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Questions & Answers About the Local Taxpayer, Public Safety and Transportation Protection Act

WHAT IS YOUR MEASURE AND WHAT DOES IT PROPOSE TO DO?

The Local Taxpayer, Public Safety and Transportation Protection Act is a constitutional amendment that we are working to place on California's November 2010 statewide ballot. The initiative would stop the State from raiding or borrowing funding for local public safety, transportation, transit and other essential local government services. Specifically, the measure would:

- ✓ **Prohibit the State from taking, borrowing or redirecting local taxpayer funds dedicated to public safety, emergency response and other vital local government services.** The measure would close loopholes to prevent the taking of funds currently dedicated to cities, counties, special districts and redevelopment agencies. It would also end the State's fiscally irresponsible practice of borrowing local government property tax funds.
- ✓ **Protect vital, dedicated transportation and public transit funds from State raids.** The measure would prevent State borrowing, taking or redirecting of the state sales tax on gasoline (Prop 42 funds) and Highway User Tax on gasoline (HUTA) funds that voters have dedicated to transportation maintenance and improvements. It would also prevent the State from redirecting or taking public transit funds.
- ✓ **Protect local taxpayers** by keeping more of our local tax dollars local where there's more accountability to voters, and by ensuring once and for all that our gas taxes go to fund road improvements. The measure also reduces pressure for local tax and fee increases that become necessary when the State redirects local funds.

WHY IS IT NEEDED?

Unfortunately, the State has continued its irresponsible practice of taking and borrowing local taxpayer dollars and dedicated transportation funds. The 2009/10 state budget borrows and takes approximately $5 billion in city, county, transit, redevelopment and special district funds this year despite the fact that voters have overwhelmingly passed ballot measures to keep local funding at the local level to provide essential local services. This year's raids and previous, ongoing state raids and borrowing jeopardize the services Californians need most, including police, fire and emergency 911 services; local economic development and redevelopment; mass transit like buses and commuter rail; and transportation improvements like road repairs and congestion relief. We need to pass this measure to protect these vital local services from State raids and borrowing.

ISN'T FUNDING FOR LOCAL GOVERNMENT AND TRANSPORTATION ALREADY PROTECTED FROM STATE RAIDS?

California voters have overwhelmingly passed separate measures to prevent the State from raiding local government and transportation funds. However, each and every year the State attempts to take or borrow local government, transportation and transit funding using loopholes, or illegal funding diversions that have only been stopped after expensive and lengthy court battles. This year alone, the Legislature:

- Borrowed approximately $2 billion in property taxes from local governments, despite no clear path to repay these funds.

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- Took $2.05 billion in local redevelopment funds, despite a recent Superior Court ruling that says these types of raids are unconstitutional.
- Shifted $910 million in transit funding away from local transit agencies. The courts have since ruled these types of raids are unconstitutional.
- Voted to take more than $1 billion of the local government share of the Highway User Tax (HUTA) to repay state bond debt (but the measure stalled in Assembly). These are funds that have always been used to finance local road repairs and maintenance.
- Took action to eliminate the state sales tax on gasoline (Prop 42 funds) and HUTA and replace with a gasoline "fee" that would have no constitutional protection from future raids by the legislature (the Governor ultimately vetoed this measure).
- Threatened to borrow Prop 42 transportation funds to address the State's deficit.

Our measure would close loopholes in current law that the legislature has exploited to take or divert local funds. And it would tighten sections of the law to prevent illegal State funding raids of local government and transportation funds before they happen.

WHY DOES YOUR MEASURE PREVENT THE STATE FROM BORROWING LOCAL GOVERNMENT AND TRANSPORTATION FUNDS?

The local government revenue protection measure in 2004 (Prop 1A) and the transportation revenue protection measure in 2006 (Prop 1A) included provisions that allow the State to borrow these funds during fiscal emergencies. However, after several budget cycles it is clear that these borrowing provisions are not only bad for local governments and transportation services, but fiscally irresponsible for the State. Borrowing these dedicated funds only plunges our state deeper into debt because the funds must to be repaid, *with interest* within three years.

The borrowing was meant to provide an outlet in short-term budget emergencies, but it's instead being used to paper over structural budget problems. For example, the State has no clear way to pay back the $2 billion plus interest in local property taxes that the State is borrowing as part of this year's 2009-2010 State budget, yet lawmakers borrowed these funds anyway.

What's more, because the State has the authority to borrow local government and transportation funds, it creates mass uncertainty for cities and counties who need to plan and pass their local budgets, and for transportation and transit planners who aren't sure if they can rely on these revenues in any given year.

DOES THIS MEASURE INCREASE OR DECREASE REVENUES FOR LOCAL GOVERNMENTS OR FOR TRANSPORTATION AND TRANSIT?

This measure does not increase or decrease the existing revenues that are dedicated to local government, transportation and transit funds. It simply prevents the State from borrowing or raiding *existing* local government, transportation and transit revenues that voters have dedicated to these services.

WON'T THIS MAKE OUR STATE'S BUDGET SYSTEM EVEN WORSE BY FURTHER PUTTING A LOCK BOX ON BILLIONS OF DOLLARS IN FUNDING?

First, these are revenues that have historically been dedicated to cities, counties and special districts to fund local government services. It's fiscally irresponsible for State Government to raid funds from local governments.

Second, it's important to remember that these are funds that voters have ALREADY dedicated to local government, transportation and transit services. We are not dedicating any NEW funding for these services, but instead ensuring

that the will of voters is upheld by protecting local government and transportation funds from further State raids and borrowing.

This reform is fiscally responsible and a key step in long-term reform for California. The State has gotten itself into this deep fiscal mess in large part because lawmakers have relied on budget gimmicks like tapping into voter-protected funds and borrowing which only pushes our problems into the future.

HOW DOES THIS MEASURE FIT INTO THE NEED FOR BROAD REFORM OF STATE GOVERNMENT IN CALIFORNIA?

This measure is a necessary and responsible first step toward fiscal reform in California. Virtually everyone agrees that State reforms must include the restoration of more local control over local tax dollars, and moving services closer to the people at the local level. This measure ensures local control, predictability, and accountability for local tax dollars that are used to provide the most essential local services.

WILL THIS MEASURE IMPACT FUNDING FOR PUBLIC SCHOOLS, HEALTHCARE OR OTHER SERVICES?

No. This measure does not take away funding from schools or any other service funded by the State because it only protects EXISTING funds that are already dedicated to local services like public safety and transportation. And this measure in no-way alters Proposition 98, which guarantees funding levels for K-14 schools.

HOW WILL THIS MEASURE IMPACT TAXPAYERS?

This measure provides further protections for *existing* revenues that voters have already dedicated to local government, transportation and transit services. It does not increase taxes. In fact, this measure protects taxpayers by keeping more of our tax dollars local where they're more accountable. And this measure decreases pressure for local tax and fee increases at the local government level that become needed when the state takes local revenues and local governments are forced to look for new revenues to protect vital services.

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Transit-Related Talking Points

- The Governor and the Legislature have shown no qualms about illegally raiding transit funds to cover unrelated holes in the General Fund. This measure will clearly and plainly mandate that such illegal maneuvers must end.

- Voters have repeatedly and overwhelmingly expressed their demands for transit funding, and they have been repeatedly betrayed by those responsible for crafting a state budget.

- The annual juggling acts and other gimmicks employed in our state budget process have only highlighted the fact that the process is irreparably broken. This measure will force lawmakers to budget responsibly and will help to hasten the budget reform California so desperately needs.

- Demand for transit service reached record-breaking levels in 2008, but continued illegal raids on transit funding have left transit providers with no choice but to implement fare increases, service reductions and other measures to make up for the loss of funding.

- Cost-cutting measures made necessary by these illegal raids have led to decreases in transit ridership, meaning the Governor and the Legislature have blown a golden opportunity to help alleviate traffic congestion and our dependence on foreign oil.

- The Governor and the Legislature have touted and received much praise over the recent adoption of measures to reduce greenhouse gasses (AB 32, 2006) and to promote smart-growth planning (SB 375, 2008). We support the aims of these measures and applaud their passage. But there's a blatant contradiction between crowing about those achievements on the one hand while on the other hand eviscerating the funding for public transit – the one program we have in place that is best equipped to help meet those goals. Without adequate funding for transit, those measures are nothing more than empty promises.

- School children? Senior citizens? Persons with disabilities? The working poor? These are the people that most politicians claim to want to protect from budget cuts – and they are precisely the people most dependent on public transit for their day-to-day mobility.

  > Hundreds of thousands of California's school kids don't have access to yellow school buses – the service simply isn't provided everywhere. Diverting funds from public transit makes it harder and more costly to get to school, especially for urban and low-income students.

  > More than one in five Americans (21%) over age 65 do not drive. Older non-drivers have a decreased ability to participate in the community and the economy. Compared with older drivers, non-drivers make:
  – 15% fewer trips to the doctor
  – 59% fewer shopping trips and restaurant visits
  – 65% fewer trips for social, family and religious activities

  > For persons with disabilities who are unable to drive, transit provides the only self-reliant means of accessing the critical services they need.

  > With higher gas prices, longer commuter delays, and the increasing costs of owning and maintaining a vehicle, cash-strapped families are becoming more dependent on public transit just to make ends meet.

Questions and Answers

Who is behind this effort?
The campaign committee, called "Californians to Protect Local Taxpayers and Vital Services," consists of Joshua Shaw, Executive Director of the California Transit Association, Chris McKenzie, Executive Director of the League of California Cities, and Jim Earp, Executive Director of the California Alliance for Jobs. Proponents bring a number of different allies to the effort, including advocates for local government, transportation and the environment.

What's next in the process of getting this on the ballot?
A proposed initiative will be submitted to the Attorney General's office on Monday, October 19, at 11 a.m. It takes approximately 45 days for the Attorney General and Legislative Analyst to prepare Title and Summary and fiscal analysis. Once we receive Title and Summary (expected in late November/early December), we may proceed with signature gathering. We will have approximately 150 days to collect signatures for qualification. We need to submit more than 1 million signatures to ensure an adequate cushion to qualify.

Why aren't we just doing a "transit only" initiative? Won't transit just get short shrift compared to local governments and highway builders?
The data from numerous polls and focus groups showed us that, while a transit-only initiative did enjoy majority support, the support was decidedly stronger for a more broad-based measure. After careful consideration among a number of transit representatives, it was determined that going down this path is the best route to success. The California Transit Association was specifically recruited as a full partner in this effort. We have been painstakingly involved in every minute detail of crafting the initiative proposal, as we will be in the campaign to follow.

Isn't this just another example of "ballot box budgeting" that many say has caused problems in coming up with a state budget?
It's true that the state needs to completely reform both the way it generates revenue and controls expenditures, including the budgeting process and sorting out the fiscal relationship between state and local entities. We are in consultation with a variety of groups pursuing such fundamental reforms, including California Forward. In the meantime, local governments and transit agencies must take reasonable steps to ensure that their baseline funding, as dedicated repeatedly by the voters, is preserved. As important as broader reforms are, we can't stand by and wait for those while the state continues to pillage our funding and transit riders are left stranded.

If we've already passed four initiatives for transit funding and the Governor and Legislature have gotten away with ignoring them, what good will another initiative do?
As noted above, the California Transit Association has been painstakingly involved in every minute detail of crafting this initiative proposal, as we will be in the campaign to follow. That wasn't the case in previous initiative efforts that in some way addressed transit funding. Our level of involvement this time around assures that the final product will promote ironclad protections for transit funding, and that throughout the entire process – from conceptualization through the completion of the campaign – transit's best interests will be an integral component.

If the courts have already ruled that the raids on transit funding are illegal, why do we need an initiative?
It's true that the courts have issued a final verdict that finds decisively in our favor. There's no more denying the fact that these raids on transit funding are against the law. Yet, it's still conceivable that the Governor and Legislature could continue to devise schemes for circumventing the law. In addition, the facts of our lawsuit are based on the 2007 Budget Act – the diversions of funding away from transit were very specific to the facts of that year's budget. Now that we have closed off those avenues, future legislatures and governors could try other ways to access our funding for General Fund support. The initiative will prevent ALL such end-around maneuvers.

A Brief History of Transit Funding Initiatives

Proposition 116, June 1990

Rail Transportation. Bond Act

Yes: 53.3%, No: 46.7%

SUMMARY: Authorizes general obligation bond issue of $1,990,000.000 to provide funds principally for passenger and commuter rail systems, with limited funds available for public mass transit guideways, paratransit vehicles, bicycle and ferry facilities, and railroad technology museum.

IMPORTANT TO NOTE: The measure designated the Public Transportation Account as a trust fund, and specified that "the funds in the account shall be available, when appropriated by the Legislature, *only for transportation planning and mass transportation purposes.*"

Proposition 2, November 1998

Transportation: Funding

Yes: 75.4 %, No: 24.6%

SUMMARY: Requires loans of transportation related revenues to the General Fund be repaid the same fiscal year, or within three fiscal years if the Governor declares an emergency significantly impacting the General Fund or General Fund revenues are less than the previous fiscal year's adjusted revenues. Allows loans of certain transportation related revenues to local entities conditioned upon repayment, with interest, within four years. Designates local transportation funds as trust funds and prohibits abolition of all such funds created by law. Restricts allocations from local transportation funds to designated purposes relating to local transportation.

IMPORTANT TO NOTE: This measure was a Constitutional Amendment placed on the ballot by the Legislature. The provisions of this measure couldn't be spelled out any more clearly, and yet every single one of them has been repeatedly violated.

Proposition 42, March 2002

Transportation Congestion Improvement Act. Allocation of Existing Motor Vehicle Fuel Sales and Use Tax Revenues for Transportation Purposes Only

Yes: 69.1%; No: 30.9%

SUMMARY: Requires, effective 7/1/03, existing revenues from state sales and use taxes on sale of motor vehicle fuel be used for transportation purposes as provided by law until 6/30/08. Requires, effective 7/1/08, existing revenues resulting from state sales and use taxes on sale of motor vehicle fuel be used for public transportation; city and county street and road repairs and improvements; and state highway improvements.

IMPORTANT TO NOTE: Another Legislative Constitutional Amendment, 20 percent of the funds from which are supposed to flow to transit through the Public Transportation Account.

Proposition 1A, November 2006

Transportation Funding Protection

Yes: 77%; No 23%

SUMMARY: Protects transportation funding for traffic congestion relief projects, safety improvements, and local streets and roads. Prohibits the state sales tax on motor vehicle fuels from being used for any purpose other than transportation improvements. Authorizes loans of these funds only in the case of severe state fiscal hardship. Requires loans of revenues from states sales tax on motor vehicle fuels to be fully repaid within the three years. Restricts loans to no more than twice in any 10-year period.

IMPORTANT TO NOTE: Yet another Constitutional Amendment placed on the ballot by the Legislature, Prop 1A specifically restricted access to Prop 42 funds for transfer to the General Fund, and specified that no such "loans" could take place unless all prior "loans" had been repaid in full.

The state's sorry history of local transit funding rip-offs

Raids on the Public Transportation Account included in state budget agreements since 2000-01

Year	Dollars Lost	Where PTA Dollars Went
2000-01	**$70 million** **$275 million**	Loan to Toll Bridge Seismic Retrofit Program Loan to the Traffic Congestion Relief Fund
2002-03	**$100 million**	Loan to the General Fund
2003-04	**$88 million** **$93 million**	Transfer "spillover" to General Fund Suspension of the PTA's share of Proposition 42
2004-05	**$108 million** **$106 million** **$140 million**	Divert revenue from sale of Caltrans property Suspension of the PTA's share of Proposition 42 Transfer "spillover" to other programs
2005-06	**$ 380 million**	Transfer "spillover" to other programs
2006-07	**$200 million** **$125 million**	Transfer "spillover" to the General Fund Transfer "spillover" to the Bay Bridge Toll Account
2007-08	**$ 1.052 billion**	<u>New Permanent Expenses Previously Paid by the General Fund</u> G.O. bond debt service Home-to-School transportation Regional Center transportation Proposition 42 loan repayment
2008-09	**$ 1.395 billion**	
2009-10	**$ 910 million**	
TOTAL SINCE 2000-01		**$ 5.042 billion**