

FINANCING THE MOVEMENT OF PEOPLE IN CALIFORNIA

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LEGISLATIVE ANALYST

STATE OF CALIFORNIA

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d. source: Department of Finance
b. "Other" totals include Governor's proposed General Fund expenditures of \$744 million, which includes a transfer of \$514 million from special funds to General Fund spending. In addition, our estimate of \$190 million for the General Fund cost of SB 813 (Ch. 1383, Stat.) is \$230 million or \$15 million more than included

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Transportation Funding

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I. APPROACH

A. Divide the general topic into three parts:

1. The state's highway network;
2. Local streets and roads; and
3. Mass transit.

B. In each case, I'll summarize:

1. Where the money comes from; and
2. How it is spent.

II. THE STATE'S HIGHWAY NETWORK

A. Sources of funds:

1. California expects to have about \$1.9 billion available to support the state's highway system in 1984.
2. Nearly all of this money comes from one of two sources:
 - a. Federal grants (53 percent); or
 - b. "User charges," levied in the form of fuel taxes and truck weight fees (47 percent).
 - c. In addition, the state derives a small amount of highway funding from the surplus in the vehicle registration/driver's licensing programs (\$20 million).

3. Like many states, California has gotten itself in the bind of:
 - a. Allowing the user charge component of the financing system to be characterized as a "tax".
 - b. Setting the charge on a per gallon basis (currently 9 cents).
 4. As a result, the flow of revenues available for highway purposes generally does not keep pace with inflation, and the political forces that are always at work in financing any operation of state government are greatly magnified.
 5. With regard to the federal fund component, California is among the states that benefit from the new 85 percent allocation provision. This provision of the Federal Surface Transportation Act will, by itself, generate \$140 million in the state's current fiscal year.
 6. All told, California expects to have available for highway construction \$10.3 billion over the next 5 years.
- B. Use of Funds:
1. With one exception, which I'll get to in a moment, state fuel tax money can only be used for highway purposes under the state's Constitution.
 2. Allocation procedure:
 - a. California has made an effort--largely successful--to avoid the pork barrel aspects of highway funding.

- b. It has done this by establishing an independent transportation commission to allocate highway funds to specific highway projects.
- c. Thus, while the Legislature appropriates specified amounts in the annual Budget Act for capital outlay support, operations, and maintenance, it appropriates only a lump sum amount for capital outlay.
- d. The California Transportation Commission (CTC) then allocates this lump sum amount by adopting a five-year "State Transportation Improvement Program", or STIP as it is known.
 - (1) The STIP is drafted initially by the state's Department of Transportation, which is headed by a Director who serves at the pleasure of the Governor.
 - (2) The CTC then makes modifications to the draft plan and adopts it, based on input from regional and local transportation planning agencies.
 - (3) The only restrictions on the commission are that (a) 60 percent of the money must be allocated to the 13 southern-most counties, where most of the state's population resides, and (b) at least 70 percent of the funds be allocated among counties using a return-to-source formula.

- (4) In addition, the commission is supposed to observe the statutory priorities established by the Legislature for the use of available funds:
 - (a) Maintenance and rehabilitation;
 - (b) Safety improvements;
 - (c) Operational improvements;
 - (d) New construction; or
 - (e) Landscaping, litter control, etc.
3. Expenditures in the budget year (\$1,847 million)
 - a. Allocation
 - (1) Support, operations and maintenance (39%)
 - (2) Capital outlay (44%)
 - (3) Assistance to local agencies (17%)
 - b. Highway construction is done primarily by private contractors, while engineering and maintenance work is done primarily by state employees.

III. LOCAL STREETS AND ROADS

A. Source of Funds (no good data on totals):

1. Cities and counties derive a significant portion of the money they spend on streets and roads from the fuel tax levied by the state.

- a. Nearly all of this they get directly through statutory subventions (about \$532 million in the current year)
- b. The rest they get through legislative appropriations for grade crossing separation projects.
 - (1) These funds are allocated by the state Department of Transportation.
 - (2) In addition, cities and counties received federal money passed through by the state under the STIP.
 - (3) They also kick in some General Fund money of their own to support local street and road programs, but we don't have a reliable measure of how much this adds up to.

B. Use of Funds:

1. Funds available for local streets and roads programs generally are allocated through locally adopted budgets.
2. I can't tell you much about how this money is spent that you don't already know.

IV. MASS TRANSIT

A. Source of Funds (\$1 3/4 billion)

1. Most of the money available to support mass transit in California comes from one of six sources:
 - a. Federal grants (\$285 million--16%)

- b. State general funds (\$148 million--8%)
 - c. Fare box revenues (or user charges) (\$390 million--22%)
 - d. State highway funds (\$61 million--3.5%)
 - e. Local revenues raised through dedicated taxes (\$795 million--45%)
 - f. Local General Fund revenues (\$80 million--4.5%)
2. Looking at the state's budget, it is not apparent that General Fund money is going for local and intercity transit.
- a. This is because we allocate a specified portion of the money raised from the state's sales tax on gasoline to a special fund (the Transportation Planning and Development Fund).
 - b. Nevertheless, the money is indistinguishable from other sales tax money flowing into the state's General Fund.
 - (1) I frequently hear others question the morality of even dreaming about using the proceeds from the sales tax on gasoline for any purpose other than transportation.
 - (2) If anybody here also feels this way, let me confess my sins...
 - (3) To me, dedicating these revenues in this way is no more defensible than dedicating the revenues raised by the sales tax on clothing to support the Bureau of Fabric Care.

- c. In any event, about \$148 million of the in-state money going for transit comes from this source.
3. State highway money--the money raised from the state's gasoline and truck weight "user charges"--can be used to finance transportation "guideway" construction.
 - a. "Guideways" include light rail.
 - b. The voters amended the state's Constitution about 10 years ago to permit this use of "highway money" for non-highway purposes.
 - c. In the current year, about \$60.7 million is available for transit purposes from this source.
4. In the current fiscal year, federal grants to California for mass transit will total \$410 million, of which:
 - a. \$125 million will be available for operating assistance, and
 - b. \$285 million will be available for capital purposes.
 - c. This represents an 18 percent reduction in operating money, and as much as a 470 percent increase in capital assistance.
5. At the local level, two separate sales taxes generate funding for local transit programs:
 - a. A 1/4 percent sales tax levied in all 58 counties:
 - (1) Will yield \$425 million in the current year; and

- (2) About 85 percent of this goes for transit, with the balance being used for local streets and roads programs and to cover collection costs.
 - b. In addition, 7 large counties levy a 1/2 percent transportation sales tax, which generates \$370 million annually.
 6. The remaining sources of transit revenue are:
 - a. The fare box --
 - (1) This source yielded \$390 million in fiscal year 1982 (the last year for which data are available).
 - (2) Fare box revenue covered a little less than one-third of local transit systems' operating expenses in that year.
 - b. Local General Fund revenue:
 - (1) \$80 million -- statewide
 - (2) \$60 million -- in San Francisco
- B. Use of Funds
1. Most of the state funds available for transit are allocated by the Legislature on a lump-sum basis to specific programs.
 - a. These programs include:
 - (1) General transit assistance;
 - (2) Transit capital assistance; and
 - (3) Intercity rail operating assistance.

- b. These funds are then allocated by the Transportation Commission or by the Executive Branch.
 - c. The Transit Capital Assistance Program finances such things as abandoned right-of-way acquisitions, intermodal terminal development, bus rehabilitation, grade separation projects, and guideway projects.
2. Statewide expenditures on local transit are pretty much in line with revenues:
- a. For operating systems, 84 percent;
 - b. 16 percent for capital improvements.

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