have been repaid in full.

In addition, the measure lays out a new schedule to repay the Proposition 42 suspensions that occurred in 2003-04 and 2004-05. Specifically, the suspended amounts must be repaid and dedicated to transportation uses no later than June 30, 2016, at a specified minimum annual rate of repayment.

Fiscal Effects

This measure would have no direct revenue or cost effect. By limiting the frequency and the conditions under which Proposition 42 transfers may be suspended in a ten-year period, the measure would make it more difficult to use Proposition 42 gasoline sales tax revenues for nontransportation purposes when the state experiences fiscal difficulties. As a result, the measure would increase the stability of funding to state and local transportation in 2007 and thereafter. However, the state's authority to direct available funds to meet other nontransportation priorities in the event the state faces fiscal difficulties would be somewhat reduced.



2006 AUG 20 PM 1:33
INTRODUCED BY COUNCIL MEMBER 3

**RESOLUTION DECLARING THE CITY OF OAKLAND'S SUPPORT
FOR PROPOSITION 1A
(Transportation Funding Protection Legislative Constitutional Amendment)**

WHEREAS, the State Legislature placed Proposition 1A (Transportation Funding Protection Legislature Constitutional Amendment) on the November 2006 statewide ballot; and

WHEREAS, Proposition 1A closes a loophole in Proposition 42 (which voters approved in 2002) that permits the legislature to suspend transfer of the state sales tax on motor fuels from the General Fund to transportation projects during a "fiscal emergency" and to redirect these funds to the General Fund; and

WHEREAS, Proposition 1A specifically amends the State Constitution to tighten conditions under which the State Legislature can divert Proposition 42 motor fuel sales tax revenues to the General Fund by:

- requiring that these funds be considered as loans and repaid with interest within three years;
- limiting diversions to twice within ten consecutive years; and
- prohibiting further diversions if previous loans (excluding those made prior to 2007-08) have not been repaid in full; and

WHEREAS, the Oakland City Council endorsed Senate Constitutional Amendment 7 by Senator Torlakson which placed Proposition 1A on the November 2006 ballot; and

WHEREAS, the City of Oakland had approximately \$3 million of Proposition 42 local street and road maintenance funds suspended in the two fiscal years immediately following the March 2002 passage of Proposition 42 when the State Legislature declared a "fiscal emergency"; and

WHEREAS, the City of Oakland will benefit by passage of Proposition 1A as it will provide a more stable flow of revenues for local street and road maintenance from the sales tax on motor vehicle fuels;

NOW THEREFORE BE IT RESOLVED, that the Oakland City Council hereby endorses Proposition 1A, the Transportation Funding Protection Legislative Constitutional Amendment, on the November 2006 state ballot and urges local voters to support the measure; and be it

FURTHER RESOLVED, that a copy of this resolution shall be sent to the Proposition 1A campaign to document the City's endorsement of the measure.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2006

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California