SELECTED ISSUES:
THE 1999-00 BUDGET PROPOSAL FOR:
TRANSPORTATION SYSTEM INVESTMENTS

The need to reinvest in California's transportation infrastructure is clear. Congestion in urban areas drastically affects the quality of life of affected Californians and inhibits economic growth. While the size of the state highway system grew only 3.6 percent from 1976 to 1996, the amount of vehicle miles traveled increased by 94 percent during that same time period.

The role of the Legislature in directly resolving transportation infrastructure problems is much more limited than it is for other areas of government. This is because transportation infrastructure stands as a unique aspect of the state budget process in that the Legislature does not directly determine which capital projects get funded. Instead, capital improvements to the state highway system are funded through a programming document called the State Transportation Improvement Program (STIP).

Historically, the Legislature adhered to an understanding that the budget would not directly fund specific highway projects. SB 45 (Kopp) Chapter 622, Statutes of 1997 codified this tradition by prohibiting the direct funding of specific transportation projects in the budget. This includes such projects as soundwalls, on and off-ramps, bridges, new highway construction, highway expansion, and other capital improvements.

The Legislature, however, does have the authority to appropriate funds for certain other transportation infrastructure needs. This includes the ability to fund highway maintenance projects, traffic signal and signage needs, and highway beautification projects, among others. This is evident in the Governor's budget, which proposes a total of $754 million for highway maintenance, a $63 million, or nine percent, increase over revised current year funding.

The Characteristics of the STIP are as follows:

- The STIP is a four-year planning documented that is adopted every other year by the California Transportation Commission (CTC). (The 1998 STIP was a transitional six year program, beginning in 2000 all STIPs will be four year programs.)

- Of available funds to program, 75 percent are allocated to regional projects. Local transportation agencies nominate regional projects to the CTC. The CTC does not have the authority to amend projects programmed by local agencies – unless an entire plan does not comply with CTC guidelines, in which case the entire regional plan is rejected.

- The remaining 25 percent of available funds are allocated to interregional projects, which are nominated by the Department of Transportation (Caltrans) and are subject to stricter review by the CTC.

The 1998 STIP programmed $4.6 billion for new capital transportation projects throughout the State. Since the adoption of the 1998 STIP, an additional $1.6 billion have been identified for capital projects. As a result, the California Transportation Commission is considering adopting an amendment to the 1998 STIP to program the additional funds later in 1999.

Of the funds available to be programmed, $860 million is a result of the reauthorization of federal transportation funds, the Transportation Equity Act for the 21st Century (TEA-21), providing more funding for California than previously anticipated. The remaining $740 million is a result of revised revenue estimates, including $600 million as a result of revised estimates of projects' cash flow and $140 million in revised reserves.

Since the 1998 STIP is a six-year program, and thus programs projects through the year 2004, it was not anticipated that additional projects would be programmed in the 2000 STIP since that programming period would also end in 2004. However, as discussed above, there are $1.6 billion in funds previously not anticipated that are available for programming. In the event the CTC chooses not to program these funds through an amended 1998 STIP, then these funds would be available for programming in the 2000 STIP.

Whether funds are programmed through a 1998 STIP amendment or the 2000 STIP, there likely will be limited resources allocated for transit capital improvement projects, such as for the purchase of new buses or rail cars. This is due to the California Constitution limiting funding of such projects to the Public Transportation Account (PTA), which faces insolvency in the near future. PTA revenues are generated primarily through a sales tax on diesel fuel, and lower diesel prices have reduced PTA revenues. This factor, along with significant PTA revenues being allocated for seismic retrofit projects, has resulted in the accounts inability to have funds available for transit capital improvement projects while funding expanding intercity rail service and local subsidies for mass transit operators.