SB1 Transportation Funding Maintenance of Effort (MOE)
Frequently Asked Questions

The Road Repair and Accountability Act of 2017 (SB1 Beall) provides for allocations of various funds to state
and local agencies for transportation purposes. Among those funds are formula based allocations from the
Road Maintenance and Rehabilitation Account (RMRA). In order to receive RMRA funds, cities and counties
must meet a “maintenance of effort” (MOE) requirement to ensure that these new roads funds do not
supplant existing levels of general revenue spending on streets and roads. Here are some frequently asked
questions concerning the RMRA MOE.

1. Can I use my CIP and Operational Costs to meet my MOE requirement?
The MOE requirement is for a minimum amount of spending of discretionary revenues on streets and
roads. CIP, maintenance and operation expenditures if for streets and roads all qualify if funding is from
discretionary general fund.

2. Why is my MOE number so high?
The MOE calculation is specified in statute which is quoted in my cover memo. The numbers upon which
the MOE is based are those reported BY YOUR CITY to the SCO in the annual streets and roads report.

3. What do I do if I think my number is too high?
We expect the SCO will provide a process to a) have certain one time expenditures in those years
eliminated from the MOE calculation pursuant to the statute and b) correct any errors in the reported
numbers on which the MOE is based. Because the figures in the Annual SCO Streets and Roads reports
were submitted and certified as correct by your city staff, you will need to provide a solid case if you now
believe they were reported in error.

4. Where can I find my latest MOE estimate?
Our initial unofficial MOE estimates are at http://www.californiacityfinance.com/RMRA_MOEestim1708.pdf.
These calculations are our unofficial calculations adhering to direction in the law. We are awaiting official
initial MOE calculations from the SCO.

5. The discretionary spending on streets and roads reported in 2009-10, 2010-11, and 2011-12
includes items that I don’t think are allowable expenditures under SB1. Shouldn’t these
amounts be excluded from the MOE calculation?
No. RMRA use definitions do not apply to the MOE or to spending to meet the MOE. The law (SB1 Streets
and Highways Code Sec 2036) says the MOE is determined by “a city’s or county’s annual ... average
general fund expenditures for the 2009–10, 2010–11, and 2011–12 fiscal years....” General Fund
Expenditures, for this purpose, is defined as “any unrestricted funds that the city or county may expend at
its discretion, including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for
street, road, and highway purposes....” This spending definition does not necessarily match the prescribed
uses of RMRA funding.

Accordingly, the annual discretionary general fund spending to meet this MOE requirement does not have
to be spent only on RMRA qualifying expenses but is, like the MOE, to be “any unrestricted funds that the
city or county (expends) at its discretion, including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for street, road, and highway purposes....”

6. **Who do I talk with to get my City’s MOE corrected?**

   The California State Controller’s Office (SCO) has the authority for the determination and oversight of the MOE and the proper use of RMRA funds. We expect SCO will provide a process for establishing MOE amounts and additional guidance on the RMRA soon.

7. **RMRA revenues will not begin flowing until 2018. This first year of SB1 will not provide a full year of funding. So, is the MOE prorated for FY2017-18?**

   Regarding the MOE requirement, it doesn’t matter how much you might receive from the RMRA in FY2017-18 or any other year. To receive any RMRA funds in a year you must satisfy the MOE in the fiscal year. That is, in order to receive any RMRA funds in FY2017-18 then you must expend on streets and roads, general revenues of at least the average of your 2009–10, 2010–11, and 2011–12 fiscal years amounts in FY2017-18. There is no provision in the law for any proration.

8. **How is this going to work with other transportation funding MOEs?**

   There has not been another statewide transportation funding MOE since the Proposition 42 MOE expired with the Fuel Tax swap in 2010. Some county transportation measures have MOE requirements and the particulars of those vary and may differ from the SB1 MOE. Meeting one MOE does not necessarily satisfy meeting another.

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