

AMENDED IN SENATE MAY 28, 2015

Senate Constitutional Amendment

No. 7

Introduced by Senator Huff

(Coauthors: Senators Anderson, Bates, Berryhill, Cannella, Fuller, Gaines, Moorlach, Morrell, Nguyen, Nielsen, Runner, Stone, and Vidak)

(Coauthors: Assembly Members Travis Allen, Baker, Brough, Chang, Chávez, Gallagher, Hadley, Jones, Kim, Lackey, Olsen, Steinorth, and Waldron)

April 9, 2015

Senate Constitutional Amendment No. 7—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 1, 5, 6, and 8 of, and adding ~~Section~~ *Sections 11 and 12* to, Article XIX thereof, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

SCA 7, as amended, Huff. Motor vehicle fees and taxes: restriction on expenditures.

(1) Article XIX of the California Constitution restricts the expenditure of revenues from taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass transit purposes, and restricts the expenditure of revenues from fees and taxes imposed by the state upon vehicles or their use or operation to state administration and enforcement of laws regulating the use, operation, or registration of vehicles used upon the public streets and highways, as well as to street and highway and certain mass transit purposes. These restrictions do not apply to revenues from taxes or fees imposed under the Sales and Use Tax Law or the Vehicle License Fee Law.

Article XIX prohibits the Legislature from borrowing revenues from taxes imposed by the state on fuels used in motor vehicles, and from using those revenues other than as specifically permitted by Article XIX. Article XIX provides that up to 25% of fuel tax revenues allocated to the state may be pledged or used for the payment of principal and interest on voter-approved transportation bonds issued for street and highway purposes on and after November 2, 2010, upon voter approval and appropriation by the Legislature. Article XIX provides that up to 25% of fuel tax revenues allocated to cities and counties may be pledged or used for the payment of principal and interest on voter-approved transportation bonds issued for street and highway purposes. However, in counties where voters have approved the use of fuel tax revenues for certain mass transit purposes, Article XIX provides that the Legislature may authorize any fuel tax revenues allocated to mass transit purposes to be pledged or used for payment of principal and interest on voter-approved bonds issued for those mass transit purposes.

This measure would prohibit the Legislature from borrowing revenues from fees and taxes imposed by the state on vehicles or their use or operation, and from using those revenues other than as specifically permitted by Article XIX. The measure would also provide that none of those revenues may be pledged or used for the payment of principal and interest on bonds or other indebtedness. The measure would delete the provision that provides for use of any fuel tax revenues allocated to mass transit purposes to be pledged or used for payment of principal and interest on voter-approved bonds issued for those mass transit purposes, and would instead subject those expenditures to the existing 25% limitation applicable to *the* use of fuel tax revenues for street and highway bond purposes.

This measure would also restrict the expenditure of revenues from taxes imposed by the state on motor vehicle fuels used in propelling water-borne vessels solely to purposes relating to boating facilities, safety, and boating-related activities, as specified, and would prohibit the Legislature from borrowing those revenues.

(2) Article XI of the California Constitution ~~requires, of~~ *requires* the revenues derived under the Vehicle License Fee Law, ~~the revenues Law~~ from a rate that does not exceed 0.65% of the market value of a vehicle to be allocated to cities and counties, and does not restrict expenditure of those revenues for a particular purpose.

This measure would require revenues derived from that portion of the vehicle license fee rate that exceeds 0.65% of the market value of

a vehicle to be used *solely* for street and highway purposes. ~~The measure purposes and would prohibit the Legislature from borrowing those revenues, and from using those revenues other than as specifically permitted. This revenues. The measure would also provide that none of prohibit those revenues may be from being pledged or used for the payment of principal and interest on bonds or other indebtedness.~~

(3) This measure would make other conforming changes.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

1 WHEREAS, Transportation infrastructure is vital to a growing
2 and robust California economy; and

3 WHEREAS, In order to continue growing and remain a national
4 economic leader, California must prioritize transportation funding;
5 and

6 WHEREAS, California has 175,499 miles of public roads; and

7 WHEREAS, California roadways have \$59 billion in
8 accumulated deferred maintenance, and 87 percent of county roads
9 have an average pavement rating of “at risk” or “poor”; and

10 WHEREAS, The average California driver pays \$832 annually
11 for the increased cost of vehicle maintenance, tire wear, and
12 increased gas costs because California streets and roads are in such
13 disrepair; and

14 WHEREAS, In 2002, the voters passed Proposition 42, with 69
15 percent of the vote, which purported to guarantee transportation
16 taxes and fees would only be used for transportation purposes; and

17 WHEREAS, During the fiscal crisis beginning in 2009, taxes
18 and fees being paid by California’s drivers were diverted to the
19 state General Fund and not used to repair or maintain California
20 streets and roads; and

21 WHEREAS, The state fiscal crisis has abated but the diversion
22 of transportation taxes and fees continues; and

23 WHEREAS, Unmet needs caused by the diversion of certain
24 transportation taxes and fees have created an environment of
25 crumbling infrastructure and increased costs to repair the state’s
26 street and highway system; and

27 WHEREAS, To keep the Proposition 42 promise to the voters
28 that transportation taxes and fees shall only be used for
29 transportation purposes and not diverted to the General Fund to
30 pay the cost of general obligation bonds, and to ensure that any

1 future transportation fees or taxes are used only for transportation
2 purposes, the voters should be given an opportunity to close the
3 Proposition 42 loophole; now, therefore, be it

4 *Resolved by the Senate, the Assembly concurring,* That the
5 Legislature of the State of California at its 2015–16 Regular
6 Session commencing on the first day of December 2014, two-thirds
7 of the membership of each house concurring, hereby proposes to
8 the people of the State of California that the Constitution of the
9 State be amended as follows:

10 First— That Section 1 of Article XIX thereof is amended to
11 read:

12 SECTION 1. The Legislature shall not borrow revenues subject
13 to Section 2, 3, ~~or~~ 11, *or* 12 and shall not use these revenues for
14 purposes, or in ways, other than those specifically permitted by
15 this article.

16 Second— That Section 5 of Article XIX thereof is amended
17 to read:

18 SEC. 5. Revenues subject to Section 2 may not be expended
19 for the purposes specified in subdivision (b) of Section 2, except
20 for research and planning, until that use is approved by a majority
21 of the votes cast on the proposition authorizing that use of those
22 revenues in an election held throughout the county or counties, or
23 a specified area of a county or counties, within which the revenues
24 are to be expended.

25 Third— That Section 6 of Article XIX thereof is amended to
26 read:

27 SEC. 6. (a) Up to 25 percent of the revenues subject to Section
28 2 that are allocated to the State may be pledged or used by the
29 State for the payment of principal and interest on voter-approved
30 bonds issued by the State on or after November 2, 2010, for the
31 purposes specified in Section 2, upon approval by the voters of
32 this use of the revenues and appropriation of the revenues by the
33 Legislature.

34 (b) Up to 25 percent of the revenues subject to Section 2 that
35 are allocated to any city or county may be pledged or used by that
36 city or county for the payment of principal and interest on
37 voter-approved bonds issued by that city or county for the purposes
38 specified in Section 2, upon approval by the voters of this use of
39 the revenues.

1 (c) Revenues subject to Section 2, 3, ~~or 11~~, or 12 shall not
2 be pledged or used for the payment of principal and interest on
3 bonds or other indebtedness, except as specifically provided in
4 this section.

5 Fourth— That Section 8 of Article XIX thereof is amended to
6 read:

7 SEC. 8. This article shall not affect or apply to taxes imposed
8 pursuant to the Sales and Use Tax Law, or the Vehicle License
9 Fee Law, and all amendments and additions now or hereafter made
10 to those statutes, except as provided in Section 11.

11 Fifth— That Section 11 is added to Article XIX thereof, to
12 read:

13 SEC. 11. From the revenues derived from taxes imposed
14 pursuant to the Vehicle License Fee Law, and all amendments and
15 additions now or hereafter made to that statute, other than fees on
16 trailer coaches and mobilehomes, over and above the costs of
17 collection and any refunds authorized by law, those revenues
18 derived from that portion of the vehicle license fee rate that exceeds
19 0.65 percent of the market value of the vehicle shall be used solely
20 for the purposes specified in subdivision (a) of Section 2.

21 *Sixth— That Section 12 is added to Article XIX thereof, to read:*

22 *SEC. 12. Revenues from taxes imposed by the State on motor*
23 *vehicle fuels for use in propelling water-borne vessels, over and*
24 *above the costs of collection and any refunds authorized by law,*
25 *shall be deposited into the Harbors and Watercraft Revolving*
26 *Fund (Section 85 of the Harbors and Navigation Code) or its*
27 *successor, and shall be used solely for the following purposes:*

28 *For boating facilities development, boating safety, boating*
29 *regulation programs, construction of small craft harbor and*
30 *boating facilities planned, designed, and constructed by the State*
31 *at sites owned or under the control of the State, and other*
32 *boating-related activities.*