



**CALIFORNIA
TRANSIT
ASSOCIATION**

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California Transit Association members,

With each passing year, the state budget process persists in dealing critical blows to those who provide and those who depend on public transit services in California. While the Association continues to pursue remedies through the legislative process, it has long been clear that alternative efforts to protect transit funding are necessary.

As you know, one such alternative – our lawsuit to halt legislative raids on transit funding – has resulted in a resounding victory, as the California Supreme Court recently rejected the State's appeal of the unanimous appellate court ruling in transit's favor.

Meanwhile, efforts on behalf of another such alternative – the initiative process – are progressing rapidly. For many months, we have been investigating the feasibility of a statewide ballot measure to preserve transit funding. Following intensive public opinion research, consultation with other partners and groups of interest, and the direction of the Association's Executive Committee, on Monday, October 19, we will submit an initiative proposal to the Attorney General's office – the first official step toward qualifying a measure to go before voters in 2010.

The materials included in this packet are intended to bring you up to speed on the work that has been completed in this process, and the work still to come. Included are:

- Background on why we chose to pursue a ballot initiative
- A brief summary of the process that has brought us to this point
- Talking points and a Q&A sheet for help in promoting the effort and responding to media inquiries
- A brief history of successful transit-related initiatives
- Charts showing the recent history of transit funding raids and a regional breakdown of the effects of the diversion and ultimate elimination of the State Transit Assistance program
- Fact sheets detailing fare increases, service cuts and other measures enacted due to state funding raids
- A fact sheet describing demographics of ridership for select transit providers in California
- A letter from initiatives proponents – including our Association – summarizing the problem, solution and status of the ballot measure effort
- Fact sheets from the campaign committee

At this time, we are NOT asking you to conduct any proactive public or media outreach. At the appropriate time, we will solicit your involvement in such activities. For now, we are providing this material because on Monday it becomes a matter of public record that your Association is involved in this effort, and to assist you in responding to any media inquiries you may receive. Once the initiative has been filed on Monday, we will forward to you the press release being prepared by the campaign.

Our partners in this effort have laid out an aggressive strategy for collecting signatures to qualify this initiative for the November, 2010 ballot. **Once we begin the signature gathering phase, the Association will provide more details on how your organization can get involved in this critical aspect of the process.** In the meantime, please don't hesitate to contact us with any questions you may have.

Sincerely,

Joshua W. Shaw
Executive Director

Jeff Wagner
Communications Director

Why a Ballot Initiative?

Over the past three budget cycles alone, nearly \$4 billion in state funding that *should* have gone to public transit has been diverted to fill other unrelated holes in the state's General Fund. This alarming trend culminated in the February, 2009 decision by the legislature to completely eliminate the State Transit Assistance (STA) program, which since its creation in the early 1970s had been the only ongoing source of state funding for public transit operations.

Why do we proclaim this money should have gone to transit? Because the money is generated by funding sources created by voters through a series of ballot initiatives, each of which specifically dedicated those funds to transit. The California Transit Association has maintained that these funding diversions are illegal and violate the will of the voters. This contention has played out through a lawsuit initially filed by the Association in September, 2007. In June, 2009, the Third District Court of Appeal issued a ruling 100 percent in transit's favor. State officials responded by filing an appeal with the State Supreme Court. On September 30 of this year, the high court rejected that appeal, effectively upholding the appellate court ruling.

The court's decision represents a resounding victory for transit. But it provides no guarantee that budget crafters won't find some other means for circumventing the law – and the undeniable will of the voters. It's clear that something more must be done to once and for all assure that revenues generated for public transit are actually allocated to public transit, as the voters have repeatedly and overwhelmingly demanded.

Background of Initiative Effort to Date

In January 2009, the Association's Executive Committee approved our participation in and financial commitment to a coalition of organizations that have all committed funds to investigate the feasibility of launching an initiative measure to constitutionally protect transit and/or transportation funding. Those efforts produced focus group qualitative data and quantitative data from a comprehensive phone poll. The data shows an *initial* softness on a transit-only protection measure, although the data clearly shows that with the right frame and positive messaging, the voters would move to levels of support shown historically in initiative campaigns that have succeeded in passing measures.

Midway through the process, the Association was approached by the League of California Cities and the California Alliance for Jobs about joining in a similar effort, but to protect a broader array of local government and transportation revenues. In July 2009, the Executive Committee directed that we urge our "transit-only" funding partners to join that effort as a one-third participant. They did. This produced a poll that consistently showed a slightly higher intensity of support for a measure that protects city and county revenues, gas taxes for streets, roads and highways, and transit funds when compared to a transit-only alternative, even after arguments against both measures were presented to poll participants.

On September 1, 2009, the Executive Committee determined that full participation in the broader initiative effort was the prudent course of action. Consultants working with the coalition have now put together a work program and budget to get this effort to the next stage: preparation of the language and content of the measure for submission to the Attorney General for Ballot Title and Summary -- the last phase before beginning efforts to qualify the measure for the ballot, and ultimately conducting a campaign for its passage.

Transit-Related Talking Points

- The Governor and the Legislature have shown no qualms about illegally raiding transit funds to cover unrelated holes in the General Fund. This measure will clearly and plainly mandate that such illegal maneuvers must end.
- Voters have repeatedly and overwhelmingly expressed their demands for transit funding, and they have been repeatedly betrayed by those responsible for crafting a state budget.
- The annual juggling acts and other gimmicks employed in our state budget process have only highlighted the fact that the process is irreparably broken. This measure will force lawmakers to budget responsibly and will help to hasten the budget reform California so desperately needs.
- Demand for transit service reached record-breaking levels in 2008, but continued illegal raids on transit funding have left transit providers with no choice but to implement fare increases, service reductions and other measures to make up for the loss of funding.
- Cost-cutting measures made necessary by these illegal raids have led to decreases in transit ridership, meaning the Governor and the Legislature have blown a golden opportunity to help alleviate traffic congestion and our dependence on foreign oil.
- The Governor and the Legislature have touted and received much praise over the recent adoption of measures to reduce greenhouse gasses (AB 32, 2006) and to promote smart-growth planning (SB 375, 2008). We support the aims of these measures and applaud their passage. But there's a blatant contradiction between crowing about those achievements on the one hand while on the other hand eviscerating the funding for public transit – the one program we have in place that is best equipped to help meet those goals. Without adequate funding for transit, those measures are nothing more than empty promises.
- School children? Senior citizens? Persons with disabilities? The working poor? These are the people that most politicians claim to want to protect from budget cuts – and they are precisely the people most dependent on public transit for their day-to-day mobility.
 - > Hundreds of thousands of California's school kids don't have access to yellow school buses – the service simply isn't provided everywhere. Diverting funds from public transit makes it harder and more costly to get to school, especially for urban and low-income students.
 - > More than one in five Americans (21%) over age 65 do not drive. Older non-drivers have a decreased ability to participate in the community and the economy. Compared with older drivers, non-drivers make:
 - 15% fewer trips to the doctor
 - 59% fewer shopping trips and restaurant visits
 - 65% fewer trips for social, family and religious activities
 - > For persons with disabilities who are unable to drive, transit provides the only self-reliant means of accessing the critical services they need.
 - > With higher gas prices, longer commuter delays, and the increasing costs of owning and maintaining a vehicle, cash-strapped families are becoming more dependent on public transit just to make ends meet.

Questions and Answers

Who is behind this effort?

The campaign committee, called “Californians to Protect Local Taxpayers and Vital Services,” consists of Joshua Shaw, Executive Director of the California Transit Association, Chris McKenzie, Executive Director of the League of California Cities, and Jim Earp, Executive Director of the California Alliance for Jobs. Proponents bring a number of different allies to the effort, including advocates for local government, transportation and the environment.

What’s next in the process of getting this on the ballot?

A proposed initiative will be submitted to the Attorney General’s office on Monday, October 19, at 11 a.m. It takes approximately 45 days for the Attorney General and Legislative Analyst to prepare Title and Summary and fiscal analysis. Once we receive Title and Summary (expected in late November/early December), we may proceed with signature gathering. We will have approximately 150 days to collect signatures for qualification. We need to submit more than 1 million signatures to ensure an adequate cushion to qualify.

Why aren’t we just doing a “transit only” initiative? Won’t transit just get short shrift compared to local governments and highway builders?

The data from numerous polls and focus groups showed us that, while a transit-only initiative did enjoy majority support, the support was decidedly stronger for a more broad-based measure. After careful consideration among a number of transit representatives, it was determined that going down this path is the best route to success. The California Transit Association was specifically recruited as a full partner in this effort. We have been painstakingly involved in every minute detail of crafting the initiative proposal, as we will be in the campaign to follow.

Isn’t this just another example of “ballot box budgeting” that many say has caused problems in coming up with a state budget?

It’s true that the state needs to completely reform both the way it generates revenue and controls expenditures, including the budgeting process and sorting out the fiscal relationship between state and local entities. We are in consultation with a variety of groups pursuing such fundamental reforms, including California Forward. In the meantime, local governments and transit agencies must take reasonable steps to ensure that their baseline funding, as dedicated repeatedly by the voters, is preserved. As important as broader reforms are, we can’t stand by and wait for those while the state continues to pillage our funding and transit riders are left stranded.

If we’ve already passed four initiatives for transit funding and the Governor and Legislature have gotten away with ignoring them, what good will another initiative do?

As noted above, the California Transit Association has been painstakingly involved in every minute detail of crafting this initiative proposal, as we will be in the campaign to follow. That wasn’t the case in previous initiative efforts that in some way addressed transit funding. Our level of involvement this time around assures that the final product will promote ironclad protections for transit funding, and that throughout the entire process – from conceptualization through the completion of the campaign – transit’s best interests will be an integral component.

If the courts have already ruled that the raids on transit funding are illegal, why do we need an initiative?

It’s true that the courts have issued a final verdict that finds decisively in our favor. There’s no more denying the fact that these raids on transit funding are against the law. Yet, it’s still conceivable that the Governor and Legislature could continue to devise schemes for circumventing the law. In addition, the facts of our lawsuit are based on the 2007 Budget Act – the diversions of funding away from transit were very specific to the facts of that year’s budget. Now that we have closed off those avenues, future legislatures and governors could try other ways to access our funding for General Fund support. The initiative will prevent ALL such end-around maneuvers.

A Brief History of Transit Funding Initiatives

Proposition 116, June 1990

Rail Transportation. Bond Act

Yes: 53.3%, No: 46.7%

SUMMARY: Authorizes general obligation bond issue of \$1,990,000.000 to provide funds principally for passenger and commuter rail systems, with limited funds available for public mass transit guideways, paratransit vehicles, bicycle and ferry facilities, and railroad technology museum.

IMPORTANT TO NOTE: The measure designated the Public Transportation Account as a trust fund, and specified that “the funds in the account shall be available, when appropriated by the Legislature, *only for transportation planning and mass transportation purposes.*”

Proposition 2, November 1998

Transportation: Funding

Yes: 75.4 %, No: 24.6%

SUMMARY: Requires loans of transportation related revenues to the General Fund be repaid the same fiscal year, or within three fiscal years if the Governor declares an emergency significantly impacting the General Fund or General Fund revenues are less than the previous fiscal year's adjusted revenues. Allows loans of certain transportation related revenues to local entities conditioned upon repayment, with interest, within four years. Designates local transportation funds as trust funds and prohibits abolition of all such funds created by law. Restricts allocations from local transportation funds to designated purposes relating to local transportation.

IMPORTANT TO NOTE: This measure was a Constitutional Amendment placed on the ballot by the Legislature. The provisions of this measure couldn't be spelled out any more clearly, and yet every single one of them has been repeatedly violated.

Proposition 42, March 2002

Transportation Congestion Improvement Act. Allocation of Existing Motor Vehicle Fuel Sales and Use Tax Revenues for Transportation Purposes Only

Yes: 69.1%; No: 30.9%

SUMMARY: Requires, effective 7/1/03, existing revenues from state sales and use taxes on sale of motor vehicle fuel be used for transportation purposes as provided by law until 6/30/08. Requires, effective 7/1/08, existing revenues resulting from state sales and use taxes on sale of motor vehicle fuel be used for public transportation; city and county street and road repairs and improvements; and state highway improvements.

IMPORTANT TO NOTE: Another Legislative Constitutional Amendment, 20 percent of the funds from which are supposed to flow to transit through the Public Transportation Account.

Proposition 1A, November 2006

Transportation Funding Protection

Yes: 77%; No 23%

SUMMARY: Protects transportation funding for traffic congestion relief projects, safety improvements, and local streets and roads. Prohibits the state sales tax on motor vehicle fuels from being used for any purpose other than transportation improvements. Authorizes loans of these funds only in the case of severe state fiscal hardship.

Requires loans of revenues from states sales tax on motor vehicle fuels to be fully repaid within the three years. Restricts loans to no more than twice in any 10-year period.

IMPORTANT TO NOTE: Yet another Constitutional Amendment placed on the ballot by the Legislature, Prop 1A specifically restricted access to Prop 42 funds for transfer to the General Fund, and specified that no such “loans” could take place unless all prior “loans” had been repaid in full.

The state's sorry history of local transit funding rip-offs

*Raids on the Public Transportation Account
included in state budget agreements since 2000-01*

Year	Dollars Lost	Where PTA Dollars Went
2000-01	\$70 million \$275 million	Loan to Toll Bridge Seismic Retrofit Program Loan to the Traffic Congestion Relief Fund
2002-03	\$100 million	Loan to the General Fund
2003-04	\$88 million \$93 million	Transfer “spillover” to General Fund Suspension of the PTA’s share of Proposition 42
2004-05	\$108 million \$106 million \$140 million	Divert revenue from sale of Caltrans property Suspension of the PTA’s share of Proposition 42 Transfer “spillover” to other programs
2005-06	\$ 380 million	Transfer “spillover” to other programs
2006-07	\$200 million \$125 million	Transfer “spillover” to the General Fund Transfer “spillover” to the Bay Bridge Toll Account
2007-08	\$ 1.052 billion	 <p><u>New Permanent Expenses</u> <u>Previously Paid by the General Fund</u> G.O. bond debt service Home-to-School transportation Regional Center transportation Proposition 42 loan repayment</p>
2008-09	\$ 1.395 billion	
2009-10	\$ 910 million	
TOTAL SINCE 2000-01		\$ 5.042 billion

State Transit Assistance (STA) Program Funding Allocations and Diversions: FY 2007-08 through FY 2009-10

IMPORTANT NOTE: These figures refer ONLY to the State Transit Assistance program, which, since its creation in the early 1970s, has been the only ongoing source of state funding for day-to-day transit operations. The figures DO NOT represent all state transit funding that has been diverted over the three-year period described.

Over the past three years, \$2,442,500,000 should have been made available to the STA program. The STA program however was funded at \$315 million for FY 07-08 and \$150 million for FY 08-09, and funding for the program was completely eliminated for FY 09-10 and beyond (until FY 2012-13). Consequently, the loss in STA revenue for FY 07-08 is about \$455 million; \$825 million for FY 08-09; and \$697 million for FY 09-10. Therefore, the total loss of STA over the three-year period is approximately **\$1.977 billion**.

The chart below provides a rough estimate of the amount of STA funding that should have been made available to recipients had transit funding not been diverted for FY 07-08, 08-09, and 09-10. This chart represents our best estimate of allocations and diversions. We used numbers made available through the State Controller's Office (SCO) and the Department of Finance (DOF) in developing our estimates. For FY 09-10, numbers used are current pursuant to the Budget Act signed on July 28, 2009. Therefore, estimates such as spillover for FY 09-10 may be subject to change. Numbers are rounded to the nearest dollar.

Regional Entity	2007-08 Amount Received (A)	2007-08 Amount Owed (B)	2007-08 Amount Diverted (A-B=C)	2008-09 Amount Received (D)	2008-09 Amount Owed (E)	2008-09 Amount Diverted (D-E=F)	2009-10 Amount Eliminated (G)	Total Amount Lost (07-08,08- 09,09-10) (C)+(F)+ (G)=H
TRPA	\$ 395,387	\$ 966,147	\$ (570,670)	\$ 193,783	\$ 1,233,841	(1,040,058)	\$ (882,038)	(2,492,766)
MTC	113,848,000	278,193,015	(164,345,015)	56,142,205	357,371,532	(299,345,484)	(255,474,827)	(717,818,622)
SACOG	12,020,625	29,372,970	(17,352,345)	5,853,659	37,278,968	(31,425,309)	(26,649,683)	(75,427,337)
Alpine	5,279	12,899	(7,620)	2,459	15,657	(13,198)	(11,193)	(32,011)
Amador	174,867	427,296	(252,429)	82,449	526,763	(444,314)	(376,568)	(1,073,311)
Butte	957,508	2,339,716	(1,382,208)	465,007	2,961,471	(2,496,464)	(2,117,072)	(5,995,744)
Calaveras	192,679	470,820	(278,141)	92,811	590,989	(498,178)	(422,481)	(1,198,800)
Colusa	97,830	239,052	(141,222)	46,335	296,679	(250,344)	(212,087)	(603,653)
Del Norte	156,561	382,564	(226,003)	70,131	460,504	(390,373)	(329,201)	(945,577)
El Dorado	664,060	1,622,662	(958,602)	329,650	2,087,993	(1,758,343)	(1,492,647)	(4,209,592)
Fresno	4,443,645	10,858,258	(6,414,613)	2,251,940	14,122,147	(11,870,207)	(10,095,525)	(28,380,345)
Glenn	121,042	295,772	(174,730)	58,743	374,056	(315,313)	(267,402)	(757,445)
Humboldt	622,364	1,520,776	(898,412)	285,783	1,816,905	(1,531,122)	(1,298,854)	(3,728,388)
Imperial	722,827	1,766,262	(1,043,435)	354,444	2,256,991	(1,902,547)	(1,613,459)	(4,559,441)
Inyo	106,926	261,279	(154,353)	46,238	306,804	(260,566)	(219,325)	(634,244)
Kern	3,670,127	8,968,130	(5,289,003)	1,829,390	11,568,171	(9,738,781)	(8,269,759)	(23,297,543)
Kings	762,514	1,863,239	(1,100,725)	353,062	2,299,883	(1,946,821)	(1,644,121)	(4,691,667)
Lake	284,429	695,016	(410,587)	136,195	867,670	(731,475)	(620,273)	(1,762,335)

Regional Entity	2007-08 Amount Received (A)	2007-08 Amount Owed (B)	2007-08 Amount Diverted (A-B=C)	2008-09 Amount Received (D)	2008-09 Amount Owed (E)	2008-09 Amount Diverted (D-E=F)	2009-10 Amount Eliminated* (G)	Total Amount Shorted (07- 08,08-09,09-10) (C)+(F)+ (G)=H
Lassen	162,123	396,155	(234,032)	76,826	488,983	(412,157)	(349,560)	(995,749)
Los Angeles	93,861,240	229,354,415	(135,493,175)	44,082,668	284,068,008	(239,985,340)	(203,072,206)	(578,550,721)
Madera	622,565	1,521,267	(898,702)	303,596	1,933,208	(1,629,612)	(1,381,996)	(3,910,310)
Mariposa	77,249	188,762	(111,513)	37,547	238,818	(201,271)	(170,724)	(483,508)
Mendocino	409,232	999,978	(590,746)	195,326	1,247,060	(1,051,734)	(891,488)	(2,533,968)
Merced	1,109,214	2,710,417	(1,601,203)	539,954	3,440,887	(2,900,933)	(2,459,793)	(6,961,929)
Modoc	40,694	99,438	(58,744)	19,521	124,303	(104,782)	(88,861)	(252,387)
Mono	58,543	143,053	(84,510)	36,623	210,438	(173,815)	(150,436)	(408,761)
Monterey	2,127,074	5,197,607	(3,070,533)	1,024,822	6,537,681	(5,512,859)	(4,673,604)	(13,256,996)
Nevada	441,284	1,078,298	(637,014)	212,634	1,350,006	(1,137,372)	(965,081)	(2,739,467)
Orange	17,340,595	42,372,571	(25,031,976)	8,885,422	55,357,028	(46,471,606)	(39,573,178)	(111,076,760)
Placer	1,216,969	2,973,722	(1,756,753)	633,696	3,940,592	(3,306,896)	(2,817,018)	(7,880,667)
Plumas	88,445	216,120	(127,675)	42,086	267,993	(225,907)	(191,581)	(545,163)
Riverside	9,923,425	24,248,362	(14,324,937)	4,860,784	31,030,707	(26,169,923)	(22,182,977)	(62,677,837)
San Benito	241,970	591,265	(349,295)	116,265	740,341	(624,076)	(529,249)	(1,502,620)
San Bernardino	10,309,797	25,192,480	(14,882,683)	4,959,296	31,737,426	(26,778,130)	(22,688,191)	(64,349,004)
SANDAG	4,596,677	11,232,199	(6,635,522)	2,270,854	14,384,180	(12,113,326)	(10,282,844)	(29,031,692)
San Diego MTS	14,442,019	35,289,762	(20,847,743)	7,026,318	44,776,743	(37,750,425)	(32,009,630)	(90,607,798)
San Joaquin	3,661,440	8,946,903	(5,285,463)	1,739,077	11,169,082	(9,430,005)	(7,984,461)	(22,699,929)
San Luis Obispo	1,244,713	3,041,516	(1,796,803)	566,678	3,626,422	(3,059,744)	(2,592,426)	(7,448,973)
Santa Barbara	2,301,978	5,624,993	(3,323,015)	1,112,971	7,099,571	(5,986,600)	(5,075,283)	(14,384,898)
Santa Cruz	2,178,587	5,323,481	(3,144,894)	1,107,847	6,927,203	(5,819,356)	(4,952,062)	(13,916,312)
Shasta	812,446	1,985,251	(1,172,805)	390,801	2,492,783	(2,101,982)	(1,782,020)	(5,056,807)
Sierra	14,588	35,646	(21,058)	6,802	43,312	(36,510)	(30,962)	(88,530)
Siskiyou	209,391	511,657	(302,266)	98,014	631,152	(533,138)	(451,193)	(1,286,597)
Stanislaus	2,350,675	5,743,986	(3,393,311)	1,130,278	7,221,146	(6,090,868)	(5,162,194)	(14,646,373)
Tehama	258,594	631,887	(373,293)	125,593	799,738	(674,145)	(571,710)	(1,619,148)
Trinity	60,722	148,377	(87,655)	28,555	182,409	(153,854)	(130,399)	(371,908)
Tulare	1,891,099	4,620,991	(2,729,892)	932,989	5,913,176	(4,980,187)	(4,227,163)	(11,937,242)
Tuolumne	239,543	585,335	(345,792)	114,284	727,725	(613,441)	(520,230)	(1,479,463)
Ventura	3,780,663	9,238,230	(5,457,567)	1,844,192	11,738,698	(9,894,506)	(8,391,664)	(23,743,737)
TOTAL	\$315,320,224	\$770,499,998	\$(455,170,684)	\$ 153,116,603	\$975,000,000	\$(821,883,397)	\$(696,999,994)	\$ (1,974,054,075)

The Aftermath of State Raids on Transit Funding

With more than \$5 billion in funding illegally diverted this decade – more than \$3 billion in the last three years alone – transit providers in California have faced gaping budget deficits, and have been forced to resort to fare increases, service reductions and job eliminations.

Below are just a few examples of this alarming trend – not intended as a comprehensive list, but merely a snapshot of the widespread effect of this crisis.

For more details, visit www.caltransit.org/aftermath.

Budget Deficits

Orange County Transportation Authority - Projected \$33 million operations deficit for 2009-10
San Francisco Municipal Transportation Agency - \$129 million deficit; has declared Fiscal Emergency
Long Beach Transit - Lost \$7 million in STA funding, accounting for 10 percent of its operating budget
Bay Area Rapid Transit - Projected \$54 million deficit for 2009-10
Santa Clara Valley Transportation Authority - Projected two-year deficit of \$27 million
Alameda-Contra Costa County Transit - Projected \$50 million deficit for 2009-10
North County Transit District (San Diego) - Deficit of \$12.8 million projected for 2010-11
Monterey Salinas Transit - Loss of \$5 million in STA funds represented 18 percent of operating budget

Fare Hikes

Sacramento Regional Transit - Implemented two-phase, 25 percent hike in basic fares; Eliminated transfers (previously free), requiring riders without daily or monthly passes to pay a full fare for each leg of a trip
Culver CityBus - Raised student fees 50 percent, senior transfer fees 57 percent
Torrance Transit System - Raised base fares 50 percent in January, 2009
Riverside Transit Agency - Approved 20 percent increase for base fares, 24 percent for monthly passes
City of Elk Grove - Increased base fare 50 percent, Increased senior/disabled/student base fare 47 percent
West Covina Transit - 100 percent fare increase for "Go West" and Dial-a-Ride services
Santa Barbara Metropolitan Transit District - 40 percent increase for full fare, 42 percent for seniors/disabled/students

Service Cuts

Bay Area Rapid Transit - Reduced nights and weekend service 25 percent, 50 percent in some regions
Livermore/Amador Valley Transit - Reduced service hours by 25 percent; Eliminated free service to disabled passengers and free midday service for seniors
San Joaquin Regional Transit District - Eliminated or reduced service on 63 percent of its routes
City of Modesto - Projects 20 percent service cuts due to elimination of the STA
San Luis Obispo Transit - Proposed elimination of evening service, which had been wholly funded through STA, and for which 60 percent of ridership is students
Caltrain – Proposed 50 percent reduction of mid-day service

Jobs Lost

Orange County Transportation Authority - Based on planned reductions, will need to cut 192 positions
San Mateo County Transit District - Proposed elimination of up to 10 percent of its workforce
Central Contra Costa Transit Authority - Laid off 20 percent of its drivers
Calaveras Transit - Terminated 58 percent of its drivers
Golden Empire Transit District (Bakersfield) - Estimate STA losses jeopardize 42 full-time jobs
Santa Cruz Metropolitan Transit District –Service reductions under consideration would necessitate the layoff of approximately 150 employees
North County Transit District (San Diego) - Laid off 10 percent of workforce; no new bus drivers hired since 2007

Transit is a Public Service

Reductions in transit funding hit hardest on those who can least afford it – students, seniors, persons with disabilities, the most vulnerable members of society.

A survey of transit providers reveals that one in five transit riders in California is a senior citizen or person with a disability, and that students account for as much as one-third of total ridership

Alameda-Contra Costa Transit District: Roughly one-third of all riders purchase monthly discounted passes (for students, seniors and the disabled). Many more who fit that description cannot afford monthly passes, and are thus not accounted for in these figures. Of the 67 million rides provided annually, 49 percent are by people who are defined as “extremely” low income.

City of Visalia: Seniors, students and those with disabilities comprise 37.6 percent of all riders. Riders’ average annual income is \$20,000.

Gardena Municipal Bus Lines: Seniors and those with disabilities account for 10.5 percent of the service’s 4.4 million riders. Another 23 percent are K-12 students.

Golden Empire Transit District (Bakersfield): Of the more than 7 million trips provided annually, 30 percent are taken by students, and 11 percent by elderly/disabled passengers.

Long Beach Transit: Elderly and disabled riders account for 24 percent of the service’s 29 million annual trips. Students comprise another 13 percent. For 58 percent of LBT riders, their household income is less than \$20,000.

Mendocino Transit Authority: One-fourth of the service’s riders are seniors or persons with disabilities. Students account for nearly 40 percent of total ridership.

Monterey-Salinas Transit: With an average annual income of \$20,000, MST’s 5 million riders are 19 percent elderly or disabled, and 15 percent students.

North County Transit District (San Diego): Of the 14.7 millions trips provided annually, 15.4 percent are taken by elderly/disabled passengers and 25.2 percent by students.

Omnitrans (San Bernardino): Approximately 20 percent of the service’s riders are elderly/disabled. Another 10.4 percent are students. Omnitrans provides more than 15 million passenger trips each year.

Orange County Transportation Authority: Elderly, disabled and student riders account for 22 percent of the more than 65 million passenger trips provided each year.

SamTrans (San Mateo County): Of the nearly 15 million trips provided each year, 13 percent are by seniors or persons with disabilities, and 22 percent by students.

San Joaquin Regional Transit District: More than 60 percent of all riders are elderly/disabled (35 percent) or students (29 percent).

San Francisco Bay Area Rapid Transit District (BART): One-fourth of the 115 million annual trips provided by BART are taken by a senior citizen, a student or a person with a disability. More than one-fifth (22 percent) of BART riders have an annual income of less than \$25,000.

San Francisco Municipal Transportation Agency: Thirty percent of all fares come from seniors and students. SFMTA provides more than 206 million passenger trips annually.

Santa Clara Valley Transportation Authority: One in four of the 43.5 million rides each year are by seniors, students or those with a disability.

Santa Maria Area Transit: Students account for more than 40 percent of the system’s 1.2 million annual rides.

Santa Rosa City Bus: Half of all riders are students, seniors or disabled. In service areas with the highest ridership, 30 percent have a household income under \$25,000.

Western Contra Costa Transit Authority: Thirty percent of the system’s 1.5 million rides are by students.



September 3, 2009

To: Local Government and Transportation Stakeholders

**Fr: Jim Earp, Executive Director, California Alliance for Jobs
Chris McKenzie, Executive Director, League of California Cities
Josh Shaw, Executive Director, California Transit Association**

Re: Potential November 2010 Ballot Measure Campaign to Protect Local Government, Transit and Transportation Revenues

EXECUTIVE SUMMARY: The League of California Cities, California Transit Association, California Alliance for Jobs and other transportation and local government trade associations are leading an exploratory effort to assess the feasibility of qualifying and passing a constitutional amendment on the November 2010 ballot that would restrict the state from taking, borrowing or shifting away dedicated local government, transit and transportation funds. This memo summarizes the initial stages of this exploratory effort.

THE PROBLEM: California voters have repeatedly and overwhelmingly approved ballot measures to dedicate specific funding sources for local government, transportation and transit and to prevent state raids of these revenues. Despite these clear mandates by voters, in recent years the Legislature and Governor have proposed and/or implemented numerous attacks on these revenue sources.

This year alone, the Legislature and Governor:

- Borrowed approximately \$2 billion in property taxes from local governments, despite no clear path to repay these funds.
- Took \$2.05 billion in local redevelopment funds, despite a recent Superior Court ruling that says these types of raids are unconstitutional.
- Shifted \$910 million in transit funding away from local transit agencies.
- Voted to take more than \$1 billion of the local government share of the Highway User Tax (HUTA) in order to repay state bond debt (measure stalled in Assembly).
- Took action to eliminate the state sales tax on gasoline (Prop 42 funds) and HUTA and replace with a gasoline "fee" that would have no constitutional protection from future raids by the legislature (the Governor ultimately vetoed this measure).
- Threatened to borrow Prop 42 funds to address the State's deficit.

While the state is facing difficult financial times, local governments, transportation and transit agencies are also experiencing unprecedented fiscal hardship. Cities and counties are laying off peace officers, firefighters and other employees, and significantly cutting services. Transit agencies are cutting services and routes and increasing fares – hurting working and lower-class families who have no other mode of transportation. Further, construction industry unemployment exceeds 20%. If the Legislature is allowed to continue to raid or borrow these local and transportation funds unchecked, the result will be more cuts to these vital locally-delivered services, more uncertainty around local and state finances and more litigation.

THE SOLUTION: Our organizations have begun the process of evaluating the feasibility of passing a constitutional amendment in November 2010 that would further protect local government, transit and transportation funds. While we are in the initial stages of our voter and legal research, we envision one measure that would do most or all of the following:

- ✓ Close loopholes to prevent the taking of local taxpayer funds, including parcel taxes, sales taxes, and other locally imposed taxes that are currently dedicated to cities, counties and special districts.
- ✓ Revoke the state's authority to borrow local government property tax funds and to divert or borrow local redevelopment funds.
- ✓ Revoke the state's authority to borrow the *existing* state sales tax on gasoline (Prop 42 funds), which funds local government, transit and state transportation improvements.
- ✓ Prohibit the State from taking, borrowing, redirecting or eliminating the state and local government share of Highway User Tax on gasoline (HUTA) currently dedicated to cities and counties for local transportation maintenance and improvement.
- ✓ Prohibit the State from taking, borrowing or redirecting existing funding for public transit, including existing taxes on gas.

STATUS: Our three associations have each committed resources to conduct what we are calling "Phase I" of this process. We have enlisted the help of political attorneys, ballot measure consultants and pollsters to assist in the political evaluation and drafting of a measure. During Phase I we will be undertaking the following activities:

- Conduct a baseline survey of California voters to gauge voter support of the initiative concept and its components (initial survey complete, see summary below).
- Conduct potential follow up voter research as needed to make final determination before proceeding with signature gathering.
- Conduct thorough legal analysis and draft constitutional amendment measure(s).
- Conduct thorough evaluation of political landscape, winnability, and ability to raise the funding needed for a signature gathering drive and for a successful election campaign.
- Begin outreach to organizations and build a winning coalition to join in political and financial support of measure.
- File measure with the Attorney General.
- Work with Attorney General and Legislative Analyst on the development of Title and Summary.
- Solicit bids from signature gathering firms, and put plans in place for paid and volunteer signature gathering activities.
- Develop comprehensive campaign plan, with budget ranges, for a winning campaign in November.

At the conclusion of Phase I, the coalition will decide whether or not to proceed with Phase II. The signature gathering phase will cost approximately \$2 million. More than 1.1 million signatures are needed to assure qualification of a constitutional amendment.

INITIAL POLLING SHOWS VERY STRONG VOTER SUPPORT FOR INITIATIVE CONCEPT:

We commissioned a survey of 800 California voters in August 2009, conducted by Fairbank, Maslin, Maullin & Associates, one of the state's premier ballot measure polling firms. The results of that survey indicate that strong majorities of California voters are supportive of a measure that would restrict the legislature's ability to borrow or take local government, transportation and transit funds:

- When read a detailed description of the measure's provisions, three-in-five (62 percent) voters support a statewide ballot measure to prohibit the Governor and Legislature from borrowing or taking city, county, special district and local transportation tax revenue.
- After hearing the factual recitations of the ballot measure provisions, support increases further to 65% of voters.
- Even in the face of strong arguments against the measure, including statements arguing that passage of this measure would lead to higher taxes, additional cuts to public schools and a further reduction in health care services for children and seniors, three-in-five voters remain supportive.

It is clear that voters would support a measure to further protect local government, transit and transportation funding. However, preparing and qualifying a measure for the ballot takes significant resources and political will. Our three associations have committed to the initial phases of this campaign and are hoping others within the local government and transportation communities will join us in this necessary effort.

Please contact any one of us with questions or for further information.



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YES to Protect Vital Road Safety, Traffic Relief and Other Transportation and Transit Projects from State Raids

THE PROBLEM: STATE RAIDS AND BORROWING ARE JEOPARDIZING TRANSPORTATION AND TRANSIT PROJECTS AROUND THE STATE.

California voters have repeatedly and overwhelmingly passed ballot measures to dedicate the gas taxes we pay at the pump to transportation and transit improvement projects like road safety repairs, congestion relief, and maintaining and expanding mass transit. Despite this, in the past few years alone the State has raided billions of dollars in public transit funding, and has threatened to borrow or outright take billions of dollars in Prop. 42 and HUTA gas tax funds that are supposed to fund transportation and transit improvements. State raids and borrowing of these funds jeopardize vital transportation and transit projects up and down the state, including:

- X** *Road safety improvements.*
- X** *Congestion relief projects like freeway widenings, new and expanded on-ramps, HOV lanes and other projects to keep motorists moving.*
- X** *City and county street repairs, stoplight synchronization and pothole repairs.*
- X** *Public transit like bus, commuter rail and shuttle services that are currently being slashed while fares are being raised.*

THE SOLUTION: PROHIBIT THE STATE FROM RAIDING OR BORROWING FUNDS THAT VOTERS HAVE DEDICATED TO TRANSPORTATION AND TRANSIT IMPROVEMENTS.

The Local Taxpayer, Public Safety and Transportation Protection Act, aimed for the November 2010 statewide ballot, would:

- ✓ **Prohibit the State from taking, borrowing or redirecting funds that are dedicated to transportation and public transit.** The measure would prevent State borrowing, taking or redirecting of the state sales tax on gasoline (Prop 42 funds) and Highway User Tax on gasoline (HUTA) funds that are dedicated to transportation maintenance and improvements. It would also prevent the State from redirecting or taking voter-mandated public transit funds.
- ✓ **Prohibit the State from taking, borrowing or redirecting local government funds.** In addition to preventing State raids of transportation and transit funds, the measure would close loopholes and prevent the taking of city, county and special district funds, including revoking the State's authority to borrow local property taxes.
- ✓ **Protect jobs and our economy.** Every \$1 billion invested in infrastructure generates \$5 billion in economic activity and 18,000 jobs. By preserving a reliable source of funding for transportation and transit improvements, this measure will help create jobs and improve our ailing economy.
- ✓ **Protect local taxpayers** by keeping more of our local tax dollars local where there's more accountability to voters, and by ensuring once and for all that our gas taxes go to fund transportation and transit improvements as the voters have mandated on more than one occasion. The measure also reduces pressure for local tax and fee increases that become necessary when the state redirects local government funds.
- ✓ **Reform state government and enhance fiscal accountability.** This measure is a key step in reforming California's broken budget system by restoring more local control and accountability. This measure also stops the irresponsible practice of State borrowing special funds that have to be repaid with interest, which only puts our State further in debt.



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Questions & Answers About the Local Taxpayer, Public Safety and Transportation Protection Act

WHAT IS YOUR MEASURE AND WHAT DOES IT PROPOSE TO DO?

The Local Taxpayer, Public Safety and Transportation Protection Act is a constitutional amendment that we are working to place on California's November 2010 statewide ballot. The initiative would stop the State from raiding or borrowing funding for local public safety, transportation, transit and other essential local government services. Specifically, the measure would:

- ✓ **Prohibit the State from taking, borrowing or redirecting local taxpayer funds dedicated to public safety, emergency response and other vital local government services.** The measure would close loopholes to prevent the taking of funds currently dedicated to cities, counties, special districts and redevelopment agencies. It would also end the State's fiscally irresponsible practice of borrowing local government property tax funds.
- ✓ **Protect vital, dedicated transportation and public transit funds from State raids.** The measure would prevent State borrowing, taking or redirecting of the state sales tax on gasoline (Prop 42 funds) and Highway User Tax on gasoline (HUTA) funds that voters have dedicated to transportation maintenance and improvements. It would also prevent the State from redirecting or taking public transit funds.
- ✓ **Protect local taxpayers** by keeping more of our local tax dollars local where there's more accountability to voters, and by ensuring once and for all that our gas taxes go to fund road improvements. The measure also reduces pressure for local tax and fee increases that become necessary when the State redirects local funds.

WHY IS IT NEEDED?

Unfortunately, the State has continued its irresponsible practice of taking and borrowing local taxpayer dollars and dedicated transportation funds. The 2009/10 state budget borrows and takes approximately \$5 billion in city, county, transit, redevelopment and special district funds this year despite the fact that voters have overwhelmingly passed ballot measures to keep local funding at the local level to provide essential local services. This year's raids and previous, ongoing state raids and borrowing jeopardize the services Californians need most, including police, fire and emergency 911 services; local economic development and redevelopment; mass transit like buses and commuter rail; and transportation improvements like road repairs and congestion relief. We need to pass this measure to protect these vital local services from State raids and borrowing.

ISN'T FUNDING FOR LOCAL GOVERNMENT AND TRANSPORTATION ALREADY PROTECTED FROM STATE RAIDS?

California voters have overwhelmingly passed separate measures to prevent the State from raiding local government and transportation funds. However, each and every year the State attempts to take or borrow local government, transportation and transit funding using loopholes, or illegal funding diversions that have only been stopped after expensive and lengthy court battles. This year alone, the Legislature:

- Borrowed approximately \$2 billion in property taxes from local governments, despite no clear path to repay these funds.

- Took \$2.05 billion in local redevelopment funds, despite a recent Superior Court ruling that says these types of raids are unconstitutional.
- Shifted \$910 million in transit funding away from local transit agencies. The courts have since ruled these types of raids are unconstitutional.
- Voted to take more than \$1 billion of the local government share of the Highway User Tax (HUTA) to repay state bond debt (but the measure stalled in Assembly). These are funds that have always been used to finance local road repairs and maintenance.
- Took action to eliminate the state sales tax on gasoline (Prop 42 funds) and HUTA and replace with a gasoline “fee” that would have no constitutional protection from future raids by the legislature (the Governor ultimately vetoed this measure).
- Threatened to borrow Prop 42 transportation funds to address the State’s deficit.

Our measure would close loopholes in current law that the legislature has exploited to take or divert local funds. And it would tighten sections of the law to prevent illegal State funding raids of local government and transportation funds before they happen.

WHY DOES YOUR MEASURE PREVENT THE STATE FROM BORROWING LOCAL GOVERNMENT AND TRANSPORTATION FUNDS?

The local government revenue protection measure in 2004 (Prop 1A) and the transportation revenue protection measure in 2006 (Prop 1A) included provisions that allow the State to borrow these funds during fiscal emergencies. However, after several budget cycles it is clear that these borrowing provisions are not only bad for local governments and transportation services, but fiscally irresponsible for the State. Borrowing these dedicated funds only plunges our state deeper into debt because the funds must to be repaid, *with interest* within three years.

The borrowing was meant to provide an outlet in short-term budget emergencies, but it’s instead being used to paper over structural budget problems. For example, the State has no clear way to pay back the \$2 billion plus interest in local property taxes that the State is borrowing as part of this year’s 2009-2010 State budget, yet lawmakers borrowed these funds anyway.

What’s more, because the State has the authority to borrow local government and transportation funds, it creates mass uncertainty for cities and counties who need to plan and pass their local budgets, and for transportation and transit planners who aren’t sure if they can rely on these revenues in any given year.

DOES THIS MEASURE INCREASE OR DECREASE REVENUES FOR LOCAL GOVERNMENTS OR FOR TRANSPORTATION AND TRANSIT?

This measure does not increase or decrease the existing revenues that are dedicated to local government, transportation and transit funds. It simply prevents the State from borrowing or raiding *existing* local government, transportation and transit revenues that voters have dedicated to these services.

WON’T THIS MAKE OUR STATE’S BUDGET SYSTEM EVEN WORSE BY FURTHER PUTTING A LOCK BOX ON BILLIONS OF DOLLARS IN FUNDING?

First, these are revenues that have historically been dedicated to cities, counties and special districts to fund local government services. It’s fiscally irresponsible for State Government to raid funds from local governments.

Second, it’s important to remember that these are funds that voters have **ALREADY** dedicated to local government, transportation and transit services. We are not dedicating any **NEW** funding for these services, but instead ensuring

that the will of voters is upheld by protecting local government and transportation funds from further State raids and borrowing.

This reform is fiscally responsible and a key step in long-term reform for California. The State has gotten itself into this deep fiscal mess in large part because lawmakers have relied on budget gimmicks like tapping into voter-protected funds and borrowing which only pushes our problems into the future.

HOW DOES THIS MEASURE FIT INTO THE NEED FOR BROAD REFORM OF STATE GOVERNMENT IN CALIFORNIA?

This measure is a necessary and responsible first step toward fiscal reform in California. Virtually everyone agrees that State reforms must include the restoration of more local control over local tax dollars, and moving services closer to the people at the local level. This measure ensures local control, predictability, and accountability for local tax dollars that are used to provide the most essential local services.

WILL THIS MEASURE IMPACT FUNDING FOR PUBLIC SCHOOLS, HEALTHCARE OR OTHER SERVICES?

No. This measure does not take away funding from schools or any other service funded by the State because it only protects EXISTING funds that are already dedicated to local services like public safety and transportation. And this measure in no-way alters Proposition 98, which guarantees funding levels for K-14 schools.

HOW WILL THIS MEASURE IMPACT TAXPAYERS?

This measure provides further protections for *existing* revenues that voters have already dedicated to local government, transportation and transit services. It does not increase taxes. In fact, this measure protects taxpayers by keeping more of our tax dollars local where they're more accountable. And this measure decreases pressure for local tax and fee increases at the local government level that become needed when the state takes local revenues and local governments are forced to look for new revenues to protect vital services.