

**AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 5
INFORMATION TECHNOLOGY/TRANSPORTATION**

ASSEMBLYMEMBER MANNY DIAZ, CHAIR

**WEDNESDAY, MARCH 20, 2002
STATE CAPITOL, ROOM 127
4:00 P.M.**

INFORMATIONAL HEARING

CONDITION OF TRANSPORTATION FUNDS

ITEMS TO BE HEARD

TRANSPORTATION CONGESTION RELIEF FUND	2
STATE HIGHWAY ACCOUNT	3
PUBLIC TRANSPORTATION ACCOUNT	4
MOTOR VEHICLE ACCOUNT	5

CONDITION OF TRANSPORTATION FUNDS

To understand the budgets of transportation departments that come before Subcommittee #5, it is first important to gain an understanding of the key funds that are used.

The purpose of this hearing is for the subcommittee to become familiar with the purposes and limitations of key funds as well as their fiscal status and major proposals concerning the funds this year.

ISSUE 1: TRANSPORTATION CONGESTION RELIEF FUND (TCRF)

BACKGROUND:

The TCRF was created in 2000 as part of the Transportation Congestion Relief Program. The TCRF initially received a \$1.6 billion transfer from the General Fund and was to receive an additional \$678 million annually for five years to fund 141 designated transportation projects.

As part of the current year budget, the annual transfer from the General Fund was deferred for two years and a \$238 million loan from the TCRF to the General Fund was approved. In addition, various loans from other transportation accounts were approved to ensure the cash flow needs of the 141 projects are met.

COMMENTS:

The Governor's proposed budget includes the following projections for the TCRF:

- | | |
|--|-----------------|
| ➤ Projected Budget Year resources available: | \$1.511 billion |
| ➤ Projected Expenditures (inc. loan to GF): | \$1.492 billion |
| ➤ Projected Fund Balance (reserve): | \$18 million |

The primary issue concerning the TCRF that faces the subcommittee is the proposed \$672 million loan to the General Fund. The issues surrounding this proposal include:

- The Legislative Analyst has recommended Budget Bill Language to allow the loan can be larger.
- The proposed repayment schedule projects that no projects will not be delayed by the loan.

ISSUE 2: STATE HIGHWAY ACCOUNT (SHA)**BACKGROUND:**

The SHA is the serves as the primary fund source for highway expenditures, including major and minor construction.

The SHA derives its revenues primarily from truck weight fees and the 18 cents state excise tax on gasoline and diesel fuels. Specifically, SHA receives about 62 percent of all gas tax revenues, while the remainder is provided to cities and counties for local streets and roads.

COMMENTS:

The Governor's proposed budget includes the following projections for the SHA:

- Projected Budget Year resources available: \$3.675 billion
- Projected Budget Year expenditures: \$3.551 billion
- Projected Fund Balance (Reserve): \$0.084 billion

The subcommittee will face several key issues regarding the SHA. These include:

- Actual SHA balance is historically higher than projected in the Governor's annual budget proposal.
- \$474 million from the SHA to backfill of the Transportation Congestion Relief Fund loan to the General Fund.

According to the Legislative Analyst Office, it is likely that not all of this amount will be required do to higher than projected balances in the TCRF.

- Deferral of \$342 million transfer to the Toll Bridge Seismic Retrofit Account, as part of the plan for TCRF loan to the General Fund.

ISSUE 3: PUBLIC TRANSPORTATION ACCOUNT (PTA)**BACKGROUND:**

The PTA is the primary state funding source for mass transportation. PTA revenues are primarily generated from various fuel sales taxes.

The PTA funds the State Transit Assistance (STA) program, intercity rail services, and transit capital improvements.

The STA program receives at least 50 percent of annual PTA revenues. The remaining PTA funds support various other public transportation purposes, including intercity rail service, capital improvements of transit systems, rail and mass transportation planning and support, and high-speed rail development.

COMMENTS:

The Governor's proposed budget includes the following projections for the PTA:

- Projected Budget Year resources available: \$300 million
- Projected Budget Year expenditures: \$274 million
- Projected Budget Year Balance: \$26 million

The subcommittee will face several key issues regarding the SHA. These include:

- \$24 million PTA shortfall due to Board of Equalization's (BOE) adoption of regulations implementing AB 426 (Cardoza), Chapter 156, Statutes of 2001. AB 426 exempts sales taxes on diesel fuel used in farming activities and food processing. The cost was initially estimated to be \$6 million. However, with the expanded interpretation by the BOE, the cost will actually be \$50 million, thus taking the \$26 million balance to a \$24 million deficit.
- Other strains on the PTA, including lower gasoline prices, drop in diesel fuel sales, and transfers to the TCRF as part of the refinancing approved as part of the current year budget.

ISSUE 4: MOTOR VEHICLE ACCOUNT (MVA)**BACKGROUND:**

The MVA is the primary funding source for the Department of Motor Vehicles (DMV), the California Highway Patrol (CHP), and the Air Resources Board (which is under the jurisdiction of Subcommittee #3).

The MVA derives most of its revenues from vehicle registration and driver license fees.

COMMENTS:

The Governor's proposed budget includes the following projections for the MVA:

- Projected Budget Year resources available: \$1.629 billion
- Projected Budget Year expenditures: \$1.531 billion
- Projected Budget Year balance: \$0.188 billion

The subcommittee will face several key issues regarding the MVA. These include:

- Potential fund shortfall as a result of increased security costs for the CHP and other factors.
- Various fee increases to avert a fund shortfall totaling \$76 million for the budget year.
- Concerns over whether many of the CHP's increased security costs and protective services budget are appropriately funded from the MVA.