



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 5

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Memorandum

TO: Legislation Committee

DATE: Nov. 14, 2008

FR: Executive Director

RE: State Special Session

Special Session Called to Address \$11 Billion State Budget Shortfall

Governor Schwarzenegger has called for a special session of the Legislature to address an estimated \$11 billion shortfall in the current budget year and \$13 billion shortfall in FY 2009-10. The Legislative Analyst's Office has projected an even larger deficit – roughly \$28 billion over the next two years, and \$22 billion annually thereafter through 2014.

The Administration's proposal includes both program cuts and tax increases. Most notable on the tax side is a temporary, three-year, 1.5 percent increase in the state sales tax as well as a broadening of the sales tax base to include selected services. In addition, the Governor proposes a new oil severance tax and an increase in alcohol excise taxes.

Proposal Would Reduce Proposition 42 Transit Funds in Current Year and End State Transit Assistance Starting Next Year

The Governor has proposed redirecting State Transit Assistance funds (STA), including the Proposition 42 portion, to the General Fund. Rather than call for an official suspension of Proposition 42 – which, under the conditions of Proposition 1A (2006) would require payback with interest within three years – the Governor has proposed to simply redirect the transit portion of Proposition 42 to school bus service (\$61 million) and debt service on transportation bonds (\$169 million).

The Legislature has approved these types of expenditures for spillover funds and other Public Transportation Account funds (PTA) over the last few years, but this is the first time such an approach has been attempted with Proposition 42 funds. While it is clearly not consistent with the spirit of Proposition 42 and Proposition 1A, when the California Transit Association brought suit against the state on the use of PTA funds for these purposes, the courts upheld the state's argument that these expenditures were eligible under the definition of "mass transportation" in current law. This latest attempt only underscores the need to address this definition through a constitutional amendment, as proposed in our draft legislative program for 2009.

More ominously, the Governor is proposing to end the STA program permanently beginning in 2009-10. Attachment A depicts past diversions and forecasted losses of state transit funding if the Governor's proposal were to become law.

What the Cuts Would Mean for Bay Area Transit Service

If approved, the Governor's proposal would reduce the region's FY 2008-09 (current year) STA funding by 75 percent from about \$112 million to \$29 million. For revenue-based funds that go directly to transit operators, the region would see a drop from \$81 million to \$20 million, while population-based funds would go from \$31 million to \$9 million.

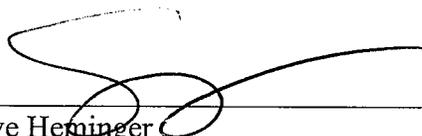
Attachment B shows the reductions for each transit operator for both revenue-based and population-based categories. As noted, MTC provides STA population-based funds to transit operators for paratransit, for the northern counties and small operators and, notably, the region's Lifeline program that is designed to provide transit service for low-income communities of concern throughout the nine counties. In terms of the region's larger transit operators, total reductions in STA funds are summarized below:

Transit Operator	STA Reduction
AC Transit	\$7 Million
BART	\$20 Million
Caltrain	\$4 Million
SamTrans	\$4 Million
San Francisco Muni	\$29 Million
Santa Clara VTA	\$12 Million

An initial survey of transit operators found that several indicated they would have no choice but to cut service *and* raise fares in response to these cuts. For additional detail on the impact by operator, refer again to Attachment B.

From the perspective of environmental justice, it is worth noting that the Governor's proposal would divert funds from public transit operators that often serve a disproportionate number of low-income and minority residents of California. The diverted STA funds would be shifted to but a handful of school districts that provide yellow bus services in California, most of which are located outside of the Bay Area. STA funds would also be diverted to repay state debt service on transportation bonds held by high-income bond investors.

Continued raids on public transit funding, \$4 billion in the past three years alone, also are manifestly at odds with Sacramento's recently enacted legislation aimed at reducing greenhouse gas emissions (AB 32 and SB 375). We will strongly urge the Legislature to resist these latest proposals to cut public transit funding and "to walk the talk" when it comes to social equity and environmental protection.

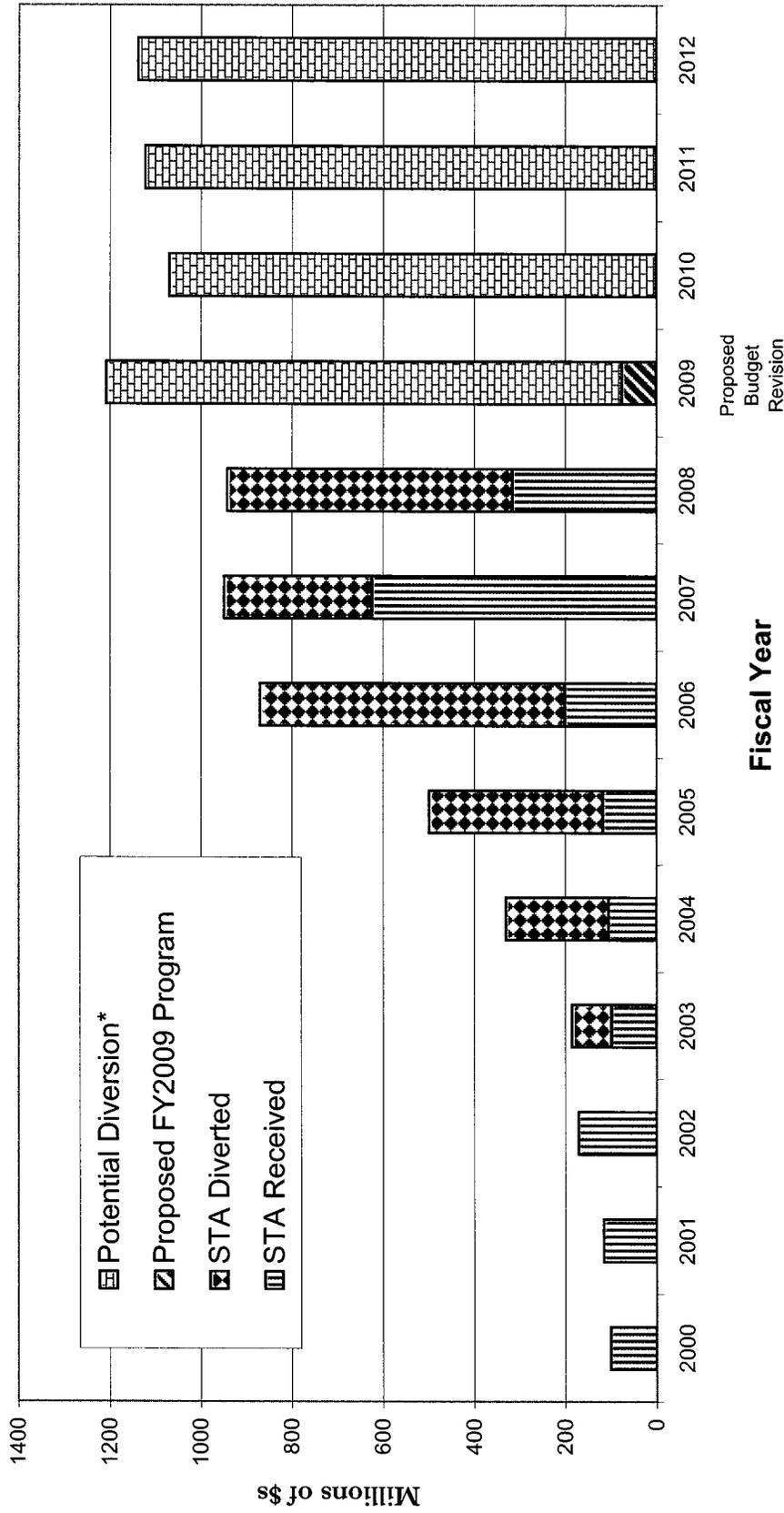


Steve Heninger

Attachments

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Statewide STA Program and Funding Diversions



*Potential STA diversions are based on estimates used in MTC's 2008 Short Range Transit Plan Revenue forecast

Attachment B

FY 2008-09 SPECIAL SESSION PROPOSAL: 75% REDUCTION TO STATE TRANSIT ASSISTANCE FUNDING

REVENUE-BASED FUNDING		September Budget (\$306M)			Revised Budget Proposal (\$76.1M)			Total Change
Apportionment Jurisdictions	Final Base Revenue	Final Prop 42 Increment	Final Total	Final Base Revenue	Final Prop 42 Increment	Final Total		
Alameda CMA - Corresponding to ACE	46,173	108,242	154,415	38,402	-	38,402	(116,013)	
Benicia	4,609	10,805	15,415	3,833	-	3,833	(11,581)	
Caltrain	1,119,579	2,624,586	3,744,164	931,147	-	931,147	(2,813,018)	
CCCTA	145,425	340,915	486,340	120,949	-	120,949	(365,391)	
Dixon	1,223	2,868	4,091	1,017	-	1,017	(3,074)	
ECCTA	64,339	150,827	215,166	53,510	-	53,510	(161,656)	
Fairfield	24,388	57,171	81,559	20,283	-	20,283	(61,276)	
GGBHTD	894,285	2,096,439	2,990,724	743,772	-	743,772	(2,246,952)	
Healdsburg	287	673	960	239	-	239	(721)	
LAVTA	51,701	121,201	172,902	42,999	-	42,999	(129,902)	
NCPTA	10,844	25,421	36,265	9,019	-	9,019	(27,246)	
SamTrans	1,292,177	3,029,202	4,321,378	1,074,696	-	1,074,696	(3,246,683)	
Santa Rosa	35,348	82,865	118,212	29,399	-	29,399	(88,814)	
Sonoma County Transit	39,723	93,120	132,843	33,037	-	33,037	(99,806)	
Union City	11,213	26,286	37,499	9,326	-	9,326	(28,173)	
Vallejo	165,946	389,021	554,968	138,016	-	138,016	(416,951)	
VTA	3,641,141	8,535,791	12,176,932	3,028,315	-	3,028,315	(9,148,617)	
VTA - Corresponding to ACE	64,643	151,539	216,181	53,763	-	53,763	(162,419)	
WestCAT	70,099	164,330	234,429	58,301	-	58,301	(176,128)	
Petaluma	-	-	-	-	-	-	-	
Rio Vista	-	-	-	-	-	-	-	
SUBTOTAL	7,683,142	18,011,301	25,694,443	6,390,023	-	6,390,023	(19,304,420)	
AC Transit	2,153,458	5,048,271	7,201,729	1,791,018	-	1,791,018	(5,410,711)	
BART	5,882,118	13,789,228	19,671,346	4,892,122	-	4,892,122	(14,779,223)	
SFMTA	8,550,569	20,044,776	28,595,345	7,111,457	-	7,111,457	(21,483,888)	
SUBTOTAL	16,586,145	38,882,274	55,468,419	13,794,597	-	13,794,597	(41,673,822)	
REVENUE BASED GRAND TOTAL	24,269,287	56,893,575	81,162,862	20,184,620	-	20,184,620	(60,978,242)	
POPULATION BASED GRAND TOTAL*			30,800,022			8,771,679	(22,028,344)	
GRAND TOTAL STA FUNDING	24,269,287	56,893,575	111,962,885	20,184,620	-	28,956,299	(83,006,586)	

STATE TRANSIT ASSISTANCE SEPTEMBER BUDGET VS. PROPOSED REVISION TOTALS

POPULATION-BASED FUNDING		Sept. Budget (\$306M)	Revised Budget Proposal (\$76.1M)	Change
Apportionment Jurisdictions		Total Revenue	Total Revenue	
Northern Counties/Small Operators				
Marin	927,079	264,027	(663,052)	
Napa	492,433	140,242	(352,191)	
Solano ⁷	1,538,564	438,175	(1,100,389)	
Sonoma	1,738,139	495,012	(1,243,126)	
CCCTA	1,784,191	508,128	(1,276,063)	
ECCTA	1,032,287	293,990	(738,297)	
LAVTA	710,888	202,457	(508,431)	
Union City	261,865	74,578	(187,287)	
WestCAT	249,831	71,151	(178,681)	
SUBTOTAL	8,735,278	2,487,760	(6,247,518)	
Regional Paratransit				
Alameda	1,117,722	318,321	(799,401)	
Contra Costa	577,613	164,501	(413,112)	
Marin	129,044	36,751	(92,293)	
Napa	84,271	24,000	(60,271)	
San Francisco	882,471	251,323	(631,148)	
San Mateo	488,627	139,158	(349,469)	
Santa Clara	1,012,382	288,321	(724,061)	
Solano	240,393	68,463	(171,930)	
Sonoma	267,273	76,118	(191,155)	
SUBTOTAL	4,799,796	1,366,956	(3,432,840)	
Lifeline				
Alameda	2,463,957	701,721	(1,762,235)	
Contra Costa	1,124,068	320,128	(803,939)	
Marin	242,799	69,148	(173,651)	
Napa	152,873	43,537	(109,336)	
San Francisco	1,357,874	386,715	(971,159)	
San Mateo	638,471	181,833	(456,638)	
Santa Clara	1,951,382	555,743	(1,395,639)	
Solano	494,590	140,856	(353,733)	
Sonoma	566,530	161,345	(405,185)	
SUBTOTAL	8,992,542	2,561,027	(6,431,515)	
BART to Warm Springs				
eBART	-	-	-	
SanTrans	-	-	-	
MTC Regional Coordination Program				
POPULATION BASED GRAND TOTAL*	8,272,406	2,355,936	(5,916,470)	
	30,800,022	8,771,679	(22,028,344)	

* Includes \$1,480,000 in Resolution 3814 Augmentation Funding