



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3b

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Memorandum

TO: Legislation Committee

DATE: February 5, 2010

FR: Executive Director

W. I.

RE: FY 2010-11 Proposed State Budget

Governor Proposes Tax Swap, Eliminating Public Transit Funding & Proposition 42

Governor Schwarzenegger's budget for FY 2010-11 proposes to achieve \$1.4 billion in General Fund savings by avoiding Proposition 98 education funding guarantees and by substituting fuel tax receipts for General Fund dollars to repay state bond debt by eliminating the state portion of the sales tax on gasoline and diesel fuels. This would eliminate all of the state's revenue sources that are currently dedicated to public transit, as well as funding dedicated to highways, streets and roads first approved by Proposition 42.

In order to partially backfill streets and roads and highway spending, and to fund bond debt repayments, this proposal would increase the per-gallon excise tax on gasoline and diesel fuel by 10.8 cents in FY 2010-11, for a total excise tax of 28.8 cents per gallon, and in annual increments thereafter — eventually reaching 33.9 cents per gallon in FY 2020-21.

The tax swap results in a loss of approximately \$1.6 billion in public transit funding statewide, of which about \$880 million would be lost to in the State Transit Assistance account. Attachment 1 is a table of the estimated \$325 million in funding losses in the Bay Area listed by operator. According to the Administration, this tax cut will save approximately 5 cents per gallon on fuel. Based on average vehicle fuel efficiency, we estimate that this tax cut could save the average motorist less than \$3 per month. Of course, it could result in no savings to motorists if the oil companies opt to pocket the difference as extra profit.

Of the \$1.9 billion that would be generated by the new excise tax, the budget proposes to direct \$1.3 billion to two of the programs that would otherwise be funded by Proposition 42 — local streets and roads and the State Transportation Improvement Program (STIP) — while \$610 million would go to the General Fund to offset transportation debt service costs. Use of the tax increase for eligible debt service is proposed to continue on an ongoing basis.

Budget Circumvents Court Ruling Protecting Public Transit Funds

In a lawsuit originally filed by the California Transit Association over funding raids in the 2007-08 budget, the Third District Court of Appeals ruled last June that diversions from the Public Transportation Account (PTA) to fill non-transit holes in the General Fund violated a series of statutory and constitutional amendments enacted by voters via four statewide initiatives dating back to 1990. The California Supreme Court refused to hear the Administration's appeal of this decision in September 2009. The Governor's "legislative appeal" would completely eliminate the sales tax in question and replace a portion of that revenue with an increase in the excise tax on fuels. Under the proposal, state assistance to transit agencies for keeping their buses, trains and ferries running would end.

Local Streets and Roads and STIP Funded By New Tax, But At Potentially Reduced Level

In the near term, the proposal does not appear to affect the share of local streets and roads and State Transportation Improvement Program funding that the region would receive from Proposition 42 as it is designed to maintain these programs at the same level of funding they would otherwise receive. In FY 2010-11, Proposition 42 is estimated to provide local streets and roads and the STIP with \$629 million each on a statewide basis. However, the Governor's budget makes clear that the priority for use of the new gas tax revenue is General Fund debt service for transportation (including Proposition 1B and Proposition 192 seismic bonds), with local streets and roads and STIP funding receiving an equal share of what remains after eligible debt service in a given year is exhausted.

Intercity Rail Operations Funding Jeopardized

With regard to intercity rail, including the Capitol Corridor, the tax shift proposal would shift its funding to the General Fund beginning in FY 2011-12 when existing PTA funds would be fully exhausted. This places the program at substantial risk by having to compete in the over-extended General Fund.

High Speed Rail

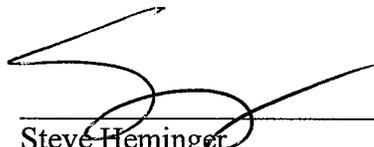
The budget proposes a total of \$958 million for the High Speed Rail Authority in FY 2010-11, including \$581 million in Safe, Reliable High-Speed Passenger Train Bond Act bond funding (Proposition 1A), and \$375 million in anticipated federal American Recovery and Reinvestment Act (AARA) funding. Of this total, approximately \$900 million is for capital outlay for the San Francisco to Anaheim sections of the project, including preliminary engineering, environmental review, and acquisition of right of way. The budget also proposes adding 27 new staff positions to the authority. The budget does not propose any funding for the formula-based connectivity funds from the High Speed Rail bond, which are allocated by the California Transportation Commission.

Proposition 1B

The budget includes substantial funding from the Proposition 1B bond act, as shown in Attachment 2. It should be noted that the estimates of expenditures are dependent upon the state's ability to issue bonds on a cost-effective basis, which remains severely constrained at this time.

Doyle Drive to Receive Accelerated Funds Through Use of GARVEE Bonds

The budget proposes to accelerate the availability of already programmed SHOPP funds for Doyle Drive and two Los Angeles projects through the use of revenue bonds backed by future federal transportation funds that are commonly referred to as GARVEE bonds. The budget also contains a proposal to use a public-private partnership to help finance a portion of the Doyle Drive project that might affect the need to carry out the GARVEE financing.



Steve Heminger

**Projected Loss of State Transit Assistance Funding for San Francisco Bay Area
from Governor's FY 2010-11 Budget**

	STA Base	Proposition 42	Spillover	Total
<i>Statewide STA Revenue Generation (Est.)¹</i>	\$ 213,014,932	\$ 221,036,337	\$ 448,500,000	\$ 882,551,269
STATE TRANSIT ASSISTANCE REVENUE BASED	Base Revenue	Prop 42 Increment	Spillover ³	Total
APPORTIONMENT JURISDICTION²	\$ 57,637,979	\$ 59,808,426	\$ 121,355,969	\$ 238,802,374
AC Transit	\$ 5,114,323	\$ 5,306,911	\$ 10,768,136	\$ 21,189,370
ACE	\$ 263,180	\$ 273,090	\$ 554,121	\$ 1,090,391
BART	\$ 13,969,648	\$ 14,495,696	\$ 29,412,901	\$ 57,878,245
Benicia	\$ 10,947	\$ 11,359	\$ 23,048	\$ 45,353
Caltrain	\$ 2,658,926	\$ 2,759,052	\$ 5,598,332	\$ 11,016,311
Central Contra Costa Transit Authority (County Connection)	\$ 345,375	\$ 358,381	\$ 727,183	\$ 1,430,939
Dixon	\$ 2,906	\$ 3,015	\$ 6,118	\$ 12,038
Eastern Contra Costa Transit Authority (TriDelta)	\$ 152,801	\$ 158,555	\$ 321,720	\$ 633,076
Fairfield	\$ 57,919	\$ 60,100	\$ 121,948	\$ 239,968
Golden Gate Bridge, Highway and Transit District	\$ 2,123,869	\$ 2,203,846	\$ 4,471,777	\$ 8,799,492
Healdsburg	\$ 682	\$ 707	\$ 1,435	\$ 2,824
Livermore-Amador Transit (LAVTA)	\$ 122,787	\$ 127,410	\$ 258,525	\$ 508,722
Napa Transit Services	\$ 25,754	\$ 26,724	\$ 54,225	\$ 106,702
SamTrans	\$ 3,068,836	\$ 3,184,398	\$ 6,461,392	\$ 12,714,626
San Francisco MTA	\$ 20,307,045	\$ 21,071,738	\$ 42,756,203	\$ 84,134,985
Santa Rosa	\$ 83,949	\$ 87,110	\$ 176,753	\$ 347,812
Sonoma County Transit	\$ 94,339	\$ 97,891	\$ 198,629	\$ 390,858
Union City	\$ 26,630	\$ 27,633	\$ 56,069	\$ 110,331
Vallejo	\$ 394,111	\$ 408,952	\$ 829,796	\$ 1,632,860
Valley Transportation Authority	\$ 8,647,474	\$ 8,973,108	\$ 18,207,137	\$ 35,827,719
Western Contra Costa Transit Authority (WestCAT)	\$ 166,480	\$ 172,749	\$ 350,521	\$ 689,751
REVENUE BASED AMOUNT	\$ 57,637,979	\$ 59,808,426	\$ 121,355,969	\$ 238,802,374
POPULATION BASED AMOUNT	\$ 20,430,814	\$ 21,200,168	\$ 43,016,797	\$ 84,647,778
BAY AREA STA TOTAL	\$ 78,068,793	\$ 81,008,593	\$ 164,372,766	\$ 323,450,152

*Notes:

1) Estimates of STA Base revenue and Proposition 42 are based on MTC estimates prepared in 2009

2) Shares are based on FY 07/08 3rd Quarter State Controller Factors

3) Total "Spillover" generations are based on estimates provided by the Department of Finance. Estimates assume 50% of the spillover goes to STA, consistent with how the law read, prior to statutory changes since found to be invalid by the California Supreme Court.

Proposition 1b Funding*Dollars in millions*

Program	FY 2009-10	FY 2010-11	Potential Bay Area Share (FY 2010-11)
Public Transit Modernization, Improvement & Service Enhancement Account (PTMISEA)	\$514	\$350	\$120
State Local Partnership Program (SLPP)*	\$169	\$195	\$53
Corridor Mobility Improvement Account (CMIA)	\$1,403	\$1,212	TBD
Trade Corridor Improvement Fund (TCIF)	\$183	\$582	TBD
Highway Safety, Rehabilitation & Preservation Account	\$113	\$167	TBD

* Based on existing shares for eligible entities in the region; subject to change when new shares are determined for FY 2010-11.