

Memorandum

To: Chairman and Commissioners

Date: March 24, 2003

From: Diane C. Eidam

BOOK ITEM 4.2c
NOTICE

Issue: SCHEDULE FOR 2004 STIP FUND ESTIMATE

Should the Commission take action now to postpone the adoption of the 2004 STIP Fund Estimate?

Recommendation:

Postpone the adoption of the Fund Estimate until the Commission's scheduled October 30, 2003 meeting and ask the Department to present its proposed fund estimate at the Commission's scheduled September 25, 2003 meeting.

Background:

Section 14525 of the Government Code generally requires the Commission to adopt a fund estimate for the coming State Transportation Improvement Program (STIP) by August 15 of each odd-numbered year. Section 14525 permits the Commission to delay the adoption:

“If the commission finds that legislation pending before the Legislature or the United States Congress may have a significant effect on the fund estimate, the commission may postpone the adoption of the fund estimate for no more than 90 days. Prior to March 1 of each even-numbered year, the commission may amend the estimate following consultation with the department, transportation planning agencies, and county transportation commissions to account for unexpected revenues or other unforeseen circumstances. In the event the fund estimate is amended, the commission shall extend the dates for the submittal of [the regional transportation improvement programs and the interregional transportation improvement program] and for the adoption of the [STIP].”

Major Legislation Pending That May Affect the Fund Estimate

- **Federal reauthorization.** The 6-year Transportation Equity Act for the 21st Century (TEA-21) expires with the end of the current fiscal year, September 30, 2003. The next authorization act is expected to authorize programs and funding through FFY 2008-09, extending through the period of the 2004 STIP. At present, there is a wide gap between the reauthorization proposal of the Administration and proposals being made the House and Senate. The differences appear to be in the billions of dollars for California over the STIP period.

- State Budget. The State Budget Act for 2003-04 and related trailer bills will address the funding of the Traffic Congestion Relief Program, whether and when loans from transportation funds to the General Fund will be repaid or forgiven, and whether the transfer of gasoline sales tax revenues to the Transportation Investment Fund (TIF) will be suspended for 2003-04 under the terms of Proposition 42. The Legislature may also provide the Commission with direction regarding its assumption of TIF transfers in future fiscal years. Over \$2 billion in potential STIP funding is at stake.
- Weight fee revenues. Truck weight fees are a major source of revenue to the State Highway Account and the STIP. Under SB 2084 (2000), those fees were restructured beginning January 1, 2002, when the fee basis was changed from unladen weight to gross vehicles weight. Although SB 2084 included legislative intent that the change be revenue-neutral, Caltrans reported a drop in revenues of about \$163 million per year. By July 1, 2003, the Department of Motor Vehicles, in consultation with the California Highway Patrol, Caltrans, the Board of Equalization, and the truck industry, is mandated to review and report to the Legislature with any recommendation for adjustments in the fee schedule to ensure revenue neutrality. Legislation expected to be before the Legislature this year could mean a difference of more than \$1 billion in revenue over the period of the 2004 STIP.

Advantages of Taking Action Now to Postpone the Fund Estimate

- Major uncertainties over Federal reauthorization are likely to lead to a delay in the adoption of the fund estimate or the need to revise the fund estimate in any case.
- Taking the action now will allow the Department and Commission more time for a deliberate review of the methodology to be used for the development of the fund estimate and the revenue and expenditure assumptions to be used. Taking the action now will allow final action on the Budget to be known earlier in the development of the fund estimate, reducing workload and the need for reworking assumptions.
- Taking the action now will provide the Department and regional agencies more time to consider options and priorities for the 2004 STIP, including the rescheduling of currently programmed projects and possible shifts in funding from the TCR Program to the STIP.
- Taking the action now will allow the Commission, the Department, and regional agencies more time to consider changes in the STIP Guidelines, which must be made prior to the adoption of the Fund Estimate.

Disadvantages of Taking Action Now to Postpone the Fund Estimate

- Taking the action now will delay the development and adoption of the 2004 STIP.
- If key Federal reauthorization decisions are not made by October, the postponement may not improve the fund estimate, and a further revision of the fund estimate may still be needed before the 2004 STIP.
- Delaying the fund estimate and the STIP may require more extensive dependence on allocation plans, pending the comprehensive reprogramming of the new STIP.