

# Memorandum

**To:** Chair and Commissioners

**Date:** April 25, 2002

**From:** Diane C. Eidam

**File No:** Reference No. 4.4  
ACTION

**Ref:** ACR 32 TRANSPORTATION FUNDING STUDY

**Issue:**

Assembly Concurrent Resolution 32 (ACR 32) by Assemblyman Dutra & Senator Karnette (Resolution Chapter 120, September 24, 2001) requests the California Transportation Commission, working with the Department of Transportation in consultation with regional transportation planning agencies, to prepare and submit to the Legislature by January 1, 2003, a study of potential decreases in transportation revenues for transportation planning agencies.

**Recommendation:**

The Commission staff recommends that the Chair direct staff to organize a task force to prepare the transportation funding study requested by the Legislature in ACR 32.

The task force would include representatives of the Commission, Caltrans, urban and rural regional transportation planning agencies, county transportation authorities (Self-Help Counties), cities and counties, and transit operators.

The report would draw on several recent transportation funding studies and input from the task force members to identify needs based on regional transportation plans, expected revenues from current transportation funding sources, and potential alternative funding sources. It should also discuss all funding sources in terms of their stability over time and opportunities to better link transportation and land use decisions.

The tentative schedule would be to:

- organize the task force and begin work by June 21, 2002,
- provide a progress report on the study at the August 21-22, 2002 Commission meeting,
- prepare a draft report by the October 2-3, 2002 Commission meeting for review and comment, and
- present the final report for Commission adoption at the November 6-7, 2002 meeting.

**Background:**

Specifically, Assembly Concurrent Resolution 32 (Dutra & Senator Karnette, 2001 Resolution Chapter 120) requests the California Transportation Commission, working with the Department of Transportation in consultation with regional transportation planning agencies, to prepare and submit to the Assembly and Senate Committees on Transportation, by January 1, 2003 a study of potential decreases in transportation revenues for transportation planning agencies. The study would including, but not be limited to, identifying all of the following:

- (1) Whether a decrease may potentially occur in transportation revenue available to transportation planning agencies under Section 7104 of the Revenue and Taxation Code, relating to the Transportation Investment Fund.
- (2) Whether transportation planning agencies in California are likely to in fact experience funding shortfalls from the potential expiration of local transportation sales taxes, a decline or leveling in state-supplied revenues and funding assistance, or shortfalls in other funding sources.
- (3) Whether transportation planning agencies are anticipating transportation funding shortfalls and how those agencies are addressing the potential shortfalls.
- (4) Whether cities, counties, or cities and counties are likely to experience transportation funding shortfalls from insufficient, declining, or expiring funding sources.
- (5) Suggested legislative and other remedies to address potential funding shortfalls.

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**Assembly Concurrent Resolution No. 32--Relative to Transportation Funding.**

INTRODUCED BY Assembly Member Dutra  
(Coauthor: Senator Karnette)

RESOLUTION CHAPTER 120  
FILED WITH SECRETARY OF STATE SEPTEMBER 24, 2001

LEGISLATIVE COUNSEL'S DIGEST

ACR 32, Dutra. Transportation: funding.

This measure would request the California Transportation Commission, working with the Department of Transportation in consultation with regional transportation planning agencies, to prepare and submit to the Legislature, as specified, a study of potential decreases in transportation revenues for transportation planning agencies. The study would identify specified

transportation funding elements and suggest legislative and other remedies to address potential funding shortfalls.

WHEREAS, The State of California is expected to experience dramatic population growth of nearly 11 million persons in the next 20 years, while relatively little new funding is expected for new highway construction or additional public transit if the state continues to rely on existing revenue sources; and

WHEREAS, Even with new revenues, it will be difficult for the state to maintain the existing transportation system and target its remaining resources to the best performing investments; and

WHEREAS, Transportation planning agencies throughout the state are responsible for preparation of the Regional Transportation Plans (RTP) and the Regional Transportation Improvement Programs (RTIP) under Sections 65080 and 65082 of the Government Code; and

WHEREAS, Transportation planning agencies are dependent on transportation revenue available under Section 7104 of the Revenue and Taxation Code, relating to the Transportation Investment Fund; and

WHEREAS, The reasons for the revenue shortfall in funding the state's transportation system include the projected loss of gasoline tax revenues, the projected costs of operating and maintaining the existing transportation system, and the end of existing local transportation sales taxes in several counties throughout California; and

WHEREAS, Technological improvements required to meet emission reductions will result in a motor vehicle fleet that will likely consume less gasoline and rely on alternative energy sources; and

WHEREAS, The potential market penetration of alternative fuel vehicles, in addition to more fuel-efficient vehicles, would erode the revenues generated by gasoline sales and would diminish the gas tax as a reliable source of transportation revenue; and

WHEREAS, Further potential erosion of transportation revenues may be caused by increases in Internet spending, in which consumers do not pay local and state sales taxes; and

WHEREAS, Local sales taxes for transportation as well as Transportation Development Act revenues, which are derived from a 1/4 percent sales tax, would be directly impacted by the current trends in retail sales; and

WHEREAS, Much of the revenue for transportation generated from excise taxes, sales taxes, or transit fares, depends on overall economic conditions; and

WHEREAS, Transportation planning agencies throughout California may experience revenue shortfalls in the event of a potential decrease in state transportation revenue; and

WHEREAS, Funding shortfalls throughout the state would likely result in the inability of governments to maintain and make improvements in the existing state transportation system; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That it is in the best interest of the people of the State of California to prepare a careful study of potential decreases in transportation revenue affecting transportation planning agencies in California; and be it further

Resolved, That the California Transportation Commission, working with the Department of Transportation and in consultation with the regional transportation planning agencies authorized to prepare and adopt regional transportation plans under Sections 65080 and 65082 of the Government Code, is requested to produce and submit to the Assembly and Senate Committees on Transportation, by January 1, 2003, a study of potential decreases in transportation revenue for transportation planning agencies, including, but not be limited to, identifying all of the following:

(1) Whether a decrease may potentially occur in transportation revenue available to transportation planning agencies under Section 7104 of the Revenue and Taxation Code, relating to the Transportation Investment Fund.

(2) Whether transportation planning agencies in California are likely to in fact experience funding shortfalls from the potential expiration of local transportation sales taxes, a decline or leveling in state-supplied revenues and funding assistance, or shortfalls in other funding sources.

(3) Whether transportation planning agencies are anticipating transportation funding shortfalls and how those agencies are addressing the potential shortfalls.

(4) Whether cities, counties, or cities and counties are likely to experience transportation funding shortfalls from insufficient, declining, or expiring funding sources.

(5) Suggested legislative and other remedies to address potential funding shortfalls; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies to the California Transportation Commission, the Department of Transportation, regional transportation planning agencies, and to the fiscal and transportation policy committees of the Legislature.