

**A REVIEW OF THE STATE'S ALLOCATION AND EXPENDITURES
OF THE ADDITIONAL TRANSPORTATION FUNDS
MADE AVAILABLE BY THE
1989 TRANSPORTATION BLUEPRINT LEGISLATION**

**(PROPOSITION 111)
JOB #94014**

Summary

Based on our review performed for fiscal year 1993-94, we found that the California Transportation Commission's (commission), Department of Transportation's (department) and Resources Agency's (agency) policies and procedures provide reasonable assurance that the State allocates and spends at the state level additional transportation funds made available by the 1989 Transportation Blueprint Legislation only for authorized programs. We also found that projects examined adhere to program guidelines and statutory requirements. In addition, we found that the commission's allocations of additional transportation funds made during fiscal year 1993-94 were only for purposes authorized by the 1989 Transportation Blueprint Legislation. Further, we found that the State spent additional transportation funds in accordance with the requirements of the 1989 Transportation Blueprint Legislation and correctly calculated its subventions of transportation funds to cities and counties.

Background

In 1989, the Legislature and the Governor approved Chapters 105, 106 and 108 of the Statutes of 1989. Included in these statutes were various provisions for generating an estimated \$18.5 billion in additional funds designated for transportation projects over a ten-year period beginning with fiscal year 1990-91. These additional transportation funds are obtained from a variety of sources as shown in Appendix A. In June 1990, the California voters approved Proposition 111 (the Traffic Congestion Relief and Spending Limitation Act of 1990) and Proposition 108 (the Passenger Rail and Clean Air Bond Act of 1990). As a result of the passage of these two

propositions, the above statutes amended various transportation related sections of the Government Code, the Revenue and Taxation Code, the Streets and Highways Code and miscellaneous other codes. As amended by Chapters 105, 106 and 108 of the Statutes of 1989, the above codes are collectively referred to as the 1989 Transportation Blueprint Legislation.

Government Code Section 14525.6 required the Office of the Auditor General to review the allocations and expenditures at the state level of the additional transportation funds made available by the 1989 Transportation Blueprint Legislation. Per Government Code Section 8546.8, this previous responsibility of the Office of the Auditor General is now a responsibility of the Bureau of State Audits.

The 1989 Transportation Blueprint Legislation specified the sources for additional revenues which would be allocated and spent for transportation projects. The total collections of additional revenue during the first four years of the legislation are presented in Appendix A. As shown, the increased revenue during the first four years of the ten-year Transportation Blueprint Legislation has been approximately \$5.4 billion or 29 percent of the \$18.5 billion in additional revenue anticipated from these sources. The additional revenues collected during the first four years of the 10-year program are less than the 40 percent that may be expected primarily for two reasons. First, the increase in fuel taxes was phased in over a three-year period. Second, of the three billion dollars anticipated from the passage of three separate one billion dollar rail transit bond propositions, only one proposition was approved by the voters. Specifically, Proposition 108 was approved in June 90, but Proposition 156 and Proposition 181 were defeated in the November 1992 and November 1994 elections, respectively. The defeat of two of the three

proposed rail transit bond issues reduced the anticipated revenue over the ten years from \$18.5 billion to \$16.5 billion.

In addition to generating additional funds for transportation projects, the 1989 Transportation Blueprint Legislation specifies the purposes for which additional funds can be used. Specifically, the legislation allows the use of funds for the development of projects under the State Transportation Improvement Program (STIP), such as the Flexible Congestion Relief (FCR) program, Interregional Road System (IRS) program, Retrofit Soundwalls program, Intercity Rail (IRR) program and Commuter and Urban Rail Transit (CAURT) program. Other purposes authorized by the 1989 Transportation Blueprint Legislation include programs within the Highway Systems Operations and Protections Plan (HSOPP) that has been replaced by the State Highway Operation and Protection Program (SHOPP), Traffic Systems Management Program (TSM), Environmental Enhancement and Mitigation Program (EE&M) and State-Local Transportation Partnership Program (SLTPP). Refer to Appendix B for expenditures made within the various programs. Further, these programs are described in detail in Appendix C.

The 1989 Transportation Blueprint Legislation requires the commission, department and agency to establish adequate policies, procedures and guidelines for implementing the various transportation programs. Specifically, the department prepares, and the commission approves, guidelines that dictate eligibility criteria, program policies and procedures and project evaluation criteria for each transportation program, such as SHOPP or TSM. In addition, the agency prepares guidelines specifying policies and procedures for evaluating project applications for the EE&M program.

Once the department determines that a transportation project within certain of the authorized programs, such as the STIP, SHOPP or TSM, qualifies according to its guidelines and is ready for implementation, the commission may obligate transportation funds for the project. If the commission approves the obligation of transportation funds, the obligation is referred to as an allocation. The 1989 Transportation Blueprint Legislation requires the commission to follow specific requirements in making allocations, such as specifications of geographic areas, highway and railway corridors and project types. After the commission allocates the funds, the department spends the transportation funds for an authorized transportation project. Further, the department's expenditure of additional transportation funds includes payments for costs it has incurred as well as payments to local governments for reimbursement of costs they incurred.

Finally, for a certain subvention program, the SCO disburses the additional transportation funds directly to cities and counties. Specifically, the 1989 Transportation Blueprint Legislation requires the SCO to disburse a portion of the additional transportation funds to cities and counties in accordance with formulas defined by state law.

Scope and Methodology

In conducting our review for fiscal year 1993-94, we evaluated policies, procedures and guidelines developed by the commission, department and agency to determine whether these policies, procedures and guidelines provide reasonable assurance that the commission allocates and the department spends additional transportation funds only for purposes meeting the requirements of the 1989 Transportation Blueprint Legislation. We also reviewed certain transportation projects to determine whether the projects met the specific purposes of their

respective transportation programs and were authorized by legislation. In addition, we reviewed the commission's allocations to determine whether the commission allocated additional transportation funds for transportation projects that met the purposes authorized by the 1989 Transportation Blueprint Legislation by reviewing a sample of allocations made for various transportation programs. Further, we determined whether the State spent additional transportation funds in accordance with the requirements of the 1989 Transportation Blueprint Legislation by reviewing a sample of department expenditures made from the additional transportation funds and by determining whether the SCO correctly calculated its subventions of transportation funds to cities and counties.

Policies and Procedures

[Policies and procedures are adequate to ensure that the commission, department and agency comply with statutory requirements.]

The 1989 Transportation Blueprint Legislation required the department to prepare, and the commission to approve, guidelines for the Flexible Congestion Relief (FCR) program, Intercity Rail (IRR) program, Commuter and Urban Rail Transit (CAURT) program, State Highway Operation and Protection Program (SHOPP) and the Traffic Systems Management (TSM) program. Based on our review, we found that existing department and commission guidelines and controls provide adequate policies and procedures for implementing the various transportation programs of STIP, SHOPP and TSM programs. All the guidelines were prepared, approved and updated as required by law. Further, we found that the guidelines were consistent with current statutes relating to the 1989 Transportation Blueprint Legislation.

We found that the policies and procedures included in the department's guidelines provided an adequate basis for the commission to allocate, and department to spend, additional transportation funds in accordance with the 1989 Transportation Blueprint Legislation. Specifically, the guidelines provide adequate criteria to identify, evaluate and prioritize qualified projects for various transportation programs authorized by legislation. For example, the TSM guidelines specify the purpose, authority, eligibility criteria, program procedures and project evaluation criteria for projects within the program. Thus, the TSM guidelines provide adequate criteria against which the department's and commission's actions can be evaluated. In addition, the guidelines assist applicants in developing projects consistent with the underlying legislation.

The Resources Agency oversees the EE&M program and is statutorily required to develop policies and procedures for evaluating the program's project applications. For fiscal year 1993-94, the agency published their annual program guidelines which present the most recent revision of program policies and procedures. Based on our project review, the recommended list of EE&M projects prepared by the agency for fiscal year 1993-94 included only projects for environmental enhancement or mitigation purposes as specified in the program guidelines and enabling legislation.

Projects

[All projects examined adhere to program guidelines and statutory requirements.]

Based on our review of 85 projects from the STIP, SHOPP, TSM, EE&M and SLTPP programs, the department and the commission complied with the 1989 Transportation Blueprint Legislation. Specifically, the eighty-five projects which we examined met the specific purposes of their applicable transportation programs. Further, we found that those projects in the STIP were geographically located on statutorily specified highway and railway corridors as required. For example, all of the TSM programs and related costs we reviewed were for projects such as improving intersections or placing meters on freeway on-ramps, which are for purposes authorized by the legislation. In addition, the projects that we examined from the SHOPP plan were for rehabilitation, safety and other minor improvements of the state highway system, as required by the 1989 Transportation Blueprint Legislation.

Allocations

[Available funds were allocated in accordance with statutory requirements.]

In addition to our review of projects, we tested the validity of 50 project allocations for fiscal year 1993-94 transportation projects. Based on our testing, we found that the commission made allocations only for eligible project types, geographic areas, authorized highways and statutorily specified rail corridors. Further, the commission allocated funds to the STIP, SHOPP, TSM, and EE&M programs per their respective program statutes and guidelines. In addition, the projects of the allocations reviewed remained within the program parameters of their respective programs. For example, all of the Commuter and Urban Rail Transit (CAURT) program allocations that we reviewed were for projects such as acquisition of land for rail facilities or acquisition of trains, which are authorized by the 1989 Transportation Blueprint Legislation and the Commuter and Urban Rail Transit (CAURT) program guidelines. Finally, the projects we examined from the CAURT program did not exceed the 50 percent limitation of the nonfederal share of total projected costs of a particular project.

We also found that each of the 50 project allocations reviewed for fiscal year 1993-94 were properly included in an approved plan, such as the STIP or SHOPP. Further, the allocations for EE&M projects tested were properly recommended by the Resources Agency as required by the 1989 Transportation Blueprint Legislation. In addition to determining that expenditures and allocations were authorized and made for allowable projects, we determined that all tested expenditures previously allocated by the commission complied with the terms of their respective voted allocation.

Expenditures

[All expenditures examined were in accordance with statutory requirements.]

Lastly, we tested 65 expenditure transactions made by the department during fiscal year 1993-94. The 65 projects we reviewed included expenditures from the SHOPP, the EE&M Program, proposition 108 rail transit bonds, the TSM and major subprograms of the STIP. All of the above expenditure transactions were consistent with their specific program guidelines and for purposes authorized by the 1989 Transportation Blueprint Legislation. Further, each expenditure transaction tested was in accordance with its respective allocation or authorization. We also found that total program expenditures to date are within the targets as defined in the Streets and Highways Code, Section 164(d) as shown in Appendix B.

The 1989 Transportation Blueprint Legislation also dictates specific formulas which the State Controller's Office (SCO) must use to calculate the subvention disbursement of additional transportation funds to local governments. For fiscal year 1993-94, we reviewed the SCO's calculation and disbursement of additional transportation funds, derived from fuel and sales and use tax revenues, to ten local governments for local transportation projects. Based on our review, the SCO calculated and disbursed additional transportation funds in accordance with statutory requirements. Specifically, disbursements of additional transportation funds to cities and counties were based on the relative population and relative fare revenue of all transportation agencies in the entity compared to the total population and total fare revenue of all transportation agencies in the State during the prior fiscal year as required by the 1989 Transportation Blueprint Legislation

Conclusion:

The policies, procedures and guidelines of the California Transportation Commission, Department of Transportation and the Resources Agency provide reasonable assurance that the State allocates and spends additional transportation funds only for the transportation programs authorized by the 1989 Transportation Blueprint Legislation. In addition, the purposes of the transportation projects included in the STIP, SHOPP, TSM, EE&M and SLTPP programs were authorized by legislation.

Further, we found that the commission's allocations of additional transportation funds made during fiscal year 1993-94 were only for purposes authorized by the 1989 Transportation Blueprint Legislation. Finally, we found that the State spent additional transportation funds in accordance with the requirements of the 1989 Transportation Blueprint Legislation and correctly calculated its subventions of transportation funds to cities and counties.

We conducted this review under the authority vested in the Bureau of State Audits by Government Code, Section 14525.6, as amended by Government Code, Section 8546.8 and according to generally accepted governmental audit standards. We limited our review to those areas specified in the audit scope section of this report.

APPENDIX A

SCHEDULE COMPARING ESTIMATED ADDITIONAL TRANSPORTATION FUNDS
WITH ACTUAL TRANSPORTATION FUNDS COLLECTED

Fiscal Years 1990-91 through 1993-94

(In Thousands)

Source of Funds	Estimated Additional Funds By Source	Fiscal Year				Total	Percent Collected through FY 1993-94
		1990-91	1991-92	1992-93	1993-94		
Fuel Taxes	\$13,000,000	\$690,277	\$ 957,840	\$1,106,771	\$1,260,054	\$4,014,942	31%
Sales & Use Taxes 34%	500,000	31,530	39,735	46,175	52,677	170,117	
Commercial Weight Fees 25%	2,000,000	120,182	118,726	131,997	119,146	490,051	
<u>Prop 108 Rail Bonds</u> 23%	<u>3,000,000^(a)</u>	<u>43,800</u>	<u>465,300</u>	<u>15,000</u>	<u>169,000</u>	<u>693,100</u>	
Total	<u>\$18,500,000</u>	<u>\$885,789</u>	<u>\$1,581,601</u>	<u>\$1,299,944</u>	<u>\$1,600,877</u>	<u>\$5,368,211</u>	<u>29%</u>

^(a) As of November 8, 1994, the voters have only approved \$1 billion of this amount. In November 1992, voters defeated the bond issue for the second \$1 billion and in November 1994, the voters defeated the bond issue for the final \$1 billion.

APPENDIX B
 SCHEDULE COMPARING 10-YEAR STATUTORY EXPENDITURE GOAL TO
 TOTAL EXPENDITURES OF ADDITIONAL TRANSPORTATION FUNDS BY PROGRAM
 Fiscal Years 1990-91 through 1993-94
 (In Thousands)

10-Year Goal Program	(a) 10-Year Statutory Expenditure Goal (SHC 164(d))	10-Year Expenditures Adjusted to Include Allocated 1988 STIP Expenditures	(a) 1990-91	1991-92	1992-93	1993-94	Total	Percent of Expended by Program through FY 1993-94
	STIP							
1988 STIP Shortfall	\$3,500,000	\$1,510,331						
FCR	3,000,000	4,164,362	\$227,733	\$299,319	\$364,255	\$394,342	\$1,285,649	
	31%							
IRS	1,250,000	1,407,246	37,078	43,846	30,706	48,663	160,293	11%
Retrofit Soundwalls	150,000	197,883	13,031	10,037	12,950	13,623	49,641	25%
IRR & CAURT	3,000,000	3,000,000	43,100	442,592	299,915	158,499	944,106	31%
SHOPP	1,000,000	1,487,117	151,026	222,664	280,646	424,768	1,079,104	73%
TSM	1,000,000	1,133,062	27,689	35,465	69,613	105,353	238,120	21%
SLTPP	2,000,000	2,000,000	61,429	198,789	126,549	163,950	550,717	28%
EE&M	100,000	100,000	0	9,880	9,880	8,075	27,835	28%
Transit Improvements	500,000	500,000	13,200	8,690	50,491	60,003	132,384	26%
City/County Subventions	3,000,000	3,000,000	139,833	213,170	234,983	278,829	866,815	29%
Total	\$ 18,500,000	\$18,500,000	\$714,119	\$1,484,452	\$1,479,988	\$1,656,105	\$5,334,664	29%

(a) Column 1 shows allocations to various transportation programs as specified in the Streets and Highways Code (SHC), Section 164(d). The amounts in Column 2 show the allocation of the 10-year statutory expenditure goal related to the 1988 STIP shortfall to the other transportation program. The remaining \$1.5 billion has not yet been expended and, thus, has not been allocated to the other transportation programs.

APPENDIX C

Programs For Which The State Uses Additional Transportation Funds

Flexible Congestion Relief Program (FCR)

A program to reduce or avoid congestion on existing transportation systems by increasing their capacity. Funds may be allocated to projects on city streets, county highways, state highways, intercity corridors, and commuter rail and urban rail corridors which are included in the STIP.

Interregional Road System Program (IRS)

A program to improve state highways outside of urban areas of over 50,000 population on eligible roads specified in the Streets and Highways Code, Sections 164.10 to 164. Projects shall be limited to meet the needs of interregional traffic, excluding traffic generated as a result of local growth.

Retrofit Soundwalls Program (Soundwalls)

A program to place soundwalls along existing state freeways to reduce noise levels.

Intercity Rail Program (IRR)

A program to provide and enhance rail transportation for urban corridors specified in Section 164.5 of the Streets and Highways code.

Commuter and Urban Rail Transit Program (CAURT)

A program to provide rail transportation for medium distance home-to-work and urban passengers.

State Highway Operation and Protection Plan Program (SHOPP)

A program that provides for capital improvements relative to rehabilitation, safety, and maintenance of existing state highways and bridges.

Traffic Systems Management Program (TSM)

A program to provide solutions for congestion on the state highway system in urban areas by increasing the number of person-trips which can be carried on the highway system in a peak period without significantly increasing the designed capacity of the highway system when measured by the number of vehicle-trips and without increasing the number of through traffic lanes.

State-Local Transportation Partnership Program (SLTPP)

A program intended to provide matching funding to local governments for locally funded and constructed transportation projects.

Environmental Enhancement and Mitigation Program (EE&M)

A program to undertake environmental enhancement and mitigation projects which are directly or indirectly related to the environmental impact of modifying existing transportation facilities or to the design, construction or expansion of new transportation facilities.