



To: RCRC Board of Directors
From: Paul A. Smith, Vice President Governmental Affairs
Date: April 17, 2018
Re: Proposition 69 – Motor Vehicle Fees and Taxes - **ACTION**

Summary

This memo provides an overview of Proposition 69 (also known as Assembly Constitutional Amendment 5), which would prohibit the Legislature from borrowing or using revenues which are derived from increases in motor fuel taxes and vehicle fees, other than for transportation purposes. RCRC staff recommends the RCRC Board of Directors adopt a “Support” position.

Background

In general, the excise taxes and fees on gasoline and diesel fuel serve as the foundation for funding road maintenance and construction at the state and local levels. Fees derived from vehicle registrations are placed in the Motor Vehicle Account and help fund the activities of the Department of Motor Vehicles and the California Highway Patrol. Truck weight fees are currently used to satisfy State General Fund debt associated with Proposition 1B, the transportation bond proposal enacted in 2006.

Under Article XIX of the State’s Constitution, excise taxes derived from motor fuels and vehicle registration fee monies are constitutionally-protected and must be used for transportation purposes.

In March 2017, the RCRC Board of Directors adopted a “Support” position for Senate Bill 1 (Beall) to better fund state and local transportation needs. One of the primary reasons RCRC adopted a “support” position was that the increases in motor fuel taxes and vehicle fees associated with SB 1 were to be directed solely for transportation-related purposes. On April 6, 2017, SB 1 was enacted into law to provide approximately \$52 billion in new transportation revenues (over a 10-year period) to address the approximately \$6 billion annual state and \$8 billion annual local transportation maintenance backlog. As part of the approval process for SB 1, the Legislature adopted Assembly Constitutional Amendment 5 (Frazier) in order for it to be placed on the ballot for voter approval. Assembly Constitutional Amendment 5, now known as Proposition 69, ensures that monies raised under SB 1 are guaranteed for transportation, particularly new levies where it is questionable that they enjoy Article XIX protection (i.e. levies associated with registration fees).

Issue

As mentioned, ACA 5 was approved by the Legislature in April of 2017 and was specifically placed on the June 5, 2018 statewide ballot.

It should be noted that in late-November 2017 an initiative effort to repeal SB 1 was launched, and the initiative is more-than-likely to qualify for the November 2018 ballot. This initiative would repeal SB 1's tax and fee provisions and would also require the Legislature to submit any measure enacting specified taxes or fees on gas or diesel fuel, or on the privilege to operate a vehicle on public highways, to voters for approval.

Staff Recommendation

RCRC staff is recommending that the RCRC Board of Directors adopt a "Support" position on Proposition 69. During a number of conversations involving raising revenues for transportation, the RCRC Board of Directors indicated that revenues raised upon motor vehicle fuels and registration fees must be utilized for transportation purposes. Proposition 69 proposes that be the practice of the State with respect to the levies raised under the adoption of SB 1.

Attachment

- Copy of Proposition 69 (Assembly Constitutional Amendment 5 (Frazier))