

Date of Hearing: June 20, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

SB 425 (Hernandez) – As Amended June 14, 2016

SENATE VOTE: 39-0

SUBJECT: City of El Monte: maintenance of effort: streets and roads allocations

SUMMARY: Grants the City of El Monte and extended period of time, until June 30, 2021, to meet the maintenance of effort (MOE) requirement applicable to cities and counties as a condition of receiving an allocation for streets and roads from the Transportation Investment Fund (TIF).

EXISTING LAW:

- 1) Previously directed the transfer of revenue from sales tax collected on motor vehicle fuel from the General Fund to the TIF; directed the revenue to be apportioned, in part, to cities and counties for rehabilitation and maintenance of local streets and roads.
- 2) Established a maintenance of effort requirement for cities and counties as a condition of receiving TIF funds; specifically, in exchange for receiving TIF allocations, cities and counties were required to expend from their general fund for street, road, and highway purposes an amount not less than the annual average of their expenditures from their general fund during the 1996–97, 1997–98, and 1998–99 fiscal years, as reported to the State Controller’s Office (SCO).
- 3) Provided that cities and counties had two fiscal years within which to meet their MOE requirement; cities and counties that failed to do so would have to return the TIF funds to the SCO for redistribution to other cities and counties.

[Note: Assembly Bill 86 (Committee on Budget), Chapter 11, Statutes of 2010 and Senate Bill 70 (Committee on Budget and Fiscal Review), Chapter 9, Statutes of 2010, partially replaced the sales tax on motor vehicle fuels with an excise tax and, thereafter, rendered the TIF and related provisions obsolete.]

FISCAL EFFECT: Unknown

COMMENTS: Between 2006 and 2011, the City of El Monte received funding from the TIF. As a condition of the receiving these funds, the city was obligated, under the MOE requirements, to spend approximately \$2 million on local streets and roads from its general fund. A 2014 SCO audit found, however, that the city failed to comply with the MOE requirements.

According to the author, the City of El Monte failed to comply with the MOE requirement because it, like many other cities, struggled economically through the recession. The author introduced SB 425 to allow the city to meet its MOE requirement by applying the amount owed, \$2,051,165, to its local streets and roads over the next five years, rather than having to repay that amount to the SCO.

The City of El Monte is not the first entity to struggle to comply with the MOE requirement of the TIF program. The County of Fresno also failed to meet its TIF MOE obligations and was subsequently statutorily authorized to fulfil that obligation by providing specialty medical services in conjunction with federally funded clinics to indigent individuals. Additionally, the City of Santa Rosa sought statutorily relief, similar to this bill, to grant it more time to apply funds equal to its MOE requirements on local streets and roads.

SB 425 is a reasonable resolution to the SCO's audit finding and will ensure that the city's MOE requirement is applied to local streets and roads as originally intended, albeit over a longer period of time.

Previous legislation: SB 524 (Cogdill), Chapter 716, Statutes of 2010, granted Fresno County additional time to meet its TIF MOE commitment.

AB 115 (Committee on Budget), Chapter 38, Statutes of 2011, provided the City of Santa Rosa a four-year extension to meet its TIF MOE obligations.

AB 2731 (Perea), Chapter 743, Statutes of 2014, allowed Fresno County an additional five years to meet its TIF MOE commitment, under certain conditions.

REGISTERED SUPPORT / OPPOSITION:

Support:

None on file

Opposition:

None on file

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