

## Senate Constitutional Amendment

No. 1

### Introduced by Senator Huff

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

(Coauthors: Assembly Members Achadjian, Travis Allen, Baker, Bigelow, Brough, Chang, Chávez, Beth Gaines, Gallagher, Hadley, Jones, Kim, Lackey, Linder, Mayes, Olsen, Steinorth, Wagner, Waldron, and Wilk)

June 19, 2015

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Senate Constitutional Amendment No. 1—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 Sections 11 and 12 to, Article XIX thereof, relating to transportation.

#### LEGISLATIVE COUNSEL’S DIGEST

SCA 1, as introduced, 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 prohibit those revenues from being 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 other than in motor vehicles upon public streets and highways, by requiring the use of those revenues for street and highway purposes, but only with respect to the portion of the affected revenues attributable to increases in tax rates that are effective on or after July 1, 2010. This restriction on expenditures would not apply if federal law requires another use of any portion of those revenues. The measure would also prohibit the Legislature from borrowing those revenues or pledging those revenues for debt service.

(2) Article XI of the California Constitution requires the revenues derived under the Vehicle License Fee 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 and would prohibit the Legislature from borrowing those revenues. The measure would also prohibit those revenues 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

1 crumbling infrastructure and increased costs to repair the state's  
2 street and highway system; and

3 WHEREAS, To keep the Proposition 42 promise to the voters  
4 that transportation taxes and fees shall only be used for  
5 transportation purposes and not diverted to the General Fund to  
6 pay the cost of general obligation bonds, and to ensure that any  
7 future transportation fees or taxes are used only for transportation  
8 purposes, the voters should be given an opportunity to close the  
9 Proposition 42 loophole; now, therefore, be it

10 *Resolved by the Senate, the Assembly concurring,* That the  
11 Legislature of the State of California at its 2015–16 First  
12 Extraordinary Session commencing on the nineteenth day of June  
13 2015, two-thirds of the membership of each house concurring,  
14 hereby proposes to the people of the State of California that the  
15 Constitution of the State be amended as follows:

16 First— That Section 1 of Article XIX thereof is amended to  
17 read:

18 SECTION 1. The Legislature shall not borrow ~~revenue from~~  
19 ~~the Highway Users Tax Account, or its successor, revenues subject~~  
20 ~~to Section 2, 3, 11, or 12~~ and shall not use these revenues for  
21 purposes, or in ways, other than those specifically permitted by  
22 this article.

23 Second— That Section 5 of Article XIX thereof is amended  
24 to read:

25 SEC. 5. ~~Revenues allocated pursuant subject to Section 4 2~~  
26 ~~may not be expended for the purposes specified in subdivision (b)~~  
27 ~~of Section 2, except for research and planning, until such that use~~  
28 ~~is approved by a majority of the votes cast on the proposition~~  
29 ~~authorizing such that use of such those revenues in an election~~  
30 ~~held throughout the county or counties, or a specified area of a~~  
31 ~~county or counties, within which the revenues are to be expended.~~  
32 ~~The Legislature may authorize the revenues approved for allocation~~  
33 ~~or expenditure under this section to be pledged or used for the~~  
34 ~~payment of principal and interest on voter-approved bonds issued~~  
35 ~~for the purposes specified in subdivision (b) of Section 2.~~

36 Third— That Section 6 of Article XIX thereof is amended to  
37 read:

38 SEC. 6. (a) Up to 25 percent of the revenues *subject to Section*  
39 *2 that are* allocated to the State ~~pursuant to Section 4 for the~~  
40 ~~purposes specified in subdivision (a) of Section 2 of this article~~

1 may be pledged or used by the State, ~~upon approval by the voters~~  
2 ~~and appropriation by the Legislature~~, for the payment of principal  
3 and interest on voter-approved bonds *issued by the State on or*  
4 *after November 2, 2010, for such the purposes issued by the State*  
5 ~~on and after November 2, 2010: specified in Section 2, upon~~  
6 *approval by the voters of this use of the revenues and appropriation*  
7 *of the revenues by the Legislature.*

8 (b) Up to 25 percent of the revenues *subject to Section 2 that*  
9 *are allocated to any city or county pursuant to Section 4 for the*  
10 ~~purposes specified in subdivision (a) of Section 2 of this article~~  
11 *may be pledged or used only by any that city or county for the*  
12 *payment of principal and interest on voter-approved bonds issued*  
13 *by that city or county for such the purposes specified in Section 2,*  
14 *upon approval by the voters of this use of the revenues.*

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

19 Fourth— That Section 8 of Article XIX thereof is amended to  
20 read:

21 SEC. 8. This article shall not affect or apply to ~~fees or taxes~~  
22 *imposed pursuant to the Sales and Use Tax Law* ~~Law~~, or the  
23 *Vehicle License Fee Law*, and all amendments and additions now  
24 or hereafter made to ~~such those~~ statutes, *except as provided in*  
25 *Section 11.*

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

28 SEC. 11. From the revenues derived from taxes imposed  
29 pursuant to the Vehicle License Fee Law, and all amendments and  
30 additions now or hereafter made to that statute, other than fees on  
31 trailer coaches and mobilehomes, over and above the costs of  
32 collection and any refunds authorized by law, those revenues  
33 derived from that portion of the vehicle license fee rate that exceeds  
34 0.65 percent of the market value of the vehicle shall be used solely  
35 for the purposes specified in subdivision (a) of Section 2.

36 Sixth— That Section 12 is added to Article XIX thereof, to  
37 read:

38 SEC. 12. (a) Revenues from taxes imposed by the State on  
39 motor vehicle fuels for use other than in motor vehicles upon the  
40 public streets and highways, over and above the costs of collection

1 and any refunds authorized by law, shall be used solely for the  
2 purposes described in subdivision (a) of Section 2.

3 (b) Subdivision (a) applies only to the portion of the affected  
4 revenues attributable to increases in tax rates that are effective on  
5 or after July 1, 2010, and shall not apply if the applicable tax rates  
6 are reduced to be equal to or less than the rates in effect on June  
7 30, 2010. In addition, subdivision (a) does not apply to any portion  
8 of the affected revenues that are required to be used for another  
9 purpose by federal law.

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