



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Agenda Item 5

Joseph P. Bort MetroCenter  
101 Eighth Street  
Oakland, CA 94607-4700  
TEL 510.817.5700  
TDD/TTY 510.817.5769  
FAX 510.817.5848  
E-MAIL [info@mtc.ca.gov](mailto:info@mtc.ca.gov)  
WEB [www.mtc.ca.gov](http://www.mtc.ca.gov)

*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	\$5.4 Million
BART	\$14.8 Million
Caltrain	\$2.8 Million
SamTrans	\$3.3 Million
San Francisco Muni	\$21.5 Million
Santa Clara VTA	\$9.1 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.

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Steve Heminger

### Attachments

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