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 revenues from state sales tax on gasoline and the sale and lease of motor vehicles for transportation purposes (File No. SA2001RF0015).

Key Provisions

The measure contains two main provisions:

First, the measure transfers from the General Fund to a new Congestion Relief Transportation Trust Fund (CRTTF) the 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. Currently, revenues from state sales tax on the sale and lease of motor vehicles are deposited in the General Fund for various transportation and nontransportation purposes.

Second, the measure extends indefinitely, beginning July 1, 2006, the current transfer of motor vehicle fuel (gasoline) sales tax revenues from the General Fund to the Transportation Investment Fund (TIF). The TIF revenues would be allocated for state highways, local roads, and public transportation purposes, including to fully fund 141 projects specified in the Traffic Congestion Relief Program, enacted in 2000. Under current law, most state gasoline sales tax revenues are deposited in the General Fund. Under current law, these revenues are required to be transferred from the General Fund to the TIF for transportation purposes, including partial funding of the 141 projects. The TIF will expire June 30, 2006, and these gasoline sales tax revenues will thereafter remain in the General Fund and will be available for various transportation and non-transportation purposes.

The measure also permits loans from the CRTTF and the TIF to the General Fund but requires that they be repaid in full within the same fiscal year except under certain circumstances.

Fiscal Effect

The measure would transfer certain state sales tax revenues from the General Fund to transportation-related purposes in two phases. Beginning in 2002-03, the measure would redirect the state sales tax revenues from the sale and lease of motor vehicles to transportation. This amount is projected to be approximately $2.2 billion in 2002-03, and about $3.6 billion in 2003-04, and increasing annually thereafter. Beginning in 2006-07, the measure would also redirect General Fund revenues from the state sales tax on gasoline to transportation. As a result, a total of about $5.6 billion would be transferred from the General Fund in 2006-07 and increasing annually thereafter.

By transferring revenues from the General Fund, the measure would not affect the 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 to 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 through 2005-06. Starting 2006-07, redirects to transportation about $5.6 billion 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