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January 16, 1979

# CALIFORNIA TRANSPORTATION TODAY



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ADDENDUM

Subsequent to the preparation of this report, it has been disclosed through the Governor's budget that \$100 million is scheduled for transfer from the Motor Vehicle Account to the State Highway Account in the 1979-80 fiscal year. It appears that this transfer resulted from holding back on transfers in the last two years and savings resulting from budget cuts and the hiring freeze on the Department of Motor Vehicles and Highway Patrol.

In the 1978 Budget Act, the Legislature appropriated an additional \$45 million for transfer to the Highway Account. This item was vetoed by the Governor. We are requesting the Legislative Analyst to thoroughly analyze the Motor Vehicle Account balances in preparation for hearings on transportation budgets.

This \$100 million increases the amount of unexpended funds in the State Highway Account which now has a balance of almost \$500 million.

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## CALIFORNIA TRANSPORTATION TODAY

### Preface

The purpose of this report is to more fully inform members of the Legislature, other interested parties, and the public about the major issues currently impacting the provision of public transportation services and mobile source-related air quality problems in California, keying on those issues under the jurisdiction of the Assembly Committee on Transportation and most clearly involving state responsibilities or programs. In order to be useful to the technician and layman alike, an attempt has been made to make each issue presentation as concise as possible. Therefore, the report is not intended to be an all inclusive or definitive treatise on any single issue. The Committee staff is prepared to provide further documentation or explanation regarding any part of the report upon request.

Each chapter begins with a brief historical and functional description of the program under discussion. Trends or problem areas that have become evident through Committee hearings, consideration of prior legislation, or research by the Committee staff or other agencies and organizations, are then discussed. The final chapter is simply a summary of the priority issues to be faced by the Legislature in the next couple of years.

Special attention has been given to a description of the various financial schemes by which public transportation is financed in our state and associated issues. There is no question that the next challenge for public transportation, as with so many public services, will be getting greater efficiency out of existing resources. It is also clear that there is a practical limit to how much such efficiency efforts can produce. If we are to simply keep pace with inflation, especially as related to transportation construction, our methods for the financing of transportation must be seriously adjusted. Finally, it is equally clear that any really significant program improvements desired by the public will require new resources.

We have focused primarily on services or products that are the responsibility of state government in this report because of the Legislature's primary responsibility relative to state programs and because of limited Committee staff resources. It should be made clear that most of the financial issues discussed in the report are also impacting transportation services and products that are the responsibility of local government and special districts. Proposition 13 has had a differential impact

on local transportation programs varying from severe cutbacks in services to minor hiring freezes with little significant impact on services. There is no question that in the long run local government faces even more difficult financial decisions than the state relative to transportation and such issues must be considered by the Legislature.

The report is meant to be both generally informative and suggest a direction regarding current transportation issues. It is hoped that this report will serve to promote public education, debate, discussion, and necessary action regarding the future of our state transportation program in California.

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## CHAPTER I

### PUBLIC TRANSIT SERVICES IN CALIFORNIA AND THE TRANSPORTATION DEVELOPMENT ACT

The Transportation Development Act (also known as TDA, the Mills/Alquist/Deddeh Act, and SB 325) was enacted in 1971. Today, it generates approximately \$260 million statewide to support the development of public transportation, and in rural communities to support public transportation and streets and roads. It is the largest statewide program for the funding of public transit services in the United States and has in large part accounted for our state's often innovative and almost revolutionary increase in public transit patronage. In addition to TDA funds, public transit in California receives support from the Federal government, local sales and property taxes, and the fare box.

TDA revenue is generated by an extension of the state's sales tax to gasoline sales. The Act requires that an equivalent amount of money so generated or one-fourth cent of the six cent sales tax be returned to the county of origin for deposit in local transportation funds.

The amount of money available to the eligible claimants within an area is determined by the area's apportionment. The term apportionment has reference to that proportion of the total annual revenue anticipated to be received in the fund that the population of the area bears to the total population of the county. The term area refers to the area encompassed within the jurisdictional boundaries of the specific claimant. The actual allocation of funds is administered locally by the designated transportation planning agency.

#### Allocation Priorities

The Act specifies quite clearly the priority sequence for the allocation of these funds. This sequence is as follows: (1) sums required locally to administer the Act, (2) a small specified percentage of annual revenues for the conduct of the local/regional transportation planning and programming process, (3) two percent of the remaining money in the fund is made available to counties and cities for facilities for pedestrians and bicycles, (4) the support of rail passenger services, (5) in San Diego County, up to ten percent of the remaining money in the fund to support the functions of the County's Metropolitan

Transit Development Board, (6) the funding of community transit services, (7) the support of public transportation, and (8) allocations for street and road purposes.

In addition to describing these priorities, the Act also contains a basic apportionment restriction. This provision states that for counties with a population of 500,000 or more as determined by the most recent decennial census, but excluding counties with more than 4,500 miles of maintained county roads, the amount representing the apportionment for the areas of all operators shall be available solely for claims for public transportation or community transportation purposes.

From a historical perspective, the percentage of funds spent within the individual categories, has with one exception, remained relatively constant over the last few years. In fiscal year 1976-77, 0.3% of the funds were spent for administration, 0.7% were spent for planning purposes, 1.1% were spent for bicycle purposes, approximately 50% were spent for public transit, and 10.5% for streets and roads. The remaining 37% of the funds were either held in reserve by claimants for specific projects, or remained unallocated. This reserved/unallocated segment of the funds has shown consistent growth over the last few years.

#### Unallocated and Reserved Funds

The Auditor General in his December 1978 report on the availability of transportation funds, noted that as of June 30, 1978, approximately \$170 million of Transportation Development Act funds remained unallocated in local transportation funds or was reserved by individual claimants. The Auditor General concluded that these accumulations came about because: (1) county auditors underestimated TDA funds which would be available, (2) there are legal limitations on the expenditure of TDA funds, and (3) the funds were reserved for future capital projects.

The legal limitations to which the Auditor General refers primarily affect transit operators in those areas subject to 500,000 population apportionment restriction. These limitations are referred to as the 50% expenditure limitation, the local maintenance of effort requirements, and, of course, the apportionment restriction. The following is a discussion of TDA issues that will be before the Legislature this session for consideration.

#### The 50% Limitation

The 50% expenditure limitation restricts the amount of

TDA funds an operator may receive in any fiscal year to 50% of the operating, maintenance and capital and debt service expense after deducting approved Federal grants expected to be received. Because new operators are exempted from the 50% limitation for a period of five years, and other operators may receive waivers from the requirement from the California Transportation Commission, 61 of the state's 87 transit systems were, in 1977-78, exceeding the 50% threshold. Over the next several years, these 61 operators will be required to meet the limitation or to seek a waiver. Transit operators and transportation planning agencies have expressed a universal concern that in light of the passage of Proposition 13, there is little or no possibility of obtaining local support to make up for the lost TDA funding.

This provision of the TDA law has several important ramifications. In some urban areas such as Sacramento and in Orange County, the transit operator does not have an independent revenue base. As such, the operator must rely on local general fund contributions and fare box revenues to meet this requirement. In the case of these two operators, insufficient local funding resulted in the inability to claim all of the available TDA funds last year.

In rural areas, the 50% limitation has historically acted as a deterrent to the establishment of new transportation services. Typically, in this situation, there are more than sufficient TDA funds available to a community to establish a transit operation without the support of any local funds. Under these circumstances, it is understandably difficult for a local city council or board of supervisors to make a commitment of local revenues. With regard to those small transit systems now in operation, it is felt that if they are required to meet this limitation, that their rather limited transit services, usually provided for the transportation disadvantaged population, will be curtailed or cease as local support is no longer available. Such curtailment would probably result in even larger TDA fund accumulations in future years.

#### The Maintenance-of-Effort Requirement

The local maintenance-of-effort requirement states that an operator may not receive TDA funding unless local support is maintained at a level equal to or greater than the average local support of the prior two years. This local support excludes fares and Federal revenue sharing funds, and is made up primarily of local general fund contributions and, in the case of certain operators, the proceeds of a local one-half cent

sales tax. Because an operator would lose his eligibility to claim any TDA funds if he did not meet this requirement, the maintenance-of-effort requirement was suspended for two years following the passage of Proposition 13.

Since each operator employs a different mix of funds to finance his operation, the impact of Proposition 13 on the state's transit operators has varied widely. For those transit systems receiving major local support from property taxes, the maintenance-of-effort provisions became a critical issue after the passage of Proposition 13. If this provision had not been suspended for a two-year period, Alameda/Contra Costa Transit District, Bay Area Rapid Transit District, and the San Francisco Municipal Railway would have faced a 42% budget reduction of approximately \$100 million. If the state's bail-out money had not been received by these agencies, San Francisco Municipal Railway's service would have been drastically curtailed and Alameda/Contra Costa Transit District may have closed down entirely. Since it is unlikely that any new form of local support will be found to replace the property tax, these operators in particular believe that a permanent form of relief from this requirement is necessary.

#### The Apportionment Restriction

The 500,000 population apportionment restriction is an issue this year because three counties, Fresno, Ventura, and Riverside, reported a population below this level at the 1970 census, but are expected to have populations in excess of 500,000 in the 1980 census. In each of these three counties TDA funds are used to support both transit operations and local streets and roads. The effect of the apportionment restriction in this instance would be to force all of their apportionment to be spent on transit and to disallow further expenditure for streets and roads. Since each of these areas is providing what appears to be adequate transit service in accordance with its regional transportation plan, application of the apportionment restriction on these three counties would result in the receipt of TDA funds in excess of that required for the transit services now provided or planned. It is likely that these extra funds would then also add to TDA fund accumulations. The alternative use would be to institute new transit service, quite possible of marginal utility, beyond that called for in the present plans. This new service would also be subject to the 50% allocation limitation which in turn would require the commitment of local funds.

There are other examples of how the apportionment restriction acting in conjunction with the allocation limitations has caused unallocated TDA funds. This is occurring in portions

of Alameda County and Contra Costa County outside of the area of the AC Transit District and in northern San Diego County outside of the area of the San Diego Transit Corporation and the Metropolitan Transit Development Board. Each of these counties have a population in excess of 500,000 and so may not use the funds for street and road purposes. Each of these counties also has extensive rural or suburban areas. It is in these locations that the 50% limitation has slowed or discouraged the development of public transit service, and hence, contributed to the build-up of unallocated TDA funds. These communities are often hesitant to commit TDA funds for transit services knowing that at the same time they are making a future commitment of local property tax funds. Such situations run counter to the legislative intent of the Act to promote public transit development and slow local plans for reducing air pollution and traffic congestion by reducing auto travel in favor of transit usage.

Some localities in these areas have initiated small transit systems or contracted for transit service. Since these systems are largely new and are not subject to the 50% requirement, they can be solely funded by TDA funds. These services are operating in jeopardy of being curtailed or terminated, as each of the areas concerned is affected by the allocation limitation and local support is required for continued operations.

The alternative for these communities is to seek a waiver from the California Transportation Commission. Experience has shown that even though a waiver is likely to be issued, the process is a long, time-consuming, bureaucratic exercise. For some of the smaller communities, the administrative cost to receive a waiver may exceed the amount of TDA funds sought.

Further complicating the Act are those provisions which enable cities and counties in counties with populations less than 500,000 to claim funds for transit uses under a different set of fiscal and administrative requirements.

The above discussion is directed toward a general description of the Act and the major issues which have arisen in its application today. Other concerns, such as the inability to use street and road funds for maintenance purposes, the ultimate use of performance audits, the financial reporting requirements, the determination of unmet transit needs in rural areas, and the ability of claimants in large counties to contract for services, have also been expressed by claimants and others.

Resolution of these issues is clearly warranted today. Though the objective of these apportionment and allocation

restrictions and other provisions of the Act may still be valid today, experience has shown that the achievement standards in the Act are in many cases unrealistic and do not account for the extremely varied nature of California's transportation operations. Mechanisms to retain fiscal and managerial accountability are necessary, but these mechanisms need to be better tailored to the realities of today's post Proposition 13 California.

### Intercity Passenger Service

The bulk of intercity transit services is provided by the Trailways and Greyhound bus companies. With the exception of some local communities and transit districts which contract with these companies for specific services, making use of funds available under the Transportation Development Act, these services are provided by the private sector without public financial support. The state is involved, however, in a subsidy program for intercity rail services provided by Amtrak. Since 1975, approximately \$4 million has been spent or obligated in this program.

The state is now funding three trains a day in each direction along the San Diego/Los Angeles Corridor. Funds for this service are available until July of 1979. CALTRANS is also working to resolve disputes with the Southern Pacific Transportation Company relative to the augmentation of passenger rail services between Sacramento and San Francisco. In addition, CALTRANS is interested in providing financial support for the continued operation of commuter rail service along the San Francisco Peninsula.

Funding for the state's intercity and commuter rail program has historically come from the Transportation Planning and Research Account. However, it's anticipated that future revenues will not be forthcoming to this Account and a new funding source for this program must be found. At the time of this writing, we understand that CALTRANS is seeking a General Fund appropriation through the Budget Act to continue this program in the coming year. The Committee can expect future legislation in this area.

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## CHAPTER II

### THE STATE'S ROLE IN AVIATION

California is very aviation oriented. In terms of both commercial and general aviation activity, it is the busiest state in the nation. Six of the top ten busiest airports in the country are located in the state. Five of these airports (Los Angeles International, Orange County, Long Beach, Van Nuys, and Torrance) are located in Southern California. In addition, the Los Angeles/San Francisco corridor is the busiest air passenger corridor in the world.

There are approximately 1,000 airports in the state, of which 311 are open for public use, 27 are fully developed commercial air carrier airports, and 24 facilities support commuter air carrier service. The remaining 800 airports are private use or general aviation airports that are scattered primarily through the rural areas of the state. This abundance of aviation has greatly assisted California in maintaining successful economic development in our highly technical, and sophisticated jet age.

Concomitant with this high level of aviation activity is a host of problems which the activity generates. From the standpoint of safety, the proper development of airport facilities, the congested air space over our state's urban areas, and our frustrating inability to properly control land uses in the vicinity of airports rate as high concerns. Aircraft-generated noise is a very serious problem in California and is probably the single greatest constraint to the full development of our current airport system.

#### The State's Responsibility

Public air transportation responsibilities are generally composed of four key elements. These are the aircraft, the pilot, air space, and the airport. The Federal government has assumed responsibility for the first three elements and any activity by the state in these areas is preempted by Federal law. The airport itself is subject to the concerns of all three levels of government, Federal, state, and local. The state's job, in general, is to keep the airports safe and environmentally compatible for the pilot, passengers, and the surrounding community. The specific programs and responsibilities of the Division of Aeronautics in CALTRANS and the California Transportation Commission, therefore, are keyed to the areas of

safety, environmental actions that affect the airport and the surrounding community, and the provision of technical assistance on aviation issues when needed.

### Airport Funding

The state administers a \$3.4 million a year Aid to Airports Program. This money is generated from a seven cent per gallon motor vehicle fuel tax on aviation gas and a two cent per gallon tax on jet fuel used by general aviation aircraft. Air carriers are exempt from any state fuel tax. Of the funds generated, approximately \$1 million each year is set aside for grants of \$5,000 annually to each publicly owned public use airport that meets eligibility requirements. There are 172 airports which receive this funding. In addition, the Department provides low interest loans for the entire cost of airport-related construction, land acquisition and revenue producing projects. The Department is granting such loans at the rate of about two per year, for a total of about \$250,000 per year.

The remaining money in this fund is available for discretionary allocation by the California Transportation Commission to eligible airports for land acquisition and airport development projects. This money is available on a 90-10 match basis with the local agency providing at least ten percent of eligible project costs. This match requirement was reduced two years ago from a fifty percent match requirement because of build-up of funds in the account. With this new lower match requirement, the state is now receiving approximately twice the number of applications as it can fund. Three million dollars has been budgeted to this program for each of the next two fiscal years.

The biggest share of public funding for airport development projects comes from the Federal government. Federal Airport and Airway Trust Funds are apportioned to the sponsors of air carrier airports based on the ratio of the number of passengers enplaned at the airport to the total number of passengers enplaned at all such airports. There are 26 air carrier airports in California. During 1978, these airports received approximately \$29 million in Federal funds. Additionally, the twelve commuter airports in the state (those airports which provide regularly scheduled passenger service by air carriers certified as commuter carriers under Section 401 of the Federal Aviation Act) received an additional \$1 million of Federal discretionary allocations in 1978. General aviation airports designated by the FAA as an air carrier

reliever airport because of its function of relieving congestion at air carrier airports by diverting general aviation traffic (such as Van Nuys in Los Angeles, and Sacramento Executive Airport) received \$2 million in Federal discretionary funds in 1978. In addition, 122 general aviation airports in California received approximately \$5 million in 1978 from both apportioned and discretionary Federal funds. Finally, during 1977, California airports received additional discretionary funds of \$6.4 million and in 1978, \$20.6 million. Since these funds are discretionary, it is impossible to predict how much California airports may receive in the future. However, in aggregate, it can be said that California receives a total of between \$35 and \$60 million a year in Federal airport assistance grants. Match ratio for these funds varies between 75% and 90%.

Because of the Federal government's overriding interest in aviation in the nation, and the lopsided nature of the Federal versus the state financial contribution to airport development projects, it is easy to see that the Federal government maintains a predominant profile and interest at the state's larger and more active airports. The state, on the other hand, focuses most of its attention and funds on the much more numerous, small general aviation airports. The one exception to this generalization is the state's role in administering the State Noise Act. Under the Act, no airport may operate with a noise impact area greater than zero unless it has secured a variance from the Department. Because of the historical encroachment of urban development around the major metropolitan airports allowed by local government, with one or two exceptions, all now require a noise variance to operate in compliance with state noise standards.

### Aviation Regulation

The regulation of air carrier routes and schedules within California has historically been within the purview of the California Public Utilities Commission and interstate legs of flights originating or terminating in California have historically been under the control of the Federal Civil Aeronautics Board. Decisions relating to routes, rates, and levels of service have thus been made by these two agencies on the basis of the economics of the market and the competitive posture of the airlines involved. The historical route award process has, in fact, been void of any significant local or regional planning considerations and has been entirely dependent on private sector initiative. This topic is raised in this report because of the radical changes now occurring in the area of airline regulation.

Of major concern is the Federal Regulatory Reform bill which was enacted by Congress last year. This bill effectively preempts the California Public Utilities Commission from regulating the routes, rates, and service levels of all airlines which have any interstate route segments at all, and all commuter airlines. Such regulation is now within the purview of the Federal Civil Aeronautics Board and broad latitude is granted to the individual airline in raising and lowering fares without prior CAB approval. Hence, the state has lost its primary tool in leveraging low air fares for intrastate travel, as well as the regulation of the appropriate levels of service to be provided to many communities which may otherwise not be served. Additionally, because of airport congestion and access problems, there is an emerging need to merge the route award process into our existing regional and state transportation planning process. Largely because of the Federal Act, the question of the appropriate role of individual agencies in aviation regulation in the state is up in the air and likely to be decided by Federal courts. This issue received media attention recently as Hughes Air West notified the public of large increases in the cost of air fares on their intrastate flights in California. Hughes Air West maintains they have unilateral authority to change their intrastate fares under the new Federal law.

### Airport Congestion

Increasing attention has been focused on air and ground side airport congestion problems recently, especially on the situation in San Diego and Los Angeles International Airport (LAX). Capital improvements now under construction at most of the major commercial carrier airports such as LAX will assist in helping to relieve congestion and safety problems in the short term, but longer term airport management and development problems must be addressed if California is to continue to provide an adequate level of air passenger service.

The resolution of these issues can take several paths generally involving managing existing facilities more efficiently or innovatively, expanding existing airport air or ground capacity, or through construction of entirely new airports. An investigation this fall by Committee staff indicates that each of these strategies and a combination of them are being actively studied and/or pursued by local and regional agencies.

Clearly, decisive public action is required in the next few years if realistic solutions to these problems are to be

implemented in a timely fashion. One of the major issues to be dealt with is the adequacy of existing state and local institutions to cope with the major political and financial questions to be answered. Any new airport or existing airport's physical expansion must successfully deal with the usual myriad of governmental, environmental, social and financial hurdles of any large public works project, plus the unique noise and safety problems that all major airports must face. In addition, the ability to allocate or manage air traffic to maximize all existing facilities in a given geographic area is generally not possible given the current organization and competition of local governmental agencies with airport responsibilities.

Finally, any such airport management or development scheme will have to address the question of how the total costs and benefits of the anti-congestion program will be distributed between the various communities in each region of the state and amongst airport users, especially considering past commitments and contributions to the air passenger. Total cost in this context means the broad financial, environmental, and social costs and benefits of the program.

It is questionable as to whether our existing governmental agencies have the capability to resolve these issues in time to make a positive difference. The state government will therefore monitor actions in this area to insure that adequate legal and financial tools are available to successfully address these problems in a timely manner.

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## CHAPTER III

### STATE HIGHWAY SYSTEM

A brief overview of the state highway system is offered to provide a perspective from which to view prominent state highway program issues.

There are 171,000 miles of public roads and streets in California. The state has jurisdiction over 15,100 miles, counties have 71,800 miles and cities have 45,400 miles. Another 38,900 miles are administered by Federal agencies like the Park Service and the Forest Service. All of these road facilities carried about 133 billion vehicle miles of travel in 1975, accounting for over 95% of all travel in the State of California.

Statutes describe a 16,600-mile state highway system providing a network of arterial roads connecting the communities and areas of the state. Nearly every city is served by a state highway that passes through or near it. State highways also connect major traffic generators within metropolitan areas and provide access to important national and state recreation areas.

About 12,000 miles of California's state highways have been further described as the California Freeway and Expressway System. Section 250 of the Streets and Highways Code declares an intent to establish and construct this statewide system of highways with some degree of access control. Additionally, Section 251 declares an intent to correct deficiencies on other highways simultaneously with the development of those on the Freeway and Expressway System.

Of the 16,600-mile state highway system described in statute, 15,100 miles have been constructed. Approximately 11,000 miles of the 12,000 mile Freeway and Expressway System have been constructed, 5,500 miles with some degree of access control.

Approximately 10,000 miles of state highways are two-lane roads, 8,900 miles without access control, 1,100 miles with access control. About 200 miles are less than 18 feet wide, 1,600 miles are 18 to 22 feet wide, 4,900 miles are 22 to 32 feet wide, and 3,300 miles are over 32 feet wide.

Altogether, 5,600 miles of constructed state highways have some access control. Of these, 2,200 miles are interstate highways, 2,300 miles are other multi-lane freeways and expressways and 1,100 are two-lane expressways. About 100 miles of access-controlled highways are off of the Freeway and Expressway System.

The state highway system now carries about 73 billion vehicle miles of traffic annually, 55% of the travel in California. Freeways and expressways carry approximately 38% of the total state travel.

The first priority relative to the state highway system is to operate and maintain the existing system to provide a safe and convenient transportation system. The next priority is to rehabilitate and reconstruct those portions of the system which are obsolete or worn out. Finally, investment in new facilities to close gaps in the system and to complete the basic transportation system up to adequate travel standards is the third priority, but one that tends to receive most of the public attention.

Mileages of the various elements within the state highway system are shown in Table #1.

### Major Highway Program Issues

#### Inflation

Probably the most serious problem facing the state highway program is the impact of rising costs of highway construction and maintenance. Relative to the maintenance issue, the obvious fact that the state highway system has largely been completed, is carrying heavy traffic volumes, and is growing older are the largest contributors to cost increases. It should also be kept in mind that highway maintenance is a very labor intensive activity, requiring large amounts of gas and oil products, and increasingly expensive electrical energy for lighting. Thus, the maintenance program has been and will continue to take larger and larger percentages of our total state highway revenues over time.

In the area of construction, the California highway construction cost index has increased 232% since 1967 as compared to a 110% increase in the consumer price index since 1967. In addition to labor increases and material costs reflected in the indexes, environmental protection, safety and other design changes for highways have resulted in even larger increases in highway construction costs.

Revenue sources, on the other hand, have, as explained before, been largely tied to the static cents per gallon method of taxation. Only by increasing the amount of fuel sold which means more vehicle miles traveled on our highways do we increase our fuel tax revenue. This system does not take into account the price increases in fuel, no matter how often or high fuel prices are set. Thus, unlike sales tax, income taxes and most other taxes, the fuel tax is not inflation proof. In fact, because construction and maintenance of our highway system is largely petroleum based, this system suffers double jeopardy as prices on fuel continue to rise and as Federal vehicle fuel economy measures begin to take effect, thus slowing down revenue increases as costs increase. A recent automobile company report estimated that by 1985, 22% more vehicles will be on the nation's highways using roughly 20% less fuel. Clearly, under such conditions, our cents per gallon system of financing highways demanded by an ever increasing vehicle owning public will be inadequate very soon.

As previously stated, the funding priorities in the state highway system are: 1) maintenance of the existing system; 2) rehabilitate or reconstruct worn out parts of the system; and, 3) build new facilities to close gaps and improve system continuity and performance.

As these costs increase without corresponding increases in revenues, a larger portion of the available funds must be expended on the higher priorities mentioned, leaving a lesser amount for new facilities. The construction dollar buys about one-third of what it did when revenues were last increased. State fuel taxes were last increased in 1963 to the seven cent tax rate which now has the purchasing power of what two cents would have provided in 1963.

Attempts to increase the fuel taxes during the last four years failed in the Legislature. The Governor has publicly expressed his opposition to gas tax increases. Indexing the gas tax to the cost of living or construction cost index has been recommended by various study groups. Legislation to place a gas tax indexing measure on the ballot for voter approval failed in the last session of the Legislature.

The accumulation of large unexpended balances of funds in the State Highway Account in the last couple of years provides the Administration with its strongest argument against increasing the taxes on fuel of vehicles. CALTRANS' latest program estimates that the \$483 million on hand on

June 30, 1978, will be expended by June 30, 1984. Some \$400 million represents state fund balances collected from state mandated highway user taxes. The stated reasons for the large unexpended fund balances are that such reserves are necessary to match Federal funds in several years when state funds begin to decline, revenues have increased above Administration forecasts, and normal project slippage due to environmental and other problems which has slowed commitment of large blocks of construction funds.

The current situation needs to be investigated to determine if the Legislature can agree with the reasoning behind the large buildup of State Highway Account reserves by the current Administration. Does it make good fiscal sense to bank money at eight percent when inflation impacting the eventual use of these same funds is increasing at much larger rates? What could be done to further expedite expenditure of funds on already agreed to construction projects?

The Legislature must also face the long range issue of the adequacy of the cents per gallon fuel tax for financing future highway and transit guideway construction needs. Consideration of a fuel tax indexed to increase with inflation will eventually be necessary if our state and local street and highway system is to be maintained at current service levels.

#### CALTRANS Personnel Problem

The California Department of Transportation has developed what most knowledgeable observers would agree is the finest highway system in the world. They have accomplished this significant feat at a bargain price and for the most part construction took place faster than any such public works ventures normally proceed.

As the basic state highway system came closer to completion, and as the inflation of the last decade began to take its toll, the need for the large construction staff of CALTRANS was seen as diminishing. In the last years of the Reagan Administration the Department's ranks decreased through attrition and many young, talented staff left because of a wind down of activities and constant rumors of layoffs.

The Brown Administration did move forward with layoffs, again significantly impacting younger staff members and

decreasing the overall ability of the organization to produce construction projects. In fact, until the last few months, no really significant numbers of personnel were hired over the last five years. It has been reported that the average age of Departmental personnel is 53 years of age.

The Brown Administration has approved some hiring of new personnel in recent months because of the perception of an inability to produce necessary project development work on construction projects. These approvals were limited however, and will only produce the program the Administration would like to proceed with and not a program as approved by the Legislature and the California Transportation Commission.

The Administration has limited hiring based on the reasoning that such actions would require additional layoffs at some future date as revenues dwindle. This reasoning also assumes no significant changes and/or additions relative to the transportation revenue base. The obvious conclusion to be drawn from this line of reasoning is that the program can therefore not be expedited beyond that which is planned by the Administration because necessary personnel cannot be hired, thus reserves continue to build-up and their purchasing power is reduced by inflation. This is the frustrating situation now facing the Legislature and other parties interested in the future of the state highway program.

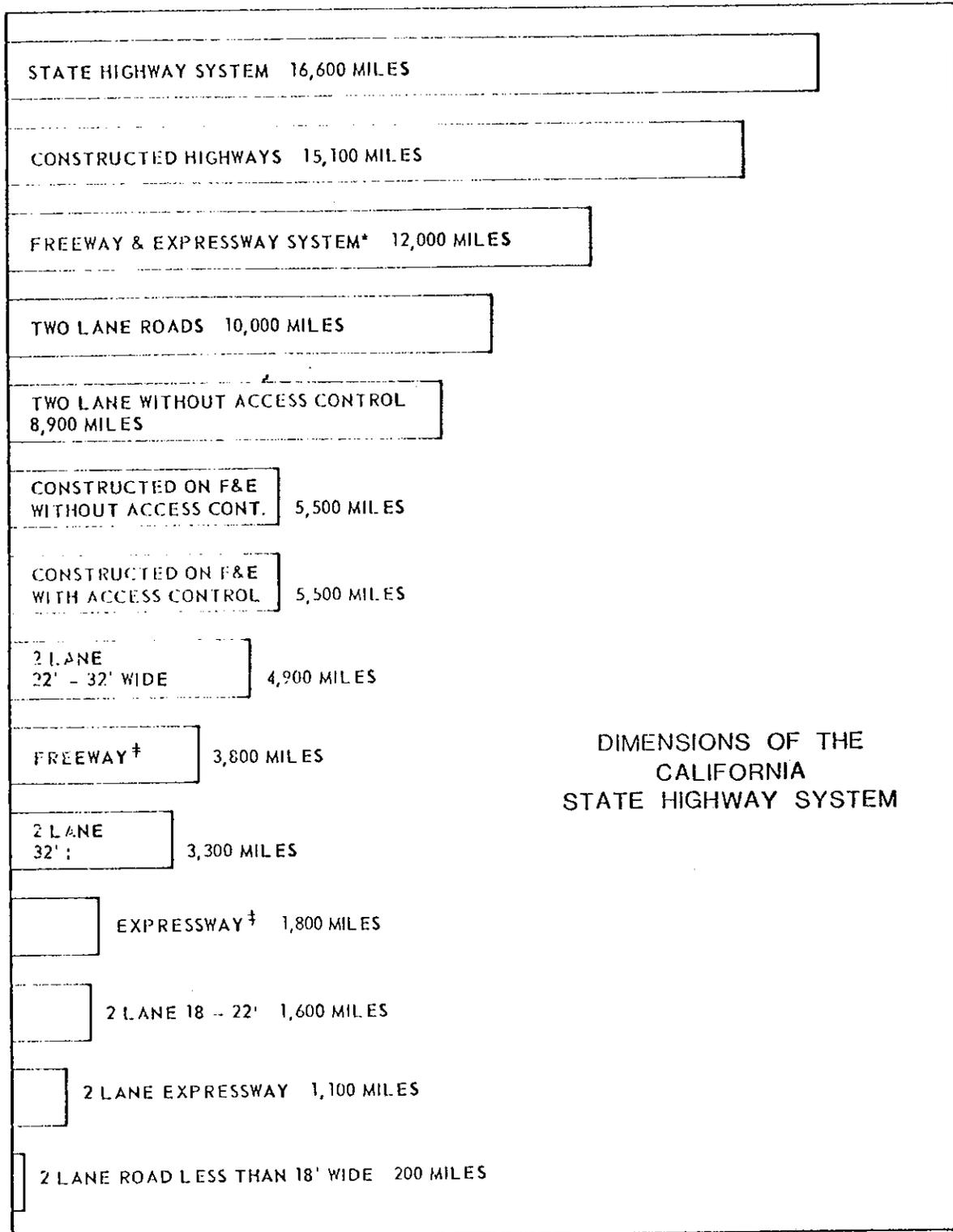
One of the associated manpower issues that will need to be addressed includes whether it might make a great deal of sense to approach the private sector to contract out work unable to be done within CALTRANS. Illinois, Florida and Connecticut, to name a few states, now contract out a large portion of their project development work with good results based on tight contract execution systems. Even though this private method may cost more than CALTRANS' internal work force (usually about 10%), it would allow the state to expedite the program, thus beating the erosion of construction funds caused by inflation and not unnecessarily building up the state work force causing politically difficult layoffs or carrying the costs of unnecessary staff through to retirement.

In any event, all methods of expediting the program in advance of inflation should be actively explored. It is also clear that CALTRANS will need to carefully hire new employees on a continuing basis if the organization is to continue to carry out its basic mission in the years ahead. These important manpower questions must be addressed in a well thought out program as soon as possible.

Finally, it should be noted that several significant fixed guideway transit projects are not being proposed with the use of State Highway Account funds as allowed by the State Constitution as amended by Proposition 5 in 1974. Successful implementation of these projects would obviously further impact our ability to accomplish necessary highway construction and maintenance. Thus, expediting or significantly expanding highway or transit guideway improvement plans would bring the financial issues discussed above to fruition even sooner than currently expected.

# # # # # # #

TABLE #1



DIMENSIONS OF THE CALIFORNIA STATE HIGHWAY SYSTEM

\* Includes 2,200 mile Interstate system

‡ Freeways have full access control and separated crossings, Expressways have partial access control and intersections

## CHAPTER IV

### STATE HIGHWAY ACCOUNT

#### State Revenue Sources

Article XIX of the State Constitution restricts the purposes for which vehicle taxes and fees may be used to the extent that a trust fund is established. The funds may only be used for street and highway purposes and for the construction of public mass transit guideways. The principal source of State Highway Account revenue is the taxes imposed by the state and Federal government on motor vehicle fuel.

The seven cents per gallon state motor vehicle fuel tax on gasoline is imposed by statutes which also allocate the revenues, 51.6% to the state, 20.8% to cities and 27.7% to counties. The seven cent state tax on diesel and other non-gasoline fuels is retained entirely by the state. With increased use of diesel fuel by passenger vehicles and trucks who use city and county roads, the cities and counties are now proposing that they be allocated a share of the diesel fuel tax. (See Tables #1, #2, and #3.)

Until this year, the State Highway Account also received substantial amounts of spillover funds from the Motor Vehicle Account. Motor vehicle taxes and fees are used first to support the Department of Motor Vehicles, California Highway Patrol, Air Resources Board, and related programs. Excess revenues, if any, are available for transfer to the Highway Account. Transfers as recent as three years ago amounted to \$95 million in one year. An estimated \$10 million will be transferred during the 1978-79 fiscal year. Motor Vehicle Account revenues are discussed in detail in another section of this report.

#### Federal Revenue Sources

The Federal-aid highway funds come from the Federal Highway Administration (FHWA) in the form of apportionments made from the Federal Highway Trust Fund established by Congress in legislation every three or four years. Highway Trust Fund revenue is derived primarily from payment of Federal taxes on motor vehicle fuel (four cents of the

eleven cents total per gallon tax paid by Californians) and from taxes on vehicle and automotive products. California now receives about 60% of what it contributes to the Federal Highway Trust Fund.

The 1977-78 Federal Highway Trust Fund apportionment to California totals \$438 million. These funds are used for an assortment of activities permitted under Federal statutes and rules including highway construction, acquisition of right-of-way, engineering, right-of-way support, transportation planning and research, safety, rehabilitation and natural disaster repairs. In California, very little of the construction or construction-related activities are not funded in part by Federal funds. The principal Federal programs participated in 1977-78 by California include:

- Interstate - \$177.9 million
- Consolidated Primary - \$79.5 million
- Secondary - \$13.1 million
- Urban Systems - \$92.2 million
- Economic Growth Centers - \$1.9 million
- Highway Safety Program - \$27.9 million
- Transportation Planning Funds - \$5.8 million
- Safer Off-System Roads - \$13.5 million
- Special Bridge Replacement - \$4.5 million
- Rehabilitation, Federal-Aid Interstate - \$13.2 million

In addition, there are more than twenty other special categories of Federal aid. Use of these special categories by California is limited.

Completion of the Interstate Highway System is the top priority of the Federal Department of Transportation. The 1978 Federal Act increased the allocations of funds for Interstate construction and added new provisions to accelerate the construction. Environmental Impact Reports must be completed by September 30, 1983, and construction must be under way by 1986 on remaining Interstate projects. California needs about \$2.5 billion of Federal funds and \$200 million of state funds to complete the Interstate System in this state. Barring any further litigation or other reasons for delaying California Interstate construction, the system should be completed in the early 1990's.

The Federal-aid primary system consists of about five times the mileage of that of the Interstate System in California and receives about one-third of the amount of Federal

funds that are provided for the Interstate System. According to recent studies, roughly one-half of the state highway system's unmet needs for improvement are on the primary system on such heavily traveled routes as 101, 126, 99, 91, 7, 86 and 395 which are essential to our system. With a Federal allocation of only \$80 million per year for primary system needs, state funds have often been used in the past to make essential improvements. Increases in other costs of the highway program will eventually eliminate the possibility of using state funds for construction purposes. In 1968, the state funded \$190 million of state-only funded major construction. In 1976, only \$10 million of state-only projects were funded.

### Miscellaneous Funds

In addition to fuel tax revenue, Federal aid, and the surplus from the Motor Vehicle Account, funds from a variety of other sources are used to finance the State Highway System. The State Highway Account received approximately \$70 million in fiscal year 1977-78 from various miscellaneous revenue sources.

Half of this revenue came from interest on the investment of funds not immediately needed for expenditure. This money is deposited in the Treasurer's Joint Pooled Money Investment Fund and currently earns interest at an annual rate of eight percent.

Another significant source of income is the sale and rental of real property, no longer required for highway construction. The sale of excess land and rescinded routes produced \$22.5 million in 1977-78, and the Highway Lease Area Program generated another \$1.6 million. The Department also collected \$10.5 million from rental of land and structures on the right-of-way of state highways yet to be built. Twenty-four percent of this right-of-way rental revenue (\$2.4 million in 1977-78) is transferred to the Highway Property Rental Fund from which the funds are distributed back to the county in which the rental was located. The remainder is deposited in the State Highway Account.

The State Highway Account also receives contributions. An example of a contribution is the case where cities or counties entered into agreement with the state to help fund particular projects on the state highway system in exchange for having the projects' construction schedule advanced.

# # # # # # # #

TABLE #1

FUEL TAX REVENUES

YEAR ENDED JUNE 30	<u>(IN MILLIONS)</u>			
	CITIES	COUNTIES	STATE	TOTAL
1978	\$156	\$210	\$479	\$845
1977	151	199	441	791
1976	147	193	414	754
1975	145	190	405	740
1974	143	188	401	732
1973	144	190	401	735
1972	137	181	336	654
1971	131	172	320	623
1970	125	166	370	661
1969	121	162	335	618
1968	112	150	311	573
1967	104	143	294	541
1966	101	136	307	544
1965	100	132	273	505

TABLE #2

CALIFORNIA FUEL TAX RATE  
1923 TO DATE

FROM	TO	CITY	COUNTY	<u>CENTS PER GALLON</u>	
				STATE	TOTAL
10-1-23	7-28-27	-	1.00	1.00	2
7-29-27	6-30-33	-	1.00	2.00	3
7-1-33	6-30-35	0.25	1.00	1.75	3
7-1-35	6-30-47	0.50	1.00	1.50	3
7-1-47	6-30-53	0.625	1.375	2.50	4.5
7-1-53	9-30-63	0.625	1.375	4.00	6
10-1-63	Present	1.453	1.937	3.61	7

An additional one cent per gallon was collected from April 1, 1965 to August 31, 1965 and from June 1, 1969 to August 31, 1969 to fund projects resulting from severe storm damage.

TABLE #3  
 Department of Transportation  
 State Highway Account  
 1976 Fuel Tax Revenue Forecast  
 (Millions)

<u>Year</u>	<u>Gasoline</u>	<u>Diesel</u>	<u>Total</u>
1974-75	\$355	\$ 50	\$405
1975-76	360	55	415
1976-77	377	62	439
1977-78	376	66	442
1978-79	369	70	440
1979-80	361	74	435
1980-81	353	78	431
1981-82	344	82	426
1982-83	335	86	421
1983-84	326	89	415
1984-85	318	94	412
1985-86	312	96	408
1986-87	306	99	405
1987-88	300	102	402
1988-89	294	105	399
1989-90	289	108	397
1990-91	285	110	395
1991-92	283	112	395
1992-93	281	115	396
1993-94	281	117	398
1994-95	281	119	400

## CHAPTER V

### STATE HIGHWAY LAW ENFORCEMENT:

#### THE CALIFORNIA HIGHWAY PATROL

The California Highway Patrol was originally established as part of the Division of Motor Vehicles within the Department of Public Works in 1929 for the purpose of providing uniform traffic supervision. In 1931, the Department of Motor Vehicles was organized and the Patrol became part of that Department. Peace officer status was granted at that time to uniformed employees of the Patrol to allow for consistent enforcement of all traffic laws on all highways. Finally, in 1947, the Department of the California Highway Patrol was statutorily created to ensure that appropriate training of peace officer personnel and clarification of law enforcement powers pertaining to all highways would be on-going.

The Patrol has evolved, through enactment of legislation, into a primary criminal law enforcement agency with broad powers encompassing areas far beyond enforcement of traffic laws. Today, the Patrol often serves as a law enforcement backup agency for local police in emergency situations. However, the top priority of the Patrol is still enforcement of all laws encouraging the safe, convenient and efficient movement of people and goods on the state's highways. The following chart indicates the statutory and administrative authority from which the Patrol's powers originate. (See Chart #1.) As with the Department of Motor Vehicles, the Patrol is a state government agency that has a major impact on the public with its high visibility mission on the state's busy highways.

In the endeavor to ensure enforcement of all laws regulating the operation of vehicles and the utilization of interstate and state highways, and unincorporated streets and roads, the Patrol has four principal programs: (1) traffic management; (2) regulation and inspection; (3) vehicle ownership security; and (4) administration.

The traffic management program accounts for approximately 90% of the Patrol's operating budget. The Patrol employs, as of January 1, 1978, 4,202 traffic officers with a total of 5,039 uniformed personnel. While not all of the uniformed positions are involved in traffic law enforcement, the need for this allocation of personnel is appropriate in view of the fact that controlling traffic accidents, assisting highway users and apprehension of traffic violators is a major concern as mandated by statute.

The Patrol under this program also enforces the 55 mile-per-hour speed limit in California in order for the state to continue to receive Federal highway construction appropriations. The speed limit, enacted in 1973 to reduce fuel consumption, has had a clear and major impact in reducing fatalities and injuries on California's highways.

The second major program consists of regulation and inspection of passenger and commercial vehicles to protect the public from the operation of unsafe or overweight vehicles. Inspection of motor carrier terminals, school buses and school pupil activity vehicles, the equipment of vehicles, noise and exhaust abatement, abandoned vehicle abatement, farm labor buses, and transportation of hazardous vehicles are portions of this program responsibility. The Patrol also enforces weight limitation laws which insure that trucks carrying loads too heavy to be carried on the state's highways and bridges without causing structural damage to these facilities are prohibited. In 1978-79, approximately 228 uniformed and 641 non-uniformed positions were designated for support of this responsibility.

The third program, vehicle theft investigation, consists of efforts to reduce per capita incidence of theft and increase the annual stolen vehicle recovery rates. Also, because of the nature of auto theft operations, interstate, international and intrastate theft rings are investigated by the Patrol. During 1978-79, approximately 120 uniformed and 25 non-uniformed positions are authorized for this purpose.

The fourth area is administrative support for control over Departmental direction and operations. This management program provides in 1978-79 approximately 272 uniformed and 658 non-uniformed positions.

With this brief history and program responsibility background in mind, the following is a discussion of some of the problems and areas of concern in regard to the Patrol for the near future.

### Radar

In 1973, Federal legislation was enacted requiring states receiving Federal funds for highway construction purposes to enact and enforce a 55 mile-per-hour speed limit on all streets, roads and highways within the state. Since highway law enforcement is the major focus of the Patrol, the Patrol has continually attempted to reduce the average speed traveled by motorists to be in conformance with the 55 m.p.h. limit. Thus far, the Patrol

has been successful in reducing and maintaining the average speed traveled to approximately 61 m.p.h. In order to become more effective in reducing the average speed of travel, the Patrol may need to employ more personnel and/or utilize new technology such as mobile radar units.

The California Highway Patrol remains the only state traffic law enforcement agency not using mobile radar units for enforcing maximum speed limits in the United States. Radar is also used by local enforcement agencies throughout California. The Patrol has been unsuccessful in obtaining legislative fiscal or policy approval for radar units in recent years. While criticism has focused regarding the potential use of radar in speed trap situations, the Patrol maintains that if radar is used, only marked Patrol vehicles would be equipped with such technology.

Radar has proved successful in reducing the average speed traveled in other states. It has also proved to be effective in encouraging sales of items utilized by motorists to detect radar. Nevertheless, the desire of the Patrol to use mobile radar units will be a major issue to be determined by the Legislature in 1979.

#### Manpower

The Patrol is currently faced with a decreasing manpower situation while concurrently facing increasing responsibilities from continuing administrative and legislative actions. The Patrol has lost approximately 400 positions through attrition since 1975. The Patrol intends to present three new traffic officer classes in 1979 totaling 250 members. The Patrol is now losing approximately 25 uniformed members per month. Most of these members are lost through attrition.

Due to the limited manpower situation, the Patrol announced in November that some unincorporated roads, which have infrequent automobile accidents, will not be regularly patrolled. Vehicles usually patrolling these unincorporated areas will be redeployed to more frequently traveled Interstate and state highways. Historically, county sheriffs, while having implied authority to patrol highways in unincorporated areas, have not patrolled these areas as the Patrol was considered the primary traffic law enforcement agency. If county sheriffs are forced to provide traffic law enforcement of these areas, clarifying legislation and state funding for this purpose may be requested by local government.

Mileage traveled by California motorists has continued to increase even considering the increase in the price of motor fuel. With this in mind, the Patrol may face public demands for more patrolling of unincorporated areas as well as Interstate and state highways as traffic congestion continues to increase. In particular, the manpower questions regarding the Patrol's role in enforcing various transportation system management (TSM) schemes to increase the capacity of our existing state highway system (i.e. Diamond Lanes, ramp metering, etc.) as promoted by the Federal government and the current Administration remain largely unresolved. The demand for new traffic officer classes and additional uniformed personnel will be confronted by the Legislature this session.

### Deployment of Personnel

The Patrol has been criticized recently for involvement in breaking up international automobile theft rings and state-wide automobile insurance fraud rings. The authority to permit the Patrol's involvement in these areas may need further clarification. Issues regarding the need for the Patrol to be involved in this area, in light of local law enforcement powers, will need to be resolved.

Effective enforcement of off-highway vehicle laws is also an area which has been neglected due to lack of necessary personnel. While the Patrol offers some enforcement of off-highway areas, the need for additional manpower has yet to be fully investigated.

Finally, the need to provide limited law enforcement powers for some of the Patrol's non-uniformed personnel may be necessary in order to permit these employees to effectively inspect commercial vehicles, school buses and farm labor buses. The Patrol would prefer to inspect all commercial vehicle and passenger vehicle terminals, but due to manpower constraints, are unable to do so. Allowing motor carrier operations specialists (non-uniformed personnel) to have limited law enforcement powers may be a direction for legislative consideration in 1979.

### Vehicle Safety Inspection

Federal law requires all states to operate vehicle safety inspection programs. California has refused to adopt such a program and may be faced with this issue in the near future. If California adopted such a program the role of the Patrol would have to be clearly outlined regarding necessary enforcement activities.

Finally, the need to develop a greater truck weight enforcement effort, including the utilization of mobile truck weight scales, will be an area needing further study in the year ahead. According to CALTRANS and recent Federal government studies, many more illegal overweight vehicles are utilizing our bridges and highways than these facilities can structurally handle. The cost of resurfacing or rebuilding these facilities if they continue to deteriorate will be enormously more expensive than insuring that illegal loads are kept to a minimum through continuous and tough enforcement of the law.

# # # # # # # # # # #

CHART #1

LEGAL AUTHORITY IN SECTION 2100 CALIFORNIA VEHICLE CODE  
AND OTHER STATE LAWS AND REGULATIONS.

- A. Commissioner administers laws relating to:
1. Theft and Injury of Vehicles (Sections 10850-10855).
  2. Liability for Damage to Highway (Sections 17300-17303).
  3. Accidents and Accident Reports (Sections 20000-20016).
  4. Rules of the Road (Sections 21000-23343).
  5. Equipment of Vehicles (Sections 24000-28110).
  6. Towing and Loading Equipment (Sections 29000-31450).
  7. Transportation of Explosives (Sections 31600-31620).
  8. Safety Regulations (Sections 34500-34506).
  9. Size, Weight, and Load (Sections 35000-35976).
  10. Implements of Husbandry (Sections 36000-36520).
  11. Off-Highway Vehicles (Sections 38000-38397).
- B. Enforce all laws regulating the operation of vehicles and use of the highways.
- C. Administer the provisions relating to off-highway motor vehicles. Patrol for and enforcement of such provisions are not required of the Commissioner.
- D. Full responsibility and primary jurisdiction for traffic law enforcement on all State highways constructed as freeways in incorporated cities.
- E. Additional Legal Authorities come from such statutes as:
1. Government Code.
  2. Penal Code.
  3. Health and Safety Code.
  4. Public Resources Code.
  5. Business Professions Code.
  6. Public Utilities Code.
  7. Revenue and Taxation Code.
  8. Welfare and Institutions Code.
  9. Streets and Highways Code.
  10. Food and Agriculture Code.
- F. Some Administrative Code Titles providing operating regulations:
1. Title 5--Education.
  2. Title 13--Motor Vehicles.
  3. Title 17--Health.
  4. Title 19--State Fire Marshal.

## CHAPTER VI

### STATE VEHICLE AND DRIVER REGULATION: THE DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles was established in 1931 as the agency responsible for vehicle licensing, titling, and driver licensing and control. The Department today performs these functions, as well as occupational licensing and control, and enforces the compulsory financial responsibility law (mandatory vehicle liability coverage). This Department is probably the most publicly visible and frequently utilized state government agency in California. It has approximately 7,500 employees working out of 147 field offices with the central office in Sacramento. Approximately 4.5 million driver's licenses and 14.5 million vehicle registration applications are processed annually. More people are registered to drive than those voting or paying income and property taxes in the state.

The Department is unique in that it is not only a monitoring agency, but also serves as a tax collector. The Department collects over \$750 million annually in various fees. The fees help finance highway construction and maintenance, support local government and education, promote environmental protection and enforce traffic laws. Approximately 97% of the fees come from the sale, transfer or registration of vehicles. Occupational licensing and driver's licensing fees make up the remaining three percent. For additional financial information, see the Motor Vehicle Account section.

To insure the efficient and orderly application of statutory duties, the Department has five principle programs: (1) driver's licensing and control; (2) vehicle licensing and titling; (3) occupational licensing and titling program; (4) compulsory financial responsibility; and, (5) associated services program.

The driver's licensing and control program is designed to insure that all licensed drivers have the necessary skills to move safely on all streets and highways. The Federal government requires all states to maintain programs testing drivers for visual acuity and knowledge of state traffic laws once every four years. The Department, in this program, also has authority to suspend licenses of negligent or dangerous drivers.

The vehicle licensing and titling program insures that adequate records on each vehicle is maintained to verify ownership of the vehicle. This program requires extensive computer

data banks as vehicle registration in California is approaching 18 million.

The occupational licensing and titling program is a consumer protection responsibility of the Department which licenses all the professions associated with the sale of motor vehicles. Vehicle salesmen, dealers, dismantlers, transporters, distributors, and manufacturers are regulated under this program. Under this program, the Department handles approximately 13,000 consumer complaints annually.

The compulsory financial responsibility function is designed to insure that every owner and/or driver of a vehicle is properly insured or can meet established liability limits. Failure to meet the financial responsibility legal requirements results in the Department's suspension of the driving privilege for up to three years or until the requirements are fulfilled.

The associated services program within the Department is composed of six elements providing a variety of public services not directly related to each other. This program includes: identification card issuance, vessel registration, environmental license plate issuance, use tax collection, off-highway vehicle registration and titling, and bicycle licensing.

The following are issues that will significantly impact the Department's ability to provide services to the public in the next few years.

### Department of Motor Vehicles

#### Funding

The single most important problem facing the Department in the near future will be the solvency of the Motor Vehicle Account. Services now provided by the Department may need to be curtailed unless the Motor Vehicle Account question is resolved or General Fund allocations are provided. For more information, refer to the Motor Vehicle Account section.

#### On-Line Terminals

In an effort to expedite driver's license and vehicle registration processing, the Department will need to purchase and utilize on-line computer terminals at all 147 field offices.

Currently, each request for any license must be filled out at a field office and sent to Sacramento for final approval. In Sacramento, paper copies as well as computer storage is provided. Utilization of on-line terminals would cut unnecessary paperwork and associated expenses. The innovative and long-term cost cutting approach, however, would create personnel problems because some current Department employees may not be needed. An orderly program of attrition could largely resolve the problem of layoffs. A significant initial capital outlay will be necessary to purchase the on-line terminals. The Department intends to initiate portions of such a program in the 1979-80 fiscal year.

### Compulsory Financial Responsibility

The existing compulsory financial responsibility law and the Department's effort to enforce compliance with the law has been a dismal failure. Presently, the law is only enforced after a vehicle or driver has been involved in an accident resulting in reported damage or injury. The Department has little enforcement powers to mandate liability coverage, but can suspend the driver's license upon report of an accident. Unfortunately, many of those with suspended licenses continue to operate motor vehicles.

### Varied Office Hours

Legislation approved in 1977 allowed the Department to begin a pilot program opening DMV field offices on Saturdays so that the public had improved access to the Department's services. The bill required the field office to close on Monday so that a five-day work week would not be interrupted. A state employee organization has fought this pilot program on the basis that it interrupted existing employees' lifestyles and was under-utilized by the public. During the next session, the issue of allowing the Department to continue or expand the varied office hour program will probably be discussed.

### Mobile Home Definition

Under existing law, mobile homes are defined as vehicles and are subject to annual vehicle registration and the two percent of assessed value in lieu tax. The need to determine if mobile homes and large recreational vehicles are dwellings or vehicles may come before the Legislature, as the demand to allow mobile homes the Proposition 13 savings has been raised by several groups. However, if mobile homes are to pay the

1% Proposition 13 property tax, a problem may arise concerning double taxation as the mobile home owner now pays property taxes on the space where the mobile home is located by paying rent to the mobile home park owner.

Mopeds

Currently, mopeds are not considered vehicles and are exempt from vehicle registration. Also, operators of such vehicles do not need to possess a motorcycle (Class 4) driver's license. Legislation will probably be introduced requiring operators of mopeds to possess a Class 4 driver's license and register the moped as a vehicle. Law enforcement has indicated concern over the increasing accident rates, the thefts, and enforcement of traffic laws regarding such vehicles, and registration of mopeds as vehicles is an issue which will probably be discussed.

# # # # # # # # # # # #

CHAPTER VII

STATE MOTOR VEHICLE ACCOUNT

Revenue Sources

The Motor Vehicle Account in the Transportation Fund is used to account for those revenues and operations controlled by Article XIX of the Constitution which provides as follows:

"Section 2. Revenues from fees and taxes imposed by the state upon vehicles or their use or operation, over and above the costs of collection and any refunds authorized by law, shall be used for the following purposes:

(a) The state administration and enforcement of laws regulating the use, operation, or registration of vehicles used upon the public streets and highways of this state, including the enforcement of traffic and vehicle laws by state agencies and the mitigation of the environmental effects of motor vehicle operation due to air and sound emissions.

(b) The purposes specified in Section 1 of this Article. (New section adopted June 4, 1974.)"

Revenues in excess of those used to finance the operations and capital outlay needs of the Department of Motor Vehicles, California Highway Patrol, Air Resources Board and the Department of Justice are available for transfer to the State Highway Account for street and highway and public mass transit purposes as defined in Section 1 of Article XIX as follows:

"Section 1. Revenues from taxes imposed by the state on motor vehicle fuels for use in motor vehicles upon public streets and highways, over and above the costs of collection and any refunds authorized by law, shall be used for the following purposes:

(a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental

effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes.

(b) The research, planning, construction and improvement of exclusive public mass transit guideways (and their related fixed facilities), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, the administrative costs necessarily incurred in the foregoing purposes, and the maintenance of the structures and the immediate right-of-way for the public mass transit guideways, but excluding the maintenance and operating costs for mass transit power systems and mass transit passenger facilities, vehicles, equipment, and services. (New Section adopted June 4, 1974.)"

Historically, resources available to the Motor Vehicle Account have been sufficient to support the operations and capital outlay needs of the California Highway Patrol (CHP) and Department of Motor Vehicles (DMV) while providing some additional funding for several smaller entities. These resources have also supported the transfer of close to \$100 million annually to the State Highway Account for road construction, rehabilitation and maintenance. However, the continuation of these expenditure arrangements have been eroded by the rapid growth in the support budgets of the CHP, DMV, and other Account recipients. Current revenue forecasts show the account remaining solvent only through 1979-80 with a small transfer to the State Highway Account in the 1978-79 fiscal year.

Table #1 presents a six year comparison of revenue and expenditure trends in the Motor Vehicle Account. The most striking development is the growth in CHP and DMV support appropriations as a percentage of Account resources. The table shows that the Highway Patrol's share of such resources has risen from 41.5% in 1972-73 to an estimated 51.9% in 1977-78, while the Department of Motor Vehicles' share has increased from 20.3% to 28.5% during the same period. Other agencies receiving Account support, including the Air Resources Board and Department of Justice, now consume approximately six percent of the available resources versus 2.5% in 1972-73.

Table #2 provides a visual presentation of these trends during the six-year period. Setting 1972-73 dollar amounts equal to a base of 100, the exhibit illustrates the slow revenue growth, rapid expenditure growth, and declining transfer rate. CHP and DMV expenditure appropriations have increased 59% and 78%, respectively, while revenues have risen only 31%. Transfers have declined approximately 86%, based on an estimated transfer of \$10 million in 1977-78. Taken together, these trends provide evidence of the deteriorating fiscal condition of the Motor Vehicle Account.

Three years ago, it appeared that Account resources might not be sufficient to meet needs as early as 1977-78 or 1978-79. However, under the assumption that only a modest transfer will be made to the State Highway Account, it now appears that the Account will remain solvent through 1979-80. There are several apparent reasons why this extension has occurred.

First, the fiscal committees of the Legislature have acted with restraint in approving new positions for the DMV and CHP. In 1976-77, the Legislature deleted approximately 150 of the 300 new positions requested by DMV. In the following year, the Legislature approved a reduction of 189 positions from DMV's authorized level, producing a two-year difference of 339 positions between actual and projected staffing totals. The Legislature also approved a reduction of 180 positions in the CHP for 1976-77 through a freeze on new cadet training. The combined effect of these actions resulted in 519 fewer positions from the need originally forecast for the two Departments. With the passage of Proposition 13, the freeze on pay raises and hiring has continued to reduce positions into the present fiscal year.

Second, there has been a go-slow approach to the capital outlay requests of these Departments. Large expenditures on new facilities have been deferred in view of the uncertainty concerning future resources.

Third, the introduction of year-round vehicle registration has produced a stable cash flow to the Account, reducing the need to retain sizeable cash balances for support and operating expenses.

Finally, not all of the funds set aside for loans to the Air Resources Board have been encumbered. Together, these actions have resulted in foregoing some large personnel and

facility expenses while freeing previously earmarked funds. Thus, the full effects of the expenditure increases in excess of revenue growth have been delayed.

Problems with the Account's fiscal condition have developed over a period of years. The situation stems from a widening gap between the costs of providing motor vehicle services, an increasing number of activities or services demanded by the public through legislative action, and the relatively fixed fee structure established by statutes to defray such expenses.

### Truck Weight Fees

The Motor Vehicle Code provides for weight fees ranging from \$15 to \$413 per vehicle based on the unladen weight. The fees are paid each year on the registration of commercial vehicles. The purpose of weight fees when first imposed by the state was to reimburse the state for the added costs of highway construction and maintenance attributable to heavy commercial vehicles.

Weight fee revenues like other vehicle fees and taxes are being used to support DMV, CHP, and other vehicle-related programs funded by the Motor Vehicle Account. The spillover of excess revenues to the Highway Account in recent years has been substantially less than the revenues obtained from the truck weight fees. In 1978-79 only \$10 million will be transferred to the Highway Account. At the same time, truck weight fees will provide about \$135 million in revenues.

Weight fees were first imposed in 1923 and increased in 1927, 1948, 1964 and 1974. The 1974 increase of about \$20 million only partially offset a \$30 million loss of gross receipts tax on commercial carriers which was repealed in 1973. The cost of highway construction has increased 250% since 1964, which was the last real increase in weight fees.

The maximum weight that trucks may impose on a state highway was increased to 80,000 pounds overall and 20,000 pounds per axle in 1975. The previous limits were 76,800 and 18,000 pounds, respectively. Because of this increase, CALTRANS issued a report in July 1976, which stated that, "Heavier axle loadings increase the destructive effect on highway pavements and bridge structures and reduce the effective service life."

Approximately 99% of the damage done to the structural pavement is caused by vehicles over 6,000 pounds gross weight. Under the previous maximum loads a truck axle caused 6,000 times the damage to a highway than an automobile weighing 2,000 pounds per axle.

The new limits result in a fully loaded truck causing 10,000 times the damage done by an automobile. As the load increases the highway damage increases at a geometric rate, in other words, a 20% overload does twice the damage of a legal load.

"Compared to other states, California owners of small vehicles pay a larger share of highway user taxes, and heavy trucks pay a lower share." This conclusion was reported by the Auditor General in July 1976, after a study of fees and taxes paid by various size vehicles in California in comparison to those paid in other states by the same size vehicle.

Heavy vehicles pay 21% of the user taxes in California. Studies by the Federal government and other states indicate that this percentage should be between 34 and 37%.

CALTRANS' July 1976, report on Heavy Vehicle Cost concluded that heavy trucks should pay an average of \$195 million per year for the incremental costs of maintenance and construction allocated to heavy vehicles. The study covered 1973-74 and 1975 at which time truck weight fees averaged \$100 million per year.

The cost estimates are quite conservative since they do not take into account the added cost to cities and counties for damage to streets and roads, nor do they reflect the actual need as it was based on an already declining state highway expenditure program as related to needs.

The weight fee revenue deficiency relative to present costs of state and local construction and maintenance could amount to \$200 million per year.

The Federal-Aid Highway Act of 1978 provides for studies of maximum truck weights and sizes, the effect upon construction, reconstruction, maintenance, the state's economy, energy consumption and the adequacy of highway and bridge design standards to meet present and future needs. A report is required to be made to Congress no later than January 15, 1981. The Act also requires that a cost allocation study be made in cooperation with the states. This study is to determine the

design, construction, rehabilitation and maintenance costs of Federal-Aid Highways caused by the use of vehicles of different sizes and weights and the frequency of such vehicles in the traffic stream. Also to be studied is the allocation of costs to various size vehicles and the need for continuous study of long term roadway deterioration attributable to traffic and the environment.

The media and public in general blame the increased number of trucks and the increased maximum weight limits for the accelerated deterioration of our streets and highways. Enforcement of weight limits through highway scales is insufficient to discourage overloading. The relatively few scales that we have may be bypassed by going off the highway or traveling during the hours of the day when scales are not open.

Cities and counties do not share in the weight fee revenues. They have supported legislation in recent years which proposed increasing weight fees and sharing the increase on a 60% state and 40% local basis.

#### Driver's License Fees

California has one of the lowest fees in the country - \$3.25 for an original or renewal of a four-year driver's license. This \$3 fee was established in 1953 with 25 cents added in 1971 to cover the then cost of color identification photographs.

It now costs \$35 million a year to administer the driver's license program while revenues from the license fees amount to only \$15 million a year.

Original license fees of \$10 and renewal fees of \$6 would be needed to bring the revenues into balance with the costs. During the past five years, revenues increased ten percent because of the increased number of licensed drivers. However, costs of the licensing programs increased 40% over the same period.

Legislative proposals in the last three years to increase the driver's license fees to cover the cost of the program have not had the support of the Department of Motor Vehicles or the Governor's office. With 15 million licensed driver's, the Department has labeled such an increase to be a general tax increase which would be contrary to the Governor's policy.

It would take four years to phase in an increase in the driver's license fee for all present license holders on their renewal dates. Five million licenses are issued each year of which 3.5 million are renewals.

### Vehicle Registration Fee

Vehicle registration fees are the main source of revenue--\$210 million in 1977-78 for the Motor Vehicle Account. From 1953 to 1966 a fee of \$8 per year was charged. In 1966, 1967 and 1968 the fee was increased \$1 each year, which has remained at \$11 since 1968. The increases in the 1960's were made specifically to provide for additional uniformed officers for the California Highway Patrol.

Since 1968, the costs of operating the DMV and CHP have just about doubled. The Administration has opposed legislation attempting to increase registration fees because of their policy against general tax increases. A \$1 increase in the registration fee would produce \$18 million per year in revenues to the rapidly depleting Motor Vehicle Account.

Revenues increase each year at about four percent because of increases in the number of vehicles registered. At the same time costs have been increasing at about eight percent each year.

### Motor Vehicle License Fee

The motor vehicle license fee is essentially a state administered property tax in lieu of the local personal property tax on vehicles. Hence, it quickly became known as the "In Lieu" tax. The tax is computed by taking two percent of the depreciated value of the vehicle. In accordance with the Vehicle Code, new vehicles are taxed on 85% of their value. In the ninth year vehicles are taxed on five percent of their original value.

In 1977-78, the revenue from the "In Lieu" tax on automobiles, trucks, and trailers, but excluding trailer coaches (mobile homes), was \$494 million. After deductions for the administrative costs of the Department of Motor Vehicles, the revenue is returned to local governments based on population--half going to cities and half going to counties. The revenue derived from the tax on trailer coaches (\$40 million in 1977-78) is paid to counties for distribution to cities, counties and

school districts depending on the location of the trailer coach. Since the motor vehicle license fee is not considered a motor vehicle user tax, no limitations are placed on the use of the funds by Article XIX of the State Constitution.

It should be noted that the "In Lieu" tax is the largest tax collected on vehicles, it increases with vehicle price increases, and is used by cities and counties for general governmental purposes. The state receives no revenue from the collection of the "In Lieu" tax. The tax is deductible as an itemized deduction on state income tax returns reducing the state's revenue from income taxes.

### Conclusion

As can be seen from the discussion above, as with the state fuel tax structure, our motor vehicle driving and licensing fees are badly in need of updating to reflect the fiscal realities of today. Failure to keep the costs of the agencies funded by the Motor Vehicle Account to a prudent level in the first instance and then updating user fees, as necessary, will result in having to finance these services out of the General Fund or the loss of these necessary services altogether.

# # # # # # # #

Table 1

## Motor Vehicle Account, State Transportation Fund

Resources and Expenditures  
Fiscal Years 1973 through 1978

	1972-73		1973-74		1974-75		1975-76		1976-77		1977-78 (Estimated)	
	Amount	% of Available Resources	Amount	% of Available Resources								
<b>Resources</b>												
Motor Vehicle Account Revenues	\$296,255,000	---	\$345,425,000	---	\$345,000,000	---	\$380,330,000	---	\$380,821,000	---	\$388,323,000 <sup>b</sup>	---
Accumulated Surplus Plus other Resources	<u>37,638,790</u>	---	<u>42,448,119</u>	---	<u>49,454,640</u>	---	<u>50,977,843</u>	---	<u>35,107,679</u>	---	<u>34,512,394</u>	---
Total Available Resources <sup>a</sup>	\$333,863,790	---	\$387,873,119	---	\$394,754,640	---	431,307,843	---	\$415,928,679	---	\$422,835,394	---
<b>Expenditures, Reserves, and Transfers</b>												
Department of Motor Vehicles	\$ 67,711,153	20.3%	\$ 71,425,836	18.4%	\$ 82,411,799	20.8%	\$ 97,038,318	22.5%	\$ 108,111,880	25.9%	\$120,578,950	28.5%
Capital Outlay	5,250,693	1.6	3,892,973	1.0	1,837,353	0.5	2,463,283	0.6	3,298,271	0.8	8,077,081	1.9
California Highway Patrol	138,699,717	41.5	150,764,336	38.8	168,503,794	42.7	183,334,833	42.5	198,744,234	47.8	219,277,027	51.9
Capital Outlay	2,753,084	0.8	9,448,669	2.4	3,986,749	1.0	1,989,909	0.5	5,820,228	1.4	1,429,472	0.3
Others and Miscellaneous <sup>c</sup>	8,353,059	2.5	11,937,673	3.0	10,654,932	2.7	18,005,240	4.2	20,441,672	4.9	25,257,156	6.0
Held in Reserves (Accumulated Surplus)	38,296,084	11.4	50,403,632	13.0	52,360,013	13.3	33,476,260	7.7	34,512,394	8.3	38,215,708	9.0
Transferred to State Highway Account	<u>72,800,000</u>	21.9	<u>90,000,000</u>	23.4	<u>75,000,000</u>	19.0	<u>95,000,000</u>	22.0	<u>45,000,000</u>	10.9	<u>10,000,000</u>	2.4
Total Expenditures, Reserves, and Transfers	\$333,863,790	100.0%	\$387,873,119	100.0%	\$394,754,640	100.0%	\$431,307,843	100.0%	\$415,928,679	100.0%	\$422,835,394	100.0%

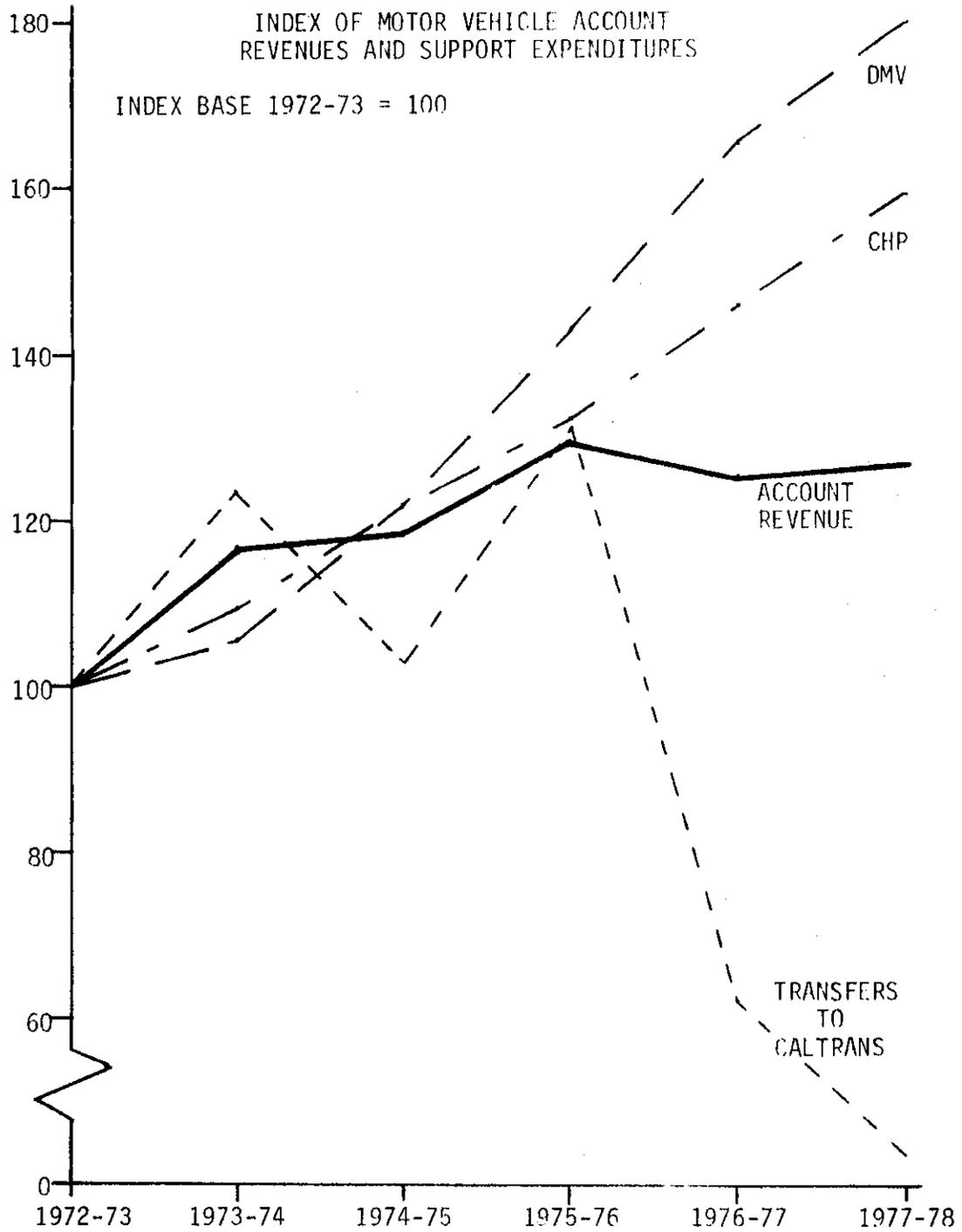
<sup>a</sup> Figures do not include approximately \$23 million in carryover balance in the Motor Vehicle Account, Transportation Tax Fund.

<sup>b</sup> Department of Finance July estimate, subject to later revision.

<sup>c</sup> Others and Miscellaneous:

- |                                       |   |
|---------------------------------------|---|
| 1. Department of Justice              | 7. Board of Control                                 |
| 2. Air Resources Board                | 8. Office of Transportation, Planning and Research  |
| 3. State Transportation Board         | 9. University of California, Air Pollution Research |
| 4. Highway Users Tax Study Commission | 10. Tort Liability Claims                           |
| 5. Judicial Council                   | 11. Teale Consolidated Data Center                  |
| 6. Department of Health               | 12. Bureau of Automotive Repair                     |
|                                       | 13. Secretary, Business and Transportation Agency   |

TABLE #2



## CHAPTER VIII

### STATE AIR QUALITY RESPONSIBILITIES

The Transportation Committee, through its Air Quality Subcommittee, has oversight and legislative responsibility for mobile source emission programs of the Air Resources Board, and other aspects of air quality related to transportation. California's urban areas have some of the worst air pollution problems of any urban areas in the United States. Since the early 1970's, the state has adopted an aggressive legislative and administrative posture to address this situation.

A large portion of California's pollution is caused by cars and trucks. Since stringent controls on the owners of older vehicles have in most cases been infeasible, the focus of the state's attention has been on technological improvements that have been leveraged from vehicle manufacturers through the establishment of motor vehicle emission standards and other regulatory actions. Though Detroit auto manufacturers have told us in the past that it was impossible to meet California's strict standards either because of time or money, the auto manufacturers have complied with these standards without significant fiscal impact on the consumer. Because of recent advancements in catalytic converter design, the fuel penalty, which had been heretofore associated with automobile emission control equipment, has been resolved. There remain, however, several sensitive issues that the Subcommittee and full Committee may very well be called upon to address in the coming session.

The California Air Resources Board is the responsible state agency for motor vehicle pollution control. The Board is also responsible for overseeing the activity of local air pollution control districts in the area of stationary controls, and is the primary state agency for coordination with the Federal government. The Board was formed through legislation enacted in 1967, and consists of five part-time members who are appointed and serve at the Governor's pleasure. Its major funding comes from the General Fund and the Motor Vehicle Account, as well as from specific Federal grants and fines which may be received. With regard to the Committee's activities, the Board's most significant functions include the setting of state ambient air quality standards and the establishment of emission standards for motor vehicles.

During the last two years, the role of the Legislature switched from that of an air pollution control advocate initiating

new programs and legislation to that of program reviewer involved in ironing out the problems encountered in the implementation of the programs already legally authorized. More often than not, new legislation now is initiated by interest groups which feel that they are not being fairly treated in the establishment of standards or regulations by the Air Resources Board. The trucking industry has been upset with the ARB for its establishment of emission standards for heavy-duty trucks. The major oil companies have been dissatisfied with the ARB because of the standards relating to the efficiency required of gasoline vapor recovery systems. The automobile service station industry, the after market part manufacturers, and wholesalers and retailers are upset with the ARB's implementation of the five year, 50,000 mile warranty on automobile emission control parts. Similar issues could arise this session.

While interest groups on the receiving end of these regulations pressure the state for relief, the Federal government, through amendments to the Clean Air Act in 1977, is increasing its pressure for stricter controls on motor vehicle-related air pollution sources. The new Act mandates new, strong responsibilities on state and local governments. These responsibilities are enforced by several sanctions which must be imposed by the Environmental Protection Administration in the event of state and/or local noncompliance. These compliance inducers are quite dramatic involving the cut-off of all Federal highway and sewer and water funds, as well as other procedural enforcement devices.

#### Motor Vehicle Inspection Program

One basic requirement included in the Act is that an annual motor vehicle inspection program be instituted for all non-attainment areas which are not expected to meet Federal air quality standards by 1982. All of California's major urban areas fall within this category. The five maps on the following pages illustrate those areas of the state which do not meet the standards for specific pollutants.

Since 1973, we have moved very cautiously through the design of a motor vehicle inspection program for the South Coast Air Basin. A trial program was run in Riverside, and beginning in March of 1979, a centralized state-managed change-of-ownership program will be implemented in the South Coast Air Basin. The EPA says that legislative authorization for a vehicle inspection program must be enacted by July of 1979. Such legislation (SB 1856-Foran) was attempted last year,

but because of amendments which would have diminished its effectiveness, was not further pursued by the author. Senator Foran has already introduced similar legislation this year.

Federal Air Quality Maintenance Plans

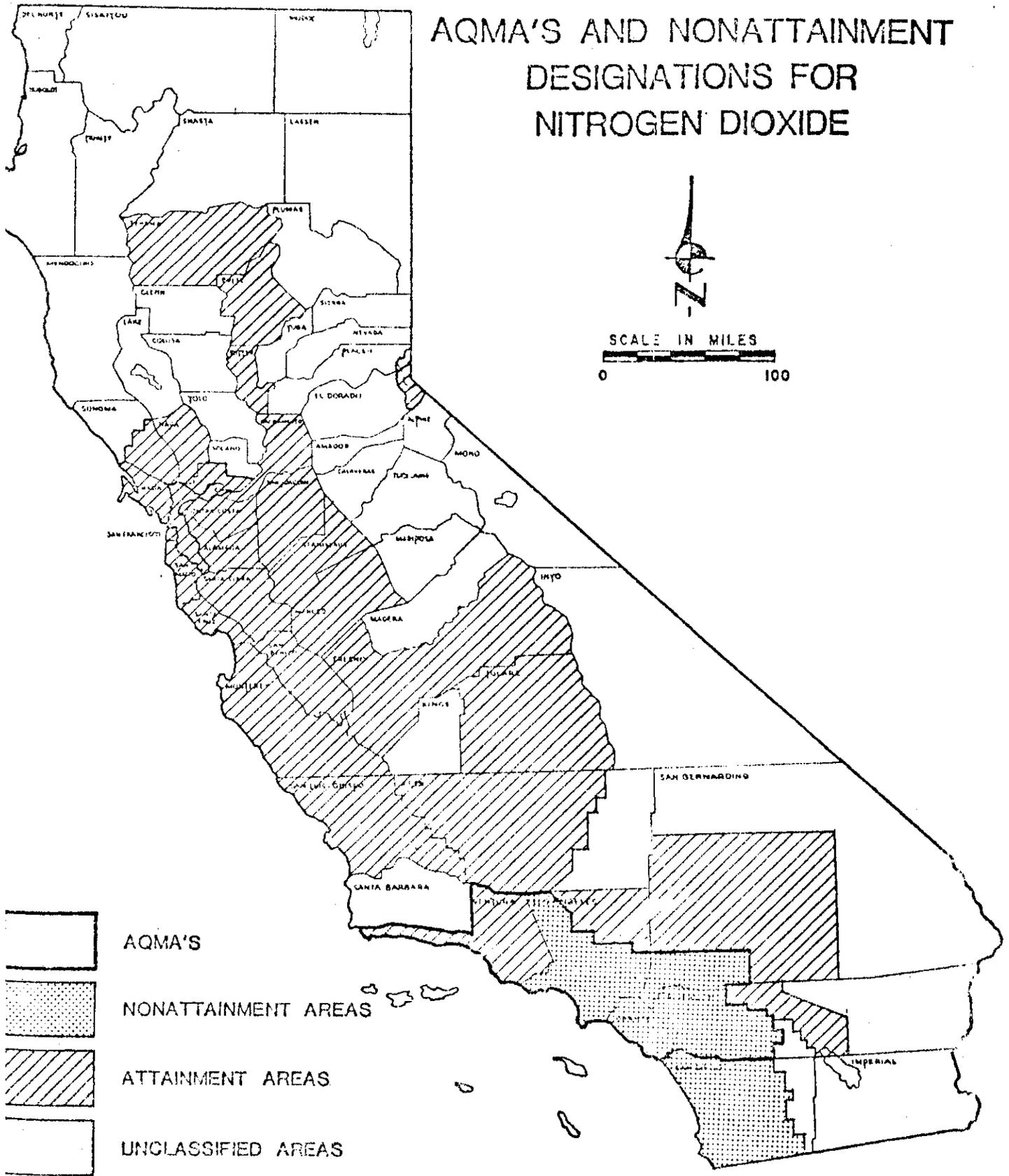
In a parallel effort, the Air Resources Board and CALTRANS last year entered into a controversial memorandum of understanding relative to their respective roles in determining the consistency between the regionally adopted transportation improvement programs and the local air quality maintenance plans. The ARB is legally responsible for aggregating, and in some cases, revising the recommended mechanisms to be used in each local area to achieve the Federal ambient air quality standards into a statewide implementation plan which must be acceptable to the Environmental Protection Administration. The California Transportation Commission and CALTRANS can legally only pursue those transportation projects included in the transportation improvement program which are consistent with local air quality maintenance plans and the aggregated state air quality implementation plan. Therefore, because of the importance of these transportation programs to local communities and the above mandated air quality roles of the ARB and state transportation agencies, there is the potential for continuing local, state and Federal conflict in this area.

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FIGURE 2

# AQMA'S AND NONATTAINMENT DESIGNATIONS FOR NITROGEN DIOXIDE



December 5, 1978

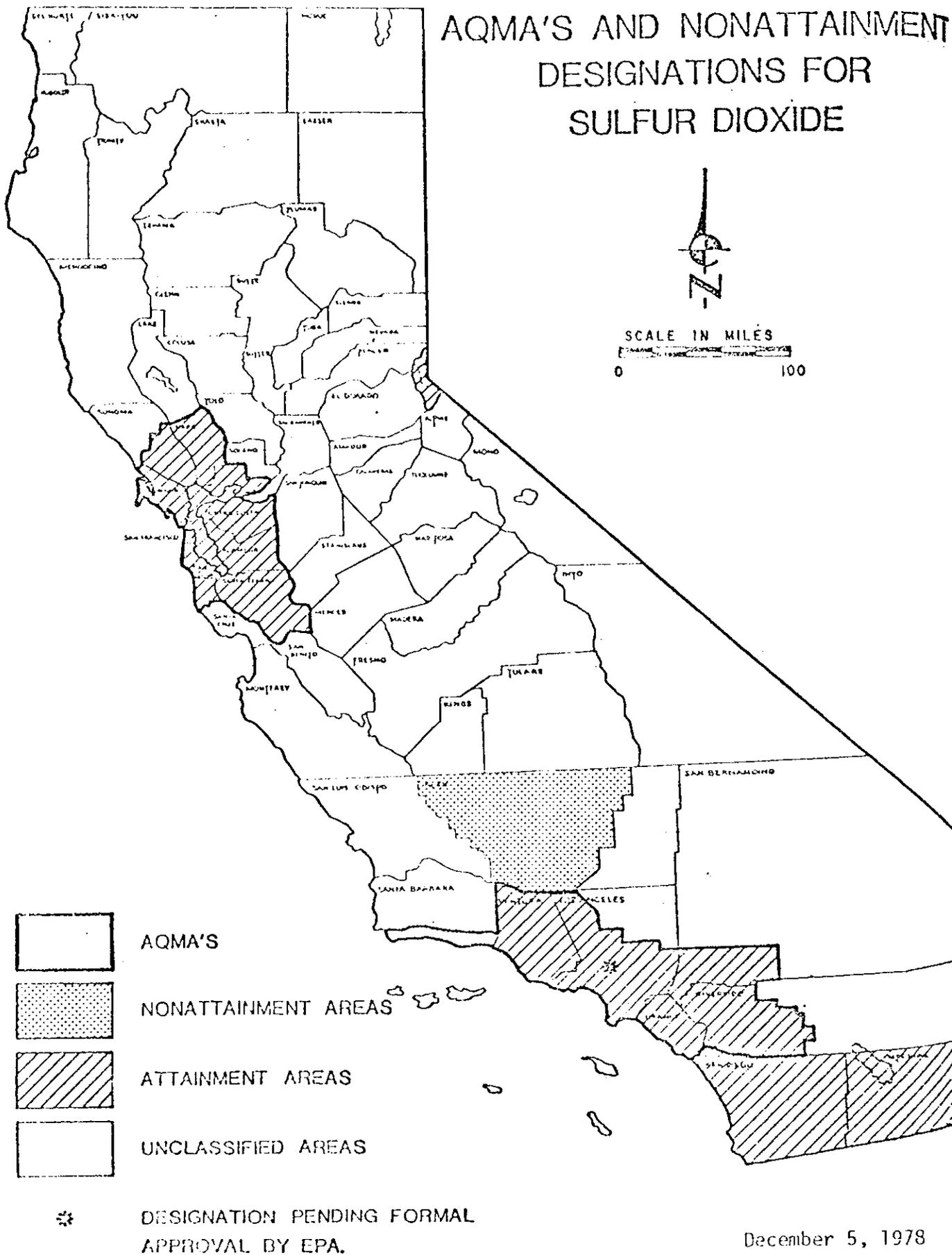
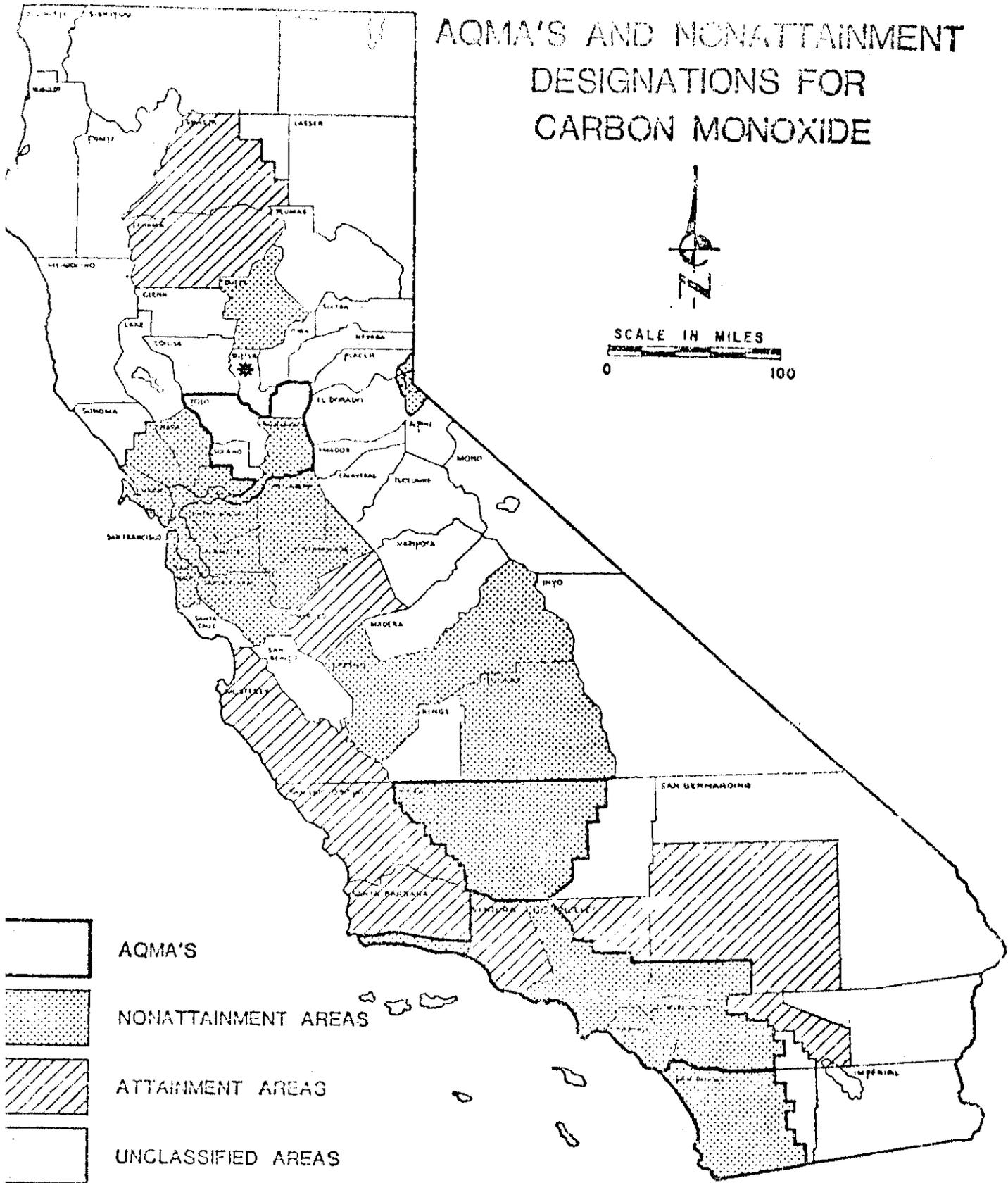


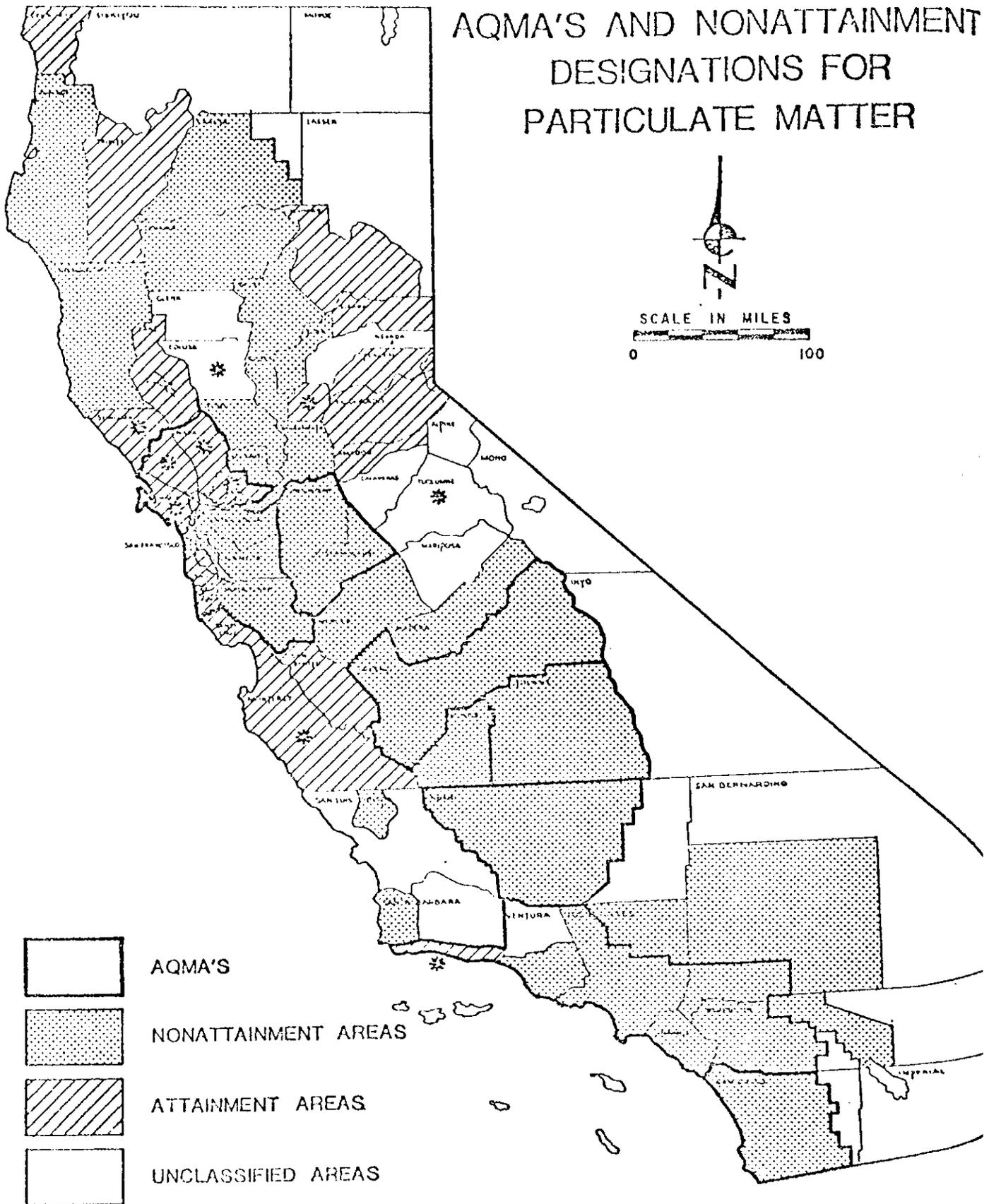
FIGURE 4



December 5, 1978

FIGURE 5

# AQMA'S AND NONATTAINMENT DESIGNATIONS FOR PARTICULATE MATTER



\* DESIGNATION PENDING FORMAL APPROVAL BY EPA

December 5, 1978

## CHAPTER IX

### CONCLUSIONS

While a transportation system, as large and diverse in nature as California's, has very many detailed problems and concerns that need to be addressed in the years ahead, the following issues, in the opinion of the Committee, seem to command the most need of the Legislature's attention.

I. Impact of Inflation: As described in the section of the report dealing with highway program issues, inflation has hit our state highway program particularly hard and has caused costs to rise in every state transportation program area. The Legislature will need to adjust its program oversight activities to accommodate these realities so as to insure that all current programs are still necessary and that current revenues are being programmed and expended in an expeditious manner. The question of retaining large cash reserves in the State Highway Account must be closely investigated to insure that the public is not unnecessarily losing purchasing power of their highway user tax dollars.

II. Financial Restructuring: It is clear that the projected future of the State Highway Account and State Motor Vehicle Account demand an updating and adjustment of the source of these Accounts to recognize:

A. The differential damage done to the existing state and local street and highway system by vehicles of varying size and weight.

B. The cost increases of the past, continuing inflation, and addition of public services beyond that envisioned when highway or vehicle-related user fees and licenses were originally set.

C. The need for a new distribution of revenues that recognizes the current status of the highway system and various vehicle-related programs, and the need for more flexibility to meet unexpected demands wherever they may exist in California.

III. Manpower Needs: If the public services involved in providing for the state highway system, Highway Patrol, and motor vehicle regulation and licensing are simply maintained at current levels and in a most efficient manner, the

Departments of Transportation, Highway Patrol, and Motor Vehicles must be able to recruit, train, and employ a younger staff to take the place of retiring and less productive personnel. This manpower improvement and replacement program should be watched very carefully by the Legislature to insure that the quality and quantity of new personnel are 40 consistent with the real needs of these agencies. Clearly, new staff blood is necessary if these state agencies are to continue at existing levels of productivity, and particularly, if large cash reserves now in the State Highway Account are to be expended as programmed ahead of costly inflation.

IV. Financial Flexibility for TDA: The Transportation Development Act is in clear need of change to reflect post-Proposition 13 fiscal realities at the local government level if transit and highway services and capital improvements funded by this important program are to continue. It is no longer reasonable to expect a local funding match for the program, and the increased flexibility to continue funding highways, as well as transit, in our suburban or rural counties is a vital need.

V. Capital Needs: Finally, the Legislature must be kept aware of the need for public investment in the transportation infrastructure of our state if California is going to have the tools to accommodate economic growth and development that is projected to take place in future years. Given the continuing increases in population in California, the Committee believes that economic growth must be sustained to provide adequate economic opportunities to these new Californians. Ignoring the need to plan and implement these necessary public capital investments in transportation will bring increasing congestion and chaos that will only be corrected at even higher social and economic costs as our urban areas continue to grow and as inflation takes its increasingly large toll on our resources. One has only to look at recent public infrastructure investments in ports, airports, highways, and mass transit that are newly implemented or proposed in Denver, Atlanta, Dallas/Fort Worth, Houston, and other growth areas to understand the quality of competition California can expect to have for necessary economic growth in the years just ahead.

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