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DEPARTMENT OF
PUBLIC WORKS

CITY OF SACRAMENTO
CALIFORNIA

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ROOM 207
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SACRAMENTO, CA
95814-2673

OFFICE OF THE DIRECTOR

916-449-5283

April 18, 1991

ADMINISTRATION
916-449-8747

Law and Legislation Committee
Sacramento, California

HONORABLE MEMBERS IN SESSION:

SUBJECT: REPORT REGARDING THE CITY'S SUPPORT FOR SENATE BILL 751 (DEDDEH)
RE: PROPOSITION 111 MAINTENANCE OF EFFORT REQUIREMENTS

SUMMARY

Senate Bill 751 was introduced to address concerns raised by cities and counties regarding the Maintenance of Effort (MOE) expenditure requirements of the Proposition 111 gas tax revenues. The method used to calculate the MOE, as well as the penalty for local agencies which fail to meet MOE levels, pose significant compliance problems for cities and counties. SB 751 would revise both the base year calculation and the penalty provisions while preserving the legislative and voter intent that the monies not be used to supplant ongoing transportation expenditures. SB 751 was scheduled for hearing on April 16, 1991 in the Senate Committee on Transportation. In order to insure that the City's support for the measure was conveyed to the Legislature in a timely manner, Chair Lynn Robie sent a letter to the Transportation Committee in advance of the hearing. This report is presented to inform the Law and Legislation Committee of the City's support for SB 751.

BACKGROUND

Senator Wadie P. Deddeh introduced SB 751 at the urging of cities and counties. It is intended to resolve the problems that have been experienced by a number of cities in attempting to meet the MOE provisions included in Prop 111. It is common for funding bills to include MOE language to ensure that the additional monies are being used for the intended purpose. The requirements of Prop 111 are particularly onerous, however. All discretionary funds used for streets and roads over the last three years would potentially be included and averaged. Discontinued or one-time funds could be counted as part of the base year expenditures. The most troubling aspect is the severity of the penalty for not meeting your MOE level-- the complete loss of funding for the next year.

SB 751 states that if the amount of discretionary revenue received during a fiscal year is less than the average amount of revenues expended during the three base years, the local agency's expenditure requirement will be reduced by the difference. This change is designed to avoid penalizing cities and counties which had large, one-time expenditures during any of the base years. The bill would also alter the penalty for failure to meet the MOE level. Rather than forfeiting the entire Prop 111 allocation, the local agency would have its apportionment reduced by the amount by which it failed to meet the expenditure requirements.

April 18, 1991
Law and Legislation Committee

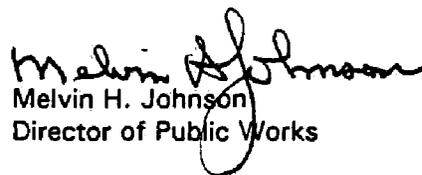
FINANCIAL

The City of Sacramento will receive approximately \$981,000 in Proposition 111 revenues in FY 1990-91. The City's anticipated share of the additional gas tax revenues in FY 1991-92 is \$1.5 million. Passage of SB 751 will help to guarantee the City will receive these much needed revenues and eliminate any risk that we may lose our allocation as a result of a technicality.

RECOMMENDATION

This report is presented for Committee information.

Respectfully submitted,


Melvin H. Johnson
Director of Public Works

Approved for Committee Information:



Jack R. Crist
Deputy City Manager

Contact Person:
Roberta Larson, Administrative Services Officer
449-6281

April 18, 1991
All Districts

City of Sacramento
State Legislature

B I L L R E F E R R A L

DATE: MAR 15 1991 COMMITTEE ACTION: _____

TO: B. Larson, Public Works DATE: _____

FROM: KENNETH EMANUELS, LEGISLATIVE ADVOCATE

REPLY NO LATER THAN: MAR 29 1991

A.B. _____, As Amended _____ * Author _____

S.B. 751, As Amended — * Author Deddeh

*Date of introduction or latest amendment

Please review the attached measure to determine its effect upon the City of Sacramento and complete the following questions as appropriate. During your analysis of this measure, if questions arise, please feel free to contact Ken Emanuels at 444-6789, FAX 444-0303, (1400 K Street, Suite 306, Sacramento, CA 95814.) This questionnaire should be returned to the City Attorney's Office for presentation to the Council Committee on Law and Legislation. PLEASE LEAVE THE BILL ATTACHED TO THIS FORM.

NO RECOMMENDATION. If you think no Committee action on this bill should be taken, either because the bill is not of sufficient importance to the City or for any other reason, please mark here, do not fill out the rest of the form, and return this form to the City Attorney's Office. _____.

PLEASE TYPE YOUR RESPONSE

1. Briefly describe the provisions of the bill (attach additional sheets if necessary).

See Attached

2. This measure should be: (Please circle desired position)

Supported Opposed Supported if Amended
Placed on Watch List Other (explain)

3. Please explain your reasons for the above determination, including how this measure effects your Department and the fiscal impact of this measure on the City. Please make your comments in a format that can be used in a letter to state officials. (Continue on next page or attach additional sheets if necessary.)

See Attached

(Continue answer to Question No. 3 here)

4. Specify the City's legislative policy guideline(s) applicable to this measure (if any).

Support legislation which will expand the authority, options, and flexibility of the City to act to meet the needs and problems of local government.
(General Policy 7.9[c])

5. If this measure could be amended to either improve its favorable aspects or to minimize its adverse aspects, which amendments would you propose?

None.

6. List known support or opposition to this measure by groups with which you are familiar and include addresses and phone numbers, if known. League of California Cities position:

Support.

7. Does this bill involve a State-mandated local program? If so, does the bill contain a State-mandated waiver, or an appropriation for allocation and disbursement to local agencies pursuant to Revenue and Taxation Code Section 2231?

No.

8. Using a rating scale of 1 to 10 (with 10 as the most important), how important do you think this bill is to the City of Sacramento? 8

FORM COMPLETED BY: Roberta Larson DATE: 3/25/91

(Continue answer to Question No. 3 here)

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None.

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Support.

7. Does this bill involve a State-mandated local program? If so, does the bill contain a State-mandated waiver, or an appropriation for allocation and disbursement to local agencies pursuant to Revenue and Taxation Code Section 2231?

No.

8. Using a rating scale of 1 to 10 (with 10 as the most important), how important do you think this bill is to the City of Sacramento? 8

FORM COMPLETED BY: Roberta Larson

DATE: 3/25/91

1. Briefly describe the provisions of the bill:

The passage of Proposition 111 made additional gasoline tax revenues available to cities and counties. The law included a Maintenance of Effort (MOE) clause to ensure that Prop 111 monies were not used to supplant ongoing transportation maintenance expenditures. SB 751 would revise the MOE provisions and the penalties for local agencies which fail to meet the requirements.

3. Please explain your reasons for the above determination, including how this measure affects your Department and the fiscal impact of this measure on the City. Please make your comments in a format that can be used in a letter to state officials.

Senator Wadie P. Deddeh introduced SB 751 at the urging of cities and counties. It is intended to resolve the problems that have been experienced by a number of cities in attempting to meet the MOE provisions included in Prop 111. It is common for funding bills to include MOE language to ensure that the additional monies are being used for the intended purpose. The requirements of Prop 111 are particularly onerous, however. All discretionary funds used for streets and roads over the last three years would potentially be included and averaged. Discontinued or one-time funds could be counted as part of the base year expenditures. The most troubling aspect is the severity of the penalty for not meeting your MOE level-- the complete loss of funding for the next year.

SB 751 states that if the amount of discretionary revenue received during a fiscal year is less than the average amount of revenues expended during the three base years, the local agency's expenditure requirement will be reduced by the difference. This change is designed to avoid penalizing cities and counties which had large, one-time expenditures during any of the base years. The bill would also alter the penalty for failure to meet the MOE level. Rather than forfeiting the entire Prop 111 allocation, the local agency would have its apportionment reduced by the amount by which it failed to meet the expenditure requirements.

Introduced by Senator Deddeh

March 6, 1991

An act to amend Section 2105 of the Streets and Highways Code, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

SB 751, as introduced, Deddeh. Transportation: funds: cities and counties.

Existing law prescribes apportionments to cities and counties of a portion of the revenues derived from a per gallon tax on motor vehicle fuels in accordance with prescribed formulas. A city or county's entitlement to the apportioned funds is conditional upon its expenditure from its general fund for street and highway purposes of an amount not less than the annual average of its expenditures during the 1987-88, 1988-89, and 1989-90 fiscal years. For these purposes, any unrestricted funds which the city or county may expend at its discretion, including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for street and highway purposes, are expenditures from the general fund.

This bill would include, among those discretionary expenditures, revenues from fees and reimbursements. Under existing law, a city or county which received an apportionment but did not comply with those expenditure requirements, is required to reimburse the state for the funds it received.

This bill would, instead, require that the city or county's apportionment in the following year be reduced by the amount by which it did not meet those expenditure requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 2105 of the Streets and Highways Code is amended to read:

2105. In addition to the apportionments prescribed by Sections 2104, 2106, and 2107, from the revenues derived from a per gallon tax imposed pursuant to Section 7351 of the Revenue and Taxation Code, and a per gallon tax imposed pursuant to Section 8651 of that code, the following apportionments shall be made:

(a) A sum equal to the net revenue from a tax of 11.5 percent of any per gallon tax in excess of nine cents (\$0.09) per gallon under Section 7351 of the Revenue and Taxation Code, and 11.5 percent of any per gallon tax in excess of nine cents (\$0.09) per gallon under Section 8651 of that code, shall be apportioned among the counties, including a city and county.

The amount of apportionment to each county, including a city and county, during a fiscal year shall be calculated as follows:

(1) One million dollars (\$1,000,000) for apportionment to all counties, including a city and county, in proportion to each county's receipts during the prior fiscal year under Sections 2104 and 2106.

(2) One million dollars (\$1,000,000) for apportionment to all counties, including a city and county, as follows:

(A) Seventy-five percent in the proportion that the number of fee-paid and exempt vehicles which are registered in the county bears to the number of fee-paid and exempt vehicles registered in the state.

(B) Twenty-five percent in the proportion that the number of miles of maintained county roads in the county bears to the miles of maintained county roads in the state.

(3) For each county, determine its factor which is the higher amount calculated pursuant to paragraph (1) or (2) divided by the sum of the higher amounts for all of the counties.

(4) The amount to be apportioned to each county is equal to its factor multiplied by the amount available for

1 apportionment.

2 (b) A sum equal to the net revenue from a tax of 11.5
3 percent of any per gallon tax in excess of nine cents
4 (\$0.09) per gallon under Section 7351 of the Revenue and
5 Taxation Code, and 11.5 percent of any per gallon tax in
6 excess of nine cents (\$0.09) per gallon under section 8651
7 of that code, shall be apportioned to cities, including a
8 city and county, in the proportion that the total
9 population of the city bears to the total population of all
10 the cities in the state.

11 (c) In order to receive ~~any~~ *the full* allocation pursuant
12 to this section, the city or county, as the case may be, shall
13 annually expend from its general fund for street and
14 highway purposes an amount not less than the annual
15 average of its expenditures from its general fund during
16 the 1987-88, 1988-89, and 1989-90 fiscal years, as reported
17 to the Controller pursuant to Section 2151. For purposes
18 of this subdivision, in calculating a city's or county's
19 annual general fund expenditures and its average general
20 fund expenditures for the 1987-88, 1988-89, and 1989-90
21 fiscal years, any unrestricted funds which the city or
22 county may expend at its discretion, including vehicle
23 in-lieu tax revenues, *revenues from fees and*
24 *reimbursements*, and revenues from fines and
25 forfeitures, expended for street and highway purposes
26 are expenditures from the general fund.

27 (d) The Controller may request fiscal data from cities
28 and counties, in addition to data provided pursuant to
29 Section 2151, for the 1987-88, 1988-89, and 1989-90 fiscal
30 years. Each city and county shall furnish the data to the
31 Controller not later than 120 days after receiving the
32 request. The Controller may withhold payment to cities
33 and counties that do not comply with the request for
34 information or provide incomplete data.

35 (e) At the conclusion of each fiscal year during which
36 a city or county receives funds under this section, the
37 Controller shall verify the city's or county's compliance
38 with subdivision (c). Any city or county which has not
39 complied with this requirement shall ~~reimburse the state~~
40 ~~for the funds it received during that fiscal year.~~ The

1 Controller shall withhold payments pursuant to Section
2 2104, 2105, 2106, and 2107 to any city or county which has
3 not complied with subdivision (e) until the state is
4 reimbursed for the subventions under this section during
5 the fiscal year when the city or county did not comply
6 have its allocation in the following year reduced by the
7 amount by which the city or county did not meet its
8 expenditure requirement under subdivision (c).

9 (f) For any city incorporated after July 1, 1987, the
10 Controller shall calculate the annual average of
11 expenditures pursuant to subdivision (c) for the period
12 between July 1, 1987, and June 30, 1990, that the city was
13 incorporated.

14 (g) Any funds that are returned to the state as a result
15 of noncompliance with subdivision (c) shall be added to
16 the base and redistributed among cities and counties for
17 the fiscal year during which it is returned.

18 (h) If the amount of revenues received by a city or
19 county from ~~fines and forfeitures~~ *any discretionary*
20 *revenue source* during a fiscal year is less than the
21 average amount of revenues from ~~fines and~~ *any*
22 *discretionary revenue source* expended during the
23 1987-88, 1988-89, and 1989-90 fiscal years for street and
24 highway purposes, the city's or county's expenditure
25 requirements pursuant to subdivision (c) is reduced by
26 the difference between those revenues received during
27 that fiscal year and the average amount of the city's or
28 county's expenditures during those three fiscal years.