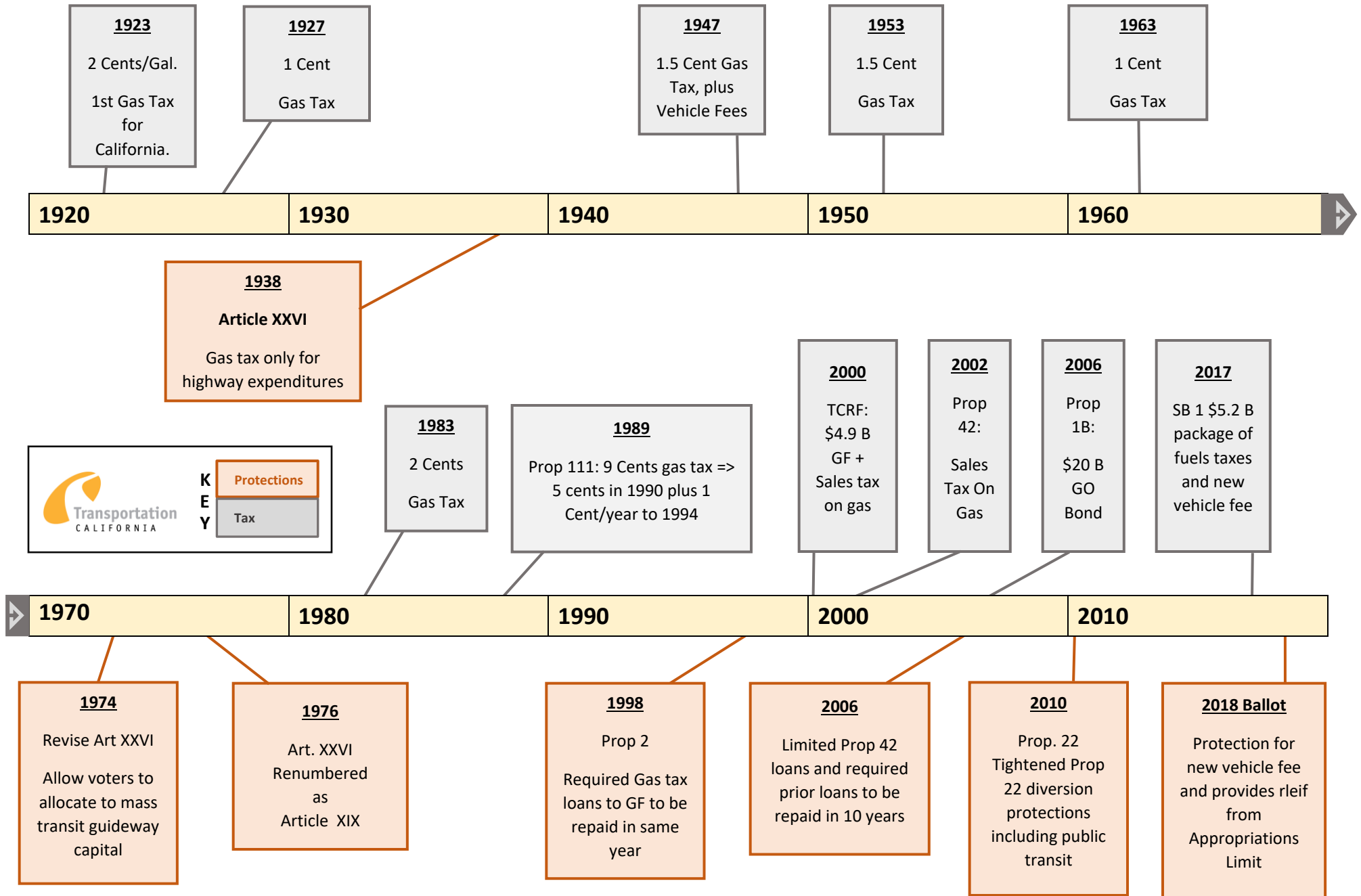


Timeline of California Gas Taxes and Revenues With Related Protection Measures



California Constitutional Protections on Transportation Taxes and Fees

Gas and Diesel Taxes. Article XIX (first enacted in 1938) prohibits these revenues from being loaned or diverted to other purposes and limits them to expenditure only for development, construction, maintenance and operation of highways and roadways.

Diesel Sales Taxes. Article XIX A (Enacted under Prop. 2, 1998 and amended as part of Prop. 22, 2010) prohibits borrowing or diverting this source of funding from public transportation to other purposes. Applies as well to the local one quarter per cent sales tax in place since 1971.

State Sales Tax on Gas. Article XIX B (enacted as Prop. 42 in 2002 and amended by Prop. 22, 2010) Prohibits state borrowing of the state sales tax on gas* and mandated 10-year repayment of earlier diversions to General Fund, which was completed between 2006 and 2016 Budget Act.

Additional Proposed Protections. ACA 5 (2017) limits the new revenue from SB1 for use solely for transportation purposes, prohibits these revenues from being used for any bond debt service, and prohibits the Legislature from borrowing or diverting these revenues. ACA 5 is slated for statewide voter approval in June 2018.

** State sales tax on gas was converted to a price-based "excise tax" in the Gas Tax Swap of 2010. Consequently, Proposition 42 remains as "dead letter" language in the Constitution. However, the new replacement "excise tax" now benefits from the protection afforded under Article XIX.*



Gas Tax and Vehicle Fee Protections- Article XIX

(In place since 1938)

- Protects Gas and Diesel Taxes. These revenues may not be loaned nor diverted to other purposes and must be expended only for development, construction, maintenance and operation of highways and roadways.
- Since 1974, subject to local voter approval, up to 25% of revenues may be pledged for voter-approved bonds;
- Since 1974, subject to local voter approval, permits Gas and Diesel Taxes to be spent on mass transit guideways, excluding operations of power systems and vehicles and services.
- Protects taxes and fees on *use of vehicles* by dedicating these to the administration of vehicle laws (DMV), enforcement of traffic laws (CHP) and for same purposes as for fuel taxes.
- Taxes may be loaned to the General Fund, but must be repaid within same fiscal year, or up to 3 years, under (1) fiscal emergency and (2) General Fund is projected in May Revision to be less than prior year.
- Fuel Tax revenues may be loaned to government entities, but only for same purposes outlined under fuel taxes above.

Protections for Sales Tax on Fuels - Article XIX B

(Enacted as Proposition 42, 2002, and amended by Proposition 22, 2010)

- Prohibits borrowing of funds from state sales tax on gas.
- Created the depository for the state sales tax on gas, the Transportation Investment Fund (TIF), as a trust fund.
- Protects the allocation formula for Proposition 42:
 - 40% - Local Roads
 - 40% - STIP, and
 - 20% – Public Transit
- Required repayment of funds that had been borrowed or retained under a suspension of the Prop 42 transfer to the TIF, over a 10-year span, 2007 – 2017.

Note: State sales tax on gas was converted to a price-based “excise tax” in the Gas Tax Swap of 2010. Consequently, Proposition 42 remains as “dead letter” language in the Constitution. However, the new replacement “excise tax” now benefits from the protection afforded under Article XIX (Page 1).

Protections for Public Transportation Funding - Article XIX A

(Enacted as Proposition 2, 1998 and amended by Proposition 22, 2010)

- Prohibits borrowing of funds from the Public Transportation Account (PTA);
- Establishes the PTA as a Trust Fund.
- Protects all revenues accruing from state sales tax on diesel at the rate of 4.75%.
- Retains the statutory allocation formula in statute as of July 2009.
- Additionally, prohibits borrowing, loans or diversions of the Transportation Development Act (TDA) funds derived from the state's ¼% of sales taxes enacted in 1971.

ACA 5 (Frazier, 2017)

Companion to SB 1 (Beall, 2017)

Proposed Constitutional Constitution to prohibit the Legislature from borrowing revenues from new fees and taxes imposed on vehicles or their use or operation:

- Exempts appropriations of revenues generated from SB 1 from the state Gann Limit, as voters did in 1990 (Prop. 111), to ensure the funds will be able to be applied as enacted;
- Protects the revenues derived from the new, SB 1 Transportation Improvement Fee to be used solely for transportation purposes, prohibits these revenues from being used for any bond debt service, and prohibits the Legislature from borrowing or diverting these revenues.
- Expands protection under Article XIX A for the additional increment of diesel sales tax to be used for public transit purposes.

