

Agenda Report

TO: Legislative Committee

Date: June 16, 1998

FROM: City Manager

SUBJECT: ACA 30 (Murray)
Support of Limitation on Borrowing from State Transportation
Fund for General Fund Purposes

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution and authorize the Mayor to send a letter to the appropriate officials *supporting* Assembly Constitutional Amendment 30 (Murray - Protection of Gas Taxes, Public Transportation Account Funds and Local Transportation Funds), which would place limitations on borrowing from the State Transportation Fund for General Fund purposes.

BACKGROUND:

Assembly Member Murray introduced Assembly Constitutional Amendment 30 (ACA 30) which protects transportation funding from long-term reallocations to other purposes yet allows state government the flexibility to use the fuel tax funds in the case of a severe cash flow shortage.

Historically, California has financed its state highway and local street system from taxes on motor fuels. Since 1972, a sales tax on motor fuels has financed the state's bus and rail systems. Facing severe budget shortages in 1992-1993, the state borrowed from the transportation tax revenues for the first time to supplement the General Fund, and to pay debt service on General Obligation bonds authorized by voters to fund passenger rail improvements.

Due in part to these diversions of transportation resources, many transportation projects were substantially delayed or even eliminated from the State Transportation Improvement Program (STIP).

Since then, the state has borrowed more than \$600 million from state highway and transit funds. In Orange and Los Angeles counties, the state has transferred \$800 million in local transportation fund money to address local bankruptcy and budget deficit problems. The proposed 1998-1999 budget includes a repayment of \$113 million, but with that the total repayment since 1992 will be less than \$150 million.

Taxpayers believe their fuel taxes are dedicated to transportation planning, construction, and improvements, but in reality, the funds are not available for those purposes.

Existing law states that revenues from the Public Transportation Account, a trust fund, may only be used for transportation planning and mass transit purposes. County board of supervisors may also establish local transportation funds, with the money to be used only for specified local transportation purposes. The Legislature and Governor may temporarily borrow from the Public Transportation Account for use in the State General Fund, provided the amounts borrowed are repaid to the fund from which they are diverted.

Under ACA 30, transportation tax revenues can only be lent to the General Fund, if the loan is:

1. To be repaid in full to the fund from which it was borrowed in the same fiscal year in which it was borrowed; OR
2. To be repaid in full to the fund from which it was borrowed within three fiscal years from the date on which it was borrowed;

AND either,

1. the Governor has declared a state of emergency; OR
2. the General Fund revenues for the current fiscal year are less than the previous fiscal year.

ACA 30 does not prohibit the Legislature from lending money from transportation revenues to local government for transportation-related purposes. ACA 30 specifically extends the above conditions for borrowing from transportation revenues to loans from the Public Transportation Account in the State Transportation Fund and from local transportation funds. ACA 30 also designates local transportation funds as trust funds. It provides that such funds cannot be abolished, and places constitutional restrictions on their use.


In order to protect the funds for local transportation, staff recommend the City *support ACA 30*.

ACA 30 is supported by the League of California Cities, Automobile Club of Southern California, California Conference Board of Amalgamated Transit Union, California Manufacturers Association, California State Association of Counties, California State Automobile Association, California Teamsters Public Affairs Council, Metropolitan Transportation Commission, Orange County Transportation Authority.

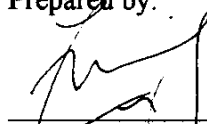
FISCAL IMPACT:

Supporting ACA 30 would mean that local transportation funds would be designated as trust funds and thus be protected from long-term reallocations to other purposes.


Respectfully submitted,


for CYNTHIA J. KURTZ
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