

# California State Auditor

B U R E A U O F S T A T E A U D I T S

## **California Transportation Commission and Department of Transportation:**

**The State's Use of Transportation Funds  
Generated by the 1989 Transportation  
Blueprint Legislation**



February 1998  
97014

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# CALIFORNIA STATE AUDITOR

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KURT R. SJOBERG  
STATE AUDITOR

MARIANNE P. EVASHENK  
CHIEF DEPUTY STATE AUDITOR

February 24, 1998

97014

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As required by Chapter 16 of the Statutes of 1990, the Bureau of State Audits presents its audit report entitled "California Transportation Commission and Department of Transportation: The State's Use of Transportation Funds Generated by the 1989 Transportation Blueprint Legislation." This report concludes that the State allocated and expended transportation funds in accordance with statutory requirements. It also concludes that revenues anticipated by the legislation are only 57 percent and expenditures only 47 percent of the legislative estimate after seven years of the ten-year program. The report also concludes that the department allowed \$1.1 billion in spending authority to expire primarily, according to the department, because of savings between estimated and actual project costs. Additionally, redirections of blueprint revenue totaled approximately \$736 million. The department stated that these redirections were diverted to seismic retrofit or, pursuant to legislation, primarily to the General Fund.

Respectfully submitted,

KURT R. SJOBERG  
State Auditor

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# Summary

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## *Results in Brief*

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This is the sixth in a series of annual reports required by Chapter 16 of the Statutes of 1990. The 1989 Transportation Blueprint Legislation (Transportation Blueprint) increases state transportation taxes, fees, and bonds and outlines priorities for the use of these moneys, which are referred to as blueprint revenue.

The California Department of Transportation (department) has allocated Transportation Blueprint revenues according to applicable program statutes and guidelines and has spent these revenues according to statutory requirements. Through the end of fiscal year 1996-97, the seventh year of the ten-year blueprint program, total revenues were 57 percent while expenditures were 47 percent of the total blueprint estimate of \$18.5 billion. In addition, of the total blueprint appropriations of \$11 billion, \$1.2 billion remains available for obligation in future fiscal years. Finally, revenues totaling \$736 million have been redirected to special projects or the State's General Fund.

We found that the Transportation Blueprint projects we examined adhere to statutory requirements. Moreover, the California Transportation Commission (commission) allocated the blueprint revenue according to applicable program statutes and guidelines. Further, the State spent the blueprint revenue according to statutory requirements and correctly calculated its formula-based disbursements of these funds to cities and counties.

We also found that the revenue sources designated in the Transportation Blueprint will not produce the \$18.5 billion anticipated by the legislation within ten years. The shortfall includes \$2 billion lost when voters rejected two bond issues. Additionally, if collections for fuel taxes and commercial weight fees continue at the same rate as collections for fiscal year 1996-97, resulting in a shortfall of \$1 billion, the total revenue shortfall will be approximately \$3 billion.

We found that the department did not spend or commit to spend (obligate) all the funds it had statutory authority to obligate. Specifically, the department did not obligate approximately \$1.2 billion in legislative appropriations for

Transportation Blueprint projects. However, a major portion of these appropriations are for lengthy construction projects. The department is authorized to obligate these funds over a three-year period. It therefore may still obligate these balances in the future.

During the first seven years of the Transportation Blueprint, the department allowed the spending authority for \$1.1 billion, allocated to a variety of projects, to expire. The department said this occurred primarily because project costs were less than the estimated costs that were used to determine the appropriations.

We also determined that over the past seven years, blueprint revenue of approximately \$736 million has been diverted to seismic retrofit for major earthquake damage to the highway system, or transferred, pursuant to legislation, to the State's General Fund. In addition, excess blueprint revenues of \$1 billion will be transferred to emergency reserves or future transportation projects.

### ***Agency Comments***

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The department concurred with the presentation of the data in our report. In addition, they were pleased that we found continued accountability for the Transportation Blueprint programs in accordance with statutory requirements.

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# *Introduction*

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## *Background*

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The Legislature and the governor approved Chapters 105, 106, and 108 of the Statutes of 1989 to generate an additional \$18.5 billion for transportation programs over a ten-year period beginning in fiscal year 1990-91. The additional revenue was to come from three \$1 billion bond sales, fuel taxes, sales and use taxes, and commercial weight fees. However, the voters turned down two of three \$1 billion bond acts proposed by Chapter 108—one in November 1992 and the other in November 1994. This reduced the estimated blueprint revenue to \$16.5 billion.

In June 1990, 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). These two propositions increased fuel taxes and commercial weight fees and authorized the State to raise \$1 billion in bonds by amending sections of the California Government Code, the Revenue and Taxation Code, the Streets and Highways Code, and miscellaneous other codes. These codes, along with the Statutes of 1989, are collectively referred to in this report as the 1989 Transportation Blueprint Legislation (Transportation Blueprint).

The Transportation Blueprint designates revenue sources for transportation programs. Table 1 shows the sources and amounts of anticipated revenues.

In addition to generating revenue for transportation projects, the Transportation Blueprint set forth in Section 164 of the Streets and Highways Code, lists programs and expenditure goals based on anticipated revenue. The appendix to this report provides a brief description of these programs.



**Table 1**

**Original Estimate of Total Blueprint Revenue (in thousands)**

Source of Revenue	Estimated Amount of Revenue
Fuel taxes	\$13,000,000
Sales and use taxes	500,000
Commercial weight fees	2,000,000
Rail bond proceeds	3,000,000 <sup>a</sup>
<b>Total</b>	<b>\$18,500,000</b>

Source: The California Transportation Commission's 1997 Annual Report.

<sup>a</sup> This figure includes an estimated \$2 billion from two bond measures voters later failed to approve.

As part of the Transportation Blueprint, the State Transportation Improvement Program (STIP) includes all major transportation improvement projects to which the California Transportation Commission (commission) intends to allocate funds during a seven-year period. Section 14529 of the California Government Code requires the commission to adopt a new STIP every two years. Adopting the STIP represents an intent to allocate transportation funds to certain projects. The Transportation Blueprint specifies that the commission may approve allocations of the blueprint revenue according to certain factors, such as geographic areas, designated highways and rail corridors, and types of projects.

After the commission allocates funds to projects in the STIP, the department spends the funds on the adopted transportation projects. The department's expenditures include payments for costs that it has incurred for transportation projects and reimbursements to local governments for costs they have incurred for transportation projects.

In addition to outlining the department's expenditures, the Transportation Blueprint requires the State Controller's Office to disburse a portion of the blueprint revenue to cities and counties according to formulas prescribed by state law. The State Controller's Office calculates these disbursements and distributes them to cities and counties.

## ***Scope and Methodology***

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The California Government Code, Section 14525.6, requires the Office of the Auditor General to annually review the State's allocation and expenditure of the funds generated by the Transportation Blueprint. According to Section 8546.8 of the California Government Code, the Bureau of State Audits is responsible for the activities formerly performed by the Office of the Auditor General.

During our review for fiscal year 1996-97, we evaluated the policies and procedures the commission and the department developed for the allocation and expenditure of the Transportation Blueprint revenue. We found these policies and procedures enable the department to comply with the Transportation Blueprint. We also analyzed allocations for transportation projects to determine whether the commission allocated the blueprint revenues to programs listed by the Transportation Blueprint.

We also selected a sample of transportation projects covered by the Transportation Blueprint to determine whether the projects meet legislated program requirements for expenditures. We also reviewed how the State Controller's Office distributed blueprint revenues to cities and counties. We further determined the total blueprint revenue collected each year since the legislation passed and the annual amount of these revenues that state agencies expended or distributed for each Transportation Blueprint program.

Using the department's expenditure ratios, we reviewed the amount of total program expenditures and determined the portion of expenditures for the 1988 STIP and the portion for subsequent STIPs. The expenditure ratios were developed to determine the portion of annual expenditures that apply to the 1988 STIP projects. These ratios were used because we could not determine expenditures for five transportation programs directly from the accounting records because the department does not use a separate code for the 1988 STIP expenditures. We arrived at the figure for the Flexible Congestion Relief Program of \$216 million for fiscal year 1996-97, for example, by using the department's determination that it spent 20 percent of its total fiscal year 1996-97 expenditures under the Flexible Congestion Relief Program Code for 1988 STIP projects.

We also determined the total amount of blueprint spending authority (appropriations), obligations, expired authority to obligate, and available balances by year of appropriation for each of the first seven years of the ten-year period of the Transportation Blueprint. We also determined the total amount

of revenues for each of the seven years and compared the revenues to obligations and amounts the State redirected for seismic retrofit or transferred to the State's General Fund.

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## ***Although Allocations and Expenditures Have Met Transportation Guidelines, Revenues and Expenditures Have Been Less Than Anticipated***

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The department has allocated Transportation Blueprint revenues according to applicable program statutes and guidelines and has spent these revenues according to statutory requirements. Through the end of fiscal year 1996-97, the seventh year of the ten-year blueprint program, total revenues were 57 percent and expenditures were 47 percent of the total blueprint estimate of \$18.5 billion. In addition, of the total blueprint appropriations of \$11 billion, \$1.2 billion remains available for obligation in future fiscal years. Finally, revenues totaling \$736 million have been redirected to special projects or the State's General Fund.

### ***Allocations and Expenditures Meet Transportation Guidelines***

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The commission and the department complied with Transportation Blueprint guidelines for both allocations and expenditures. We reviewed 30 projects from fiscal year 1996-97, including Flexible Congestion Relief, Traffic Systems Management, and Intercity Rail programs and found no irregularities.

For example, three Flexible Congestion Relief Program projects used funds according to the legislative intent of reducing congestion by increasing the capacity of the transportation system. Additionally, the three projects we evaluated in the Traffic Systems Management Program (TSM) each used funds for traffic operations control systems, such as television surveillance, turn lanes, traffic signals, and high-occupancy vehicle lanes, as required by law. Further, nine Intercity Rail, Interregional Road System Plan, and Commuter and Urban Rail Transit programs funded projects on specified highways and rail corridors.

In addition to reviewing its allocations for specific projects, we verified the commission's calculations of the minimum level of project funding it must allocate to each county, based on "north/south" split legislation. This legislation requires the commission to allocate 40 percent of the total estimated program funding to Northern California counties and 60 percent

to those in Southern California. We found the commission correctly calculated the amounts based on each county's population and total road miles.

We also determined that the department appropriately distributed \$80 million to local governments for TSM programs requiring matching federal funds. Section 182.4 of the Streets and Highways Code prioritizes this funding. This section requires the department to give first priority to matching federal funds available to local governments for the Congestion Mitigation and Air Quality Program and for TSM programs in the Regional Surface Transportation Program.

Further, Section 182.9 of the Streets and Highways Code requires the commission to allocate additional state funds to counties to match federal funds. If the allocation exceeds the matching amount, the county may use the excess for any transportation purpose. Moreover, the Legislature added Sections 182.6(g) and (h), which allow certain local governments to exchange an apportionment of federal funds for state funds. During fiscal years 1993-94 through 1996-97, the State spent more than \$174 million of blueprint revenue to provide state funds for these two purposes.

### ***Revenues Are Less Than the Transportation Blueprint Estimate***

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As shown in Table 2, the amount of blueprint revenue generated in the first seven years of the Transportation Blueprint ten-year period was approximately \$10.5 billion. This amount is only about 57 percent of the original estimate of \$18.5 billion and 64 percent of the revised estimate of \$16.5 billion.

If each revenue source generated constant annual amounts over the ten-year period of the Transportation Blueprint, revenue for the seven-year period beginning with fiscal year 1990-91 and ending with fiscal year 1996-97 would be about 70 percent of the anticipated collections. However, the annual revenue amounts are not constant. For example, as shown in Table 2, fuel taxes are the major source of blueprint revenue. Between August 1990 and January 1994, the Transportation Blueprint gradually increased fuel taxes by a total of nine cents per gallon: the tax increased by five cents per gallon in 1990 and by one cent per gallon in each of the next four years. Fuel tax revenue was therefore less in the earlier years than in the later years of the Transportation Blueprint. A two-step increase

in commercial weight fees also contributed to blueprint revenue being less in the earlier years, although not as significantly. The first increase took effect in June 1990 and the second in January 1995.

**Table 2**

***Actual Blueprint Revenues Are Significantly Below Estimate (in thousands)***

Fiscal Year	Actual Revenues Collected <sup>a</sup>				
	Fuel Taxes	Sales and Use Tax	Commercial Weight Fees	Rail Bond Proceeds <sup>b</sup>	Total Revenue
1990-92 <sup>c</sup>	\$ 1,648,117	\$ 71,265	\$ 238,908	\$ 509,100	\$ 2,467,390
1992-93	1,106,771	46,175	131,997	15,000	1,299,943
1993-94	1,260,054	52,677	134,438	169,000	1,616,169
1994-95	1,358,346	55,937	141,135	121,000	1,676,418
1995-96	1,410,891 <sup>d</sup>	57,511	152,283	78,000	1,698,685
1996-97	1,443,691	58,041	157,109	70,000 <sup>e</sup>	1,728,841
Actual Revenue Collected	8,227,870	341,606	955,870	962,100	10,487,446
<b>Ten-Year Estimated Revenue Amount<sup>f</sup></b>	<b>\$13,000,000</b>	<b>\$500,000</b>	<b>\$2,000,000</b>	<b>\$3,000,000</b>	<b>\$18,500,000</b>
Percent Collected	63.29%	68.32%	47.79%	32.07%	56.69%

<sup>a</sup>The sources of the revenue data are the Department of Transportation and the Board of Equalization.

<sup>b</sup>The Transportation Blueprint legislation anticipated revenue of \$3 billion to be funded by three \$1 billion rail bond issues subject to voter approval. However, voters approved only one of the three placed on the ballot.

<sup>c</sup>For purposes of this table, the data for the first two fiscal years has been combined.

<sup>d</sup>This amount reflects revisions made by the Board of Equalization.

<sup>e</sup>This is a loan from the State General Fund, not an actual sale of bonds. The department expects to repay the loan from the proceeds of future rail bond sales.

<sup>f</sup>Source: The California Transportation Commission's 1997 Annual Report.

No additional increases in the fuel taxes or commercial weight fees are provided for by the present blueprint legislation. Therefore, if the volume of fuel sold in the remaining three years of the program remains at fiscal year 1996-97 levels, a further revenue shortfall of approximately \$441 million will result. Also, if commercial weight fee revenues remain constant at the fiscal year 1996-97 level for the next three years, blueprint revenue will fall short another \$572 million, resulting in a total shortfall from these two revenue sources

of approximately \$1 billion. The cumulative effect of these two shortfalls, and the \$2 billion shortfall from failed bonds previously discussed, could be that actual revenues may be approximately \$3 billion less than estimated revenues.

### ***Transportation Blueprint Expenditures Are Less Than Expected***

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Table 3 presents the estimated amount of blueprint revenue that the Transportation Blueprint estimated the State would spend over the ten-year period on each of the transportation programs.

The Transportation Blueprint acknowledged that this estimate was the best available at the time and that periodic revisions were necessary. In fact, as previously discussed, revisions in the revenue basis and new legislation have changed the Transportation Blueprint itself. For example, as previously discussed, revenue and bond proceeds may be \$3 billion less than the original Transportation Blueprint estimate. As we also discussed previously, new legislation required the department to use funds appropriated for the TSM to obtain matching federal funds for certain projects.

Table 3 also shows the department's actual expenditures and its obligations for each Transportation Blueprint program for the first seven years. The department used only about 47 percent of the \$18.5 billion<sup>1</sup> the Transportation Blueprint estimated. Although the table shows the considerable variance between expenditures and obligations, the legislation does not require proportionate expenditure rates among programs, nor does it require individual programs to use equal amounts each year of the ten-year period.

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<sup>1</sup> Even though Propositions 156 and 181 (proposed legislation authorizing the sale of \$1 billion worth of bonds each) were rejected by voters, the department has chosen not to reduce the original blueprint estimate of \$18.5 billion to \$16.5 billion. They continue to use \$18.5 billion as their benchmark.

**Table 3**

**Actual Expenditures and Obligations Compared  
to Estimated Total Expenditures by Program (in thousands)**

Program	Ten-Year Estimated Expenditures <sup>b</sup>	Annual Expenditures and Obligations <sup>a</sup>						Total	Percent of Total Estimated Expenditures To Actual
		1990-92 <sup>c</sup>	1992-93	1993-94	1994-95	1995-96	1996-97		
1988 STIP shortfall <sup>d</sup>	\$ 3,500,000	\$ 892,185	\$ 547,565	\$ 502,628	\$ 172,392	\$ 50,267	\$ 200,370	\$2,365,407	67.58%
Intercity Rail and Commuter and Urban Rail Transit	3,000,000 <sup>e</sup>	485,692	299,915	158,499	52,849	3,093	1,042	1,001,090	33.37
Interregional Road System Plan	1,250,000	0	614	2,433	0	6,803	18,979	28,829	2.31
Traffic Systems Management	1,000,000	51,457	53,602	0	13,563	14,859	32,705	166,186	16.62
State Match for the Congestion Mitigation and Air Quality and Surface Transportation Programs	N/A	0	0	27,200	(5)	30,247	22,662	80,104	
Flexible Congestion Relief	3,000,000	0	18,613	102,674	138,099	84,529	215,718	559,633	18.65
State Controller's Office Formula-Based Payments to Cities and Counties	3,000,000	353,664	258,258	285,076	298,406	303,673	315,227	1,814,304	60.48
State-Local Transportation Partnership	2,000,000	260,218	126,549	163,950	128,996	138,757	18,908	837,378	41.87
Retrofit Soundwalls	150,000	0	259	1,499	12,244	3,454	3,286	20,742	13.83
Environmental Enhancement and Mitigation Demonstration	100,000	9,880	9,880	8,075	9,667	4,950	6,517	48,969	48.97
Transit Operations and Capital Improvements	500,000	21,890	62,530 <sup>f</sup>	60,003	19,375	32,644	31,488	227,930	45.59
State Highway Operation and Protection	1,000,000	124,246	137,517	330,225	267,342	162,204	367,919	1,389,453	138.95
State Matching and Exchange for Federal Funds <sup>g</sup>	N/A	0	0	19,535	74,738	16,554	63,116	173,943	N/A
Transportation Demand Management Program <sup>h</sup>	N/A	N/A	N/A	N/A	N/A	N/A	8,300	8,300	N/A
Other	N/A	0	0	554	32	493	(485)	594	N/A
<b>Total</b>	<b>\$18,500,000</b>	<b>\$2,199,232</b>	<b>\$1,515,302</b>	<b>\$1,662,351</b>	<b>\$1,187,698</b>	<b>\$852,527</b>	<b>\$1,305,752</b>	<b>\$8,722,862</b>	<b>47.15%</b>

<sup>a</sup>The sources of the expenditure and obligation data are Department of Transportation and State Controller's Office financial records.

<sup>b</sup>Column shows estimated expenditures on various transportation programs specified in the Streets and Highways Code, Section 164(d).

<sup>c</sup>For purposes of this table, the data for the first two fiscal years has been combined.

<sup>d</sup>The 1988 STIP shortfall represents the difference between the resources projected to be available to pay for the 1988 STIP projects and the resources projected to be needed to pay for the 1988 STIP projects.

<sup>e</sup>The blueprint legislation anticipated revenue of \$3 billion to be funded by three \$1 billion bond issues subject to voter approval. However, the voters approved only one of the three bond issue propositions.

<sup>f</sup>Amount restated from prior reports to reflect fiscal year 1992-93 State Operations expenditures not previously included.

<sup>g</sup>Chapter 1177, Statutes of 1992, amended the Streets and Highways Code to require funds appropriated for the Traffic Systems Management Program to be used first for matching federal funds provided for these programs. This statute also authorizes the commission to allocate state funds for matching other federal funds and exchanging federal funds for state funds.

<sup>h</sup>Chapter 162, Statutes of 1996, requires funds appropriated for the Transportation Demand Management Program be available in fiscal year 1996-97.



***Transportation Blueprint Appropriations  
Far Exceed the Related Obligations***

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Table 4 analyzes Proposition 111 spending authority (appropriations), obligations, expired authority to obligate, and available balances for each of the first seven years of the ten-year period of the Transportation Blueprint.

***Table 4***

***Appropriations Exceed Obligations and the  
Authority To Obligate Some Funds Has Expired  
(in thousands)***

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Appropriation Year	Appropriations	Obligations	Expired Authority to Obligate <sup>a</sup>	Balance
1990-92 <sup>b</sup>	\$ 3,036,124	\$2,733,166	\$ 302,958	\$ 0
1992-93	1,686,112	1,579,642	106,470	0
1993-94	1,530,512	1,344,963	185,549	0
1994-95	1,291,371	1,131,391	80,475	79,505
1995-96	1,976,029	987,790	414,136	574,103
1996-97	1,495,139	945,910	0	549,229
<b>Total</b>	<b>\$11,015,287</b>	<b>\$8,722,862</b>	<b>\$1,089,588</b>	<b>\$1,202,837</b>

<sup>a</sup>The Legislature, during the annual budget process, may reappropriate a portion of these funds for spending in future fiscal years.

<sup>b</sup>For purposes of this table, the data for the first two fiscal years has been combined.

The table shows that the available appropriation balances totaled approximately \$1.2 billion as of June 30, 1997. A major portion is for construction projects, which usually take more than one year from planning to contracting. Because of the time necessary to complete these projects, the department may take three years to obligate these funds; however, this authority to obligate expires after three years.

According to the budget officer, the department did not obligate \$1.1 billion in the years the appropriations were available primarily because project estimates were higher than actual project awards. The budget officer further stated that because of competitive bidding pressures, construction projects have been awarded for less than the estimated costs built into the department's budget, and the award savings are programmed in the following fiscal years to new transportation projects.

***Some Transportation Blueprint  
Revenues Were Redirected to Earthquake  
Repair and the General Fund***

As shown in Table 5, after the first seven years of the Transportation Blueprint, redirections totaled approximately \$736 million. The budget officer said the department used this money primarily for seismic retrofit and transfers to the General Fund. Although the authorizing legislation did not specify that Proposition 111 revenues were to be the source, the budget officer stated that the redirections were from Proposition 111 funds.

Specifically, approximately \$202 million of these funds was diverted to strengthen the bridges on the state highway system in response to major earthquakes. Some of these funds will be reimbursed by Proposition 192 funds, a general obligation bond program passed by the voters in March 1996 to fund a portion of the seismic retrofit program.

The budget officer also stated that \$534 million was transferred, pursuant to legislation, to the General Fund (\$389 million) and the Motor Vehicle Account in the State Transportation Fund (\$145 million). Of the amount transferred to the General Fund, more than \$329 million was to partially offset payments for the principal and interest on bonds sold under the Passenger Rail and Clean Air Bond Act of 1990 and the Clean Air and Transportation Improvement Act of 1990.

***Table 5***

***Some Blueprint Revenues Redirected  
for Other Purposes (in thousands)***

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Obligations</b>	<b>Redirections</b>	<b>Balance</b>
1990-92 <sup>a</sup>	\$ 2,467,390	\$2,199,232	\$ 297	\$ 267,861
1992-93	1,299,943	1,515,302	40,379	(255,738)
1993-94	1,616,169	1,662,351	282,874	(329,056)
1994-95	1,676,418	1,187,698	237,183	251,537
1995-96	1,698,685	852,527	155,131	691,027
1996-97	1,728,841	1,305,752	20,288	402,801
<b>Total</b>	<b>\$10,487,446</b>	<b>\$8,722,862</b>	<b>\$736,152</b>	<b>\$1,028,432</b>

<sup>a</sup>For purposes of this table, the data for the first two fiscal years has been combined.

Table 5 also shows that revenues exceeded obligations and redirections by more than \$1 billion. According to the budget official, the remaining funds not needed for contingencies and emergency reserve purposes will be programmed for future transportation projects in the 1998 STIP.

After accounting for the potential revenue shortfall of \$3 billion and revenues redirected to seismic retrofit or transferred to the General Fund, the commission now estimates it will take nearly 14 years to complete the program of improvements intended by the Transportation Blueprint. The commission acknowledged this fact in its 1997 Annual Report to the California Legislature.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink, reading "Kurt R. Sjoberg". The signature is written in a cursive, flowing style.

KURT R. SJOBERG  
State Auditor

Date: February 24, 1998

Staff: Steve Cummins, CPA  
Dawn Tomita  
Harvey Hunter  
Ken Cools

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# *Appendix*

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## ***Programs for Which the State Uses 1989 Transportation Blueprint Revenues***

### ***State Transportation Improvement Program, Government Code Section 14529(a) & (b)***

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A seven-year project delivery program updated every two years and limited to flexible congestion relief, interregional road systems, retrofit soundwalls, intercity rail service, and commuter and urban rail capital improvements.

### ***Intercity Rail Program, S&HC, Section 164.55(a)***

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Develops efficient intercity rail service throughout the State.

### ***Commuter and Urban Rail Transit Program, S&HC, Section 164.50(a)***

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Provides rail transportation for services operated in metropolitan and suburban areas.

### ***Interregional Road System Plan Program, S&HC, Section 164.3(a-e)***

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Improves state highways outside urban areas with populations of more than 50,000 on eligible routes specified in the S&HC, Sections 164.10 to 164.20. Projects must be limited to meeting the needs of interregional traffic, excluding traffic generated as a result of local growth.

### ***Traffic Systems Management Program, S&HC, Section 164.1(a)***

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Seeks solutions for congestion on state highways in urban areas. Increases the number of people who may use the highway system in a peak period without significantly altering the designed capacity of the highway system.

***Flexible Congestion Relief Program,  
S&HC, Section 164.2(a) & (f)***

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Reduces or avoids congestion on existing transportation systems by increasing their capacities. Funds may be allocated to projects on city streets, county highways, state highways, intercity rail corridors, and commuter rail and urban rail corridors included in the State Transportation Improvement Program.

***State-Local Transportation Partnership Program,  
S&HC, Section 2601(a-e)***

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Provides matching funds to local governments for locally funded and constructed transportation projects.

***Retrofit Soundwalls Program,  
S&HC, Section 215.5(a)***

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Places soundwalls along existing state freeways to reduce noise levels.

***Environmental Enhancement and  
Mitigation Demonstration Program,  
S&HC, Section 164.56(b) & (c)***

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Funds projects to enhance the environment or mitigate, directly or indirectly, the environmental impact from either modifying existing transportation facilities or designing, constructing, or expanding new transportation facilities.

***Transit Operations and Capital Improvement,  
Public Utilities Code, Section 99317(a)***

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Improves rail and bus transit.

***State Highway Operation and Protection Program,  
Government Code Section 14526.5(a)***

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Makes capital improvements related to the rehabilitation, safety, and maintenance of existing state highways and bridges without adding any new traffic lanes.

***Transportation Demand Management  
Program, California State Budget Act  
of 1996, Chapter 162***

---

Facilitates decreases in vehicular trips and vehicle miles traveled and increases vehicular occupancy by expanding traveler choice.

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STATE OF CALIFORNIA

980 9th Street, Suite 2450  
Sacramento, 95814-2719  
(916) 323-5401  
FAX (916) 323-5402



**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**

DEAN R. DUNPHY  
Secretary

February 11, 1998

Kurt R. Sjoberg  
State Auditor  
660 J Street, Suite 300  
Sacramento, CA 95814

Dear Mr. Sjoberg:

This letter is in response to your draft audit report # 97014 dated February 1998, on the State's Use of Transportation Funds Allowed by the 1989 Transportation Blueprint Legislation. We were pleased to see you found that the Department continues to provide accountability in accordance with statutory requirements.

Please extend our thanks to your staff for their professionalism during the performance of the audit.

Sincerely,

A handwritten signature in cursive script that reads "Dean Dunphy".

DEAN DUNPHY  
Secretary

Alcoholic Beverage Control  
Department of State Banking  
Department of Corporations  
California Highway Patrol  
California Housing Finance Agency

Department of Housing &  
Community Development  
Department of Motor Vehicles  
Department of Real Estate

Office of Real Estate Appraisers  
Stephen P. Teale Data Center  
Office of Traffic Safety  
Department of Transportation (Caltrans)



cc: Members of the Legislature  
Office of the Lieutenant Governor  
Attorney General  
State Controller  
Legislative Analyst  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
Capitol Press Corps