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# CITY OF SACRAMENTO

## DEPARTMENT OF PUBLIC WORKS

OFFICE OF THE DIRECTOR

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Deputy Director  
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Deputy Director

March 20, 1986

CITY MANAGER'S OFFICE  
**RECEIVED**  
MAR 21 1986

Budget and Finance Committee  
Sacramento, California

Honorable Members In Session:

SUBJECT: Update on State Financing for Transportation

SUMMARY

At the March 18, 1986 meeting, the Budget and Finance Committee requested an update on proposed State financing options for streets and roads. The attached bulletin from Californians For Better Transportation provides a good summary of activity in this area at the state level. In 1987, the transportation coalition/lobby plans to reintroduce a major transportation revenue package.

RECOMMENDATION

This report is submitted for Committee information.

Respectfully submitted,

LES M. FRINK  
Deputy Director of Public Works  
Engineering Services

Approval for Committee Information:

*for*   
\_\_\_\_\_  
SOLON WISHAM, JR.  
Assistant City Manager

Approved:

MELVIN H. JOHNSON  
Director of Public Works

LMF:rl:ev  
Attachments

March 25, 1986  
All Districts

# Legislative Update

CALIFORNIANS FOR BETTER TRANSPORTATION

March 12, 1986

The legislative context for addressing transportation issues during the 1986 Session is now taking shape.

With 27 votes required, Senate Constitutional Amendment 12 barely cleared the Senate on a 28 to 6 vote. Passage of this measure which exempts gas tax revenues and other motor vehicle fees from the "Gann Cap" is Californians for Better Transportation's number one priority during 1986. Next stop for SCA 12 is the Assembly Transportation Committee.

As was pointed out in our January Update, a major transportation issue this year will be legislation authorizing Caltrans to contract for professional engineering services. SB 1902 has now been introduced which, if enacted, would authorize Caltrans to retain professional engineering services.

Finally, during the last month, the Legislative Analyst released his annual critique of the Governor's budget. In the transportation area, the Analyst recommends a \$7 to \$10 increase in vehicle registration fees to offset a revenue shortfall of \$48 million in the Motor Vehicle Account which finances the Department of Motor Vehicles and the CHP. In contrast, the Governor proposes to finance the shortfall and create a contingency reserve by transferring \$65.7 million of gas tax revenues from the State Highway Account.

The Analyst also found the management of the State Transportation Improvement Program (STIP) to be deficient (see below).

## CURRENT LEGISLATION

Senate Bill 1902 --This measure, authored by Senator Marian Bergeson, authorizes Caltrans to contract for professional engineering, architectural, planning, environmental, surveying and designing services when in the director's judgement Caltrans is "inadequately staffed to carry out the department project development program in a timely and effective manner."

Although contracting for professional engineering and design services to assist Caltrans has been occasionally discussed in

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the past, the Deukmejian Administration is the first to support this policy. Caltrans anticipates contracting for services at three levels: an entire project from environmental analysis through design to the development of plans and specifications, retaining special expertise to provide specific services related to the planning and design of a project and, lastly, contracting for staff support services.

Caltrans is seeking budgetary authorization for contracting out approximately \$20 million of engineering and design work during the 1986-87 fiscal year. In order to familiarize itself with the management of professional services contracts, Caltrans will begin next July by establishing six demonstration programs.

SCA 12--This proposed constitutional amendment defines taxes on motor vehicle fuels and motor vehicle related fees as "user fees" and thus prevents expenditures for programs funded by these revenue sources from being included in the constitutionally imposed appropriations limit. The gas tax and related vehicle fees are removed from the limitation because these taxes are constitutionally defined for a specific program area, i.e. transportation. To include these funds in the appropriations limitation would require the highway program to be considered in the same context as general fund programs. This is simply inconsistent with the philosophy of dedicating specific revenues to a program area.

The constitution limits the increase in the amount of general and special fund revenues that can be appropriated in any given year. The increase is limited to the product of the percent increase in the state's population and either the increase in the consumer price index or per capita income, whichever is less.

Although SCA 12 passed the Senate, its fate in the Assembly is uncertain. The measure may become the litmus test of each member's fiscal responsibility, especially if Assembly Republicans oppose the measure and make support of SCA 12 a campaign issue. This would make it especially difficult for the chair of the Assembly Transportation Committee, Richard Katz and Committee member Lucy Killea to support SCA 12. Both legislators have been targeted by the Assembly Republican leadership for defeat.

Moderates and liberals may oppose SCA 12 because its enactment would accelerate the growth in the revenues covered by the expenditure limitation. Currently, general fund revenues are growing at about 8 percent annually. Motor vehicle fuel taxes are growing according to Caltrans at approximately 1.1 percent annually. The low growth rate of gas taxes serves to depress the overall rate of increase in state tax revenues. This reduces the

spread between the expenditure limitation and the growth in revenues, constraining the impact of the limitation.

In addition, some legislators may seek to include other programs, most notably the prison construction program, from the appropriations limits. Senator John Foran, the author of SCA 12, has said he would oppose such amendments.

Californians for Better Transportation supports SCA 12 and urges you to write the members of the Assembly Transportation Committee and ask them to support SCA 12. The names and addresses of the committee members are attached.

SB 1560--If the federal government reduces the federal gas tax as part of its budget balancing efforts, this measure by Senator Foran would permit the state to automatically convert the decreased federal gas tax rate to a state tax. This ensures that the state continues to receive revenues it would otherwise have lost. Moreover, the consumer would pay no additional taxes. SB 1560 can only be implemented if SCA 12 is enacted.

AB 3547--The current STIP is a five year transportation investment program which is updated annually. This measure co-authored by assemblymen William Lancaster and William Leonard would mandate the creation of a ten year STIP.

This bill is a manifestation of inadequate revenues for the state's transportation program. Because of a lack of funds, projects are slipping. A ten year STIP would accommodate delayed projects and continue to assure their visibility. The consequences of this, however, would be to transform the STIP into a greater wish list than it is already.

#### LEGISLATIVE ANALYST COMMENTS ON THE STIP PROCESS

In reviewing the STIP process, the Legislative Analyst concluded that it creates a predisposition to overprogram transportation projects, creates unrealistic expectations regarding the completion of projects and is not used effectively for budgeting and control purposes.

According to the Analyst, the overprogramming and unrealistic expectations are the result of the California Transportation Commission (CTC) making extremely optimistic assumptions regarding the future availability of federal funds. The Analyst concludes that the "commission builds into the STIP a significant number of projects which realistically cannot be funded." Moreover, because of unrealistic funding assumptions, the capital outlay program is exaggerated and realistic staffing levels for Caltrans cannot be identified.

March 12, 1986

The Analyst also found that the CTC performs more of an executive role than its statutorily prescribed quasi-legislative role. The Commission was also found to be incapable of making timely decisions. Moreover, local agencies appear to have only limited opportunities to influence CTC policies and actions. Lastly, the Commission's approach to transportation issues is not balanced. The Commission places undue emphasis on highway projects. Little attention is given to other modes and to the problems of maintaining and operating the state highway system.

ASSEMBLY TRANSPORTATION COMMITTEE

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