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May 10, 2001

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code 9005, we have reviewed the proposed initiative related to the use of state sales tax revenues derived from the lease and sale of motor vehicles for transportation purposes (File No. SA2001RF0014).

Key Provisions

The measure transfers from the General Fund to a new Congestion Relief Transportation Trust Fund (CRTTF) state sales tax revenues that result from the lease and sale of new and used motor vehicles. The measure further allocates the CRTTF revenues among 18 subaccounts for a variety of transportation-related purposes, including mass transit and highway improvements, local street and road repairs, public use facilities benefiting transit riders, senior and disabled transportation services, environmental mitigation, and bicycle and pedestrian improvements.

The measure also permits loans from the CRTTF to the General Fund but requires that they be repaid in full within the same fiscal year except under certain circumstances. Additionally, the measure allows the transfer of a lower amount from the General Fund in 2002-03 or 2003-04 than would otherwise be required by the measure under specified conditions.

The measure also requires an audit of expenditures from each of the subaccounts, to be conducted by a new independent commission.

Fiscal Effect

Currently, state sales tax revenues generated from the sale and lease of new and used motor vehicles are deposited in the state General Fund. These revenues are used for various transportation and nontransportation purposes. The measure would dedicate these revenues to transportation-related purposes as specified. The amount that would be transferred from the General Fund is projected to be approximately \$2.2 billion in 2002-03, and about \$3.6 billion in 2003-04 and increasing annually thereafter depending on the increase in the sale and leasing of motor vehicles.

By transferring revenues from the General Fund, the measure would not affect the amount of K-14 minimum school funding guaranteed by Proposition 98. However, the measure would result in fewer funds (by the transferred amount) for other non-Proposition 98 General Fund expenditures, including discretionary K-14 spending, higher education, health and social services, corrections, and local government tax-relief.

The measure also imposes additional unknown administrative costs on various state and local agencies. These costs would most likely be covered by the funds designated to each agency by the measure.

Fiscal Summary

Redirects General Fund revenues to transportation purposes in the amount of about \$2.2 billion in 2002-03, \$3.6 billion in 2003-04, and increasing annually thereafter. Corresponding reductions in General Fund revenues available for non-Proposition 98 expenditures.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance