

## Senate Bill No. 1834

### CHAPTER 445

An act to amend Sections 14556.5, 14556.8, and 14556.9 of, and to add and repeal Section 14556.75 of, the Government Code, to add Section 99310.6 to the Public Utilities Code, and to amend Sections 183, 188.10, 2182, and 2182.1 of, and to add Section 183.3 to, the Streets and Highways Code, relating to transportation, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 9, 2002. Filed with Secretary of State September 9, 2002.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1834, Committee on Budget and Fiscal Review. Transportation: funding.

(1) Existing law, the Traffic Congestion Relief Act of 2000, creates the Traffic Congestion Relief Fund (TCRF). The purpose of the act is to relieve traffic congestion, provide additional funding for local street and road deferred maintenance, and provide additional transportation capacity in high growth areas of the state. Under the act, the Legislature may authorize loans to the TCRF from the State Highway Account, not to exceed a cumulative total of \$180,000,000, for projects that are eligible for grants from the TCRF.

This bill would increase the cumulative total of the loan that the Legislature may authorize from the State Highway Account to the TCRF to \$654,000,000. The bill would require interest to be paid from the General Fund to the TCRF, for transfer to the State Highway Account, on any loan made under these provisions in excess of \$180,000,000. The bill would additionally allow the Director of Finance to authorize short-term loans from the General Fund to the State Highway Account. The bill would also authorize the Department of Finance to establish the accounting and reporting system used to determine the expenditures, cash needs, and balance in the TCRF, the Public Transportation account, the State Highway Account, and the Toll Bridge Seismic Retrofit Account. The bill would make other related changes.

(2) Existing law creates the State Highway Account in the State Transportation Fund in which are deposited various transportation revenues subject to Article XIX of the Constitution, including fuel tax revenues. The Constitution authorizes loans of these and other related revenues to the General Fund under certain circumstances.

This bill would authorize a \$173 million loan from the State Highway Account to the General Fund, to be repaid with interest no later than June 30, 2005.

(3) The bill would declare that it is to take effect immediately as an urgency statute.

*The people of the State of California do enact as follows:*

SECTION 1. It is the intent of the Legislature that the loans authorized by this act be administered in a manner that does not delay the delivery of transportation projects that are funded from either the State Highway Account or the Traffic Congestion Relief Fund.

SEC. 2. Section 14556.5 of the Government Code is amended to read:

14556.5. (a) The Traffic Congestion Relief Fund is hereby created in the State Treasury. The fund shall include deposits of funds provided in the annual Budget Act, provided from the Transportation Investment Fund established under Section 7104 of the Revenue and Taxation Code, or provided under any other statute. Notwithstanding Section 13340, the money in the fund is hereby continuously appropriated to the department, without regard to fiscal years, as follows:

(1) For allocation by the department, as directed by the commission pursuant to Section 14556.20, to the department and other regional and local transportation entities for the projects listed in Article 5 (commencing with Section 14556.40).

(2) For allocation by the Controller, the sum of four hundred million dollars (\$400,000,000), for allocation during the 2000–01 fiscal year to cities, counties, and cities and counties, pursuant to Section 2182 of the Streets and Highways Code.

(3) For allocation by the commission to the funding exchange program authorized by Section 182.8 of the Streets and Highways Code.

(b) Notwithstanding any other provision of law, the Department of Finance may establish the accounting and reporting system used to determine the expenditures, cash needs, and balance of the fund.

SEC. 3. Section 14556.75 is added to the Government Code, to read:

14556.75. (a) The Director of Finance may authorize short-term loans from the General Fund to the State Highway Account to provide adequate cash for costs funded from that account. Repayment of these loans shall be the first obligation on revenues deposited into the State Highway Account after any loan is made pursuant to this section.

(b) This section shall become inoperative on July 1, 2008, and, as of January 1, 2009, is repealed, unless a later enacted statute, that is enacted



before January 1, 2009, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 4. Section 14556.8 of the Government Code is amended to read:

14556.8. (a) (1) To the extent necessary to provide adequate cash to fund projected expenditures under this chapter, the Director of Finance may authorize, by Executive order, the transfer of not more than one hundred million dollars (\$100,000,000), as an interest free loan, from the Motor Vehicle Account in the State Transportation Fund to the TCRF, and the transfer of any available funds, as an interest free loan, from the General Fund to the TCRF. Loans from the Motor Vehicle Account may be made no sooner than July 1, 2004, and shall be repaid no later than July 1, 2007. The Director of Finance shall not authorize a loan from the Motor Vehicle Account, and shall promptly require the repayment of any outstanding balance owed to that account, if the funds are needed in the account to make expenditures authorized in the annual Budget Act and by any other appropriations made by the Legislature.

(2) To provide cash needed for expenditures on projects listed in Section 14556.40, the Legislature may authorize loans from the Public Transportation Account or the State Highway Account to the TCRF through the annual Budget Act. The Legislature may also authorize the State Highway Account to expend funds on behalf of projects listed in Section 14556.40 and those expenditures shall constitute a loan to the TCRF. Loans from the Public Transportation Account shall not exceed a cumulative total of two hundred eighty million dollars (\$280,000,000), and loans from the State Highway Account shall not exceed a cumulative total of six hundred fifty-four million dollars (\$654,000,000).

(b) The Director of Finance shall order the repayment of the loans authorized under this section under those terms and conditions that the director deems appropriate, upon determining that there are adequate funds available for that purpose in the TCRF and that repayment will not jeopardize the availability of money needed to fund approved and projected expenditures under this chapter. All loans from the Public Transportation Account shall be repaid by June 30, 2008, and all loans from the State Highway Account shall be repaid by June 30, 2007. Upon the request of the commission or the Director of Finance, the department shall provide a report, for purposes of this subdivision, projecting the cash needs of the projects approved under this chapter.

(c) (1) Money in the TCRF derived from the General Fund and not currently needed for expenditures on the projects listed in Section 14556.40 may be loaned to the General Fund through the annual Budget Act.



(2) Upon making a determination that funds in the TCRF are not adequate to support expected cash expenditures for the listed projects, the Director of Finance, by Executive order, shall require that funds loaned to the General Fund under paragraph (1) be repaid to the TCRF. All these loans shall be repaid no later than June 30, 2006.

(3) Interest at the rate earned by the Surplus Money Investment Fund shall be paid to the TCRF from the General Fund with respect to the cumulative amount loaned from the State Highway Account to the TCRF pursuant to paragraph (2) of subdivision (a) that is in excess of one hundred eighty million dollars (\$180,000,000). The amount of this interest obligation shall be calculated annually on the balance of this portion of this outstanding loan amount. All interest on the loan shall be paid in full on or before June 30, 2007, and the interest payment shall be transferred from the TCRF to the State Highway Account.

(d) Funds loaned to the TCRF under this section shall be used for purposes consistent with any restrictions on uses of those funds imposed under the California Constitution or by statute. The department shall identify specific projects to which those funds may properly be applied and shall propose that application of funds to the commission. The commission shall designate projects to receive those funds through the processes described in Article 3 (commencing with Section 14556.10) and Article 4 (commencing with Section 14556.25). The department shall report periodically to the commission and the Department of Finance on the expenditure of those funds.

(e) This section shall become inoperative on July 1, 2008, and, as of January 1, 2009, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2009, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 5. Section 14556.9 of the Government Code is amended to read:

14556.9. (a) The department shall submit quarter and annual reports to the Joint Legislative Budget Committee, and to the fiscal and policy committees of the Legislature that consider transportation issues, on all loans and transfers authorized pursuant to Sections 14556.7, 14556.75, and 14556.8 for the most recent reporting period. The reports shall summarize amounts loaned and repaid during the reporting period and any outstanding balances at the end of the reporting period. The annual report required under this section shall be delivered to the Legislature by March 1 of each year and shall include information on and a discussion of the impact of all loans and transfers on project expenditures for each affected program. Additionally, the annual report shall include the amount of loans outstanding as of the end of the reporting period and any actual or projected impacts of those loan



balances on funds projected to be used for projects in the latest State Transportation Improvement Program fund estimate required pursuant to subdivision (a) of Section 14525.

(b) The department shall provide the monthly finance report it prepares for the commission to the fiscal and policy committees of the Legislature that consider transportation issues. The report shall include actual cash balances, revenues, and expenditures for the State Highway Account, the TCRF, and the Toll Bridge Seismic Retrofit Account.

(c) This section shall become inoperative on July 1, 2008, and, as of January 1, 2009, is repealed, unless a later enacted statute that is enacted before January 1, 2009, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 6. Section 99310.6 is added to the Public Utilities Code, to read:

99310.6. Notwithstanding any other provision of law, the Department of Finance may establish the accounting and reporting system used to determine the expenditures, cash needs, and balance of the Public Transportation Account.

SEC. 7. Section 183 of the Streets and Highways Code is amended to read:

183. (a) All money in the State Highway Account in the State Transportation Fund derived from federal sources or from appropriations to other state agencies, or deposited in the account by local agencies or by others, is continuously appropriated to, and shall be available for expenditure by, the department for the purposes for which the money was made available.

Unless otherwise expressly provided for by law, none of the balance of the money in the State Highway Account shall be expended until it has been specifically appropriated by the Legislature or made available pursuant to Section 13322 of the Government Code.

The Budget Act appropriations shall be made on a program basis only and shall not identify the specific capital outlay projects to be funded. The commission shall be responsible for allocating the funds to specific projects within the budget program categories, except that all funds described in Chapter 5 (commencing with Section 2200) of Division 3 shall be allocated on a program basis to the department for allocation pursuant to that chapter.

(b) Notwithstanding subdivision (a), commencing with the 1985–86 Budget, the department shall submit with its budget requests a detailed description of the acquisition, improvement, and construction of office building projects to the Legislature for review. The total amount appropriated for those projects shall be identified as a separate line item in the Budget Act. Funds appropriated for those projects shall be



allocated by the commission only for projects which have been approved by the Legislature. Minor projects are to be defined consistent with Section 167. The commission may substitute for approved minor projects, if the total sum of minor projects is within the amount approved by the Legislature.

(c) Notwithstanding any other provision of law, the Department of Finance may establish the accounting and reporting system used to determine the expenditures, cash needs, and balance of the State Highway Account.

SEC. 8. Section 183.3 is added to the Streets and Highways Code, to read:

183.3. (a) Upon the order of the Director of Finance, the Controller shall transfer the sum of one hundred seventy-three million dollars (\$173,000,000) from the State Highway Account in the State Transportation Fund to the General Fund. This transfer of money constitutes a loan under paragraph (2) of subdivision (b) of Section 6 of Article XIX of the California Constitution.

(b) The General Fund shall pay interest to the State Highway Account on the loan authorized by subdivision (a) at the rate earned by the Surplus Money Investment Fund. The interest shall be calculated annually and the loan shall be repaid no later than June 30, 2005.

SEC. 9. Section 188.10 of the Streets and Highways Code, as added by Section 4 of Chapter 327 of the Statutes of 1997, is amended to read:

188.10. (a) The Toll Bridge Seismic Retrofit Account is hereby created in the State Transportation Fund. The money in the account is hereby appropriated, without regard to fiscal years, to the department for the purpose of funding seismic retrofit or replacement of the bridges listed in Section 188.5.

(b) Notwithstanding any other provision of law, the Department of Finance may establish the accounting and reporting system used to determine the expenditures, cash needs, and balance of the account.

SEC. 10. Section 2182 of the Streets and Highways Code is amended to read:

2182. (a) The funds appropriated from the Traffic Congestion Relief Fund pursuant to paragraph (2) of subdivision (a) of Section 14556.5 of the Government Code shall be allocated by the Controller to cities and counties for street and road maintenance, rehabilitation, and reconstruction. Four hundred million dollars (\$400,000,000) shall be allocated to the counties, including a city and county, and cities, including a city and county, as follows:

(1) Fifty percent to the counties, including a city and county, in accordance with the following formulas:



(A) Seventy-five percent of the funds payable under this paragraph shall be apportioned among the counties in the proportion that the number of fee-paid and exempt vehicles that are registered in the county bears to the number of fee-paid and exempt vehicles registered in the state.

(B) Twenty-five percent of the funds payable under this paragraph shall be apportioned among the counties in the proportion that the number of miles of maintained county roads in each county bears to the total number of miles of maintained county roads in the state. For the purposes of apportioning funds under this subparagraph, any roads within the boundaries of a city and county that are not state highways shall be deemed to be county roads.

(2) Fifty percent to cities, including a city and county, apportioned among the cities in the proportion that the total population of the city bears to the total population of all the cities in the state.

(b) Funds received under this section shall be deposited as follows in order to avoid the commingling of those funds with other local funds:

(1) In the case of a city, into the city account that is designated for the receipt of state funds allocated for transportation purposes.

(2) In the case of a county, into the county road fund.

(3) In the case of a city and county, into a local account that is designated for the receipt of state funds allocated for transportation purposes.

(c) Funds apportioned to a city or county under this section shall be used only for street and highway pavement maintenance, rehabilitation, and reconstruction of necessary associated facilities such as drainage and traffic control devices. Rehabilitation or reconstruction may include widening necessary to bring the roadway width to the desirable minimum pavement width consistent with accepted design standards for local streets and roads, but does not include widening or increasing the traffic capacity of a street or road.

(d) For the purpose of allocating funds under this section to cities, counties, and a city and county, the Controller shall use the most recent population estimates prepared by the Demographic Research Unit of the Department of Finance. For a city that incorporated after January 1, 1998, that does not appear on the most recent population estimates prepared by the Demographic Research Unit, the Controller shall use the population determined for that city under Section 11005.3 of the Revenue and Taxation Code.

SEC. 11. Section 2182.1 of the Streets and Highways Code is amended to read:

2182.1. (a) The Legislature finds and declares that it intends cities and counties to use the funds made available under paragraph (2) of



subdivision (a) of Section 14556.5 of the Government Code to supplement existing local revenues being used for maintenance and rehabilitation of local streets and roads. Cities and counties shall maintain their existing commitment of local funds for maintenance and rehabilitation of local streets and roads in order to remain eligible for allocation and expenditure of the additional four hundred million dollars (\$400,000,000) made available by Section 21 of the act that added this section.

(b) In order to receive any allocation pursuant to Section 2182, the city or county shall annually expend from its general fund for street, road, and highway purposes an amount not less than the annual average of its expenditures from its general fund during the 1996–97, 1997–98, and 1998–99 fiscal years, as reported to the Controller pursuant to Section 2151. For purposes of this subdivision, in calculating a city's or county's annual general fund expenditures and its average general fund expenditures for the 1996–97, 1997–98, and 1998–99 fiscal years, any unrestricted funds that the city or county may expend at its discretion, including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for street and highway purposes shall be considered expenditures from the general fund. One-time allocations that have been expended for street and highway purposes, but which may not be available on an ongoing basis, including revenue provided under the Teeter Plan Bond Law of 1994 (Chapter 6.6 (commencing with Section 54773) of Part 1 of Division 2 of Title 5 of the Government Code), may not be considered when calculating a city's or county's annual general fund expenditures.

(c) For any city incorporated after July 1, 1996, the Controller shall calculate an annual average of expenditure for the period between July 1, 1996, and December 31, 2000, that the city was incorporated.

(d) For purposes of subdivision (b), the Controller may request fiscal data from cities and counties in addition to data provided pursuant to Section 2151, for the 1996–97, 1997–98, and 1998–99 fiscal years. Each city and county shall furnish the data to the Controller not later than 120 days after receiving the request. The Controller may withhold payment to cities and counties that do not comply with the request for information or that provide incomplete data.

(e) The Controller may perform audits to ensure compliance with subdivision (b) when deemed necessary. Any city or county that has not complied with subdivision (b) shall reimburse the state for the funds it received during that fiscal year. Any funds withheld or returned as a result of a failure to comply with subdivision (b) shall be reallocated to the other counties and cities whose expenditures are in compliance.



(f) If a city or county fails to comply with the requirements of subdivision (b) in a particular fiscal year, the city or county may expend during that fiscal year and the following fiscal year a total amount that is not less than the total amount required to be expended for those fiscal years for purposes of complying with subdivision (b).

(g) The allocation made under Section 2182 shall be expended not later than the end of the fiscal year following the fiscal year in which the allocation was made, and any funds not expended within that period shall be returned to the Controller and shall be reallocated to the other cities and counties pursuant to the allocation formulas set forth in Section 2182.

SEC. 12. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement necessary changes to facilitate the cash management of transportation funding at the earliest possible time, it is necessary that this act take effect immediately.

