



Local Streets and Roads Program

State Agencies and Cities Are Generally Following Requirements as They Attempt to Improve Conditions

Background

The Legislature enacted Senate Bill 1 in 2017, creating the Local Streets and Roads Program (program) and providing funding to cities and counties to address the long-term deterioration of their streets and roads. Since its inception, this program has provided \$6.8 billion to cities and counties, including nearly \$1.5 billion in fiscal year 2022–23. The California Transportation Commission (Commission) administers the eligibility and expenditure reporting processes that state law requires cities and counties to follow. The California State Controller (State Controller) distributes program funds to cities and counties each month, and state law authorizes it to monitor local spending. Some of the issues included in the audit request required our office to select six cities receiving program funds and determine the impact additional funding has had on local street and road infrastructure. We evaluated whether the cities’ spending is consistent with the program’s rules and purpose, and we assessed the extent of the oversight that state entities provided.

Our Key Recommendations

- To ensure that cities and counties are held accountable to state law and are not supplanting local spending with program funds, the State Controller should begin auditing cities and counties that it identifies as at risk of not meeting the local spending requirement. It should withhold program funds in the amount prescribed by law from cities and counties that it concludes have not complied with the requirement.
- The Legislature should amend state law to clarify that the State Controller should only withhold program funds equivalent to the local underspending that its audits have found.

Key Findings

- State agencies are properly administering program eligibility, payment, and reporting processes.
 - » The Commission properly determined that all cities and counties in the State are eligible for program funding, and it ensured that each city and county reports its program spending.
 - » The State Controller follows state law when allocating available funding to eligible cities and counties using a prescribed distribution formula.
- Although the cities we reviewed are appropriately using local streets and roads program funding, most still have deteriorating road conditions.
 - » We reviewed six cities—Baldwin Park, Bell, Coronado, Oakland, Riverside, and Yuba City—and found that they adhered to program requirements by holding public meetings about projects that use program funds and reporting their program spending to the Commission.
 - These cities generally spent program funds on maintaining and rehabilitating their streets.
 - » Despite the additional resources the program has provided, pavement conditions in all six of the cities we reviewed have declined since 2015, although Oakland has recently improved conditions by using bond funds to improve its streets. Only one city’s overall pavement condition was good as of 2022.
- The State Controller has not held cities accountable for maintaining local spending on streets and roads.
 - » Despite identifying numerous cities that potentially have not met the local spending requirement for multiple years, the State Controller explained that insufficient staffing prevented it from conducting the audits that would allow it to withhold program funds from these cities.
 - » The six cities we reviewed met the local spending requirement.

Local Streets and Roads Program Funds Distributed to Cities and Counties Have Varied Slightly Each Year (in millions)

