

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

854

AVAILABILITY OF TRANSPORTATION FUNDS
DECEMBER 1978

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GLOSSARY OF TERMS*

1. Allocation: Amount approved by the designated transportation planning agency to be paid by the county auditor to an eligible claimant from the local transportation fund.
2. Allocation Limitation: Section 99268 of the Public Utilities Code—generally referred to as the 50 percent limitation—which limits the expenditure of TDA funds in any year to 50 percent of operating, maintenance and capital and debt service expense after deducting approved federal grants expected to be received.
3. Apportionment: Proportion of the annual revenue anticipated to be received in the fund that the population of the area bears to the total population of each county.
4. Apportionment Restriction: Restricts the purposes for which TDA funds shall be allocated to public transportation and bicycle and pedestrian facilities in counties with populations of 500,000 or more.
5. Claimant: An operator, city or county.
6. City: A city within the county having the fund from which the disbursement will be made.
7. Operator: Any transit district, included transit district, municipal operator, included municipal operator or transit development board.
8. Reserved Funds: The transportation planning agency may specify that monies allocated to a claimant be reserved in the fund for future payment to the claimant for a specific project. No monies shall be reserved by allocation except in response to a claim for a specific project.
9. TDA: Transportation Development Act of 1971.
10. TPA: Transportation Planning Agency.
11. Unallocated Balance: Any revenues in the local transportation fund in excess of all allocations including reserves and unallocated apportionments.
12. Unallocated Funds: Any revenues in the local transportation fund including unallocated apportionments, interest and other income less amounts held on reserve.

* Source: California Department of Transportation.

SUMMARY

As of June 30, 1978 there was approximately \$1.2 billion in undisbursed funds available statewide for transportation services and street and highway construction. To determine the amount of these funds, the Auditor General and the Legislative Analyst cooperated in preparing a two-part study. The Auditor General's report reviews approximately \$751 million of undisbursed transportation funds and details the following:

- The Transportation Development Act (TDA) of 1971 authorized counties to impose a one-quarter percent retail sales tax with the revenues generated from the tax to be used for specified transportation purposes. As of June 30, 1978 approximately \$170.4 million of these funds was held in local transportation funds or by claimants, representing 66 percent of the total funds made available by the TDA for fiscal year 1977-78. These accumulations came about because (1) county auditors underestimated TDA funds which would be available, (2) there are legal limitations on the expenditure of TDA funds and (3) funds were reserved for future capital projects
- Street and road funds are provided to cities and counties through various sources, such as the Motor Vehicle Fuel Tax (gas tax). As of June 30, 1978 approximately \$544.9 million of street and road funds was held by cities and

counties, representing 49 percent of the total funds made available during fiscal year 1977-78 to the cities and counties for such purposes. Explanations by cities and counties for these balances include: (1) funds encumbered but not disbursed as of June 30, (2) monies accumulated for future projects and (3) funds held to match federal funds for major projects

- Transportation funds have accumulated from bridge tolls and additional sales taxes dedicated for public transportation. Approximately \$35.3 million in funds from these sources was available for transportation purposes as of June 30, 1978. These funds are being held to implement future capital projects, such as fixed guideway systems, and to provide for future operating needs
- Certain provisions of the TDA, specifically Public Utilities Code (PUC) Section 99268 (dealing with the 50 percent expenditure limitation) and PUC Section 99269 (dealing with required maintenance of public support) may cause severe problems to operations in the near future due to the passage of Proposition 13.

The attached Legislative Analyst's report reviews the remaining \$483 million in undisbursed funds which has accumulated in the State Highway Account in the State Transportation Fund.

INTRODUCTION

In response to a resolution of the Assembly of the State of California, the Auditor General in cooperation with the Legislative Analyst conducted a study to determine the balances of funds available for transportation services and street and road purposes. The examination was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code. The data included in this study were not audited by the Auditor General.

Public Transportation Services and the Impact of Proposition 13

The transportation services provided by local government agencies, particularly in the development of streets and roads and the operation of public transit services, may receive decreased funding in the near future because of the passage of Proposition 13 at the June 6, 1978 Direct Primary Election. Significant funding losses could drastically reduce or eliminate transportation services which are considered essential by local citizens and their representatives. The Assembly requested this study to determine the funds available to support transportation services.

Transportation Development Act

The Transportation Development Act (TDA) went into effect on July 1, 1972. The Act provided a new source of financial support for public transportation by allowing the counties to impose a one-quarter percent retail sales tax. The revenue generated from this tax is deposited in a local transportation fund in each county.

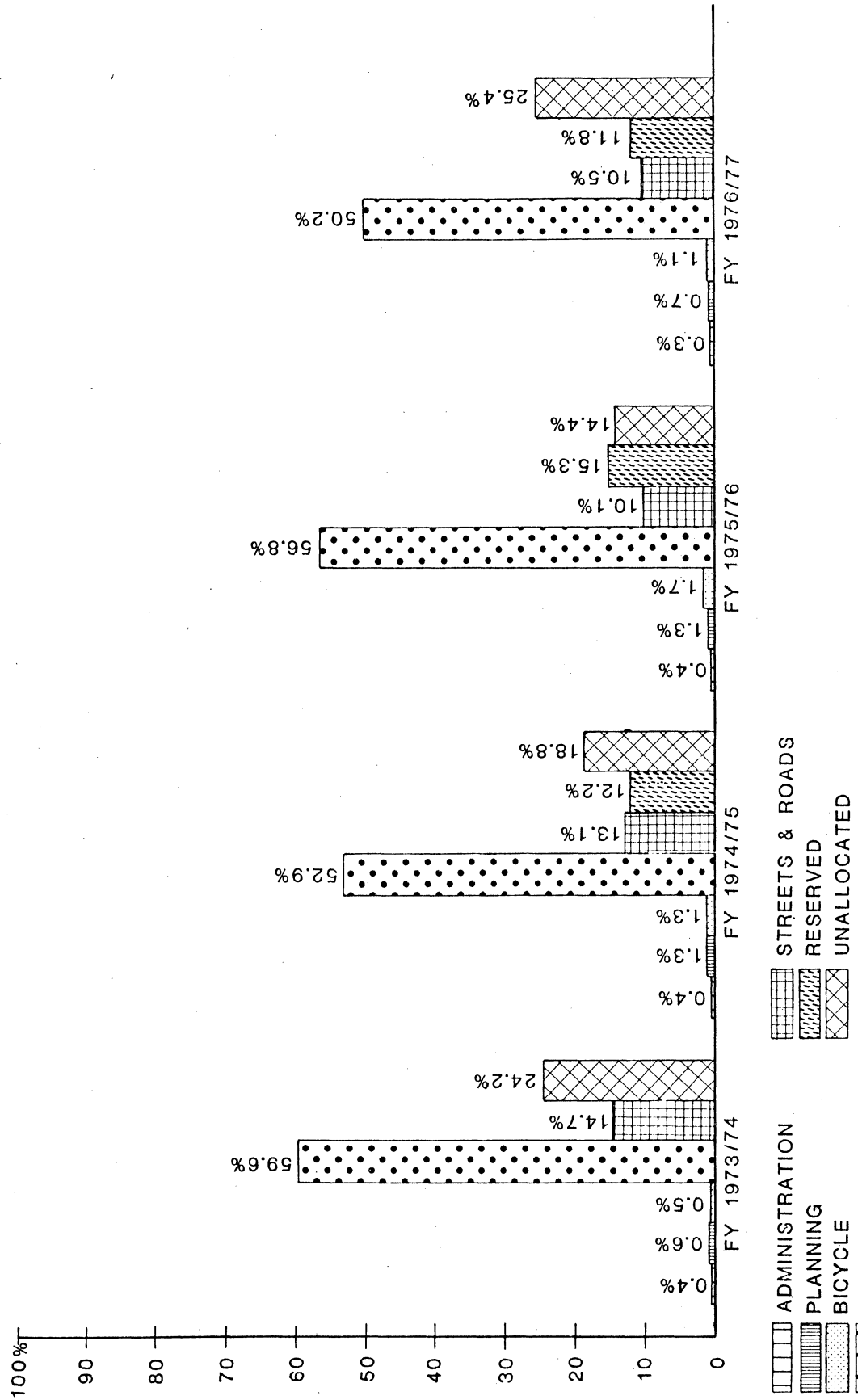
TDA revenue is distributed from the local transportation fund through a two-step process. First, the total annual revenue anticipated to be received in the local transportation fund is apportioned between the city or county governments and transit systems based on the population distribution of the county.

Second, after the revenue has been apportioned within the counties, it is allocated by the designated transportation planning agency, commission or board. This allocation is based on analysis and evaluation of the relative needs of each claimant. The apportioned monies go to the cities, counties and transit systems which submit annual claims for purposes set forth in the TDA.

Most TDA funds are used to support public transit. Statutory restriction on fund utilization based on population and the determination of regional public transit needs dictate how TDA funds are used. Figure I on page 6 displays the purposes for which TDA funds have been allocated for fiscal years 1973-74 through 1976-77.

FIGURE I

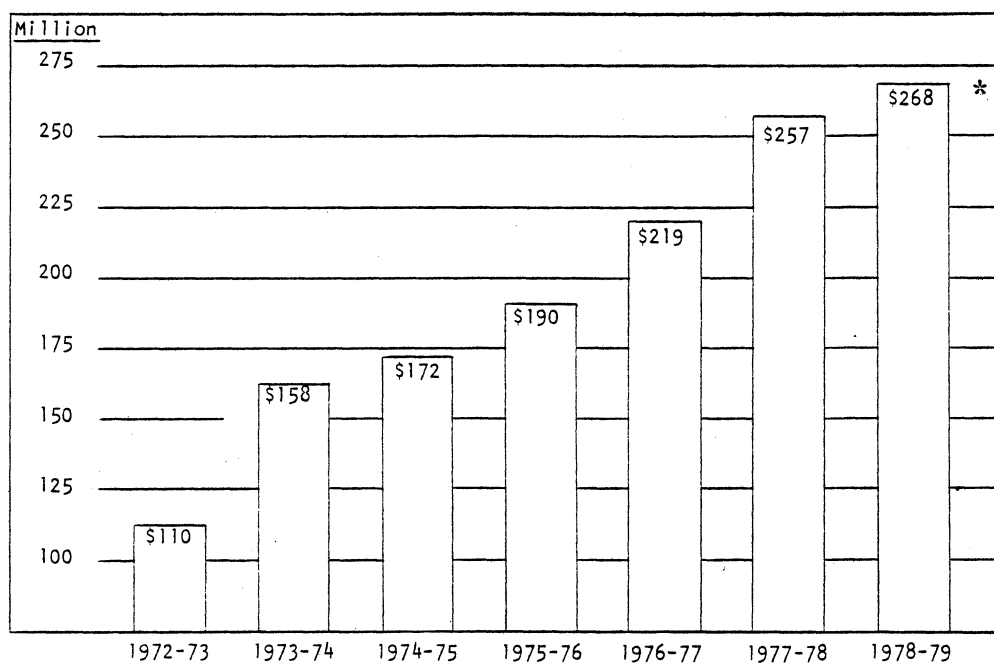
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ALLOCATION OF TDA FUNDS
FISCAL YEARS 1973/74 - 1976/77



* Source: California Department of Transportation
 Transportation Development Act Annual Report

Since July 1972 the TDA has provided more than \$1.1 billion in new transportation financing. Figure II illustrates the TDA funds made available between fiscal years 1972-73 and 1977-78 and the projected amount available in fiscal year 1978-79.

FIGURE II
TRANSPORTATION DEVELOPMENT ACT FUNDS
AVAILABLE TO LOCAL TRANSPORTATION FUNDS



* 1978-79 estimate based on county auditors' data.

Highway Users Taxes

The monies made available to local agencies for street or road purposes are derived from federal, state and local funds. The monies made available come from such sources as gas tax apportionments; district road taxes; special assessments; bridge tolls; and proceeds from the sales of bonds restricted exclusively to expenditures on streets and roads. The State Controller's Office reported a total of \$955 million was made available to cities and counties for street and road purposes during fiscal year 1976-77, and this amount is expected to exceed \$1 billion for the fiscal year 1977-78.

The largest single source of revenue for city and county streets and roads is the Motor Vehicle Fuel Tax (gas tax). This revenue is provided by the imposition of a seven-cents per gallon tax on motor vehicle fuel. The revenue generated from this source is apportioned among the cities, counties and state agencies based on statutes in the Streets and Highways Code and the Revenue and Taxation Code.

Figures III and IV illustrate the relationship of this source of revenue to the other sources of revenue provided to the cities and counties for streets and roads for the fiscal years 1973-74 through 1977-78.

FIGURE III

MONIES MADE AVAILABLE FOR CITY STREET PURPOSES
BY SOURCE

Five Fiscal Years 1974-78

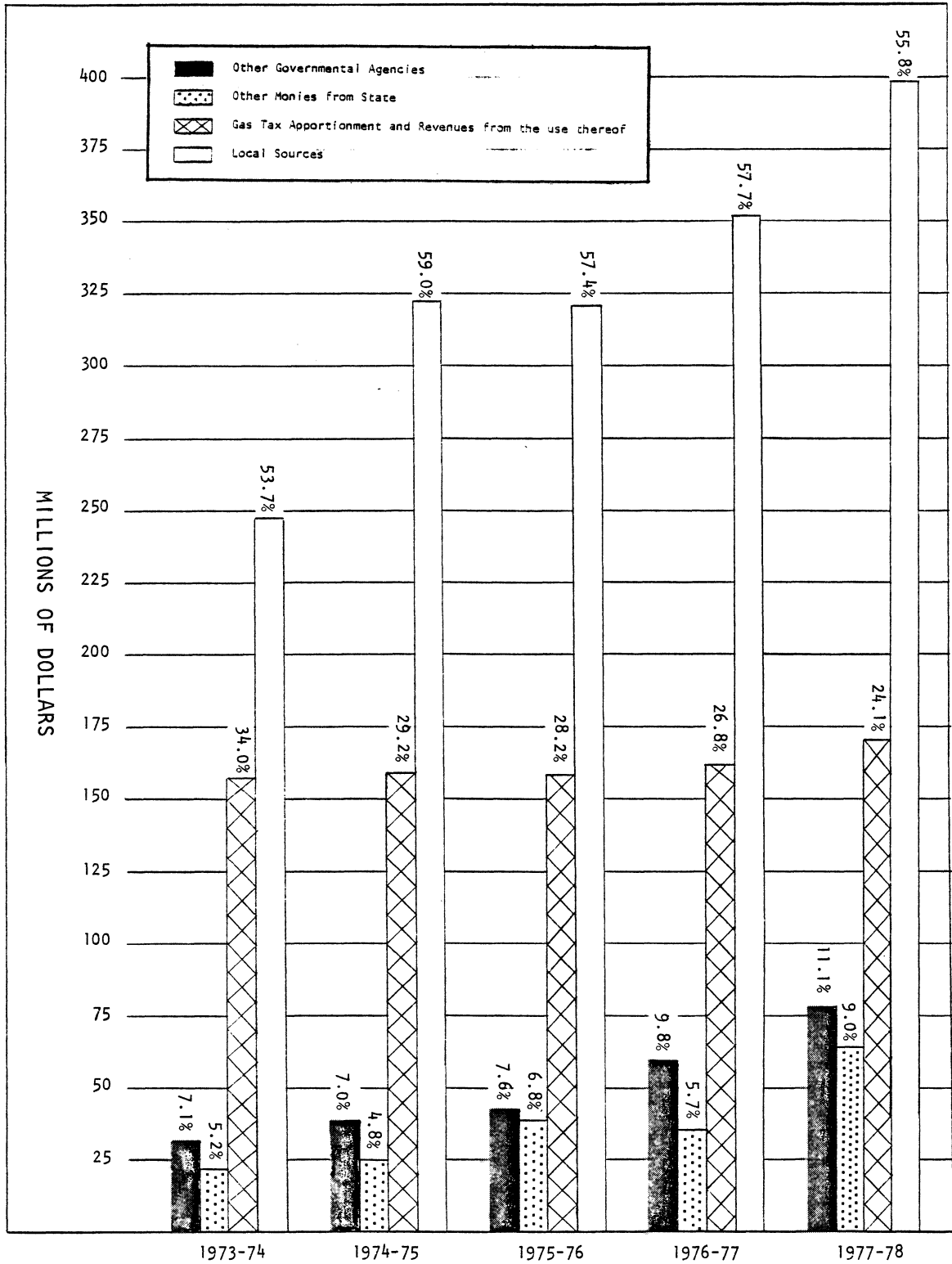
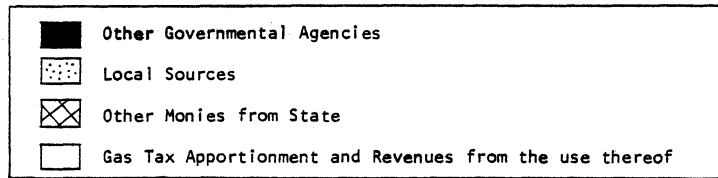
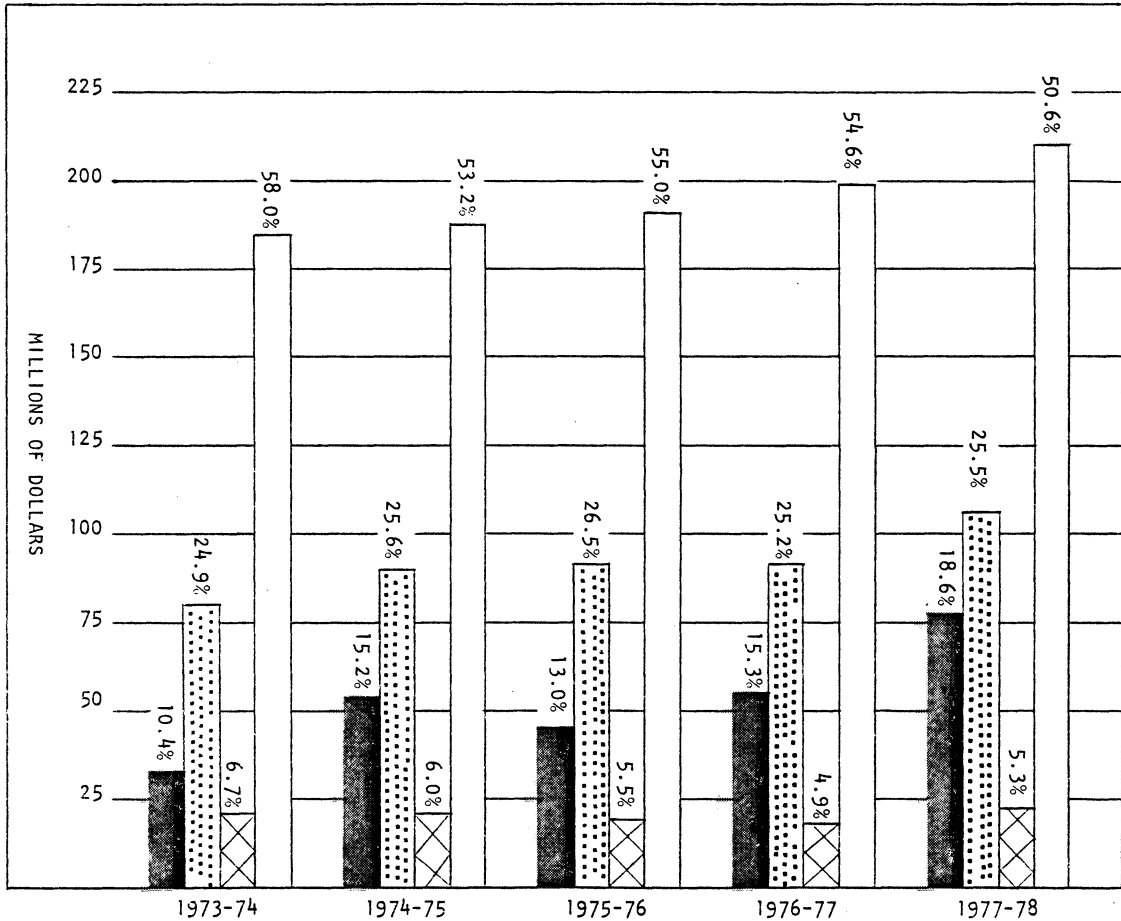


FIGURE IV
MONIES MADE AVAILABLE FOR COUNTY ROAD PURPOSES
BY SOURCE

Five Fiscal Years 1974-78



Other Revenue Sources for
Public Transportation Services
and Streets and Roads

Additional revenue is provided for public transportation services and for streets and roads by local agencies. This revenue is generated from property taxes, additional sales taxes dedicated for public transit and traffic fines and forfeitures. The importance of the revenue generated from local sources for streets and roads may be seen by reviewing Figures III and IV on pages 9 and 10. Table I below illustrates the amount of local support and other revenues provided to California transit systems in their proposed budgets for fiscal year 1977-78.

TABLE I
SUMMARY OF CALIFORNIA TRANSIT SYSTEMS REVENUE BY SOURCE
PROJECTION FOR FISCAL YEAR 1977-78*
(UNAUDITED)

<u>Revenue Source</u>	<u>Amount</u>	<u>Percentage of Total Revenue</u>
Operating Revenue	\$194,637,704	22.2%
Local Transportation Fund (TDA)	181,559,840	20.8
Local Support**	164,505,991	18.8
State Revenue	7,926,833	.9
UMTA Operating and Capital Grants	265,179,468	30.3
Other Federal Grants	10,703,679	1.2
Contract Service	3,321,044	.4
Changes in Working Capital	25,519,890	2.9
Other Revenues	<u>21,494,217</u>	<u>2.5</u>
	<u>\$874,848,666</u>	<u>100.0%</u>

* Based on data provided in TDA Annual Report which is prepared by California Department of Transportation, Division of Mass Transportation.

** Local support includes local General Fund money, property tax and sales tax.

Scope of Review

There are over 87 transit systems in the State which receive funds authorized by the TDA. Fifty-one counties and 224 cities are eligible to claim TDA funds for streets and roads. All 58 counties and 415 incorporated cities receive gas tax revenue for streets and roads. To obtain data for this report we sent confirmation letters to the counties and questionnaires to all designated transportation planning agencies, commissions and boards located throughout the State. We also conducted field visits at the following agencies:

- County of Sacramento
- Metropolitan Transportation Commission
- County of Santa Clara
- Southern California Association of Governments
- City of Glendale
- City of Thousand Oaks
- City of Long Beach
- Orange County Transit District
- Orange County Transportation Commission
- Los Angeles County Transportation Commission.

In addition to the agencies listed above, we gathered data from the State Controller's Office, Division of Local Government Fiscal Affairs and the California Department of Transportation.

We concentrated on:

- Identifying the sums of money held for transportation purposes at the end of fiscal year 1977-78
- Documenting examples of the reasons for the accumulation of funds.

STUDY RESULTS OF THE AUDITOR GENERAL

SUBSTANTIAL ACCUMULATION OF TRANSPORTATION FUNDS

As of June 30, 1978, statewide there was approximately \$751 million in funds available for public transportation and streets and roads. These monies are held in (1) county local transportation funds (\$151.8 million), (2) funds held by transit operators for future capital projects (\$18.7 million), (3) city or county funds restricted to street and road purposes (\$544.9 million) and (4) specifically identified transportation related funds (\$35.3 million).

Accumulation of TDA Funds

As shown in Table II, \$151.8 million in TDA funds was held in county local transportation funds as of June 30, 1978. These accumulations came about mainly because (1) county auditors underestimated TDA funds which would be available, (2) there are legal limitations on the expenditure of TDA funds and (3) funds were reserved for future capital projects. Figure V illustrates the growth of this accumulation from fiscal year 1972-73 through fiscal year 1977-78.

TABLE II

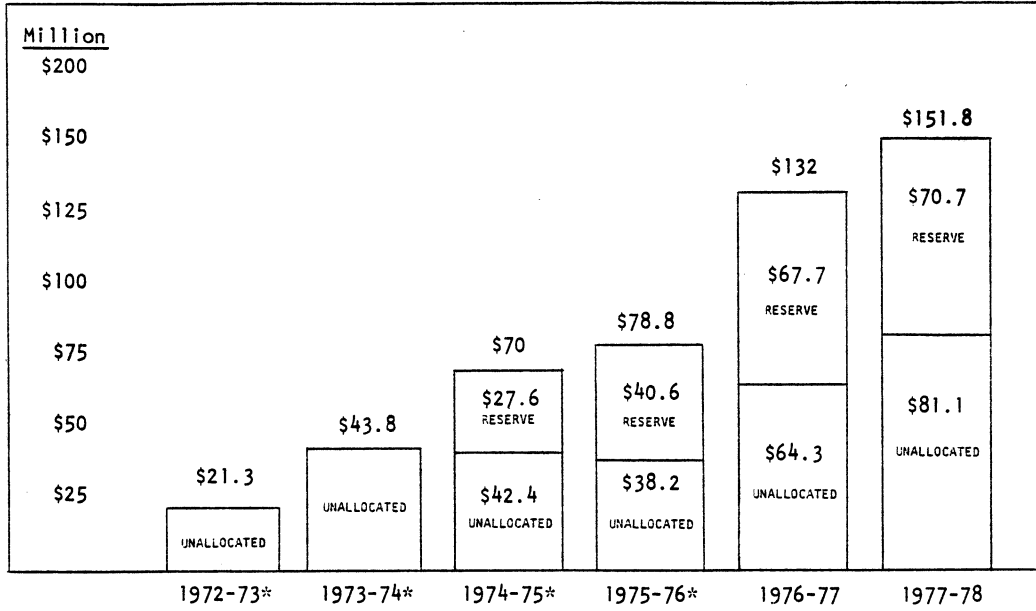
SUMMARY OF LOCAL TRANSPORTATION FUND BALANCES
AS OF JUNE 30, 1978 -- BY COUNTY

(UNAUDITED)

Counties	Cash Balance June 30, 1978	Allocated		Unallocated	Reserved
		Not Disbursed June 30, 1978			
Alameda	\$ 9,693,762	\$ 4,931,209		\$ 4,160,333	\$ 602,220
Alpine	58,411	0		58,411	0
Amador	84,412	84,412		0	0
Butte	61,808	61,808		0	0
Calaveras	11,208	0		11,208	0
Colusa	218,072	27,245		190,827	0
Contra Costa	15,716,836	4,997,758		10,246,593	472,485
Del Norte	661,915	17,000		644,915	0
El Dorado	574,893	296,837		208,371	69,685
Fresno	932,379	113,072		808,917	10,390
Glenn	194,352	0		64,010	130,342
Humboldt	763,756	370,512		193,244	200,000
Imperial	322,023	13,065		308,958	0
Inyo	42,961	0		42,961	0
Kern	175,274	0		175,274	0
Kings	100	100		0	0
Lake	246,147	0		246,147	0
Lassen	54,322	48,000		6,322	0
Los Angeles	17,740,008	3,100,000		4,783,594	9,856,414
Madera	146,645	0		146,645	0
Marin	590,933	161,830		421,272	7,831
Mariposa	0	0		0	0
Mendocino	864,285	629,910		234,375	0
Merced	193,002	0		193,002	0
Modoc	10,701	10,701		0	0
Mono	61,111	0		61,111	0
Monterey	3,175,947	703,284		2,320,045	152,618
Napa	1,291,966	929,555		71,274	291,137
Nevada	687,174	213,293		0	473,881
Orange	34,443,645	0		12,029,168	22,414,477
Placer	227,679	0		227,679	0
Plumas	152,651	0		0	152,651
Riverside	2,517,702	0		1,611,540	906,162
Sacramento	584,779	48,873		535,906	0
San Benito	315,911	248,311		0	67,600
San Bernardino	4,297,432	52,551		3,929,466	315,415
San Diego	16,506,598	262,021		16,244,577	0
San Francisco	3,858,443	1,821,711		2,036,732	0
San Joaquin	784,453	0		784,453	0
San Luis Obispo	568,473	0		555,473	13,000
San Mateo	13,593,879	2,252,470		6,283,183	5,058,226
Santa Barbara	320	320		0	0
Santa Clara	8,526,522	0		4,464,092	4,062,430
Santa Cruz	715,093	618		300,768	413,707
Shasta	429,926	0		429,926	0
Sierra	27,064	27,064		0	0
Siskiyou	11,868	500		11,368	0
Solano	1,841,805	1,287,158		266,060	288,587
Sonoma	2,000,233	378,766		1,601,112	20,355
Stanislaus	2,116,802	0		1,687,894	428,908
Sutter	516,297	444,623		71,674	0
Tehama	76,223	76,223		0	0
Trinity	234,932	0		234,932	0
Tulare	956,948	461,263		495,685	0
Tuolumne	771,009	49,301		721,708	0
Ventura	460,209	0		360,209	100,000
Yolo	292,788	0		292,788	0
Yuba	354,372	0		354,372	0
	<u>\$151,758,459</u>	<u>\$ 24,121,364</u>		<u>\$81,128,574</u>	<u>\$46,508,521</u>

Source: Data provided by confirmation letters from county auditors and Metropolitan Transportation Commission.

FIGURE V
TRANSPORTATION DEVELOPMENT ACT FUNDS
LOCAL TRANSPORTATION FUNDS REMAINING AT FISCAL YEAR END
AS UNALLOCATED BALANCES AND RESERVES



* May not include funds allocated but not disbursed at June 30.

The above three reasons for these TDA fund accumulations were addressed in an Auditor General report entitled Availability of Transportation Development Act Funds (Report 721, December 8, 1977).

In addition to the \$151.8 million held in local transportation funds, transportation planning agencies reported \$18.7 million in TDA funds held by transit operators as of June 30, 1978. Table III identifies the transit operators who were holding significant amounts of funds for future capital projects as of June 30, 1978.

TABLE III

SUMMARY OF OPERATORS HOLDING TDA FUNDS
BALANCES AS OF JUNE 30, 1978

(UNAUDITED)

<u>Operator</u>	<u>Amount Held</u>
Long Beach Public Transportation Co.	\$ 1,397,031
Santa Monica Municipal Bus Lines	4,968,225
Orange County Transit District	6,310,251
San Diego Metropolitan Transportation Development Board	5,000,000
San Diego Transit Corporation	<u>1,000,000</u>
Total	<u>\$18,675,507</u>
<u>Street and Road Fund Accumulations</u>	

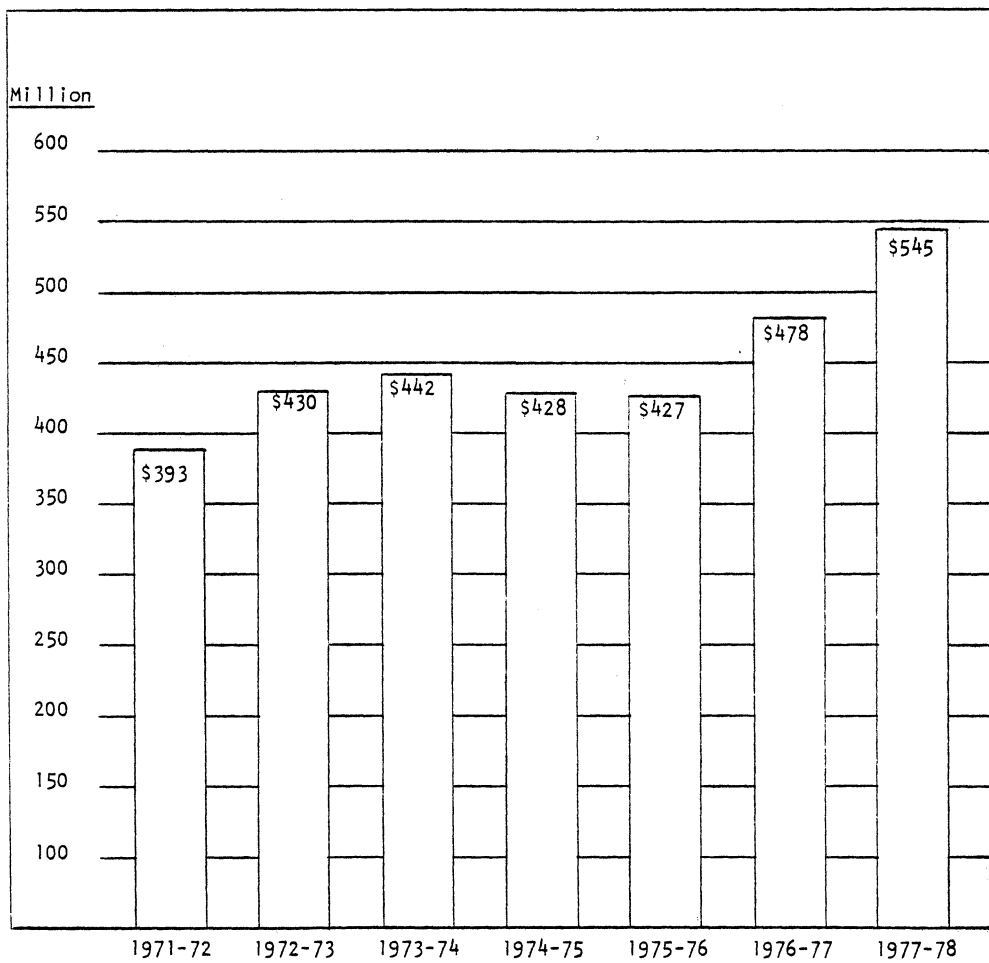
As of June 30, 1978, \$545 million in funds was held statewide by cities and counties for street and road purposes, as reported to the State Controller's Office. Table IV is a summary schedule by county of the balances as of June 30, 1978. For a detailed breakdown by county and city of the balances available at June 30, 1978, refer to Appendix A of this report.

TABLE IV
 SUMMARY SCHEDULE OF STREET AND ROAD FUNDS
 FOR CALIFORNIA CITIES AND COUNTIES
 FOR THE PERIOD JULY 1, 1977 TO JUNE 30, 1978
 (UNAUDITED)

COUNTY NAME	COUNTY				CITIES				CITY AND COUNTY			
	BEGINNING BALANCE	MADE AVAILABLE	EXPENDITURES	ENDING BALANCE	BEGINNING BALANCE	MADE AVAILABLE	EXPENDITURES	ENDING BALANCE	BEGINNING BALANCE	MADE AVAILABLE	EXPENDITURES	ENDING BALANCE
ALAMEDA	\$4,335,393	\$9,976,627	\$7,918,877	\$4,393,133	\$18,132,298	\$47,061,864	\$43,059,610	\$22,134,552	\$23,467,691	\$57,038,471	\$52,978,507	\$24,527,625
ALPINE	735,077	614,188	1,177,921	651,344	255,672	295,224	335,085	215,811	735,899	1,614,985	494,594	876,700
AMADOR	2,300,857	6,040,733	4,086,881	4,254,709	1,223,910	2,576,544	2,356,007	1,465,447	3,604,767	8,513,006	8,452,991	728,688
CALIFORNIA	1,010,121	1,648,853	1,320,512	1,358,463	61,502	970,998	75,866	75,734	1,758,951	1,396,378	1,396,378	1,434,196
COLUSA	432,449	1,983,300	1,919,334	1,499,615	81,602	255,251	240,851	96,782	517,623	2,239,251	2,160,185	596,377
CONTRA COSTA	652,682	10,598,162	10,040,714	1,190,130	7,299,144	20,910,256	20,377,648	7,832,452	7,951,826	31,509,118	30,438,362	9,022,582
DELAWARE	1,923,320	3,829,210	4,140,282	1,592,248	491,202	1,329,178	1,366,310	454,070	2,414,522	5,158,388	5,526,592	2,046,318
EL DORADO	4,643,079	16,064,262	14,663,598	6,043,743	3,582,595	15,400,073	14,517,378	4,465,270	8,225,674	31,464,335	29,180,976	10,509,033
FRESNO	414,176	5,822,982	4,744,242	1,698,206	1,177,789	3,381,096	3,135,572	1,423,313	2,239,251	2,644,257	2,238,590	3,289,663
HUMBOLDT	366,858	3,813,314	3,644,894	1,202,418	1,447,127	3,565,477	3,414,905	1,601,699	1,813,986	9,204,078	7,879,914	2,136,978
IMPERIAL	538,958	1,137,084	473,064	89,394	3,438,397	9,523,558	8,332,858	71,199	1,965,399	7,382,747	7,059,799	3,289,663
INYO	3,683,240	14,002,091	12,634,186	2,528,233	3,539,458	11,746,371	10,701,487	584,342	1,423,792	23,525,649	20,967,178	9,680,108
KERN	445,745	1,633,948	1,606,543	473,152	52,757	272,382	205,155	76,984	498,504	4,307,033	4,229,720	877,746
KINGS	231,175	2,560,662	2,528,233	263,604	226,794	472,864	464,324	112,373	1,077,113	1,863,350	1,811,878	550,158
LAKE	1,775,245	8,935,488	7,606,372	2,144,089	85,746,941	258,753,852	244,618,822	99,880,959	133,827,856	344,851,000	350,645,181	157,560,493
LASSEN	48,181,915	85,733,982	76,046,372	1,195,177	226,794	5,962,182	5,314,983	1,508,050	2,300,408	9,441,000	8,895,349	1,737,695
LOS ANGELES	859,170	2,695,488	2,606,372	2,166,205	103,833	472,864	629,868	542,518	3,070,408	6,180,553	6,180,553	3,574,388
MADERA	1,349,057	3,584,349	2,868,072	2,068,334	477,821	1,021,975	1,136,932	362,804	1,240,278	1,488,447	1,488,447	1,543,002
MARIPOSA	1,240,278	4,176,951	3,866,836	1,543,002	2,687,849	3,266,355	2,687,849	3,040,664	1,240,278	5,198,946	4,823,768	2,440,828
MENDOCINO	1,887,827	4,692,245	4,380,178	2,077,745	1,651,782	5,962,182	5,314,983	1,508,050	3,821,903	7,948,600	7,068,047	4,702,456
MERCED	481,607	1,777,378	1,531,887	651,310	63,350	189,662	215,229	37,783	544,955	1,747,116	1,747,116	746,883
MODOC	276,397	1,153,931	1,128,890	226,794	76,984	472,864	464,324	112,373	276,397	1,133,531	1,126,487	283,634
MONTEZUMA	718,543	2,975,749	2,452,949	918,104	3,087,572	8,284,544	8,140,008	2,932,174	5,699,907	12,883,333	12,553,606	6,293,634
MORREY	821,572	2,557,346	2,452,949	506,789	480,846	1,646,016	1,514,153	1,400,916	1,207,123	3,978,961	3,978,961	1,559,020
NEVADA	921,572	2,557,346	2,452,949	506,789	480,846	1,646,016	1,514,153	1,400,916	1,207,123	3,978,961	3,978,961	1,559,020
ORANGE	1,543,997	4,331,508	4,427,948	1,450,537	18,936,273	60,452,817	60,532,126	18,856,944	53,989,877	82,012,148	82,215,112	53,686,913
PLACER	2,905,892	11,171,154	10,674,501	4,091,745	35,786	1,464,074	1,326,308	29,252	2,445,588	1,977,660	5,773,290	2,379,906
RIVERSIDE	2,859,535	14,643,641	11,354,745	5,968,431	5,583,301	12,477,967	12,102,743	5,878,525	7,176,101	28,524,927	26,510,842	9,190,186
SACRAMENTO	8,288,876	17,761,076	16,413,359	417,929	200,523	207,052	245,243	1,622,332	8,442,836	26,941,608	23,537,488	11,846,956
SAN BERNARDINO	10,483,470	22,646,410	22,067,638	9,636,593	10,099,595	16,138,597	15,025,843	11,212,448	18,388,571	33,899,673	31,439,202	20,849,041
SAN DIEGO	3,763,071	9,450,581	8,593,260	3,233,718	21,833,239	23,882,896	31,511,404	14,204,731	25,596,310	60,908,031	59,260,667	23,680,197
SAN FRANCISCO	1,318,389	4,188,073	4,188,073	1,336,720	4,721,243	11,454,406	10,502,902	5,672,747	9,224,867	20,884,987	19,096,862	11,012,992
SAN LUIS OBISPO	18,987,796	7,616,705	7,420,466	1,914,035	1,551,567	3,219,770	2,772,302	1,999,035	2,869,956	7,407,843	6,942,044	3,335,755
SAN MATEO	2,547,850	5,812,601	4,500,236	3,460,215	2,138,073	6,025,193	5,552,719	2,610,547	4,685,923	11,437,774	10,052,529	28,974,516
SANTA BARBARA	3,983,512	13,791,975	12,800,627	3,460,389	2,360,389	4,690,850	4,524,879	27,412,924	27,548,475	62,482,855	59,049,556	6,307,782
SANTA CLARA	3,240,472	5,820,610	5,521,979	1,218,636	2,360,389	4,690,850	4,524,879	27,412,924	3,460,389	6,735,070	6,307,782	32,787,991
SHASTA	2,286,669	6,842,679	4,354,492	888,059	225,541	2,665,480	2,295,885	594,946	3,468,623	1,326,154	7,015,161	2,734,049
SIERRA	1,561,941	3,223,746	3,014,269	829,043	829,043	1,082,167	1,080,506	15,814	1,181,712	7,924,846	5,433,988	9,903,873
STOCKTON	2,968,044	11,927,291	9,247,692	5,713,143	1,829,831	8,241,572	7,958,185	2,047,179	3,037,701	12,546,497	11,553,181	5,019,097
SUTTER	1,571,256	4,680,930	4,015,447	5,063,590	2,344,168	6,877,185	6,139,258	3,193,138	6,743,261	20,239,343	17,203,877	7,829,361
TEHAMA	2,264,283	6,824,531	6,268,610	1,957,855	501,138	854,808	1,003,038	352,900	2,869,956	2,594,162	2,990,263	8,246,804
TULARE	2,264,283	6,824,531	6,268,610	1,957,855	501,138	854,808	1,003,038	352,900	1,819,482	3,501,954	2,941,942	2,379,494
TUOLUMNE	3,298,455	6,203,600	5,953,176	4,989,945	1,244,511	2,644,735	2,447,245	1,244,511	3,813,861	14,046,768	13,398,735	4,461,894
VENTURA	1,950,827	2,914,037	2,704,337	1,424,127	1,229,604	3,335,545	3,242,407	1,352,744	10,343,416	22,043,002	20,098,262	12,131,456
YUBA	632,161	1,706,856	1,703,046	1,424,127	280,804	1,040,645	1,107,921	231,660	2,200,433	2,747,501	2,810,867	2,664,639
TOTAL	\$211,070,146	\$445,347,777	\$378,370,519	\$248,039,604	\$267,003,807	\$407,735,161	\$376,842,694	\$296,893,973	\$478,073,953	\$1,173,080,838	\$1,056,271,213	\$594,743,577

We reviewed the June 30 restricted fund balances for streets and roads reported by the cities and counties for the fiscal years 1971-72 through 1977-78 to determine if any trend in these year-end balances was evident. The results of this review are displayed in Figure VI. As shown in this graph there has been a marked increase in the year-end balances during the last two fiscal years.

FIGURE VI
YEAR END STREET AND ROAD FUND BALANCES
FISCAL YEARS 1971-72 THROUGH 1977-78



We reviewed the June 30, 1978 balances to determine those cities and counties holding large balances. The following examples illustrate some of the explanations given to us for these balances.

- The City of Glendale reported a fiscal year ended June 30, 1978 balance of \$3.3 million for streets and roads. We interviewed the city's Controller and the Director of Public Works. They informed us that, while the balance was rather large at June 30, they have subsequently placed much of the balance under encumbrance (legal commitment) for large street and road projects and they expect next year's balance to be substantially lower.
- The City of Long Beach reported a June 30, 1978 balance of \$4.6 million. In discussions with city officials we were informed that Long Beach retained as much of its gas tax money as possible for capital projects, especially projects for which Federal Aid Urban (FAU) funding was available. This allows the city to maximize the dollars available to them by matching federal funds.

The city's Director of the Department of Financial Management stated that the balance was higher than normal at present, but this was because funds were being accumulated to match federal funds on several projects. The Director stated he expected the balance to drop to around \$1 million in the next year or two.

- The County of Los Angeles reported a June 30, 1978 balance of \$58 million. The Los Angeles County Deputy Road Commissioner told the Southern California Association of Governments (SCAG) that all but \$6 million of this balance was committed or encumbered for projects. The \$6 million balance was available for projects yet to be identified.

Other Specific Transportation
Fund Accumulations

Transportation funds have also accumulated from bridge tolls and additional sales taxes dedicated for public transportation. Approximately \$35.3 million in funds from these sources was available for transportation purposes as of June 30, 1978. These funds are being held to implement future capital projects, such as fixed guideway systems, and to provide for future operating needs.

We discussed these fund balances with officials in the areas where they occurred to determine the types of capital projects to be undertaken and the estimated time to complete the projects. The following are examples of projects for which the funds have been accumulated.

- Santa Clara County had an accumulation of \$26.5 million as of June 30, 1978. This accumulation is the result of the collection of a one-half cent additional sales tax for public transportation in the county.

Santa Clara County officials stated the \$26.5 million accumulation included \$3.5 million of encumbered funds, \$11.5 million reserved for fixed guideways and \$11.5 million reserved for future transit operations.

- The Metropolitan Transportation Commission (MTC) held \$8.8 million of accumulated transportation funds as of June 30, 1978. This included \$4.4 million in bridge toll funds and \$4.4 million in one-half cent sales tax funds collected in the Bay Area Rapid Transit (BART) counties.

MTC officials stated the bridge toll funds were to be used for capital projects and the sales tax funds were for operating purposes for the transit operators in Alameda, Contra Costa or San Francisco counties.

OTHER PERTINENT INFORMATION

The Chairman of the Assembly Committee on Transportation specifically requested the Auditor General to obtain facts on the local and statewide impact of specific provisions of the Transportation Development Act. Those portions of the Act are known as:

- The 50 percent expenditure limitation (PUC Section 99268)
- The local maintenance of effort requirement (PUC Section 99269)
- The 15 percent capital expenditure requirement (PUC Section 99267)
- The 500,000 population restriction (PUC Section 99232).

In addition, the Chairman requested our comments on the adequacy of the financial reporting requirements of the Act and the present method of data compilation and presentation.

The 50 Percent Expenditure Limitation

The allocation limitation--generally referred to as the 50 percent limitation--limits the amount of TDA funds an operator may receive in any fiscal year to 50 percent of the operating, maintenance and debt service expense after deducting approved federal grants expected to

be received. Because new operators are excepted from the 50 percent limitation, or by specific waiver of the requirement by the California Transportation Commission, 61 of the 87 transit systems identified as receiving TDA funds during fiscal year 1977-78 were exceeding the 50 percent threshold. Table V illustrates the number of operators by percentage category projected to receive TDA funds in excess of the 50 percent limitation.

TABLE V
FISCAL YEAR 1977-78 BUDGETED TDA FUNDS
OF THOSE SYSTEMS
NOT RESTRICTED BY THE 50 PERCENT LIMITATION*

<u>Number of Operators</u>	<u>Percentage of TDA Funds Budgeted**</u>
10	50.1 - 60%
8	60.1 - 70
15	70.1 - 80
11	80.1 - 90
<u>17</u>	90.1 - 100
<u>61</u>	

* Above operators are currently exempt from 50 percent limitation based on one or more of the following:
 Section 99268.5--Exemption for New Service
 Section 99268.7--Funds for Capital Intensive Projects
 Section 99268.8--Waiver of Expenditure Limitations.

** Percentage budgeted based on calculation as defined by Section 99268 of the PUC.

Small transit systems in rural areas appear to be affected more by the 50 percent limitation than large transit systems; however, at least two large systems have been impacted by this requirement and others may be affected in future years. The following examples illustrate the impact of this limitation:

- The Sacramento Regional Transit District was affected by the 50 percent limitation commencing with fiscal year 1977-78. The 50 percent limitation caused about \$1 million of the available TDA funds to remain unallocated during 1977-78 and an expected \$2 million to remain unallocated in fiscal year 1978-79. The district originally planned to ask local voters to approve an increase in the local sales tax for transit to alleviate this problem. As a result of the passage of Proposition 13, the district's expectation for approval of the sales tax increase has diminished and the district may have to curtail service and transit improvements in future years.
- The Orange County Transit District (OCTD) was also affected by the 50 percent limitation commencing with fiscal year 1977-78. During the two-year period, this has resulted in \$5.1 million in TDA funds remaining unallocated. As a result of the passage of Proposition 13, OCTD lost \$1.8 million in local property tax support which has aggravated the impact of the situation. The OCTD budget for fiscal year 1978-79 indicates cuts in operating expenses of \$2.2 million and cuts in its capital program of \$2.3 million.

As we reported in our prior report, Availability of Transportation Development Act Funds, several of California's transit systems may be affected by the 50 percent limitation in future years because of their budgeted use of federal funds. Table VI identifies the operators which may be affected.

TABLE VI

TRANSIT SYSTEMS RECEIVING TDA FUNDS
IN EXCESS OF 50 PERCENT LIMITATION
BUT NO MORE THAN
50 PERCENT OF TOTAL REVENUE

<u>Operator</u>	<u>Percent of TDA Funding to Total Less Federal Funding</u>	<u>Percent of TDA Funds Received to Total Revenues</u>
North San Diego County Metropolitan Transportation Development Board	75.2%	50.0%
Placer-Tahoe Area Regional Transit	78.8	22.1
San Mateo County Transit District	59.7	34.8
Corona Bus Lines	58.8	33.5
Long Beach Public Transportation Company	58.9	34.9
Montebello Municipal Bus Lines	58.8	32.8
Orange County Transit District	64.8	34.8
Sun Lines (Palm Springs)	73.9	41.3
Omnitrans (San Bernardino)	84.2	36.9
Simi Valley Bus Lines	69.8	25.0
Torrance Municipal Bus Lines	61.8	43.9
Sacramento Regional Transit District	55.8	40.9
Merced Transit	82.4	44.9
Modesto Transit	78.0	29.9
Monterey Peninsula Transit	59.8	32.5
Santa Cruz County	98.8	33.5
Tracy Bus Lines	54.9	48.0
Turlock Bus Lines	64.3	43.8

Over the next several years the 61 operators now exempt from the 50 percent limitation will be required to meet the limitation. Transit operators and transportation planning agencies we visited have expressed concern that in light of the passage of Proposition 13 there is little possibility of obtaining local support to make up the lost TDA funding. Many of these transit systems are small rural operators, often providing services to the elderly and handicapped.

Transit operators and transportation planning agencies have stated that, if they did not have to meet the 50 percent limitation, many of the small transit systems would currently have sufficient TDA funds to continue their operations indefinitely. If they are required to meet this limitation it is felt these systems will cease or curtail operations as local support is no longer available. This would probably result in the accumulation of additional TDA funds in future years.

Local Maintenance of Effort Requirement

PUC Section 99269 states an operator may not receive TDA funding unless local support is maintained at a level equal to or greater than the average local support of the prior two years. This local support excludes fares and funds allocated from the State and Local Government Fiscal Assistance Trust Fund.

For those transit systems receiving major local support from property taxes, this provision became a critical issue after the passage of Proposition 13. Operators previously receiving local support from property taxes would have been unable to qualify for TDA money under PUC Section 99269. The Legislature, however, recognized the immediate impact of this situation and enacted Senate Bill 1900, Chapter 409 of the Statutes of 1978. This provided for a moratorium of this provision until July 1, 1980 and temporarily relieved the problem for this period.

The transit systems in the San Francisco Bay Area would have been severely impacted by this situation. The following example of the potential impact of this provision was provided us by the Metropolitan Transportation Commission.

- The total budget for the three operators directly impacted by Proposition 13 (A/C Transit [Alameda/Contra Costa], BART, and SF Muni) was \$238 million. Without the moratorium and the state "bail-out" money, the passage of Proposition 13 would have resulted in a loss of \$67 million in property tax funds to these operators. In addition to this loss other state and federal funds would have been lost because local matching funds would no longer have been available.

The total budget reduction for these three operators would have been 42 percent, a dollar reduction of \$101 million.

An MTC official stated that if Senate Bill 1900 had not been passed and the State "bail-out" money not received by the local agencies, SF Muni Service would have been drastically curtailed and A/C Transit may have closed down entirely.

Representatives of the large transportation planning agencies and transit operators have stated that a permanent form of relief will be necessary as it is unlikely that any new form of local support will be found to replace the property taxes. If this provision is reinstated on July 1, 1980 operations of both A/C Transit District (Alameda/Contra Costa) and San Francisco Muni would be severely impacted. This could result in substantial service cutbacks and curtailment for both systems.

The 15 Percent Capital Expenditure Requirement

Section 99267 of the PUC specifies that at least 15 percent of the TDA funds received shall be used for capital expenditures. An operator in a city and county with a population of 700,000 or more shall use at least 75 percent of such funds for capital expenditures, except that other funds allocated to the city and county for capital expenditures on public transportation systems may be applied to meet this requirement.

We reported on this provision in our report to the California Legislature—Availability of Transportation Development Act Funds. At that time we stated that this provision had not caused significant TDA fund accumulations, nor was it likely to in the future. We indicated that sufficient flexibility in the language of the provision allows operators to meet the requirement with little difficulty.

During our current study we reevaluated the impact of this provision with the agencies we visited and determined that our original findings on this provision were still valid.

The 500,000 Population Restriction

As stated in our previous report, Section 99232 of the PUC restricts the expenditure of TDA fund apportionments to pedestrian and bicycle facilities and public transportation claims in counties with populations of 500,000 or more.

We visited certain transportation planning agencies and operators in counties affected by this provision. We also visited operators and officials in two of the counties which expect to be affected by this provision commencing with the 1980 census. Portions of counties in the Comprehensive Planning Organization (San Diego) region and the Metropolitan Transportation Commission (San Francisco Bay Area) region have accumulated millions of dollars in unallocated TDA funds largely as a result of this provision.

Presently, Ventura County and Riverside County are not bound by the restrictions of PUC Section 99232, but commencing with the 1980 census these counties expect to exceed the 500,000 population threshold. Currently, the transit systems in these counties are able to finance their entire transit operations from a combination of farebox revenue, a portion of allocated TDA funds and federal funding. Therefore, requiring that all

TDA funds available in these areas be used for transit may not be warranted and could result in TDA funds continuing to accumulate. Local officials said they expect TDA funds to accumulate as a result of the current restrictions on the expenditure of TDA funds. Because of the local geographic and demographic characteristics, the areas may not warrant increased levels of transit service.

Allocation and Apportionment
Restrictions in Combination
May Result in Unallocated Funds

The manner in which TDA funds are apportioned and allocated within a county can result in unallocated funds. We identified at least two regions where several million dollars in unallocated funds resulted from the limitations on apportionments and allocations.

The two provisions of the TDA which in combination have significant impact on the unallocated balances are (1) PUC Section 99268, the 50 percent limitation, and (2) PUC Section 99232, the apportionment restriction (also known as the 500,000 population restriction).

The 50 percent limitation and the apportionment restriction have caused TDA funds to accumulate when (1) TDA funds available for transit exceed what local governments consider necessary, (2) there is not sufficient local support to maximize the use of TDA funds or (3) counties of over 500,000 population have TDA funds apportioned to locations within the county where there is a lower need for transit than the available funds will support.

The following examples illustrate how the combined apportionment and allocation limitations have caused unallocated TDA funds.

- At the present time, portions of Contra Costa County and Alameda County are outside the A/C Transit District and are not served by BART. Some cities and unincorporated areas of Contra Costa County and Alameda County have elected to contract for services or operate their own municipal transit services. In other areas, there is little or no transit service.

The areas of Alameda County and Contra Costa County not within the Transit District have accumulated \$14 million in unallocated funds because each county exceeds 500,000 in population and TDA funds are restricted to public transit only. Some cities and unincorporated areas are receiving TDA funds in excess of the relative transit needs of the area.

The Metropolitan Transportation Commission believes that the 50 percent limitation has slowed or discouraged development of public transit service in Eastern Contra Costa County and Alameda County. Some localities in these areas have initiated small transit systems or contracted for transit service. These systems are new and not yet subject to the 50 percent requirement. MTC expects that the existing services outside of the A/C Transit District will be curtailed or terminated, as each of the areas concerned is affected by the allocation limitation and local support is required for continued operations.

- San Diego County reported unallocated funds of \$16.2 million at June 30, 1977. The majority of this accumulation occurs in the southern portion of the county served by the San Diego Transit Corporation (SDTC). In the future the San Diego Transit Development Board will serve this area.

A substantial portion of the unallocated local transportation fund balance results from two situations. First, SDTC is not a transit district and must negotiate separate contracts with the county and cities which it services. Available TDA funds are apportioned directly

to these communities rather than to SDTC. The cities of San Diego and National City use all available TDA funds for transit services. The remaining communities have chosen to contract for less services than the available TDA funds will provide. In some cases these cities provide additional transit service with their own intracity system. Because of provisions of the 500,000 population limitation, any remaining funds not used for public transportation remain unallocated.

Financial Reporting Requirements

At the present time numerous reports are prepared reflecting the transportation activities carried on in the State. These reports include (1) the Financial Transactions Concerning Streets and Roads of Cities and Counties of California, prepared annually by the State Controller's Office and (2) the Transportation Development Act Annual Report, prepared by the California Department of Transportation (Caltrans).

These reports contain substantial financial data regarding the receipt and expenditure of public funds for street and road activities and public transportation operations. However, in the case of the TDA Annual Report, the information included in the report is often not timely, as the report is issued one year after the close of the fiscal year reported; and the information included in the report does not reflect the actual audited results of operations of the transit operators in the majority of cases.

The current deficiencies in the TDA Annual Report are the result of (1) the reporting requirement provisions currently in the California Administrative Code and (2) deficiencies in the data provided by the transportation planning agencies and transit operators. The administrative code requires the transportation planning agencies to report prior to receiving audited financial data from the transit operators for the fiscal year just ended. Therefore, the information received by the transportation planning agencies from the operators and forwarded to Caltrans is tentative and is often subsequently proven inaccurate.

In addition, in many cases the proposed budget data provided in the report vary greatly from the actual financial transactions reported by the transit operator for the same period. In prior reviews, transit operators stated they compiled the data quickly to satisfy the transportation planning agency and Caltrans. They conceded it is likely to be inaccurate and does not meaningfully represent actual operations.

As a result of the untimely nature of the TDA Annual Report and the potential inaccuracies, it currently does not provide reliable financial data for legislative decision making purposes.

Conversely, our review of the Annual Report on the Financial Transactions Concerning Streets and Roads indicates the document to be comprehensive and timely. The timeliness and accuracy of this report is enhanced by the fact that the Controller's Office has enforcing authority

regarding reporting and accuracy requirements, which is not true in the case of Caltrans and the TDA Annual Report.

Conclusions

This update of the data and reevaluation of the issues indicates that the conclusions and recommendations we made in our report to the California Legislature—Availability of Transportation Development Act Funds—are still valid.

The impact of the passage of Proposition 13 will be most critical in the areas of (1) the 50 percent limitation (PUC Section 99268) and (2) the requirement of maintenance of local support (PUC Section 99269). With the apparent substantial cutbacks in the availability of local support for public transportation, the Legislature may wish to consider alternatives which would provide greater flexibility to the funds made available by the TDA and best utilize the existing accumulations of TDA funds.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

Date: December 1, 1978

Staff: William M. Zimmerling, CPA, Supervising Auditor
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November 30, 1978

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- TRANSPORTATION

Mr. John H. Williams
 Auditor General
 Joint Legislative Audit Committee
 California Legislature
 Suite 750
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 Sacramento, CA 95814

Dear Mr. Williams:

Thank you for the opportunity to review the draft copy of your report "Availability of Transportation Funds". We have reviewed the draft and we are not in disagreement with the contents of the text.

We did note, however, that there is a labeling error on Page 10, Figure 4 "Monies Made Available for County Road Purposes by Source". This causes the information to be inconsistent with the Controller's Annual Report "Financial Transactions Concerning Streets and Roads of Cities and Counties of California".

Sincerely,

ALAN L. STEIN
 Secretary
 Business and Transportation Agency