



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3

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
WEB www.mtc.ca.gov

Memorandum

TO: Legislation Committee

DATE: March 6, 2009

FR: Executive Director

RE: State Budget Summary – FY 2008-09 & FY 2009-10

On February 20, Governor Schwarzenegger signed a revised budget for FY 2008-09, and a spending plan for FY 2009-10. The budget contains a number of strategies to close a \$42 billion shortfall: it includes \$14.9 billion in spending reductions, \$12.5 billion in increased revenues, \$7.9 billion in federal funding from the American Recovery and Reinvestment Act (ARRA), \$5.4 billion in new borrowing and \$957 million from the governor's line-item vetoes. Proposition 1C, a measure authorizing the sale of bonds and making related changes to the lottery, will go before California voters – along with several other measures included in the budget agreement – in a statewide special election on May 19, 2009.

The duration of the tax increases depends on passage of a spending cap on the May 19 ballot, as follows:

- Sales tax: Increased by one percentage point. This would be in effect from April 1, 2009 through June 30, 2012 if voters approve the spending cap, or June 30, 2011 if it fails.
- Vehicle License Fee: Increased to 1.15 percent through 2013-14 if cap passes, or June 30, 2011 if it fails. One percent is for the state, while 0.15 percent is for local governments to pay for local law enforcement programs.
- Personal Income Tax: Increases the personal income tax rate by 0.25 percentage points through June 30, 2012 if the cap is approved, or June 30, 2011 if it fails.

State Transit Assistance Cut Significantly

The approved budget delivers a major blow to public transit by halving State Transit Assistance (STA) funding for the current year, and eliminating it entirely in FY 2009-10. A trailer bill to the budget (SB 7 (Ducheny), Third Extraordinary Session) further eliminates STA funding through FY 2012-13, although this could be revised in future budget acts. The current year cut to STA amounts to a \$55 million hit to Bay Area transit operations, including \$40 million in revenue-based funds and \$15 million in population-based funds, see Attachment A. When compounded with declining revenue from other sources, including voter-approved county sales taxes and Transportation Development Act (TDA) funds (which also derive from sales taxes), STA cuts will likely result in operating shortfalls for most of the region's transit operators. The cuts will also have a significant impact on MTC's regional programs currently funded by STA, including the Lifeline program, TransLink[®] and 511.

Transportation-Related Trailer Bills

The final budget deal was accompanied by over 20 trailer bills, many of which contained substantive policy changes that affect transportation, including:

- Unlimited public-private partnerships for transportation until 2017 SB 4 (Cogdill), Second Extraordinary Session). This bill includes language that “no lease agreement may be entered

into that affects, alters, or supersedes the Memorandum of Understanding (MOU), dated entered into by the Golden Gate Bridge Highway and Transportation District, the Metropolitan Transportation Commission, and the San Francisco County Transportation Authority, relating to the financing of the U.S. Highway 101/Doyle Drive reconstruction project located in the City and County of San Francisco.”

- Use of “design-build” for ten state transportation projects, five local transportation projects, and ten redevelopment projects until 2014 SB 4 (Cogdill), Second Extraordinary Session). These projects were not named in the bill.
- California Environmental Quality Act (CEQA) streamlining & exemptions for specified transportation projects AB 8 (Nestande), Second Extraordinary Session. It provides expedited permitting review for Doyle Drive in San Francisco, and total CEQA exemption for the U.S. 101 Interchange modification from Interstate 280 to Yerba Buena Road in Santa Clara County. These were the only two Bay Area projects included in the bill.

Proposition 42 Fully Funded, But Transit Funds Diverted

Proposition 42 is protected; however, the portion of the amount marked for public transportation is diverted to fund home-to-school transportation and bond debt service. According to the Department of Finance, Proposition 42 will generate approximately \$1.5 billion in FY 2009-10; this includes the one percent increase in the state sales tax rate, effective April 1, 2009. Note that the public transportation portion of Proposition 42 (20 percent or almost \$300 million) will be diverted to the General Fund for home-to-school transportation and transportation services under the Department of Developmental Services.

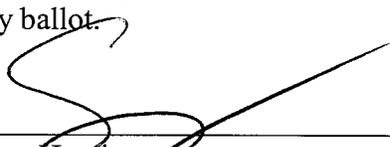
Gas Tax Subvention Funds Delayed

Another unfortunate provision in the budget is a four-month delay of gasoline tax subvention funds that go directly to cities and counties. Revenues collected during the months of January through April will be transferred in May 2009. To mitigate any budgetary problems this may cause during the interim period, the budget will allow cities and counties to use Proposition 1B bond funds to pay for ongoing operating costs as long as the bond funds are replenished by gasoline subvention funds in May.

Three Constitutional Amendments on 2009 and 2010 Ballots

The budget agreement places three constitutional amendments on the ballot:

1. Creation of a rainy day fund/spending cap that requires the state to deposit an amount equal to three percent of annual General Fund revenues in the Budget Stabilization Fund (BSF) until the balance in the BSF equals 12.5 percent of General Fund revenues. Limits the use of funds in the BSF in bad budget years to the difference between revenues and the prior year’s spending level adjusted by the Consumer Price Index and population growth. This measure will appear on the May 19 special election ballot as Proposition 1A.
2. Elimination of salary increases for state officers, including the governor and members of the Legislature, in years with a projected budget deficit. This measure will appear as Proposition 1F on the May 19 special election ballot.
3. An “open primary” system under which all candidates for a state or congressional office in a primary election would be listed on a single ballot, regardless of party affiliation; the two gaining the most votes, regardless of party, would appear on the general election ballot. This measure will be placed on the June 8, 2010 statewide primary ballot.



Steve Heminger