

Date of Hearing: March 20, 2017

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 636 (Irwin) – As Introduced February 14, 2017

**SUBJECT:** Local streets and roads: expenditure reports

**SUMMARY:** Revises the due date for cities and counties to submit a required report to the State Controller's Office (Controller) detailing the expenditure of funds for street or road purposes during the preceding fiscal year. Specifically, **this bill:**

- 1) Requires a county or city to file a report with the Controller detailing the expenditures for street and road purposes during the preceding fiscal year, within seven months of the close of the fiscal year adopted by the county or city.
- 2) Deletes statutes allowing specific cities to submit their report at a different date if they have an alternative fiscal year that does not end on June 30.

**EXISTING LAW:**

- 1) Creates the Highway Users Tax Account (HUTA) and deposits the revenues collected on certain gasoline excise taxes into the account.
- 2) Provides for a portion of the gasoline excise tax revenues to be distributed by formula to cities and counties for expenditure on local street and road improvements.
- 3) Requires counties to deposit HUTA funds in their county road fund for expenditure on county roads, public streets and highways.
- 4) Requires cities and counties to file a report with the Controller detailing the expenditures for streets and roads purposes during the preceding fiscal year ending June 30, by October 1 each year.
- 5) Authorizes the specific cities to provide written notice to the Controller that they have selected an alternative fiscal year end date other than June 30 and that date shall be the fiscal year for the report.
- 6) Requires the Controller to prescribe the form and content for the report including the amount expended for construction by contract, maintenance by contract, construction by day labor, and maintenance by day labor.
- 7) Requires each county Board of Supervisors to designate either the road commissioner or the county auditor as the person responsible for the report, with the other office certifying the report prior to submission.
- 8) Requires each city's fiscal officer to certify the report prior to submission.

**FISCAL EFFECT:** Unknown

**COMMENTS:** Every year the Controller publishes the “Annual Road Report,” which contains detailed information on the expenditure of revenue by cities and counties on their public road network. The report details all revenues available to local governments for streets and roads purposes including state gasoline excise tax; district road taxes and special assessments; street, road, and bridge taxes; and proceeds from the sale of voter-approved bonds restricted exclusively for transportation. Additionally, the report includes the types of work being conducted and by whom.

Currently, cities and counties must submit their report information to the Controller by October 1 every year. This date is reflective of most local governments having a fiscal year ending June 30. According to the author, there are a number of cities that operate on the federal fiscal year, which ends September 30; however, they are still required to submit their information to the Controller by October 1. This disparity in time can cause some cities to submit incomplete reports and then have to submit additional or corrected reports.

Both the League of California Cities and the California State Association of Counties (CSAC), writing in support of the bill, also note that the tight 90-day timeframe from the close of the fiscal year (June 30) to the deadline for the report (October 1) does not give enough time for local agencies to complete audits, which take an average of six months. Therefore a local agency may be unable to submit final audited data within the timeframe and may need to complete additional work. CSAC notes that local agencies do their best to ensure thorough and accurate reports are submitted in a timely manner to the Controller, as required by statute. They further add that this bill compliments and enhances this effort in a way that does not impede or hinder public access. For some local agencies, this bill will help improve data accuracy and better inform the state and public about local street and road expenditures.

*Previous legislation:* AB 341 (Achadjian), Chapter 37, Statutes of 2015, changed the deadline for local financial transactions reports from 90 days to seven months following the close of an agency’s fiscal year.

SB 194 (Committee on Governance and Finance), Chapter 382, Statutes of 2011, added the cities of El Segundo, Inglewood, and Long Beach to the cities authorized to provide written notice to the Controller that they have selected an alternative fiscal year end date other than June 30 and that date shall be the fiscal year for the report.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

League of California Cities (Sponsor)  
California State Association of Counties

### **Opposition**

None on file

**Analysis Prepared by:** Melissa White / TRANS. /