



**PROPOSITION 6: VOTER APPROVAL FOR FUTURE GAS AND VEHICLE TAXES
AND 2017 TAX REPEAL INITIATIVE**

September 2018

SDCTA Position:

NEUTRAL

Rationale:

The Association recognizes the validity of the arguments of both supporters and opponents, and our research also validates the claims from both sides. How one should vote is based on which principles are more important:

The Association recommends that a voter should support Proposition 6 if he or she is willing to risk infrastructure improvements to signal to lawmakers that the state is inefficient with its dollars and that the tax is regressive.

The Association recommends that a voter should oppose Proposition 6 if he or she is willing to take the risk of paying more, on average, for transportation infrastructure and impacting lower-income individuals disproportionately to keep the legislature in charge of setting gasoline taxes while addressing ailing infrastructure immediately.

Supporters argue that rising prices under the act's regressive taxation affect both consumers and the economy adversely, being especially harmful to lower and moderate-income households. While proponents argue for the need to fund infrastructure, supporters are skeptical about the state's need for more taxation to keep our roads safe, as California is one of the most tax-burdened states in the country and one of the most inefficient spenders in infrastructure at a national level.

Opponents argue that a repeal of the Road and Repair Accountability Act of 2017 would stop transportation improvement projects already underway in every community in California, therefore making traffic congestion worse, and cost drivers and taxpayers more money in the long run as it hurts job creation and the state's economy. Opponents also argue that the measure would effectively make it harder for any gasoline tax to pass, shifting to the electoral process a responsibility that belongs to the legislature.

Title: Proposition 6: Voter Approval for Future Gas and Vehicle Taxes and 2017 Tax Repeal Initiative

Jurisdiction: State of California

Type: Initiative Constitutional Amendment

Vote: Simple Majority

Status: On the November 6, 2018 General Election Ballot

Issue: Gas Tax Repeal and Tax Increase Majority Vote Requirement

Description: Proposition 6 would repeal all transportation taxes adopted through the Road and Repair Accountability Act of 2017 and require a statewide majority public vote to establish any future legislatively imposed taxes on fuels and vehicles.

Fiscal Impact: When including federal gasoline excise taxes, Californians will be paying nearly 80 cents per gallon once the RRAA takes full effect in July 1, 2019. If repealed, the Legislative Analyst's Office estimates a \$5.1 Billion reduction in ongoing revenues for state and local transportation projects over the next two years.

Background

According to the 2016 California Statewide Local Streets and Roads Needs Assessment report, the average pavement condition index of California roads is 65 out of 100.¹ This amounts to an “at risk” condition, which requires more funds and repair than typical preventative maintenance. Additionally, the American Society of Civil Engineers has found that 68 percent of roads in California are considered to be in poor or mediocre condition.² Its 2016 report also indicated that local streets are facing a \$73 Billion funding shortage over the next decade. In order to maintain the current condition of streets, approximately \$3.5 Billion is needed on an annual basis. However, current funding sits at about \$1.98 Billion each year, even though the State needs an annual \$7 Billion to reach best management practices level of street condition.³

An analysis by the California State Assembly stated that rough roads cost California drivers an extra \$700 annually.⁴ A DOT analysis is more conservative in its estimation of annual vehicle repair costs, but does show Californians spend more than most other states on vehicle maintenance.⁵ The analysis did not state to what extent the Road and Repair Accountability Act (RRAA) would reduce that need for vehicle maintenance, but did note that the state is “facing a \$59 billion deferred maintenance backlog for road maintenance and repairs.”⁶

¹ (2016). "California Statewide Local Streets and Roads Needs Assessment." NCE.

² Leon, Manny. (2017). "Senate Floor Analysis." California State Senate Rules Committee.

³ California Statewide Local Streets and Roads Needs Assessment.

⁴ Dawson, Janet. (2017). "Assembly Floor Analysis." California State Legislature.

⁵ Masterson, Les. (2018). "Most and Least Expensive States for Car Ownership." DOT Analysis.

⁶ (2018). "Initiative Constitutional Amendment: Voter Approval for Increases to Fuel and Vehicle Taxes and Fees." Senate Transportation and Housing Committee.



In 2017, the California Legislature enacted the RRAA to increase annual state funding for transportation and to address a \$59 Billion maintenance backlog through various fuel and vehicle taxes.⁷ Also known as Senate Bill 1 (SB 1), RRAA increased the base gasoline excise tax by 12 cents per gallon, excise taxes on diesel by 20 cents, and the diesel sales tax by 4 percent. It also set fixed rates on a second, add-on gasoline excise tax and the diesel excise tax, both of which previously could change each year based on fuel prices. SB 1 created the Transportation Improvement Fee that ranges from \$25 to \$175 per year depending on the value for the vehicle. Lastly, the bill created a \$100 annual fee for zero-emission vehicles to combat a decrease in gasoline tax revenues from the rise of fuel-efficient cars, and a \$25 increase in registration fees on vehicles, dependent on their value. Each of these measures includes an adjustment for inflation when the tax goes into effect in July 1, 2019.

When including federal gasoline excise taxes, Californians will be paying nearly 80 cents per gallon once the RRAA takes full effect in July 1, 2019.⁸ Figure 1 provides a breakdown of gasoline taxes and fees in California, where 18.4 cents per gallon are of federal taxation and 58.3 cents per gallon are of state taxation. California already pays an average of 67 cents more per gallon than the national average for regular gasoline, partly because of the state's requirements for smog-reducing mechanisms. California currently ranks seventh-highest in the country in total taxes and fees.⁹ The State has not raised gas taxes since 1994.

On June 5, 2018, California voters passed Proposition 69, establishing an amendment restricting the expenditure of revenues from taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass transit purposes. Senate Bill 1 dedicates about two-thirds of the revenues to highway and road repairs, with the remainder going to other programs like mass transit. RRAA was originally designed to provide an estimated \$52.4 Billion over the next ten years to repair and maintain highways, local streets, and bridges.¹⁰ This fiscal year, the state expects the taxes to raise \$4.4 Billion.¹¹

⁷ [\(2017\). Senate Bill No. 1, Chapter 5. Legislative Counsel's Digest.](#)

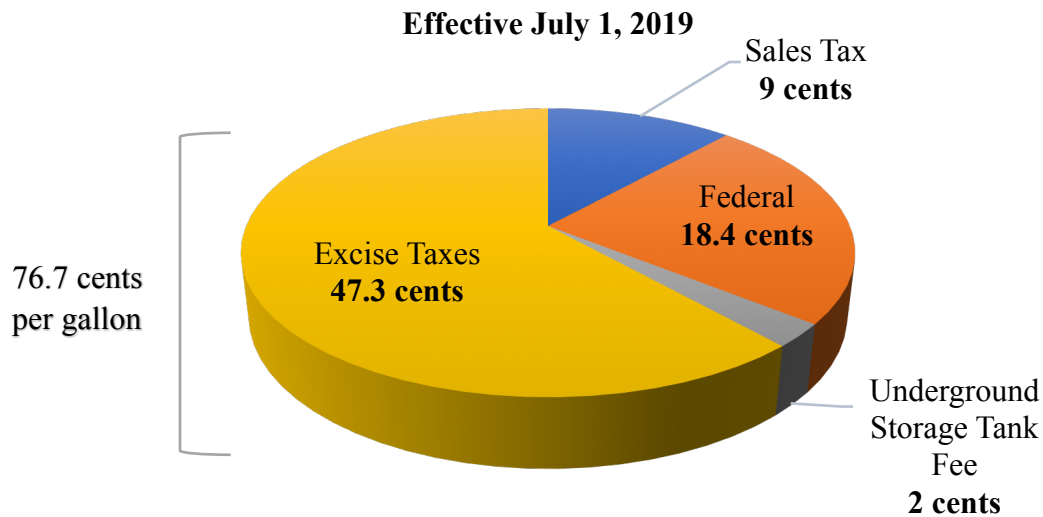
⁸ [Nikolewski, Rob. \(2017\). "How much you'll REALLY pay in gasoline tax in California \(Hint: It's probably more than you think\)." The San Diego Union-Tribune.](#)

⁹ Ibid.

¹⁰ [\(2018\). Rebuilding California: SB1 Overview.](#)

¹¹ [California Legislative Analyst's Analysis.](#)

Figure 1: Gasoline Taxes and Fees in California by Type



Sources: California Board of Equalization; Tax Foundation; American Petroleum Institute; Beto Alvarez (San Diego Union Tribune)

SDCTA supported Proposition 69, which provided additional assurances that tax revenues collected to address California’s deteriorating transportation infrastructure are used solely for specific transportation-related purposes. Proposition 69 does not, however, close all possible loopholes to prevent legislators from spending revenue from transportation taxes and fees on purposes other than those specified in the amendment.

This loophole has caused many to question whether the funds are being spent specifically for what the bill had originally intended, claiming that the tax revenue has been diverted to non-infrastructure related spending. State Senator John Moorlach, for example, released an independent analysis of the CalTrans budget showing that only 20 percent of gas tax funds were spent on roads.¹² Half of SB 1 revenues will be allocated directly to local cities, counties, and transportation agencies as matching funds for the repair of local streets and roads and investment in community transportation planning. The other half will be allocated to the state’s highway system for improvements and repairs. SB 1 also set performance goals for California streets over the next decade. These included having at least 98 percent of California roads at a good or fair condition based on the pavement condition index, as well as similar goals for other transportation assets.

Existing law through the Constitution of the State of California restricts spending for revenues collected from state taxes on gasoline used by motor vehicles on public ways to specified purposes related to streets, highways, and public transit. Vehicle tax and fee revenue is also restricted for public transit and for the enforcement and administration of state laws that regulate these vehicles as they are used on public ways. These restrictions do not currently apply to those taxes and fees imposed under the Vehicle License Fee or Sales and Use Tax laws.

¹² [DeMaio, Carl. \(2018\). “Why Californians should repeal gas tax.” The San Diego Union Tribune, Commentary.](#)



The issue has gained traction as reports place California as a poor performer on national rankings for infrastructure condition and spending indexes. In February 2018 the Reason Foundation released its Annual Highway Report, which placed California 42nd overall, 43rd in total disbursements per mile, 47th in maintenance disbursements per mile, 46th in both administrative disbursements per mile and urban interstate pavement condition, 45th in rural arterial pavement condition, and 49th in urbanized area congestion.¹³ California only leads the nation in having the best narrow rural arterial lanes. An overview of how California compares to national averages can be found at the end of this report.

Proposal

On June 25, 2018, the office of the California Secretary of State announced that the Initiative Constitutional Amendment had gathered over a million signatures and qualified to be up for the consideration of voters on the November 6, 2018 General Election ballot. The proposed additions to the Constitution's text have been attached to the end of this report. The question to be put before voters reads as the following:

Proposition 6
Eliminates Recently Enacted Road Repair and Transportation Funding by Repealing Revenues Dedicated for Those Purposes. Requires Any Measure to Enact Certain Vehicle Fuel Taxes and Vehicle Fees Be Submitted to and Approved by the Electorate. Initiative Constitutional Amendment.

A **YES** vote on this measure means: Fuel and vehicle taxes recently passed by the Legislature would be eliminated, which would reduce funding for highway and road maintenance and repairs, as well as transit programs. The Legislature would be required to get a majority of voters to approve new or increased state fuel and vehicle taxes in the future.

A **NO** vote on this measure means: Fuel and vehicle taxes recently passed by the Legislature would continue to be in effect and pay for highway and road maintenance and repairs, as well as transit programs. The Legislature would continue not to need voter approval for new or increased state fuel and vehicle taxes in the future.

The measure would repeal all transportation taxes adopted by the Legislature in 2017 through the Road and Repair Accountability Act, including higher gasoline and diesel excise taxes and a tax on zero-emission vehicles. The measure would also require any future legislatively imposed taxes on fuels and vehicles to take effect only after a statewide majority vote instead of with the approval of two-thirds majority at the Legislature. If approved, the measure would go into effect in December 2018 and effectively reduce funding for highway and road maintenance and repairs.

Fiscal Impact

¹³ (2018). ["California Ranks 42nd Overall in Highway Performance and Cost-Effectiveness." The Reason Foundation.](#)

The Legislative Analyst’s Office estimates a \$5.1 Billion reduction in ongoing revenues for state and local transportation projects over the next two years from the passing of Proposition 6. In the current fiscal year, Proposition 6 would reduce SB 1 tax revenues from \$4.4 billion to \$2 billion, which represents a \$2.4 Billion decrease. The \$2 Billion in remaining revenues would be from taxes collected prior to Proposition 6 taking effect in December. Due to the described recent legislation, state funding for highways and road maintenance repairs has increased by about three-quarters over the last two years. Figure 2 shows the projected tax revenue for the following year.

Figure 2: Projected Motor Vehicle Fee and Fuel Tax Revenue 2017-2019

	2016-17 Preliminary	2017-18 Forecast	2018-19 Forecast
Vehicle License Fees	\$2,649,030	\$2,775,708	\$2,892,285
Registration, Weight & Other Fees	\$4,517,248	\$4,858,268	\$4,987,505
Transportation Improvement Fees	\$0	\$727,000	\$1,510,000
Gasoline Tax	\$4,301,314	\$5,851,420	\$7,058,259
Diesel Tax	\$541,435	\$978,063	\$1,195,159

Source: California Governor’s Budget Summary 2018-2019

Most of the funds from these taxes and fees will be placed into a Road Maintenance and Rehabilitation Account in the State Transportation Fund. These funds are intended to be used for transportation improvements, bridges, bike and pedestrian ways, the freeway service patrol program, and transportation planning, research, and education. The remainder of the funds are to be used for various corridor and rail programs, and some go to the Department of Food and Agriculture and the Department of Parks and Recreation.

In 2016, Measure A, a San Diego County ballot item that intended to establish a half-cent sales tax over forty years to repair infrastructure, failed to pass. Locally, \$866 Million has been slated for local projects in San Diego County, including \$5 Million for upgrades to the 10th Avenue Terminal, \$47 Million for road maintenance and related projects, \$14 Million for city bikeways, \$89 Million for border infrastructure improvements, \$101 Million for double tracking of the LOSSAN rail corridor, \$220 Million for major highway improvements, and \$336 Million for carpool lanes and bike lanes.¹⁴ According to the San Diego Association of Governments, the package also designates \$100 Million for the Active Transportation Program, which funds

¹⁴ [Emerson Smith, Joshua. \(2018\). “Where is San Diego’s gas tax money going?”. The San Diego Union Tribune.](#)

bicycling and pedestrian improvements as well as \$7 Million in additional funding for University Transportation Research, which includes research on environmentally responsible transportation.¹⁵ In the most recent \$312 million award last May, “a major Caltrans/SANDAG project to reduce congestion along the North Coast Corridor of Interstate 5 received \$195 Million for construction of carpool lanes and other improvements.”¹⁶

Finally, because voters would have to approve specified fuel and vehicle taxes, these taxes would effectively become more difficult to enact, which could cause further unspecified deductions in revenue.

Supporters of the measure spent approximately \$1.7 Million in their efforts to place it on the November ballot.¹⁷

Governance Impact

Currently, the Legislature can only pass a new tax or increase an existing tax (including fees such as vehicle license fees) with a two-thirds vote. The Legislature also does not need to get voter approval for new or increased taxes that it passes. Proposition 6 would restrict these abilities by requiring a majority vote from the public for the approval of specified fuel and vehicle taxes. These taxes would likely become more difficult and expensive to enact, decreasing the efficiency of the process and the associated revenues from potential measures that could have been passed by the Legislature.

Proponents

Proponents argue that any excise tax is a form of regressive taxation, the effect of which are disproportionately harmful to low income Californians who spend a higher portion of their income on gas than do higher income Californians. Research published in the Brookings Papers on Economic Activity shows that rising gas prices affect both consumers and the economy adversely, being especially harmful to lower and moderate-income households.¹⁸ Senator Berryhill, representing California’s 8th district, states, “This form of opposition to SB1 stems from the belief that California’s large working class, 80 percent of which own cars, are especially disadvantaged by higher gas taxes since regressive taxation reduces their ability to provide for themselves and their families, thus lowering their contribution to state and local economies.”¹⁹

Proponents also argue that the gas tax is unnecessary because the dismal condition of California’s infrastructure is a result of mismanagement and neglect from California lawmakers, where cities also vary in their effectiveness in measuring how they spend monies locally. A second cited act of

¹⁵ Ibid.

¹⁶ (2018). “San Diego Region Awarded \$312 Million in SB 1 Gas Tax Funds.” SANDAG.

¹⁷ McGreevy, Patrick. (2018). “California ballot will include gas tax repeal in November.” Los Angeles Times.

¹⁸ Sawhill, Isabel. (2012). “How Higher Gas Prices Hurt Less Affluent Consumers and the Economy.” The Brookings Institution.

¹⁹ Stabile, Nicholas. (2018). “California Gas Tax Increase Fuels Opposition.” Berkeley Political Review.



negligence, brought to light by Assemblyman Vince Fong, is that the general fund budget grew by \$36 Billion between fiscal years (FY) 2012 and 2017, and yet none of that increase has gone to transportation and infrastructure. “Transportation infrastructure spending from the general fund fell from \$83.4 million in FY 2012 to zero in FY 2017. However, only one percent of transportation infrastructure spending came from the general fund in that period. Federal funds made up 47 percent of transportation infrastructure spending, and special funds and bond funds made up 53 percent. Taking these budgetary sources into account, total funding for transportation infrastructure decreased 24 percent between FY 2012 and 2017.”

The proponents include the following:

Give Voters a Voice
Yes on Prop 6
Republican Party of California
Candidate for Governor John Cox
Former San Diego City Council Member Carl DeMaio
House Majority Leader Kevin McCarthy
House Speaker Paul Ryan
Representative Mimi Walters

Opponents

Opponents argue that a repeal of the Road and Repair Accountability Act of 2017 would stop transportation improvement projects already underway in every community in California, therefore making traffic congestion worse, and cost drivers and taxpayers more money in the long run as it hurts job creation and the state’s economy. A comprehensive analysis by the American Road & Transportation Builders Association (ARTBA) finds that the law will generate nearly \$183 billion in economic activity and user benefits throughout all sectors of the state’s economy over 10 years. Chief Economist Dr. Alison Premo Black argues that “...the additional demand will also support or create an average of over 68,200 jobs per year, adding up to over 682,000 job-years over the next decade, with over half coming in sectors outside of the construction industry.”²⁰ The League of California Cities has stated that the passing of Proposition will cost more money than the tax, where the working class is “...going to be spending longer times commuting to and from their jobs because of the crumbling infrastructure and without the traffic relief and traffic congestion relief they’ll be spending more time idling on the freeways.”²¹

The opponents include the following:

²⁰ [Premo Black, Alison. \(2018\). “The Economic Impacts of Senate Bill 1 on California.” American Road and Transportation Builders Association.](#)

²¹ [Sridhar, Priya. \(2018\). “State Gas Tax Opponents Say It Will Cost Families Hundreds of Dollars.” KPBS.](#)



No on Prop 6
California Chamber of Commerce
Governor Jerry Brown
Lt. Gov. Gavin Newsom
Senate President Pro Temp Toni Atkins
San Diego Assemblyman Todd Gloria
Highway Construction Industry
California Alliance for Jobs

APPENDIX A: Proposed Text Additions

**California Constitution
ARTICLE XIII A**

SECTION 3.5

- (a)** Notwithstanding any other provision of law, the Legislature shall not impose, increase or extend any tax as defined in section 3, on the sale, storage, use or consumption of motor vehicle gasoline or diesel fuel, or on the privilege of a resident of California to operate on the public highways a vehicle, or trailer coach, unless and until that proposed tax is submitted to the electorate and approved by a majority vote.
- (b)** This section does not apply to taxes on motor vehicle gasoline or diesel fuel, or on the privilege of operating a vehicle or trailer coach at the rates that were in effect on January 1, 2017. Any increase in the rate of such taxes imposed after January 1, 2017 shall cease to be imposed unless and until approved by the electorate as required by this section.

APPENDIX B: Highway Performance and Cost-Effectiveness in California (2015)

	California's Rank	Amount	National Weighted Average (Including California)
Overall	42		
Total Disbursements Per Mile	43	\$471,052	\$178,116
Capital & Bridge Disbursements Per Mile	41	\$189,345	\$91,992
Maintenance Disbursements Per Mile	47	\$84,005	\$28,020
Administrative Disbursements Per Mile	46	\$36,979	10,864
Rural Interstate Pavement Condition (Mileage in Poor Condition)	33	1.87%	1.85%
Rural Arterial Pavement Condition (Mileage in Poor Condition)	45	3.35%	1.35%
Urban Interstate Pavement Condition (Mileage in Poor Condition)	46	8.72%	5.02%
Urbanized Area Congestion (peak hours)	49	61.39	34.95

spent per auto commuter, in hours)			
Deficient Bridges	28	22.88%	21.65%
Fatality Rates	14	0.95	1.13

*Sources: The Reason Foundation's Annual Highway Report.
<https://reason.org/policy-study/23rd-annual-highway-report/>*
