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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 gasoline sales tax revenues for transportation purposes (File No. SA2001RF0016).

Key Provisions

The measure extends indefinitely, beginning July 1, 2006, the current transfer of motor vehicle fuel (gasoline) sales tax revenue from the General Fund to the Transportation Investment Fund (TIF). It specifies how the TIF revenues would be allocated for state highways, local roads, and public transportation purposes. The measure also permits loans from TIF to the General Fund but requires that they be repaid in full within the same fiscal year except under certain circumstances.

Under current law, most state gasoline sales tax revenues are deposited in the General Fund. Through 2005-06, these revenues are required to be transferred from the General Fund to TIF for transportation purposes. 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 nontransportation purposes.

Fiscal Effect

The measure would transfer on a permanent basis beginning 2006-07, state gasoline sales tax revenues that are deposited in the General Fund to transportation-related purposes. The amount that would be transferred from the General Fund is projected to be \$1.4 billion in 2006-07 and would increase annually thereafter, depending on increases in gasoline prices and consumption.

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.

Fiscal Summary

Redirects General Fund revenues to transportation purposes in the amount of about \$1.4 billion in 2006-07 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