



## Proposition 42

### Protect Sales Tax on Gas for Transportation

Current state budget deliberations include discussions about suspending Proposition 42 transportation funding. State budget solutions should not include suspension or a permanent reduction in Proposition 42 funding, which would result in a \$20 million annual impact on the County of San Diego alone.

#### Background:

In 2002, voters passed Proposition 42 approving revenues resulting from state sales and use taxes on the sale of motor vehicle fuel to be used for transportation purposes. In 2006, seventy-seven percent of California voters passed Proposition 1A expressing their desire to see the state sales tax on gas fund only transportation and transit improvements. Proposition 1A requires any funds "borrowed" by the state in a fiscal emergency to be fully repaid within three years with interest and restricts loans to no more than twice in any 10-year period.

California has a significant backlog of transportation and transit improvement projects that rely upon multiple funding resources, including gas tax funds.

Current state budget proposals recommend a deferral of the first two quarters of Proposition 42 funding to counties and cities (Oct. 2009 and Jan. 2010).

Another budget proposal being considered is a permanent repeal of Proposition 42 in 2010-11. This action would have a \$20 million annual impact on the County. Additionally, other transportation budget proposals recommend suspending Highway User Tax (HUTA) revenues to counties and cities, which would have a \$40 million annual impact on the County.

Suspension in 2009-10 of Proposition 42 revenues would cause delay of or cancellation of many transportation projects in the state. Significant project delays would result in increased project and construction costs. This problem would be exponentially worse should it be implemented in combination with HUTA suspension.

The state can borrow Proposition 42 funding only twice within a 10-year period and must repay the loan, with interest, within three years before borrowing again.

#### Request:

Fully fund Proposition 42 and do not delay or borrow from gas tax subventions for transportation and transit in the 2009-10 Budget and do not repeal this funding in FY 2010-11 or thereafter.

#### Fiscal Impact:

The County of San Diego has planned for and is prepared to receive approximately \$20 million in funding from Proposition 42 funding in FY 2009-10. This funding is slated to support 46 important capital improvement projects throughout the region such as safety improvements, road maintenance and repair, road slurry and sealing, curb/gutter/sidewalk/curb ramp projects, road striping, drainage conveyances, and road resurfacing. Together, these projects will create over 100 construction and consulting jobs.

A delay or reduction in Proposition 42 funding would cause a large strain on local transportation projects and could cause important transportation projects to be eliminated or substantially delayed.

It is important to maintain programs such as Proposition 42 that provide jobs and have a positive impact on the economy throughout the state. Proposition 42 funding is critical to maintaining the County's 2,000 miles of County-maintained roads, thousands of drainage culverts, and over 200 signalized intersections.