

**REPORT BY THE
STATE AUDITOR
OF CALIFORNIA**

**A REVIEW OF THE STATE'S ALLOCATIONS AND
EXPENDITURES OF THE ADDITIONAL TRANSPORTATION
FUNDS MADE AVAILABLE BY THE 1989
TRANSPORTATION BLUEPRINT LEGISLATION**



CALIFORNIA STATE AUDITOR
BUREAU OF STATE AUDITS

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March 1, 1994

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

Dear Governor and Legislative Leaders:

The Bureau of State Audits presents its audit report prepared under contract with R & G Associates concerning the allocations and expenditures of the additional transportation funds made available by the 1989 Transportation Blueprint Legislation. This report concludes that the Department of Transportation and the California Transportation Commission have established adequate policies and procedures to give reasonable assurance that the State allocates and spends the additional transportation funds only for the transportation programs authorized by the 1989 Transportation Blueprint Legislation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Kurt R. Sjoberg".

KURT R. SJOBERG
State Auditor

Summary

Results in Brief

Based on our review, we found for fiscal years 1991-92 and 1992-93 that allocations and expenditures at the state level of the additional transportation funds made available by the 1989 Transportation Blueprint Legislation were for authorized purposes only. Specifically, we arrived at the following conclusions:

- The Department of Transportation (department) and the California Transportation Commission (commission) have established adequate policies and procedures to give reasonable assurance that the State allocates and spends the additional transportation funds only for the transportation programs authorized by the 1989 Transportation Blueprint Legislation. Also, the purposes of the transportation projects included in the plans prepared by the department and commission are authorized by the legislation.
- The Resources Agency (agency), the department and the commission have established adequate policies and procedures to give reasonable assurance that the State allocates and spends the additional transportation funds only for the environmental programs authorized by the 1989 Transportation Blueprint Legislation. Also, the purposes of the environmental projects included in the recommended lists prepared by the agency are authorized by the legislation.
- During fiscal years 1991-92 and 1992-93, the State allocated and spent the additional transportation funds made available by the 1989 Transportation Blueprint Legislation for authorized purposes only. These allocations and expenditures also complied with the guidelines and controls of the department, the commission and the agency.

Background

In 1989, the Legislature and the governor approved Chapters 105, 106, and 108 of the Statutes of 1989. These statutes included provisions for generating, over a ten year period, an estimated \$18.5 billion in additional funds for transportation. Amending the Government Code, the Revenue and Taxation Code, the Streets and Highways Code, and other codes, these statutes became effective when the 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) in June 1990. The codes, as amended by Chapters 105, 106, and 108, Statutes of 1989, and as subsequently amended, are collectively referred to in this report as the 1989 Transportation Blueprint Legislation.

The 1989 Transportation Blueprint Legislation authorizes various purposes for which the State must use the additional funds. These purposes include funding transportation programs that are part of the planning documents of the following programs: the State Transportation Improvement Program (STIP), the Highway Systems Operation and Protection Plan Program (HSOPP), and the Traffic Systems Management Program (TSM). Other purposes specified in the legislation include the Environmental Enhancement and Mitigation Program (EE&M), the State-Local Transportation Partnership Program (SLTPP), and Transit Capital Improvement Program (TCI). The legislation also provides for disbursements of transportation funds to cities and counties for local transportation. (In 1992, after the 1992 HSOPP was adopted, the legislature changed the name of this program to State Highway Operation and Protection Program.)

In general, the additional transportation funds provided by the 1989 Transportation Blueprint Legislation are allocated by the commission and spent by the department and the State Controller's Office. Specifically, when a transportation project within the STIP, the HSOPP, or the TSM is ready for implementation, the commission may obligate transportation funds for the project. In addition, annually starting in fiscal year 1991-92, the commission obligates transportation funds for EE&M grants from a recommended list provided by the Resources Agency. The commission's obligation of transportation funds is referred to as an allocation. The department then spends the transportation funds the commission has previously allocated for the STIP, the HSOPP, the TSM, and the EE&M. The department also spends transportation funds for the other transportation programs not

subject to allocation by the commission. Finally, the State Controller's Office disburses transportation funds directly to cities and counties. The State Controller's disbursements are not subject to allocation by the commission.

The State's Policies and Procedures Provide an Adequate Basis for Allocating and Spending Additional Transportation Funds

We found that the commission's, the department's and the agency's guidelines and controls provide adequate policies and procedures to give reasonable assurance that the State allocates and spends the additional transportation funds at the state level only for authorized programs. The authorized programs consist of various transportation and environmental programs of the STIP, the HSOPP, the TSM, and the EE&M. We also found that the plans the department and the commission prepared comprise only transportation projects for purposes authorized by the 1989 Transportation Blueprint Legislation and that they comply with the related guidelines. Also the EE&M recommended lists the agency prepared comprise only environmental projects for purposes authorized by the 1989 Transportation Blueprint Legislation and that they comply with the related guidelines.

In Fiscal Years 1991-92 and 1992-93 the State Allocated and Spent Additional Transportation Funds Only for Authorized Purposes

We found that the commission's allocations at the state level of additional transportation funds during fiscal years 1991-92 and 1992-93 were made only for purposes authorized by the 1989 Transportation Blueprint Legislation and applicable guidelines. Further, the allocations were made only for projects that had been included in applicable plans and agency prepared EE&M recommended lists. We also found that the department's expenditures during fiscal years 1991-92 and 1992-93 for the STIP, the HSOPP, the TSM, the EE&M, the SLTPP, and TCI were only for purposes authorized by the legislation and that they complied with the terms of the commission's allocations. Finally, based on the Bureau of State Audits review, they found that the State Controller's Office calculated disbursements of additional transportation funds to local governments in accordance with the legislation.

Agency Comments

The Business, Transportation and Housing Agency, the Resources Agency and the Board of Equalization concur with the conclusions in our report.

Introduction

In 1989, the Legislature and the Governor approved Chapters 105, 106, and 108 of the Statutes of 1989. Amending the Government Code, the Revenue and Taxation Code, the Streets and Highways Code, and other codes, these statutes became effective when the 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) in June 1990. The codes, as amended by Chapters 105, 106, and 108, Statutes of 1989, and as subsequently amended, are collectively referred to in this report as the 1989 Transportation Blueprint Legislation.

The 1989 Transportation Blueprint Legislation includes provisions for generating additional sources of funds for transportation needs. It also creates a transportation funding plan that governs the use of the additional funds. Specifically, the legislation and the guidelines prepared, as required by the legislation, include specific requirements the State must follow in allocating and spending these additional funds.

We contracted with the Bureau of State Audits to review the State's allocations and expenditures at the state level of the additional transportation funds made available by the 1989 Transportation Blueprint Legislation, as required by Government Code, Section 14525.6, as amended by Government Code, Section 8546.8. The aim of this review was to determine whether the purposes for which those funds were allocated and spent during fiscal years 1991-92 and 1992-93, conform to the requirements of the 1989 Transportation Blueprint Legislation.

**Sources of the
Additional
Transportation
Funds**

The 1989 Transportation Blueprint Legislation included provisions for generating additional transportation funds estimated at \$18.5 billion for the ten fiscal years beginning on July 1, 1990. The sources of the additional transportation funds are increased fuel tax revenues, sales tax revenues, commercial vehicle weight fees, and proceeds from general obligation bonds. Specifically, the legislation increased the gasoline and diesel fuel tax rates by five cents per gallon on August 1, 1990, and by an additional one cent on every January 1 thereafter, through 1994. These increases in fuel tax rates also result in increased sales tax revenues because the sales tax applies to the cost of the fuel plus the amount of the fuel tax. In addition, the legislation increased weight fees on most commercial vehicles by 40 percent on August 1, 1990, and will increase them by an additional 10 percent beginning on January 1, 1995. Finally, the legislation authorized three separate \$1 billion rail bond acts to be submitted for voter approval in June 1990, November 1992, and November 1994. In June 1990, voters approved the increases in fuel taxes and weight fees and authorized the first \$1 billion rail bond act. In November 1992, voters defeated the bond issue for the second \$1 billion.

According to the California Transportation Commission's (commission) 1990 annual report, the additional transportation funds that the 1989 Transportation Blueprint Legislation provides would result in the estimated increases identified in Figure 1.

Figure 1

**Estimated Additional
Funds by Source**
Fiscal Years 1990-91 through 1999-2000

**Estimated Additional
Funds by Source**
(In Millions)

Sales tax revenues	\$ 500
Commercial vehicle weight fees	2,000
Proposition 108 rail bonds	3,000 (a)
Fuel tax revenues	13,000
Total	<u>\$18,500</u>

- (a) As of June 30, 1993, the voters have approved only \$1 billion of this amount. In November 1992, voters defeated the bond issue for the second \$1 billion. In addition, this amount does not include approximately \$2 billion of bonds authorized by the Clear Air and Transportation Improvement Act of 1990 (Proposition 116) which the voters approved in June 1990. Proposition 116 funds were not part of our review.

Source: The California Transportation Commission's 1990 Annual Report.

The \$18.5 billion is an estimate of the anticipated additional transportation funds that the 1989 Transportation Blueprint Legislation will provide for the ten-year period. However, the legislation states that periodic revisions of the estimated amount of these additional funds will be necessary. Appendix A, Table A-1, shows approximately \$1,579 million of additional transportation funds collected in fiscal year 1991-92, and \$1,319 million in fiscal year 1992-93.

**Uses of
Additional
Transportation
Funds**

The 1989 Transportation Blueprint Legislation authorizes various purposes for which the State must use the additional funds. These purposes include those of the State Transportation Improvement Program (STIP), which comprises all major projects in the following programs:

- **Flexible Congestion Relief Program.** A program to reduce or avoid congestion on existing transportation systems by increasing their capacities;
- **Interregional Road System Program.** A program to improve state highways outside of urban areas;
- **Retrofit Soundwalls Program.** A program to place soundwalls along existing state freeways to reduce noise levels;
- **Intercity Rail Program.** A program to provide and enhance rail transportation for specified urban corridors; and
- **Commuter and Urban Rail Transit Program.** A program to provide rail transportation for medium distance home-to-work and urban passengers.

Other purposes authorized by the 1989 Transportation Blueprint Legislation are the following:

- **Highway Systems Operation and Protection Plan Program (HSOPP).** A program that provides for rehabilitation, safety improvements, and other minor improvements of the state highway system;
- **Traffic Systems Management Program (TSM).** A program to provide solutions for congestion relief on the state highway system in urban areas;
- **Environmental Enhancement and Mitigation Program (EE&M).** A program designed to fund projects that will enhance the environment surrounding transportation facilities and mitigate the environmental impact of proposed transportation improvements;
- **State-Local Transportation Partnership Program (SLTPP).** A program intended to provide matching funding to local governments for locally funded and constructed transportation projects; and
- **Transit Capital Improvement Program (TCI).** Programs to provide funding for various planning, ride sharing, and public transportation needs.

Finally, the 1989 Transportation Blueprint Legislation provides for disbursements of a portion of fuel tax revenues to cities and counties for local transportation. The legislation requires the State Controller's Office to disburse these funds directly to individual cities and counties according to formulas defined by state law.

Allocation and Expenditure of Additional Transportation Funds

In general, the additional transportation funds provided by the 1989 Transportation Blueprint Legislation are allocated by the commission and spent by the Department of Transportation (department) and disbursed by the State Controller's Office. Specifically, when a transportation project within the STIP, the HSOPP, or the TSM is ready for implementation, the commission may obligate transportation funds for the project. In addition,

annually, starting in fiscal year 1991-92, the commission obligates transportation funds for EE&M grants from a recommended list provided by the Resources Agency (agency). The commission's obligation of transportation funds is referred to as an allocation. The department then spends the transportation funds that the commission has previously allocated for the STIP, the HSOPP, the TSM, and the EE&M. The department also spends transportation funds for the other transportation programs not subject to allocation by the commission.

The department's expenditure of transportation funds includes payments that the department makes directly to contractors for services and payments that the department makes to reimburse local governments for services they incur. Finally, the State Controller's Office disburses transportation funds directly to cities and counties. The State Controller's Office disbursements are not subject to allocation by the commission.

The 1989 Transportation Blueprint Legislation and the guidelines that were prepared as required by the legislation include specific requirements the commission must follow in allocating and that the department and the State Controller's Office must follow in spending the additional transportation funds generated by the legislation. These requirements include specifications of project types and costs, geographic areas, and highway and railway corridors for which the commission may allocate and the department may spend funds. In addition, the requirements specify the formulas that the State Controller's Office must use in calculating its disbursements of funds to cities and counties.

Further, the 1989 Transportation Blueprint Legislation specifies that in most cases the commission may only allocate funds to individual transportation projects included in the planning documents for the STIP, the HSOPP, and the TSM. According to the STIP/Regional Transportation Improvement Program development guidelines and the TSM guidelines, the department and local transportation agencies should work together to develop these planning documents so that the documents include only the eligible projects the commission should consider for allocation. The 1989 Transportation Blueprint Legislation also specifies that the commission may allocate funds for the recommended individual EE&M grants.

**The Ten-Year
Funding Plan
and Fiscal
Years 1991-92 and
1992-93
Allocations and
Expenditures**

The 1989 Transportation Blueprint Legislation established a ten-year state transportation funding plan, which began on July 1, 1990. The funding plan mandates that the State spend the additional funds generated by the legislation over the ten years from July 1, 1990, to June 30, 2000, for the purposes authorized by the legislation. Figure 2 illustrates the legislation's funding plan.

Figure 2

**Funding Plan in the 1989
Transportation Blueprint Legislation
Fiscal Years 1990-91 through 1999-2000
(In Millions)**

State Transportation Improvement Program:	
Flexible Congestion Relief Program	\$ 3,000
Interregional Road System Program	1,250
Retrofit Soundwall Program	150
Intercity Rail and Commuter and Urban Rail Transit Programs	3,000
Funding of the 1988 State Transportation Improvement Program Shortfall	3,500
Other Programs	
Highway Systems Operation and Protection Plan Program	1,000
Traffic Systems Management Program	1,000
Environment Enhancement and Mitigation Program	100
State-Local Transportation Partnership Program	2,000
Transit Capital Improvement Program	500
Disbursements to Cities and Counties	3,000
	<hr/>
Total	\$18,500

In addition to the transportation funds made available by the funding plan of the 1989 Transportation Blueprint Legislation, other state transportation funds were available from sources existing prior to the enactment of the legislation. The legislation established a plan governing the allocation and expenditure of both the funds made available by the legislation and those existing prior to the legislation. Therefore, the commission combines these funds when it makes allocations. The commission allocated approximately \$1,630 million of these state transportation funds to transportation and environmental projects during fiscal year 1991-92 and \$704 million in fiscal year 1992-93, as shown in Appendix B.

During fiscal years 1991-92 and 1992-93, the State spent a total of approximately \$1,098 million and \$1,524 respectively of the additional transportation funds made available by the 1989 Transportation Blueprint Legislation, as shown in Appendix C. These expenditures of approximately \$1,098 million in fiscal year 1991-92 included approximately \$452 million in expenditures that were not subject to allocation by the commission; and of the approximately \$1,524 million in fiscal year 1992-93 included approximately \$536 million in expenditures that were not subject to allocation by the commission.

Scope and Methodology

In conducting our review, we evaluated the commission's and the department's policies for allocating and spending additional transportation funds. Specifically, we reviewed the guidelines and controls of the department and the commission that provide policies for identifying and prioritizing transportation projects and for spending additional transportation funds. Our aim was to determine whether the guidelines and controls provide a reasonable assurance that the commission allocates and the department spends additional transportation funds only for purposes that meet the requirements of the 1989 Transportation Blueprint Legislation. We also reviewed the plans that identify transportation projects for which the commission allocates and the department spends transportation funds to determine whether the purpose of the projects included in the plans meet the legislation's requirements.

We also reviewed the guidelines and controls of the agency that provide policies for identifying and prioritizing environmental projects. And, we reviewed the agency prepared EE&M recommended lists that identify environmental projects for which the commission allocates and the department spends transportation funds to determine whether the purpose of the projects included in the lists meet the legislation's requirements.

To determine whether, in fiscal years 1991-92 and 1992-93, the commission allocated transportation funds for transportation projects that met the purposes authorized by the 1989 Transportation Blueprint Legislation, and the guidelines, plans and lists, we reviewed the provisions of a sample of allocations for each fiscal year for each of the STIP's various programs, as well as allocations for the HSOPP, the TSM and EE&M grants.

To determine whether, in fiscal years 1991-92 and 1992-93, the department spent transportation funds for purposes conforming to the requirements of the 1989 Transportation Blueprint Legislation, we reviewed a sample of expenditures of the transportation funds for the STIP, the HSOPP, the TSM, EE&M grants, the SLTPP, and TCI.

Finally, to determine whether the State Controller's Office calculated its disbursements of transportation funds to cities and counties in accordance with the formulas in the 1989 Transportation Blueprint Legislation, the Bureau of State Audits reviewed the calculation of a sample of disbursements made during fiscal years 1991-92 and 1992-93.

Chapter 1

The State's Policies and Procedures Provide an Adequate Basis for Allocating and Spending Additional Transportation Funds for the Purposes Authorized by the 1989 Transportation Blueprint Legislation

Chapter Summary

We found that the Department of Transportation's (department), the California Transportation Commission's (commission) and the Resources Agency's (agency) policies and procedures provide reasonable assurance that the State allocates and spends the additional transportation funds only for the transportation programs authorized by the 1989 Transportation Blueprint Legislation. In addition, we found that the purposes of the transportation projects included in the plans prepared by the department and the commission were authorized by the legislation. We also found that the purposes of the Environmental Enhancement and Mitigation (EE&M) projects included in the recommended lists prepared by the agency were authorized by the legislation.

Program Guidelines Provide Adequate Policies and Procedures

The department's and the commission's guidelines and controls provide adequate policies and procedures for implementing the various transportation programs of the State Transportation Improvement Program (STIP), the Highway Systems and Operations Protection Plan Program (HSOPP), and Traffic Systems Management Program (TSM). The 1989 Transportation Blueprint Legislation required the department to prepare and the commission to approve in cooperation with local transportation agencies the following guidelines for the STIP: STIP/Regional Transportation Improvement Program development guidelines, Flexible Congestion Relief Program guidelines, Intercity Rail Program guidelines, and Commuter and Urban Rail Transit Program guidelines. In addition, the legislation required the department to prepare and the commission to approve guidelines for the TSM.

Also, the legislation required the agency to develop procedures and criteria to be used by the agency in evaluation of project applications for EE&M grants. These procedures and criteria are published as annual guidelines by the agency. For fiscal years 1991-92 and 1992-93, these guidelines provide adequate controls,

procedures and criteria for implementing the EE&M program.

Further, the policies and procedures included in the guidelines for the STIP, the HSOPP, the TSM and the EE&M provide an adequate basis for the commission to allocate and the department to spend transportation funds for the purposes of the STIP, the HSOPP, the TSM and the EE&M as authorized by the 1989 Transportation Blueprint Legislation. Specifically, the guidelines provided adequate policies for identifying transportation and environmental projects that meet the purposes of the STIP, the HSOPP, the TSM and the EE&M defined by legislation. They also provide adequate criteria for prioritizing the eligible projects, procedures for identifying projects' costs, and policies for allocating available transportation funds to the eligible projects.

For example, the TSM guidelines provide policies and procedures the commission and the department must follow when identifying projects that meet the purpose of the TSM as authorized by the 1989 Transportation Blueprint Legislation. Among other things, these policies specify the geographic areas in which the TSM projects may take place and the types of streets and highways that may be included in the projects. Further, based on the definition of the purpose of the TSM in the legislation, the policies in the guidelines define the types of projects and the types of costs that meet the purposes of the TSM. The TSM guidelines also provide project evaluation criteria the department must use in prioritizing the TSM projects. Finally, the guidelines provide the procedures that the commission and the department must follow to ensure that the planning of transportation projects is completed prior to allocating and spending transportation funds. These policies and procedures contained in the TSM guidelines provide reasonable assurance that the commission and the department are implementing the TSM according to the 1989 Transportation Blueprint Legislation.

**Transportation
Program Plans
Include
Authorized
Projects**

Based on our review, we found that the plans the department and the commission prepared include only transportation projects for purposes conforming with the requirements of the 1989 Transportation Blueprint Legislation and related guidelines. The legislation required the commission to adopt a plan for the 1990 and subsequent STIPs that included transportation projects that meet the purposes of the various subprograms of the STIP, such as the Flexible Congestion Relief Program and the Interregional Road System Program. Further, the legislation required the department to prepare plans for the 1990 and subsequent HSOPPs and the fiscal year 1990-91 and subsequent TSMs to include transportation projects that meet the purposes of the HSOPP and the TSM, respectively.

The detailed descriptions of each of the 90 projects we reviewed from the plans for the 1992 STIP, the 1992 HSOPP, and the fiscal years 1991-92 and 1992-93 TSMs met specific purposes of the applicable transportation programs as defined by the 1989 Transportation Blueprint Legislation and the applicable guidelines. The projects we reviewed from the plan for the STIP included projects of the following programs: the Interregional Road System Program, the Flexible Congestion Relief Program, the Intercity Rail Program, the Commuter and Urban Rail Transit Program, and the Retrofit Soundwalls Program.

Based on our review, we found that the projects described in plans for the STIP were located in geographic areas and on highway and railway corridors allowed by the 1989 Transportation Blueprint Legislation and applicable guidelines. For example, all of the projects we reviewed for the Interregional Road System Program were located on routes outside of urbanized areas, as authorized.

Further, we found that the project types and project costs described in the plans for the STIP and the TSM were in accordance with purposes defined in the 1989 Transportation Blueprint Legislation. For example, all of the TSM project types and costs we reviewed were for projects such as improving intersections or placing meters on freeway on-ramps, purposes authorized by the legislation and the TSM guidelines. Finally, we found that the projects described in the plans for the HSOPP were for rehabilitation, safety, and other minor improvements of the state highway system, as required.

**EE&M Grants
Include
Authorized
Projects**

Based on our review, we found that the recommended lists of EE&M projects prepared by the agency for fiscal years 1991-92 and 1992-93 include only projects for purposes conforming with the requirements of the 1989 Transportation Blueprint Legislation and the guidelines. Specifically, we found that the recommended projects were to agencies and for environmental enhancement or mitigation purposes defined in the legislation.

The detailed descriptions of each of the 10 projects we reviewed in each of the fiscal years from the recommended lists met specific purposes of the EE&M program as defined by the 1989 Transportation Blueprint Legislation and the EE&M guidelines.

Conclusion

We conclude that the department's and the commission's guidelines, planning documents, and controls provide reasonable assurance that the State allocates and spends additional transportation funds only for the transportation programs authorized by the 1989 Transportation Blueprint Legislation. In addition, we conclude that the purposes of the transportation projects included in the plans prepared by the department and the commission, and the EE&M recommended lists of projects prepared by the agency were authorized by the legislation.

Chapter 2

In Fiscal Years 1991-92 and 1992-93 the State Allocated and Spent Additional Transportation Funds Only for Purposes Authorized by the 1989 Transportation Blueprint Legislation

Chapter Summary

We found that during fiscal years 1991-92 and 1992-93, the State allocated and spent at the state level the additional transportation funds made available by the 1989 Transportation Blueprint Legislation for authorized purposes only. These allocations and expenditures were in compliance with the guidelines and controls of the Department of Transportation (department), the California Transportation Commission (commission) and the Resources Agency (agency).

The Commission's Allocations Were for Authorized Purposes

The 1989 Transportation Blueprint Legislation requires the commission to allocate transportation funds to projects of the State Transportation Improvement Program (STIP), the Highway Systems and Protection Plan Program (HSOPP), and the Traffic Systems Management Program (TSM). The legislation and the guidelines prepared by the department and approved by the commission as required by the legislation specify the purposes for which the commission should allocate transportation funds. The legislation states that in most cases the commission can allocate transportation funds only to projects in the plans for the STIP, the HSOPP, and the TSM. Also, the 1989 Transportation Blueprint Legislation requires the commission to allocate transportation funds to Environmental Enhancement and Mitigation (EE&M) projects from an annual list recommended by the agency.

We reviewed a total of 69 allocations in fiscal year 1991-92 and 71 allocations in fiscal year 1992-93 for projects from the 1990 and 1992 STIPs and the HSOPPs, and the fiscal years 1991-92 and 1992-93 TSMs, as amended. We found that these allocations were made only for project types, geographic areas, and highway and rail corridors, and had project costs, that complied with purposes defined in the legislation and applicable guidelines. For example, all of the allocations for projects of the Commuter and Urban Rail Transit Program that we reviewed were for projects such as the acquisition of land for rail facilities and the acquisition

of trains, which are purposes authorized by the legislation and the Commuter and Urban Rail Transit Program guidelines. Further, all of the allocations for the Commuter and Urban Rail Transit Program that we reviewed were for projects located on authorized routes. Finally, in compliance with the legislation, the amount of funds allocated for projects of the Commuter and Urban Rail Transit Program did not exceed the limit of 50 percent of the nonfederal share of the total project costs for any of the projects we reviewed.

In addition, each of the 69 allocations in fiscal year 1991-92 and 71 allocations in fiscal year 1992-93 we reviewed was for a transportation project included in the applicable plan and subsequent amendments. For example, each of the allocations for projects for the STIP's subprograms was appropriately included in the STIP or subsequent amendments.

We also reviewed a total of 10 allocations for each fiscal year for projects from the agency prepared EE&M recommended lists. We found that these allocations were made only for projects that complied with the purposes defined in the legislation and the EE&M guidelines developed by the agency.

**The
Department's
Expenditures
Were for
Authorized
Purposes**

The 1989 Transportation Blueprint Legislation specifies the purposes for which the department can spend additional transportation funds. To determine whether the department spent the additional funds for required purposes, we reviewed a total of 113 expenditures in fiscal year 1991-92 and 120 expenditures in fiscal year 1992-93 of transportation funds by the department for the STIP, the HSOPP, the TSM, the EE&M, the State-Local Transportation Partnership Program (SLTPP), and the Transit Capital Improvement Program. The expenditures we reviewed complied with the requirements of the legislation. In addition, all 88 of the 113 expenditures in fiscal year 1991-92 and 95 of 120 expenditures in fiscal year 1992-93, subject to the commission's allocation, complied with the terms of the allocations.

For example, the department properly spent additional transportation funds for projects that we reviewed of the SLTPP for which local governments had requested funding. Specifically, for the projects we reviewed, the department appropriately applied the criteria defined in the 1989 Transportation Blueprint Legislation for determining their eligibility for funding and approved funding for

only those projects meeting the criteria. Further, the department's calculation and disbursement of funds to local governments for the projects was based on ratios required by the legislation.

**Disbursements
by the State
Controller's
Office Followed
the Correct
Formulas**

The 1989 Transportation Blueprint Legislation specifies the formulas the State Controller's Office must use to calculate the disbursement of additional transportation funds to local governments. The Bureau of State Audits reviewed 23 disbursements in fiscal year 1991-92 and 22 disbursements in fiscal year 1992-93 of additional transportation funds to local governments for local transportation that the State Controller's Office calculated and disbursed. Each of the disbursements they reviewed was calculated and disbursed according to the requirements in the legislation. Specifically, each of the disbursements of additional fuel tax revenues to cities and counties that they reviewed were calculated and disbursed using the formulas required by the legislation. These formulas are based on factors such as population within the city's boundaries and the number of vehicles registered and miles of road within the county's boundaries.

Conclusion

We conclude that during fiscal years 1991-92 and 1992-93 the State allocated and spent at the state level the additional transportation funds made available by the legislation only for authorized purposes. These allocations and expenditures were in compliance with the guidelines and controls of the Department of Transportation, the California Transportation Commission and the Resources Agency.

We conducted this review under the authority vested in the Bureau of State Audits by Government Code, Section 14525.6, as amended by Government Code, Section 8546.8 and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Appendix A Collections of Additional Transportation Funds

Fiscal years 1991-92 and 1992-93 are the second and third years covered by the 1989 Transportation Blueprint Legislation's ten-year state transportation funding plan. As illustrated in Table A-I, the additional sources of transportation funds that the 1989 Transportation Blueprint Legislation provided have resulted in the collection of approximately \$1,579 million during fiscal year 1991-92 and approximately \$1,319 million during fiscal year 1992-93.

Table A-I **Schedule of Additional Transportation Funds Collected**
Fiscal Years 1991-92 and 1992-93
(In Thousands)

Fund Source	Amount	
	FY 91-2	FY 92-3
Fuel tax	\$ 957,840	\$1,106,771
Weight fees	118,726	131,998
Sales tax	37,193	65,691
Proposition 108 rail bonds (a)	465,300	15,000
	<hr/>	<hr/>
Total	\$1,579,059	\$1,319,460

Source: Department of Transportation and Board of Equalization records

(a) The amounts do not include bond proceeds under the Clean Air and Transportation Improvement Act of 1990 (Proposition 116), which the voters approved in June 1990.

Appendix B Allocations of State Transportation Funds

Fiscal years 1991-92 and 1992-93 are the second and third years covered by the 1989 Transportation Blueprint Legislation's ten-year state transportation funding plan. As illustrated in Table B-1, the California Transportation Commission has allocated approximately \$1,630 million in state transportation funds to transportation and environmental projects during fiscal year 1991-92 and approximately \$704 million in fiscal year 1992-93. These state transportation funds consist of the funds made available by the funding plan of the legislation and those available from sources existing prior to the enactment of the legislation.

Table B-1 **Allocations of State Transportation Funds**
Fiscal Years 1991-92 and 1992-93
(In Thousands)

Programs	Allocations	
	FY 91-2	FY 92-3
State Transportation Improvement Program		
Flexible Congestion Relief Program	\$ 687,129	\$107,860
Interregional Road System Program	58,317	9,318
Retrofit Soundwalls Program	18,656	3,261
Intercity Rail and Commuter and Urban Rail Transit	370,340	299,910
Highway Systems Operation and Protection Plan Program	437,653	249,311
Traffic Systems Management Program	47,946	24,618
Environmental Enhancement and Mitigation	9,880	9,880
	<hr/>	<hr/>
Total	\$1,629,921	\$704,158

Source: California Transportation Commission and Department of Transportation records

Appendix C Expenditures of Additional Transportation Funds

Fiscal years 1991-92 and 1992-93 are the second and third years covered by the 1989 Transportation Blueprint Legislation's ten-year state transportation funding plan. As illustrated in Table C-1, the State has made cash outlays and commitments to spend approximately \$1,098 million in fiscal year 1991-92 and approximately \$1,524 in fiscal year 1992-93 of additional transportation funds made available by the funding plan of the legislation. These expenditures of approximately \$1,098 million in fiscal year 1991-92 and \$1,524 in fiscal year 1992-93 included approximately \$452 million and approximately \$536 million respectively in expenditures that were not subject to allocation by the California Transportation Commission.

**Table C-1 Expenditures of Additional Transportation Funds
Fiscal Years 1991-92 and 1992-93
(In Thousands)**

Programs	Cash Outlays and Commitments To Spend	
	FY 91-2	FY 92-3
State Transportation Improvement Program		
Flexible Congestion Relief Program	\$259,190	\$ 266,979
Interregional Road System Program	41,993	30,903
Retrofit Soundwalls Program	9,593	13,022
Intercity Rail and Commuter and Urban Rail Transit Programs	212,323	395,448
Highway Systems Operation and Protection Plan Program	90,695	219,917
Traffic Systems Management Program	21,991	51,361
Environmental Enhancement and Mitigation	9,880	9,880
State-Local Transportation Partnership Program	198,789	126,549
Transit Capital Improvement Program	40,111	174,487
Disbursements to Cities and Counties	213,167	234,983
Total	\$1,097,732	\$1,523,529

Source: Department of Transportation and State Controller's Office records

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

801 K Street, Suite 1918
Sacramento, 95814-3520

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February 22, 1994

Kurt R. Sjoberg, State Auditor
California State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

We are in receipt of your letter of February 15, 1994 regarding Report # 93014 entitled, "A Review of the State's Allocations and Expenditures of the Additional Transportation Funds Made Available by the 1989 Transportation Blueprint Legislation".

I have reviewed both your scope and methodology and your conclusions. I am pleased that the report concludes that both the Department of Transportation and the California Transportation Commission adopted appropriate policies and procedures so as to ensure the "additional transportation funds" were used for authorized purposes.

Thank you for the opportunity to review and comment on your audit report.

Sincerely,

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

DEAN R. DUNPHY
Secretary

The Resources Agency

Pete Wilson
Governor



Douglas P. Wheeler
Secretary

of California

California Conservation Corps • Department of Boating & Waterways • Department of Conservation
Department of Fish & Game • Department of Forestry & Fire Protection • Department of Parks & Recreation • Department of Water Resources

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

Dear Mr. Sjoberg:

Thank you for the opportunity to review and comment on your draft report on "A Review of the State's Allocations and Expenditures of the Additional Transportation Funds Made Available By the 1989 Transportation Blueprint Legislation".

Under the 1989 Transportation Blueprint Legislation (AB 471, Katz), the Resources Agency is required to prescribe procedures and criteria to evaluate grant proposals for the Environmental Enhancement and Mitigation Program. The purpose of this program is to provide grants to local, state and federal agencies to mitigate the environmental impact of modified or new public transportation facilities. This legislation also requires the Resources Agency to annually receive and review applications and then recommend a list of qualified grant proposals to the California Transportation Commission for funding.

We are pleased that your review has found that the Environmental Enhancement and Mitigation Program criteria and guidelines for fiscal years 1991-92 and 1992-93 provide adequate controls and procedures for meeting its statutory requirements. We are also pleased that your review states that the Environmental Enhancement and Mitigation projects which we recommended for the 1991-92 and 1992-93 fiscal years met the requirements of the 1989 Transportation Blueprint Legislation.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Douglas P. Wheeler".

Douglas P. Wheeler
Secretary for Resources

The Resources Building Sacramento, CA 95814 (916) 653-5656 FAX (916) 653-8102

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Executive Director

February 23, 1994

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

Dear Mr. Sjoberg:

Staff has reviewed the attached Audit Report of 1989 Transportation Blueprint Legislation. Reference is made in the report to taxes collected by the State Board of Equalization which contribute to the funds being audited. The information presented in the report regarding projected Sales and Use Tax and Fuel Tax revenues is reasonable. Thank you for the opportunity to review this report in draft.

Sincerely,


Burton W. Oliver
Executive Director

BWO:gm

cc: Ms. Judy A. Agan

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