

OFFICIAL TITLE AND SUMMARY ★ ★ ★

Prepared by the Attorney General

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**HIGHWAY SAFETY, TRAFFIC REDUCTION,
AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006.**

- Makes safety improvements and repairs to state highways; upgrades freeways to reduce congestion; repairs local streets and roads; upgrades highways along major transportation corridors.
- Improves seismic safety of local bridges.
- Expands public transit.
- Helps complete the state's network of car pool lanes.
- Reduces air pollution.
- Improves anti-terrorism security at shipping ports.
- Provides for a bond issue not to exceed nineteen billion nine hundred twenty-five million dollars (\$19,925,000,000).
- Appropriates money from the General Fund to pay off bonds.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- State costs of about \$38.9 billion over 30 years to pay off both the principal (\$19.9 billion) and interest (\$19.0 billion) costs of the bonds. Payments of about \$1.3 billion per year.
- Additional unknown state and local government costs to operate and maintain transportation infrastructure (such as roads, bridges, and buses and railcars) funded with bonds. A portion of these costs would be offset by revenues generated by the improvements, such as fares and tolls.

FINAL VOTES CAST BY THE LEGISLATURE ON SB 1266 (PROPOSITION 1B)

Senate: Ayes 37 Noes 1

Assembly: Ayes 61 Noes 10

ANALYSIS BY THE LEGISLATIVE ANALYST**BACKGROUND**

California spends about \$20 billion a year from a combination of state, federal, and local funds to maintain, operate, and improve its highways, streets and roads, passenger rail, and transit systems. These expenditures are primarily funded on a pay-as-you-go basis from taxes and user fees.

There are two primary state tax sources that fund state transportation programs. First, the state's 18 cent per gallon excise tax on gasoline and diesel fuel (generally referred to as the gas tax) generates about \$3.4 billion annually. Second, revenues from the state sales tax on gasoline and diesel fuel currently provide about \$2 billion a year. Additionally, the state imposes weight fees on commercial vehicles

★ ★ ★ ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

(trucks), which generate roughly \$900 million a year. Generally, these revenues must be used for specific transportation purposes, including improvements to highways, streets and roads, passenger rail, and transit systems. These funds may also be used to mitigate the environmental impacts of various transportation projects. Under specified conditions, these revenues may be loaned or used for nontransportation uses.

Since 1990, voters have approved roughly \$5 billion in state general obligation bonds to fund transportation. These bond proceeds have been dedicated primarily to passenger rail and transit improvements, as well as to retrofit highways and bridges for earthquake safety. As of June 2006, all but about \$355 million of the authorized bonds have been spent on projects.

In addition to state funds, California's transportation system receives federal and local money. The state receives about \$4.5 billion a year in federal gasoline and diesel fuel tax revenues for various transportation purposes. Collectively, local governments invest roughly \$9.5 billion annually into California's highways, streets and roads, passenger rail, and transit systems. This funding comes mainly from a mix of local sales and property taxes, as well as transit fares. Local governments have also issued bonds backed mainly by local sales tax revenues to fund transportation projects.

PROPOSAL

This measure authorizes the state to sell about \$20 billion of general obligation bonds to fund transportation projects to relieve congestion, improve the movement of goods, improve air quality, and enhance the safety and security of the transportation system. (See "An Overview of State Bond Debt" on page 96 for basic information on state general obligation bonds.)

Figure 1 (see next page) summarizes the purposes for which the bond money would be used. The bond money would be available for expenditure by various state agencies and for grants to local agencies and transit operators upon appropriation by the Legislature:

- **Congestion Reduction, Highway and Local Road Improvements**—\$11.3 billion—for capital improvements to reduce congestion and increase capacity on state highways, local roads, and public transit for grants available to locally funded transportation projects, as well as for projects to rehabilitate state highways and local roads.
- **Public Transportation**—\$4 billion—to make capital improvements to local transit services and the state's intercity rail service. These improvements would include purchasing buses and railcars, as well as making safety enhancements to existing transit facilities.
- **Goods Movement and Air Quality**—\$3.2 billion—for projects to improve the movement of goods—through the ports, on the state highway and rail systems, and between California and Mexico—and for projects to improve air quality by reducing emissions related to goods movement and replacing or retrofitting school buses.
- **Safety and Security**—\$1.5 billion—for projects to increase protection against a security threat or improve disaster response capabilities on transit systems; as well as for grants to improve the safety of rail crossings to seismically retrofit local bridges, ramps, and overpasses; and to improve security and disaster planning in publicly owned ports, harbors, and ferry terminals.

FISCAL EFFECTS

Bond Costs. The costs of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. The state would likely make principal and

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ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

FIGURE 1

Proposition 1B: Uses of Bond Funds

	Amount (In Millions)
Congestion Reduction, Highway and Local Road Improvements	\$11,250
Reduce congestion on state highways and major access routes	\$4,500
Increase highways, roads, and transit capacity	2,000
Improve local roads	2,000
Enhance State Route 99 capacity, safety, and operations	1,000
Provide grants for locally funded transportation projects	1,000
Rehabilitate and improve operation of state highways and local roads	750
Public Transportation	\$4,000
Improve local rail and transit services, including purchasing vehicles and right of way	\$3,600
Improve intercity rail, including purchasing railcars and locomotives	400
Goods Movement and Air Quality	\$3,200
Improve movement of goods on state highways and rail system, and in ports	\$2,000
Reduce emissions from goods movement activities	1,000
Retrofit and replace school buses	200
Safety and Security	\$1,475
Improve security and facilitate disaster response of transit systems	\$1,000
Provide grants to improve railroad crossing safety	250
Provide grants to seismically retrofit local bridges and overpasses	125
Provide grants to improve security and disaster planning in publicly owned ports, harbors, and ferry facilities	100
Total	\$19,925

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interest payments from the state's General Fund over a period of about 30 years. If the bonds are sold at an average interest rate of 5 percent, the cost would be about \$38.9 billion to pay off both the principal (\$19.9 billion) and interest (\$19.0 billion). The average repayment for principal and interest would be about \$1.3 billion per year.

Operational Costs. The state and local governments that construct or improve transportation infrastructure with these bond funds (by, for example, building roads and bridges or purchasing buses or railcars) will incur unknown additional costs to operate and maintain them. A portion of these costs would be offset by revenues generated by the improvements, such as transit fares and tolls.

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ARGUMENT IN FAVOR OF PROPOSITION 1B

1B

YES ON PROPOSITION 1B: BUILD NEW ROADS AND HIGHWAYS NOW

California has the most congested highways in the nation—we spend 500,000 hours stuck in traffic every day. It's clear that the time to rebuild California's roads, highways, and transportation systems is now.

Proposition 1B puts backlogged transportation projects on the fast track, reducing congestion and improving highway safety.

While Prop. 1A protects the gas tax funds we already pay at the pump, Prop. 1B is just as important because it provides funding now to jump-start repairs of our aging highways and to start building the transportation projects we know we'll need in the future.

YES ON 1B IMPROVES SAFETY, REDUCES CONGESTION, AND EXPANDS PUBLIC TRANSPORTATION

Proposition 1B will fund projects in every corner of the state. Prop. 1B invests in:

- Making safety improvements to the most dangerous highways and corridors
- Reducing congestion and travel delays
- Adding more lanes to congested highways
- Fixing local streets, roads, and intersections
- Building and expanding public transportation
- Making bridges seismically safe
- Expanding carpool lanes
- Providing matching funds for communities that have approved local transportation measures

YES ON 1B WILL REDUCE AIR POLLUTION AND IMPROVE AIR QUALITY

Prop. 1B includes funding to reduce air pollution by replacing old polluting school buses, expanding mass transit, and expanding carpool and HOV lanes. And, by reducing congestion on our freeways and roads, Prop. 1B will also

help reduce car emissions—one of the leading sources of air pollution.

YES ON 1B: STRICT ACCOUNTABILITY AND NO NEW TAXES

- Prop. 1B includes important accountability measures like annual audits and reports to ensure funds are spent on intended projects.
- Prop. 1B lets us begin building roads now and pay for them as we use them—with current tax revenues and without raising taxes. It is like a mortgage on a house that lets you live in your home while you pay for it.

YES ON 1B: PART OF A LONG-TERM PLAN TO REBUILD CALIFORNIA

Proposition 1B is part of the Rebuild California Plan, which uses the taxes we're already paying to build the roads, housing, schools, and water systems we need to sustain our economy and our quality of life for the long term.

REBUILD CALIFORNIA: YES ON 1A, 1B, 1C, 1D, and 1E

California's population will reach 50 million in the next 20 years—twice what our current infrastructure was designed for—and it can't be rebuilt overnight. That's why we've got to start now.

To learn more about how this infrastructure plan will benefit you and your community, visit www.ReadForYourself.org.

YES ON 1B: SAFER ROADS, LESS POLLUTION, AND REDUCED TRAFFIC CONGESTION

MARIAN BERGESON, Chair
California Transportation Commission

ALAN C. LLOYD, Former Chair
California Air Resources Board

ALLAN ZAREMBERG, President
California Chamber of Commerce

REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 1B

We've all heard, "some things are too good to be true." The argument in support of Proposition 1B is clearly one of those times.

Instead of envisioning a home mortgage being paid for while you live in it, as the proponents would have you imagine, envision instead drowning in a sea of credit card debt. That's where California is headed.

We all want better roads and less traffic congestion. However, if the Legislature turned its attention to streamlining construction projects and easing overburdensome regulations, we wouldn't need to borrow billions of dollars. Instead, we would use an annual portion of our general fund tax dollars with limited borrowing to complete these projects. This balanced approach would significantly reduce our need to borrow billions of dollars.

What about accountability and audits?

When was the last time an audit of state government spending showed that its programs were cost effective and timely? Quite the opposite is true. A well thought out plan for our transportation needs is the only sensible way to improve California's roadways. A hastily developed bond, with "after the fact" oversight, containing billions of dollars in borrowing is a recipe for failure.

Make no mistake; a bond is not free money. You will pay for the considerable borrowing with substantial interest. NO on 1B will force the Legislature to develop a responsible bond package by including "pay as you go," environmental permitting reform, design-build efficiencies, and other common sense reforms.

MICHAEL N. VILLINES, California State Assemblyman
29th District

HIGHWAY SAFETY, TRAFFIC REDUCTION, PROP
★ ★ ★ AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006. **1B**

ARGUMENT AGAINST PROPOSITION 1B

\$32 billion. That is what our children and grandchildren will pay to settle the debt associated with this bond. All this for funding costly programs at the expense of desperately needed highway construction.

Make no mistake: every Member of the Legislature who voted against this bond measure supports restoring our state's crumbling transportation system. We support dedicating every dollar you pay in gas taxes to our highways. And, we support building for California's future wisely. However, this measure fails to achieve these important goals in a fiscally responsible manner.

Improved transportation is a critical issue for our state, but equally important is that each additional borrowed dollar we spend worsens our budget deficit and could cause significant consequences for hard-working California families.

A fiscally responsible solution would be a "pay as you go" approach to funding much-needed transportation projects. This approach will pay for infrastructure improvements from the general fund (taxes you already pay) and allow California to borrow less money to meet its annual obligations.

By setting aside a portion of the budget each year for infrastructure, we will be able to better meet our state's complex needs and not saddle our children and grandchildren with backbreaking debt.

Of further concern in this measure is the rush to spend our tax dollars. In hastily passing this bond measure, the Legislature failed to include time and cost saving opportunities such as "Design-Build" and environmental permitting reforms that would have streamlined the construction process, completing more projects with the same amount of money. Additionally, within 3 weeks after

voter approval of this measure, the California Transportation Commission is required to "develop and adopt guidelines" to fund all outlined transportation programs and spend billions of your hard-earned tax dollars. Then CALTRANS and your regional and county transportation agencies must submit all potential transportation projects to the California Transportation Commission. Just think: A state government agency must put rules in place to spend billions of dollars in just 3 weeks on projects across California without allowing enough time for public oversight and review. Is this the best way to spend your tax dollars?

Significant fiscal decisions in Government should not be made without adequate time for due diligence and analysis.

Governor Schwarzenegger is right; California state government has neglected the transportation needs of our State for three decades and something needs to be done. But let's do this right. Let's go back to the drawing board and find a responsible way to focus on critically needed projects while at the same time developing a financially accountable plan that includes a "pay as you go" element, without any wasteful spending to pay for these important projects.

We should demand that our children and grandchildren have a transportation system that meets the needs of the 21st Century. That's why you need to vote "no" on this bond and force the Legislature to produce a transportation infrastructure plan for our future that is responsible, realistic, and result driven.

MICHAEL N. VILLINES, California State Assemblyman
29th District

REBUTTAL TO ARGUMENT AGAINST PROPOSITION 1B

Even the opponent agrees we have to start *now* to improve our state's crumbling transportation system, build new roads, and relieve traffic congestion. That's exactly what Proposition 1B will do.

YES ON 1B will finally make our transportation system a priority and provide funds we need to begin addressing the backlog of projects throughout the state to reduce congestion, improve air quality, expand mass transit, make road safety improvements, and repair local streets and roads. The longer we neglect our transportation system, the more costly and serious the problems become. We can't afford to wait any longer.

PROPOSITION 1B IS FISCALLY RESPONSIBLE

- 1B contains strict fiscal safeguards to protect taxpayers, like annual audits and public reports to show how and where funds are spent.
- By issuing bonds, Prop. 1B will provide immediate funding to jump-start transportation projects and allow us to pay for them over the next 20 years, with existing state revenues and *without raising taxes*.

- Just like a mortgage on a home, Prop. 1B allows us to improve our transportation system now and pay for it as we use it over the long term.
- That's why THE CALIFORNIA TAXPAYERS' ASSOCIATION SUPPORTS 1B.

Yes on 1B is part of the Rebuild California Plan. Our economic future and our quality of life depend on a reliable transportation system that moves goods and people efficiently. We've got to start now.

YES on 1B. Build new roads and highways, invest in traffic safety, relieve congestion, and improve mass transit.

LARRY MCCARTHY, President
California Taxpayers' Association

THOMAS V. MCKERNAN, President
Automobile Club of Southern California (AAA)

MICHAEL BROWN, Commissioner
California Highway Patrol

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PROPOSITION 1A

This amendment proposed by Senate Constitutional Amendment 7 of the 2005–2006 Regular Session (Resolution Chapter 49, Statutes of 2006) expressly amends the California Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO SECTION 1 OF ARTICLE XIX B

SECTION 1. (a) For the 2003–04 fiscal year and each fiscal year thereafter, all moneys that are collected during the fiscal year from taxes under the Sales and Use Tax Law (Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code), or any successor to that law, upon the sale, storage, use, or other consumption in this State of motor vehicle fuel, and that are deposited in the General Fund of the State pursuant to that law, shall be transferred to the Transportation Investment Fund, which is hereby created in the State Treasury.

(b) (1) For the 2003–04 to 2007–08 fiscal years, inclusive, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, in accordance with Section 7104 of the Revenue and Taxation Code as that section read on the ~~operative date of this article~~ March 6, 2002.

(2) For the 2008–09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated solely for the following purposes:

(A) Public transit and mass transportation.

(B) Transportation capital improvement projects, subject to the laws governing the State Transportation Improvement Program, or any successor to that program.

(C) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities, including a city and county.

(D) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties, including a city and county.

(c) For the 2008–09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, as follows:

(A) Twenty percent of the moneys for the purposes set forth in subparagraph (A) of paragraph (2) of subdivision (b).

(B) Forty percent of the moneys for the purposes set forth in subparagraph (B) of paragraph (2) of subdivision (b).

(C) Twenty percent of the moneys for the purposes set forth in subparagraph (C) of paragraph (2) of subdivision (b).

(D) Twenty percent of the moneys for the ~~purpose~~ purposes set forth in subparagraph (D) of paragraph (2) of subdivision (b).

(d) ~~The~~ (1) *Except as otherwise provided by paragraph (2), the transfer of revenues from the General Fund of the State to the Transportation Investment Fund pursuant to subdivision (a) may be suspended, in whole or in part, for a fiscal year if both all of the following conditions are met:*

(H) (A) ~~The Governor has issued issues a proclamation that declares that, due to a severe state fiscal hardship, the suspension of the transfer of revenues pursuant to required by subdivision (a) will result in a significant negative fiscal impact on the range of functions of government funded by the General Fund of the State is necessary.~~

(2) (B) The Legislature enacts by statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, a suspension for that fiscal year of the transfer of revenues ~~pursuant to required by subdivision (a); provided that and~~ the bill does not contain any other unrelated provision.

(C) *No later than the effective date of the statute described in subparagraph (B), a separate statute is enacted that provides for the full repayment to the Transportation Investment Fund of the total amount of revenue that was not transferred to that fund as a result of the suspension, including interest as provided by law. This full repayment shall be made not later than the end of the third fiscal year immediately following the fiscal year to which the suspension applies.*

(2) (A) *The transfer required by subdivision (a) shall not be suspended*

for more than two fiscal years during any period of 10 consecutive fiscal years, which period begins with the first fiscal year commencing on or after July 1, 2007, for which the transfer required by subdivision (a) is suspended.

(B) *The transfer required by subdivision (a) shall not be suspended during any fiscal year if a full repayment required by a statute enacted in accordance with subparagraph (C) of paragraph (1) has not yet been completed.*

(e) The Legislature may enact a statute that modifies the percentage shares set forth in subdivision (c) by a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, provided that the bill does not contain any other unrelated provision and that the moneys described in subdivision (a) are expended solely for the purposes set forth in paragraph (2) of subdivision (b).

(f) (1) *An amount equivalent to the total amount of revenues that were not transferred from the General Fund of the State to the Transportation Investment Fund, as of July 1, 2007, because of a suspension of transfer of revenues pursuant to this section as it read on January 1, 2006, but excluding the amount to be paid to the Transportation Deferred Investment Fund pursuant to Section 63048.65 of the Government Code, shall be transferred from the General Fund to the Transportation Investment Fund no later than June 30, 2016. Until this total amount has been transferred, the amount of transfer payments to be made in each fiscal year shall not be less than one-tenth of the total amount required to be transferred by June 30, 2016. The transferred revenues shall be allocated solely for the purposes set forth in this section as if they had been received in the absence of a suspension of transfer of revenues.*

(2) *The Legislature may provide by statute for the issuance of bonds by the state or local agencies, as applicable, that are secured by the minimum transfer payments required by paragraph (1). Proceeds from the sale of those bonds shall be allocated solely for the purposes set forth in this section as if they were revenues subject to allocation pursuant to paragraph (2) of subdivision (b).*

PROPOSITION 1B

This law proposed by Senate Bill 1266 of the 2005–2006 Regular Session (Chapter 25, Statutes of 2006) is submitted to the people in accordance with the provisions of Article XVI of the California Constitution.

This proposed law adds sections to the Government Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Chapter 12.49 (commencing with Section 8879.20) is added to Division 1 of Title 2 of the Government Code, to read:

CHAPTER 12.49. THE HIGHWAY SAFETY, TRAFFIC REDUCTION, AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006

Article 1. General Provisions

8879.20. (a) *This chapter shall be known as the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.*

(b) *This chapter shall only become operative upon adoption by the voters at the November 7, 2006, statewide general election.*

8879.22. *As used in this chapter, the following terms have the following meanings:*

(a) *“Board” means any department receiving an allocation of bond proceeds pursuant to this chapter.*

(b) *“Committee” means the Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee created pursuant to Section 8879.27.*

(c) *“Fund” means the Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 created pursuant to Section 8879.23.*

Article 2. Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 and Program

8879.23. The Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 is hereby created in the State Treasury. The Legislature intends that the proceeds of bonds deposited in the fund shall be used to fund the mobility, safety, and air quality improvements described in this article over the course of the next decade. The proceeds of bonds issued and sold pursuant to this chapter for the purposes specified in this chapter shall be allocated in the following manner:

(a) (1) Four billion five hundred million dollars (\$4,500,000,000) shall be deposited in the Corridor Mobility Improvement Account, which is hereby created in the fund. Funds in the account shall be available to the California Transportation Commission, upon appropriation in the annual Budget Bill by the Legislature, for allocation for performance improvements on highly congested travel corridors in California. Funds in the account shall be used for performance improvements on the state highway system, or major access routes to the state highway system on the local road system that relieve congestion by expanding capacity, enhancing operations, or otherwise improving travel times within these high-congestion travel corridors, as identified by the department and regional or local transportation agencies, pursuant to the process in paragraph (3) or (4), as applicable.

(2) The commission shall develop and adopt guidelines, by December 1, 2006, including regional programming targets, for the program funded by this subdivision, and shall allocate funds from the account to projects after reviewing project nominations submitted by the Department of Transportation and by regional transportation planning agencies or county transportation commissions or authorities pursuant to paragraph (4).

(3) Subject to the guidelines adopted pursuant to paragraph (2), the department shall nominate, by no later than January 15, 2007, projects for the allocation of funds from the account on a statewide basis. The department's nominations shall be geographically balanced and shall reflect the department's assessment of a program that best meets the policy objectives described in paragraph (1).

(4) Subject to the guidelines adopted pursuant to paragraph (2), a regional transportation planning agency or county transportation commission or authority responsible for preparing a regional transportation improvement plan under Section 14527 may nominate projects identified pursuant to paragraph (1) that best meet the policy objectives described in that paragraph for funding from the account. Projects nominated pursuant to this paragraph shall be submitted to the commission for consideration for funding by no later than January 15, 2007.

(5) All nominations to the California Transportation Commission shall be accompanied by documentation regarding the quantitative and qualitative measures validating each project's consistency with the policy objectives described in paragraph (1). All projects nominated to the commission for funds from this account shall be included in a regional transportation plan.

(6) After review of the project nominations, and supporting documentation, the commission, by no later than March 1, 2007, shall adopt an initial program of projects to be funded from the account. This program may be updated every two years in conjunction with the biennial process for adoption of the state transportation improvement program pursuant to guidelines adopted by the commission. The inclusion of a project in the program shall be based on a demonstration that the project meets all of the following criteria:

(A) Is a high-priority project in the corridor as demonstrated by either of the following: (i) its inclusion in the list of nominated projects by both the department pursuant to paragraph (3) and the regional transportation planning agency or county transportation commission or authority, pursuant to paragraph (4); or (ii) if needed to fully fund the project, the identification and commitment of supplemental funding to the project from other state, local, or federal funds.

(B) Can commence construction or implementation no later than December 31, 2012.

(C) Improves mobility in a high-congestion corridor by improving travel times or reducing the number of daily vehicle hours of delay, improves the connectivity of the state highway system between rural, suburban, and urban areas, or improves the operation or safety of a highway or road segment.

(D) Improves access to jobs, housing, markets, and commerce.

(7) Where competing projects offer similar mobility improvements to a specific corridor, the commission shall consider additional benefits when

determining which project shall be included in the program for funding. These benefits shall include, but are not limited to, the following:

(A) A finding that the project provides quantifiable air quality benefits.

(B) A finding that the project substantially increases the safety for travelers in the corridor.

(8) In adopting a program for funding pursuant to this subdivision, the commission shall make a finding that the program is (i) geographically balanced, consistent with the geographic split for funding described in Section 188 of the Streets and Highways Code; (ii) provides mobility improvements in highly traveled or highly congested corridors in all regions of California; and (iii) targets bond proceeds in a manner that provides the increment of funding necessary, when combined with other state, local or federal funds, to provide the mobility benefit in the earliest possible timeframe.

(9) The commission shall include in its annual report to the Legislature, required by Section 14535, a summary of its activities related to the administration of this program. The summary should, at a minimum, include a description and the location of the projects contained in the program, the amount of funds allocated to each project, the status of each project, and a description of the mobility improvements the program is achieving.

(b) One billion dollars (\$1,000,000,000) shall be made available, upon appropriation in the annual Budget Bill by the Legislature, to the department for improvements to State Route 99. Funds may be used for safety, operational enhancements, rehabilitation, or capacity improvements necessary to improve the State Route 99 corridor traversing approximately 400 miles of the central valley of this state.

(c) Three billion one hundred million dollars (\$3,100,000,000) shall be deposited in the California Ports Infrastructure, Security, and Air Quality Improvement Account, which is hereby created in the fund. The money in the account shall be available, upon appropriation by the Legislature and subject to such conditions and criteria as the Legislature may provide by statute, as follows:

(1) (A) Two billion dollars (\$2,000,000,000) shall be transferred to the Trade Corridors Improvement Fund, which is hereby created. The money in this fund shall be available, upon appropriation in the annual Budget Bill by the Legislature and subject to such conditions and criteria as the Legislature may provide by statute, for allocation by the California Transportation Commission for infrastructure improvements along federally designated "Trade Corridors of National Significance" in this state or along other corridors within this state that have a high volume of freight movement, as determined by the commission. In determining projects eligible for funding, the commission shall consult the trade infrastructure and goods movement plan submitted to the commission by the Secretary of Business, Transportation and Housing and the Secretary for Environmental Protection. No moneys shall be allocated from this fund until the report is submitted to the commission for its consideration, provided the report is submitted no later than January 1, 2007. The commission shall also consult trade infrastructure and goods movement plans adopted by regional transportation planning agencies, adopted regional transportation plans required by state and federal law, and the statewide port master plan prepared by the California Marine and Intermodal Transportation System Advisory Council (Cal-MITSAC) pursuant to Section 1760 of the Harbors and Navigation Code, when determining eligible projects for funding. Eligible projects for these funds include, but are not limited to, all of the following:

(i) Highway capacity improvements and operational improvements to more efficiently accommodate the movement of freight, particularly for ingress and egress to and from the state's seaports, including navigable inland waterways used to transport freight between seaports, land ports of entry, and airports, and to relieve traffic congestion along major trade or goods movement corridors.

(ii) Freight rail system improvements to enhance the ability to move goods from seaports, land ports of entry, and airports to warehousing and distribution centers throughout California, including projects that separate rail lines from highway or local road traffic, improve freight rail mobility through mountainous regions, relocate rail switching yards, and other

projects that improve the efficiency and capacity of the rail freight system.

(iii) Projects to enhance the capacity and efficiency of ports.

(iv) Truck corridor improvements, including dedicated truck facilities or truck toll facilities.

(v) Border access improvements that enhance goods movement between California and Mexico and that maximize the state's ability to access coordinated border infrastructure funds made available to the state by federal law.

(vi) Surface transportation improvements to facilitate the movement of goods to and from the state's airports.

(B) The commission shall allocate funds for trade infrastructure improvements from the account in a manner that (i) addresses the state's most urgent needs, (ii) balances the demands of various ports (between large and small ports, as well as between seaports, airports, and land ports of entry), (iii) provides reasonable geographic balance between the state's regions, and (iv) places emphasis on projects that improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions. In addition, the commission shall also consider the following factors when allocating these funds:

(i) "Velocity," which means the speed by which large cargo would travel from the port through the distribution system.

(ii) "Throughput," which means the volume of cargo that would move from the port through the distribution system.

(iii) "Reliability," which means a reasonably consistent and predictable amount of time for cargo to travel from one point to another on any given day or at any given time in California.

(iv) "Congestion reduction," which means the reduction in recurrent daily hours of delay to be achieved.

(C) The commission shall allocate funds made available by this paragraph to projects that have identified and committed supplemental funding from appropriate local, federal or private sources. The commission shall determine the appropriate amount of supplemental funding each project should have to be eligible for moneys from this fund based on a project-by-project review and an assessment of the project's benefit to the state and the program. Except for border access improvements described in clause (v) of subparagraph (A), improvements funded with moneys from this fund shall have supplemental funding that is at least equal to the amount of the contribution from the fund. The commission may give priority for funding to projects with higher levels of committed supplemental funding.

(D) The commission shall include in its annual report to the Legislature, required by Section 14535, a summary of its activities related to the administration of this program. The summary should, at a minimum, include a description and the location of the projects contained in the program, the amount of funds allocated to each project, the status of each project, and a description of the mobility and air quality improvements the program is achieving.

(2) One billion dollars (\$1,000,000,000) shall be made available, upon appropriation by the Legislature and subject to such conditions and criteria contained in a statute enacted by the Legislature, to the State Air Resources Board for emission reductions, not otherwise required by law or regulation, from activities related to the movement of freight along California's trade corridors. Funds made available by this paragraph are intended to supplement existing funds used to finance strategies and public benefit projects that reduce emissions and improve air quality in trade corridors commencing at the state's airports, seaports, and land ports of entry.

(3) One hundred million dollars (\$100,000,000) shall be available, upon appropriation by the Legislature, to the Office of Emergency Services to be allocated, as grants, for port, harbor, and ferry terminal security improvements. Eligible applicants shall be publicly owned ports, harbors, and ferryboat and ferry terminal operators, which may submit applications for projects that include, but are not limited to, the following:

(A) Video surveillance equipment.

(B) Explosives detection technology, including, but not limited to, X-ray devices.

(C) Cargo scanners.

(D) Radiation monitors.

(E) Thermal protective equipment.

(F) Site identification instruments capable of providing a fingerprint for a broad inventory of chemical agents.

(G) Other devices capable of detecting weapons of mass destruction using chemical, biological, or other similar substances.

(H) Other security equipment to assist in any of the following:

(i) Screening of incoming vessels, trucks, and incoming or outbound cargo.

(ii) Monitoring the physical perimeters of harbors, ports, and ferry terminals.

(iii) Providing or augmenting onsite emergency response capability.

(I) Overweight cargo detection equipment, including, but not limited to, intermodal crane scales and truck weight scales.

(J) Developing disaster preparedness or emergency response plans.

The Office of Emergency Services shall report to the Legislature on March 1 of each year on the manner in which the funds available pursuant to this paragraph were expended for that fiscal year.

(d) Two hundred million dollars (\$200,000,000) shall be available, upon appropriation by the Legislature, for schoolbus retrofit and replacement to reduce air pollution and to reduce children's exposure to diesel exhaust.

(e) Two billion dollars (\$2,000,000,000) shall be available for projects in the state transportation improvement program, to augment funds otherwise available for this purpose from other sources. The funds provided by this subdivision shall be deposited in the Transportation Facilities Account which is hereby created in the fund, and shall be available, upon appropriation by the Legislature, to the Department of Transportation, as allocated by the California Transportation Commission in the same manner as funds allocated for those projects under existing law.

(f) (1) Four billion dollars (\$4,000,000,000) shall be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account, which is hereby created in the fund. Funds in the account shall be made available, upon appropriation by the Legislature, to the Department of Transportation for intercity rail projects and to commuter or urban rail operators, bus operators, waterborne transit operators, and other transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement.

(2) Of the funds made available in paragraph (1), four hundred million dollars (\$400,000,000) shall be available, upon appropriation by the Legislature, to the department for intercity rail improvements, of which one hundred twenty-five million dollars (\$125,000,000) shall be used for the procurement of additional intercity railcars and locomotives.

(3) Of the funds remaining after the allocations in paragraph (2), 50 percent shall be distributed to the Controller, for allocation to eligible agencies using the formula in Section 99314 of the Public Utilities Code, and 50 percent shall be distributed to the Controller, for allocation to eligible agencies using the formula in Section 99313 of the Public Utilities Code, subject to the provisions governing funds allocated under those sections.

(g) One billion dollars (\$1,000,000,000) shall be deposited in the State-Local Partnership Program Account, which is hereby created in the fund. The funds shall be available, upon appropriation by the Legislature and subject to such conditions and criteria as the Legislature may provide by statute, for allocation by the California Transportation Commission over a five-year period to eligible transportation projects nominated by an applicant transportation agency. A dollar for dollar match of local funds shall be required for an applicant transportation agency to receive state funds under this program.

(h) One billion dollars (\$1,000,000,000) shall be deposited in the Transit System Safety, Security, and Disaster Response Account, which is hereby created in the fund. Funds in the account shall be made available, upon appropriation by the Legislature and subject to such conditions and criteria as the Legislature may provide by statute, for capital projects that provide increased protection against a security and safety threat, and for capital expenditures to increase the capacity of transit operators, including waterborne transit operators, to develop disaster response

transportation systems that can move people, goods, and emergency personnel and equipment in the aftermath of a disaster impairing the mobility of goods, people, and equipment.

(i) One hundred twenty-five million dollars (\$125,000,000) shall be deposited in the Local Bridge Seismic Retrofit Account, which is hereby created in the fund. The funds in the account shall be used, upon appropriation by the Legislature, to provide the 11.5 percent required match for federal Highway Bridge Replacement and Repair funds available to the state for seismic work on local bridges, ramps, and overpasses, as identified by the Department of Transportation.

(j) (1) Two hundred fifty million dollars (\$250,000,000) shall be deposited in the Highway-Railroad Crossing Safety Account, which is hereby created in the fund. Funds in the account shall be available, upon appropriation by the Legislature, to the Department of Transportation for the completion of high-priority grade separation and railroad crossing safety improvements. Funds in the account shall be made available for allocation pursuant to the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code, except that a dollar for dollar match of nonstate funds shall be provided for each project, and the limitation on maximum project cost in subdivision (g) of Section 2454 of the Streets and Highways Code shall not be applicable to projects funded with these funds.

(2) Notwithstanding the funding allocation process described in paragraph (1), in consultation with the department and the Public Utilities Commission, the California Transportation Commission shall allocate one hundred million dollars (\$100,000,000) of the funds in the account to high-priority railroad crossing improvements, including grade separation projects, that are not part of the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code. The allocation of funds under this paragraph shall be made in consultation and coordination with the High-Speed Rail Authority created pursuant to Division 19.5 (commencing with Section 185000) of the Public Utilities Code.

(k) (1) Seven hundred fifty million dollars (\$750,000,000) shall be deposited in the Highway Safety, Rehabilitation, and Preservation Account, which is hereby created in the fund. Funds in the account shall be available, upon appropriation by the Legislature, to the Department of Transportation, as allocated by the California Transportation Commission, for the purposes of the state highway operation and protection program as described in Section 14526.5.

(2) The department shall develop a program for distribution of two hundred and fifty million dollars (\$250,000,000) from the funds identified in paragraph (1) to fund traffic light synchronization projects or other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads.

(l) (1) Two billion dollars (\$2,000,000,000) shall be deposited in the Local Streets and Road Improvement, Congestion Relief, and Traffic Safety Account of 2006, which is hereby created in the fund. The proceeds of bonds deposited into that account shall be available, upon appropriation by the Legislature, for the purposes specified in this subdivision to the Controller for administration and allocation in the fiscal year in which the bonds are issued and sold, including any interest or other return earned on the investment of those moneys, in the following manner:

(A) Fifty percent to the counties, including a city and county, in accordance with the following formulas:

(i) Seventy-five percent of the funds payable under this subparagraph shall be apportioned among the counties in the proportion that the number of fee-paid and exempt vehicles that are registered in the county bears to the number of fee-paid and exempt vehicles registered in the state.

(ii) Twenty-five percent of the funds payable under this subparagraph shall be apportioned among the counties in the proportion that the number of miles of maintained county roads in each county bears to the total number of miles of maintained county roads in the state. For the purposes of apportioning funds under this clause, any roads within the boundaries of a city and county that are not state highways shall be deemed to be county roads.

(B) Fifty percent to the cities, including a city and county, apportioned among the cities in the proportion that the total population of the city bears to the total population of all the cities in the state, provided, however, that the Controller shall allocate a minimum of four hundred thousand dollars (\$400,000) to each city, pursuant to this subparagraph.

(2) Funds received under this subdivision shall be deposited as follows in order to avoid the commingling of those funds with other local funds:

(A) In the case of a city, into the city account that is designated for the receipt of state funds allocated for local streets and roads.

(B) In the case of an eligible county, into the county road fund.

(C) In the case of a city and county, into a local account that is designated for the receipt of state funds allocated for local streets and roads.

(3) For the purpose of allocating funds under this subdivision to cities and a city and county, the Controller shall use the most recent population estimates prepared by the Demographic Research Unit of the Department of Finance. For a city that incorporated after January 1, 1998, that does not appear on the most recent population estimates prepared by the Demographic Research Unit, the Controller shall use the population determined for that city under Section 11005.3 of the Revenue and Taxation Code.

(4) Funds apportioned to a city, county, or city and county under this subdivision shall be used for improvements to transportation facilities that will assist in reducing local traffic congestion and further deterioration, improving traffic flows, or increasing traffic safety that may include, but not be limited to, street and highway pavement maintenance, rehabilitation, installation, construction and reconstruction of necessary associated facilities such as drainage and traffic control devices, or the maintenance, rehabilitation, installation, construction and reconstruction of facilities that expand ridership on transit systems, safety projects to reduce fatalities, or as a local match to obtain state or federal transportation funds for similar purposes.

(5) At the conclusion of each fiscal year during which a city or county expends the funds it has received under this subdivision, the Controller may verify the city's or county's compliance with paragraph (4). Any city or county that has not complied with paragraph (4) shall reimburse the state for the funds it received during that fiscal year. Any funds withheld or returned as a result of a failure to comply with paragraph (4) shall be reallocated to the other counties and cities whose expenditures are in compliance.

Article 3. Fiscal Provisions

8879.25. Bonds in the total amount of nineteen billion nine hundred twenty-five million dollars (\$19,925,000,000), exclusive of refunding bonds, or so much thereof as is necessary, are hereby authorized to be issued and sold for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5. All bonds herein authorized which have been duly sold and delivered as provided herein shall constitute valid and legally binding general obligations of the state, and the full faith and credit of the state is hereby pledged for the punctual payment of both principal and interest thereof.

8879.26. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4), except subdivision (a) of Section 16727 to the extent that subdivision is inconsistent with this chapter, and all of the other provisions of that law as amended from time to time apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

8879.27. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee is hereby created. For the purposes of this chapter, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the Controller, the Director of Finance, and the Secretary of the Business, Transportation and Housing Agency, or a designated representative of each of those officials. The Treasurer shall serve as the chairperson of the committee. A majority of the committee may act for the committee.

(b) The committee may adopt guidelines establishing requirements for administration of its financing programs to the extent necessary to protect the validity of, and tax exemption for, interest on the bonds. The guidelines shall not constitute rules, regulations, orders, or standards of general application.

TEXT OF PROPOSED LAWS ★ ★ ★

(c) For the purposes of the State General Obligation Bond Law, any department receiving an allocation pursuant to this chapter is designated to be the "board."

8879.28. Upon request of the board stating that funds are needed for purposes of this chapter, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Section 8879.23, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and are not required to be sold at any one time. Bonds may bear interest subject to federal income tax.

8879.29. There shall be collected annually, in the same manner and at the same time as other state revenue is collected, a sum of money in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, the bonds as provided herein, and all officers required by law to perform any duty in regard to the collections of state revenues shall collect that additional sum.

8879.30. Notwithstanding Section 13340, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out Section 8879.32, appropriated without regard to fiscal years.

8879.31. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312, for purposes of this chapter. The amount of the request shall not exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of this chapter, less any amount withdrawn pursuant to Section 8879.32. The board shall execute any documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amount loaned shall be deposited in the fund to be allocated in accordance with this chapter.

8879.32. For the purpose of carrying out this chapter, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of any amount or amounts not to exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006. Any money made available under this section shall be returned to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from money received from the sale of bonds which would otherwise be deposited in that fund.

8879.33. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of the State General Obligation Bond Law. Approval by the electors of this act shall constitute approval of any refunding bonds issued pursuant to the State General Obligation Bond Law.

8879.34. Notwithstanding any provisions in the State General Obligation Bond Law, the maximum maturity of any bonds authorized by this chapter shall not exceed 30 years from the date of each respective series. The maturity of each series shall be calculated from the date of each series.

8879.35. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

8879.36. Notwithstanding any provision of the State General Obligation Bond Law with regard to the proceeds from the sale of bonds authorized by this chapter that are subject to investment under Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4, the Treasurer may maintain a separate account for investment earnings, order the payment of those earnings to comply with any rebate requirement applicable under federal law, and may otherwise direct the use and investment of those proceeds so as to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

8879.37. All money derived from premium and accrued interest on bonds sold pursuant to this chapter shall be transferred to the General Fund as a credit to expenditures for bond interest.

PROPOSITION 1C

This law proposed by Senate Bill 1689 of the 2005–2006 Regular Session (Chapter 27, Statutes of 2006) is submitted to the people in accordance with the provisions of Article XVI of the California Constitution.

This proposed law adds sections to the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SEC. 2. Part 12 (commencing with Section 53540) is added to Division 31 of the Health and Safety Code, to read:

PART 12. HOUSING AND EMERGENCY SHELTER TRUST FUND ACT OF 2006

CHAPTER 1. GENERAL PROVISIONS

53540. (a) This part shall be known as the Housing and Emergency Shelter Trust Fund Act of 2006.

(b) This part shall only become operative upon adoption by the voters at the November 7, 2006, statewide general election.

53541. As used in this part, the following terms have the following meanings:

(a) "Board" means the Department of Housing and Community Development for programs administered by the department, and the California Housing Finance Agency for programs administered by the agency.

(b) "Committee" means the Housing Finance Committee created pursuant to Section 53524 and continued in existence pursuant to Section 53548.

(c) "Fund" means the Housing and Emergency Shelter Trust Fund created pursuant to Section 53545.

CHAPTER 2. HOUSING AND EMERGENCY SHELTER TRUST FUND OF 2006 AND PROGRAM

53545. The Housing and Emergency Shelter Trust Fund of 2006 is hereby created in the State Treasury. The Legislature intends that the proceeds of bonds deposited in the fund shall be used to fund the housing-related programs described in this chapter over the course of the next decade. The proceeds of bonds issued and sold pursuant to this part for the purposes specified in this chapter shall be allocated in the following manner:

(a) (1) One billion five hundred million dollars (\$1,500,000,000) to be deposited in the Affordable Housing Account, which is hereby created in the fund. Notwithstanding Section 13340 of the Government Code, the money in the account shall be continuously appropriated in accordance with the following schedule:

(A) (i) Three hundred forty-five million dollars (\$345,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2. The priorities specified in Section 50675.13 shall apply to the expenditure of funds pursuant to this clause.

(ii) Fifty million dollars (\$50,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended under the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2 for housing meeting the definitions in paragraphs (2) and (3) of subdivision (e) of Section 11139.3 of the Government Code. The department may provide higher per-unit loan limits as necessary to achieve affordable housing costs to the target population. Any funds not encumbered for the purposes of this clause within 30 months of availability shall revert for general use in the Multifamily Housing Program.

(B) One hundred ninety-five million dollars (\$195,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program authorized by Chapter 6.7