

TRANSPORTATION

Department of Transportation (Caltrans)

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system of more than 50,000 miles of highway and freeway lanes. Caltrans also provides rail passenger services under a contract with Amtrak and provides support to over 100 local airports. The Governor's proposed budget for Caltrans includes \$7.4 billion for 2004-05, a decrease of \$1.1 billion, or 13 percent, from the revised current year budget.

MAJOR PROVISIONS

The major provisions of the proposed Caltrans budget include:

- ◆ **Suspension of Proposition 42.** Proposition 42 was passed by the voters in March 2002 to amend the State Constitution to require that all state sales taxes paid on gasoline is used for transportation purposes.

Under the provisions of Proposition 42, state sales tax on gasoline proceeds are deposited in the Transportation Investment Fund (TIF). Of these funds, \$678 million is annually allocated for 141 specific Traffic Congestion Relief Program (TCRP) projects through Fiscal Year 2007-08. The balance of these funds are allocated among the State Transportation Investment Program (STIP) (40 percent), local streets and roads (20 percent for cities, 20 percent for counties) and the Public Transportation Account (PTA) (20 percent). Beginning in Fiscal Year 2008-09, all Proposition 42 proceeds are allocated to the STIP, local streets and roads, and the PTA.

The Legislature approved a partial suspension of Proposition 42 for the current year to provide \$289 million for previously allocated TCRP projects. The intent was to avoid costly and impractical interruptions in projects already begun. The General Fund saved \$856 million in the current year, these funds, however must be repaid to the TIF by the end of Fiscal Year 2008-09.

For the budget year, the Governor proposes suspending Proposition 42 in its entirety to save the General Fund a total of \$1.1 billion. The chart below identifies the proposed suspension's impact on transportation programs for Fiscal Year 2004-05.

Program	Lost Funds
TCRP	-\$678 million
STIP	-\$179 million
Counties for Road Maintenance	-\$90 million
Cities for Road Maintenance	-\$90 million
PTA	-\$90 million
Total	-\$1.1 billion

- ◆ **Traffic Congestion Relief Program (TCRP).** The TCRP was established in 2000 to provide substantial and ongoing funding for transportation projects throughout the state. Specifically, the TCRP includes 141 identified transportation projects and the allocation of funds to the STIP, local streets and roads, and the PTA. The critical point of the TCRP is to ensure that that state's sales tax revenues generated from the sale of gasoline are used for transportation purposes.

Soon after the enactment of the TCRP, the state began to have the budget problems that the state still faces. As a result, the Legislature deferred the TCRP for two years, but placed a constitutional amendment (Proposition 42) on the ballot to guarantee funding for the TCRP. However, the Legislature partially suspended Proposition 42 for the 2003-04 budget year, providing only \$289 million for the TCRP.

As discussed above, the Governor proposes suspending Proposition 42 for the budget year. The Governor also proposes transferring \$189 million of the \$289 million of the funds allocated for the TCRP in the current year to the General Fund. Together these proposals total a \$867 million cut to the TCRP.

In addition, the Governor proposes to remove the specific statutory authority for the 141 identified TCRP projects. Under this proposal, the projects would have to compete with other projects to receive allocations through the STIP or other funding sources.

- ◆ **State Transportation Investment Program.** The STIP is a five-year planning document that is adopted every two years by the California Transportation Commission (CTC). The STIP identifies projects to be funded from the State Highway Account (SHA), the TIF, the PTA, and federal transportation funds over the next five-year period.

Each regional transportation planning agency is allocated a share of the STIP's programming capacity. Of available funds to the program, 75 percent are allocated to regional projects. The remaining 25 percent of available funds are allocated to interregional projects that are identified by Caltrans.

The resources anticipated in the 2002 STIP Fund Estimate have not been fully realized. This is a result of the state receiving less federal funds than projected, lost revenues from the unintended consequences of changes to truck weight fees, and not receiving any revenues from Proposition 42.

As a result, the 2004 STIP Fund Estimate identifies the need to reschedule up to \$2.6 billion in transportation projects.

- ◆ **GARVEE Bonds.** Grant Anticipation Revenue Vehicles (GARVEE) bonds are debt instruments where future federal highway funds are pledged to meet debt service requirements.

The Governor proposes to use GARVEE bonds as a result of the current fiscal constraints facing the state. In total, the Governor proposes a total of \$1.6 billion in GARVEE bond appropriations.

First, the Governor proposes an \$804 million GARVEE appropriation to cover annual debt service costs of GARVEE bonds issued in the current year. Second, the Governor proposes an \$800 million GARVEE bond to be available for new project allocation by the CTC through fiscal year 2006-07.

- ◆ **Mid-Year Adjustment.** The Governor proposes mid-year adjustments that benefit the General Fund by \$932.6 million. The General Fund saving is primarily due to the conversion from accrual to cash management of local transportation programs. This results in an increased ability to draw down \$800 million in federal transportation funds on a one-time basis. Specific questions remain regarding this accounting change, including whether it will generate the entire \$800 million and whether the shift will require significant additional Caltrans staffing. Specifically, the General Fund savings results from:
 - ◆ \$406 million reimbursement to the General Fund from transportation related General Obligation bond debt service.
 - ◆ \$200 million Proposition 2 State Highway Account loan to the General Fund.
 - ◆ \$189 million transfer from the Traffic Congestion Relief Fund to the General Fund.
 - ◆ \$107 million transfer from the SHA to the General Fund.

- ◆ \$30 million retention of funds in the General Fund that were scheduled to go to the PTA.

■ ADDITIONAL HIGHLIGHTS

Additional highlights of the proposed Caltrans budget include:

- ◆ **Local Assistance.** The Governor's proposed budget includes \$1.1 billion in local assistance funding for transportation, including \$168 million from the SHA, \$862 million from federal funds, and \$24 million from other special funds.
- ◆ **State Operations.** The Governor's proposed budget includes \$2.9 billion in state operations funding, an increase of \$44 million due primarily to increased debt service. In addition, the budget funds a reduction of 338 personnel years.
- ◆ **Control Section 4.10 Reductions.** The Governor's proposed budget reflects Control Section 4.10 reductions of \$142.7 million (all funds) and 1,089 positions pursuant to the authority granted by the Legislature through Control Section 4.10 of the State Budget of 2003. Of the position reductions related to Capital Outlay Support, the reductions are allocated as follows: 369 regular positions, 398 contract positions, and 81 temporary help position equivalents.

California Highway Patrol

The California Highway Patrol (CHP) is responsible for ensuring the safe, lawful, and efficient transportation of persons and goods on the state's highway system. In addition, CHP provides protective services and security for state employees and property, and carries out a variety of other mandated tasks related to law enforcement. Since the attacks of September 11, 2001, CHP has played a major role in the state's enhanced anti-terror programs.

The Governor's proposed budget for the CHP includes \$1.3 billion for 2004-05, a slight reduction from the revised current year budget.

■ MAJOR PROVISIONS

The major provisions of the proposed Caltrans budget include:

- ◆ **Uniformed Officer Reductions.** Pursuant to the authority granted by the Legislature through Control Section 4.10 of the State Budget of 2003, the Governor has reduced the CHP's budget by \$15 million and 150 uniformed officer positions in the current year.

The officer reductions are primarily from Traffic Management (97 officers) and Regulation and Inspection (45 officers).

Department of Motor Vehicles

The Department of Motor Vehicles' (DMV) responsibilities include protecting the public interest in vehicle ownership by registering vehicles and promoting public safety on roads and highways by issuing driver licenses. In addition, the DMV licenses and regulates vehicle-related businesses and provides revenue collection services for state and local agencies.

The Governor's proposed budget for the DMV includes \$705.3 million for 2004-05, a decrease of \$14 million, or two percent, from the revised current year budget.

There are no significant adjustments proposed for the DMV.