



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 7a

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Memorandum

TO: Legislation Committee

DATE: September 3, 2010

FR: Executive Director

W. I. 1131

RE: Proposition 22: Local Taxpayer, Public Safety, and Transportation Protection Act of 2010

Background

Proposition 22 protects local property tax and redevelopment funds, local transportation funds, and state funds dedicated to transportation and public transit from diversion or borrowing by the state for non-transportation purposes. This memorandum provides a summary of the measure's key transportation-related provisions and its implications for the San Francisco Bay Area.

Recommendation: Support

What Transportation Funding Streams Would the Measure Protect?

Public Transit Funding

The measure protects approximately \$315 million in annual Public Transportation Account (PTA) funds derived from the sales tax on diesel fuel, based on estimates for FY 2011-12. This amount is projected to grow annually along with the price and consumption of diesel fuel. The sales tax on diesel is the only remaining PTA revenue source due to the gasoline tax swap legislation enacted last March through Chapter 11 (AB 6 8x) and Chapter 12 (AB 9 8x), which abolished the sales tax on gasoline, thereby eliminating three key PTA fund sources, which were estimated at almost \$1.3 billion in FY 2010-11, as shown in Attachment A. The gasoline tax swap also raised the sales tax rate on diesel fuel by an additional 1.75 percent beginning on July 1, 2011, for a total rate of 6.75 percent at that time, but that additional amount (estimated to raise \$117 million in FY 2011-12) is not explicitly protected by the measure.

State Transit Assistance Would Be 30 Percent Lower Than Under Swap; Funds Would Shift to Other Transit Purposes

The measure requires that 50 percent of PTA revenue go to the State Transit Assistance (STA) program. The 50 percent share is the historic split between STA and intercity rail, transit capital projects in the State Transportation Improvement Program (STIP), the California Transportation Commission, and state transportation planning. This is a 30 percent reduction in comparison to the 75 percent share in current law. The loss in STA funds would be partially offset by additional funding in the STIP (from which the Bay Area receives roughly 18 percent versus 36 percent from STA). Statewide, STA funding in FY 2011-12 would go from about \$350 million to roughly \$241 million statewide. The Bay Area's annual share would drop from about \$126 million to \$87 million, a loss of \$39 million, as shown in Attachment B.

In Absence of Proposition 22, Transit Funding Still Vulnerable to Diversion

If examined in a vacuum, this reduction in funding could be cause to oppose Proposition 22; however, this concern is negated by the fact that the initiative provides sorely needed protection against legislative raids on public transportation funding, as well as funding for local streets and roads and state highways. The diversion of over \$3 billion in PTA funds over the last four years has underscored that the Legislature will not hesitate to redirect public transportation funding to help balance the budget. Recent legal victories provide no guarantee that transit funding would not be diverted again.

Protection for Transportation Development Act Funds

The measure also improves protection of Transportation Development Act (TDA) funds, funded by a one-quarter cent sales tax in each county. In the Bay Area, TDA generates approximately \$275 million per year, or 12 percent of total transit operating monies for transit agencies region-wide. Under very limited circumstances, TDA may be spent on local streets and roads if a county determines that it has no “unmet transit needs.” In the Bay Area, only Solano County uses a portion of its TDA funds on local streets and roads, and this use is expected to be phased out in the next fiscal year. In addition, the measure prohibits any locally-adopted taxes, such as local transportation sales taxes, from being diverted by the state.

Local Streets & Roads and State Highway Funding

The measure prevents the state from diverting or borrowing state gasoline tax revenue. Under current law the state may borrow its share of fuel taxes for cash-flow purposes on a temporary basis within a fiscal year, and for up to three years for longer term budget balancing purposes. The measure also prohibits the state from redirecting or borrowing the city and county share of state gasoline tax revenues.

Reduces Eligibility of Gas Tax Funds for Debt Service

Under the measure, gasoline tax funds could only be used for bonds issued after November 2, 2010, where the voters explicitly authorized their use for debt service. As a result, the General Fund would have to cover the roughly \$1 billion per year in debt service costs for transportation bonds already issued, restoring these funds to local streets and roads, the STIP and the State Highway Operation and Protection Program. The measure continues to allow up to 25 percent of the state or local share of gasoline tax revenue to be used for transportation bond debt service at the state or local level, but it clarifies that the state may only draw upon its share of these revenues in calculating how much may be used for this purpose, preventing diversion of local Highway User Tax Account (HUTA) funds for debt service as attempted in FY 2009-10.

Staff concludes that Proposition 22 improves our chances of securing a predictable level of STA funding and protecting other key transportation funds and therefore warrants our support.

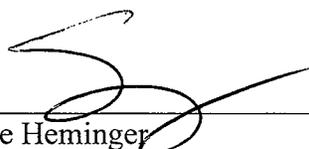
Known Positions

Support

See Attachment C

Oppose

California Teacher’s Association
California State Firefighter’s Association
Health Access California



Steve Heminger

**Public Transportation Account Fund Sources Eliminated by the
Gasoline Tax Swap, Assembly Bill 6 8x (2010)**

PTA Fund Source Eliminated (Dollars in millions)	FY 2009-10	FY 2010-11
Spillover	\$620	\$897
Proposition 42	\$284	\$315
Proposition 111	\$63	\$61
Total	\$967	\$1,273

**POTENTIAL IMPACT OF PROPOSITION 22 ON
SAN FRANCISCO BAY AREA'S STATE TRANSIT ASSISTANCE REVENUE-BASED FUNDING**

STATE TRANSIT ASSISTANCE FY 2011-12	Current Estimated Funding Level *	Post-Proposition 22 Funding Level	Change (-31%)
STATEWIDE REVENUE	\$ 350,000,000	\$ 241,000,000	\$ (109,000,000)
MTC REVENUE-BASED FUNDING	\$ 92,157,378	\$ 63,456,937	\$ (28,700,441)
Apportionment Jurisdictions			
AC Transit	\$ 8,656,284	\$ 5,960,470	\$ (2,695,814)
ACE	\$ 498,225	\$ 343,064	\$ (155,162)
BART	\$ 24,687,050	\$ 16,998,797	\$ (7,688,253)
Benicia	\$ 10,202	\$ 7,025	\$ (3,177)
Caltrain	\$ 4,483,790	\$ 3,087,410	\$ (1,396,380)
Central Contra Costa Transit Authority (County Connection)	\$ 483,607	\$ 332,998	\$ (150,609)
Dixon	\$ 4,910	\$ 3,381	\$ (1,529)
Eastern Contra Costa Transit Authority (TriDelta)	\$ 185,084	\$ 127,443	\$ (57,640)
Fairfield	\$ 116,482	\$ 80,206	\$ (36,276)
Golden Gate Bridge, Highway and Transit District	\$ 3,922,270	\$ 2,700,763	\$ (1,221,507)
Healdsburg	\$ 2,386	\$ 1,643	\$ (743)
Livermore-Amador Transit (LAVTA)	\$ 176,515	\$ 121,543	\$ (54,972)
Napa Transit Services	\$ 38,019	\$ 26,178	\$ (11,840)
Rio Vista	\$ 3,286	\$ 2,262	\$ (1,023)
SamTrans	\$ 3,667,470	\$ 2,525,315	\$ (1,142,155)
San Francisco MTA	\$ 31,751,732	\$ 21,863,336	\$ (9,888,397)
Santa Rosa	\$ 133,462	\$ 91,898	\$ (41,564)
Sonoma County Transit	\$ 133,655	\$ 92,031	\$ (41,624)
Union City	\$ 18,219	\$ 12,545	\$ (5,674)
Vallejo	\$ 246,381	\$ 169,651	\$ (76,730)
Valley Transportation Authority	\$ 12,719,483	\$ 8,758,273	\$ (3,961,211)
Western Contra Costa Transit Authority (WestCAT)	\$ 218,865	\$ 150,704	\$ (68,161)
REVENUE BASED AMOUNT	\$ 92,157,378	\$ 63,456,937	\$ (28,700,441)
POPULATION BASED AMOUNT	\$ 33,569,375	\$ 23,114,913	\$ (10,454,463)
BAY AREA STA TOTAL	\$ 125,726,753	\$ 86,571,850	\$ (39,154,903)

* Note: \$350 million is an estimate based on the revenue projections conducted by legislative staff and the Department of Finance when the gas tax swap was enacted in March 2010. It is not guaranteed and could be altered through subsequent legislative action on the budget or a stand-alone bill. By contrast, roughly \$241 million would be guaranteed for STA after the

**POTENTIAL IMPACT OF PROPOSITION 22 ON
SAN FRANCISCO BAY AREA'S STATE TRANSIT ASSISTANCE
POPULATION-BASED FUNDING**

	<i>Current Law</i>	<i>If Proposition 22 Passes</i>	<i>Change</i>
<i>Statewide STA Funding</i>	\$ 350,000,000	\$ 241,000,000	\$ (109,000,000)
MTC POPULATION-BASED FUNDING	\$ 33,569,375	\$ 23,114,913	\$ (10,454,463)
Apportionment Jurisdictions			
Northern Counties/Small Operators			
Marin	\$ 1,008,396	\$ 694,353	\$ (314,043)
Napa	\$ 535,542	\$ 368,759	\$ (166,783)
Solano	\$ 1,671,834	\$ 1,151,177	\$ (520,657)
Sonoma	\$ 1,880,137	\$ 1,294,609	\$ (585,528)
CCCTA	\$ 1,940,968	\$ 1,336,495	\$ (604,473)
ECCTA	\$ 1,135,233	\$ 781,689	\$ (353,544)
LAVTA	\$ 787,390	\$ 542,174	\$ (245,216)
Union City	\$ 287,587	\$ 198,024	\$ (89,563)
WestCAT	\$ 273,614	\$ 188,403	\$ (85,211)
Vallejo	\$ -	\$ -	\$ -
SUBTOTAL	\$ 9,520,701	\$ 6,555,683	\$ (2,965,018)
Regional Paratransit			
Alameda	\$ 1,218,221	\$ 838,832	\$ (379,389)
Contra Costa	\$ 629,548	\$ 433,489	\$ (196,059)
Marin	\$ 140,647	\$ 96,846	\$ (43,802)
Napa	\$ 91,849	\$ 63,244	\$ (28,604)
San Francisco	\$ 961,817	\$ 662,280	\$ (299,537)
San Mateo	\$ 532,561	\$ 366,707	\$ (165,855)
Santa Clara	\$ 1,103,409	\$ 759,776	\$ (343,633)
Solano	\$ 262,008	\$ 180,411	\$ (81,597)
Sonoma	\$ 291,304	\$ 200,584	\$ (90,720)
SUBTOTAL	\$ 5,231,365	\$ 3,602,168	\$ (1,629,196)
Lifeline			
Alameda	\$ 2,685,501	\$ 1,849,159	\$ (836,342)
Contra Costa	\$ 1,225,137	\$ 843,594	\$ (381,543)
Marin	\$ 264,630	\$ 182,216	\$ (82,413)
Napa	\$ 166,619	\$ 114,729	\$ (51,890)
San Francisco	\$ 1,479,966	\$ 1,019,062	\$ (460,904)
San Mateo	\$ 695,878	\$ 479,162	\$ (216,716)
Santa Clara	\$ 2,126,838	\$ 1,464,480	\$ (662,358)
Solano	\$ 539,060	\$ 371,182	\$ (167,879)
Sonoma	\$ 617,469	\$ 425,172	\$ (192,298)
SUBTOTAL	\$ 9,801,098	\$ 6,748,756	\$ (3,052,342)
MTC Regional Coordination Program	\$ 9,016,211	\$ 6,208,305	\$ (2,807,906)
POPULATION BASED GRAND TOTAL	\$ 33,569,375	\$ 23,114,913	\$ (10,454,463)

Proposition 22 Supporters
(As of 8/27/2010)

PUBLIC SAFETY

California Fire Chiefs Association
California Police Chiefs Association
Fire Districts Association of California
Peace Officers Research Association of California
California Association of Code Enforcement
Officers
Central Valley Fire Chiefs Association
Los Angeles Area Fire Chiefs Association
Monterey County Deputy Sheriff's Association
Orange County Fire Chiefs Association
Riverside County Fire Chiefs Association
San Diego County Fire Chiefs' Association
Santa Cruz County Fire Chiefs Association
South Bay Fire Chiefs' Association
Ventura County Fire Chief's Association
Association for Los Angeles Deputy Sheriffs
Los Angeles County Police Chiefs Association
Boulder Creek Fire Protection District
Beverly Hills Fire Department
Chino Valley Independent Fire District
Escondido Firefighters Association, Local 3842
Novato Fire Protection District
Orange County Fire Authority
Police Officers Association of Lodi
Salinas Police Officers Association
Stockton Police Officers Association
Santa Fe Springs Fire Rescue
San Bernardino County Safety Employees'
Benefit Association
Santa Cruz Police Management Association
Scotts Valley Fire Protection District

LOCAL GOVERNMENT

League of California Cities
California Redevelopment Association
California Special Districts Association
California Contract Cities Association
California Society of Municipal Finance Officers
California Association of Public Cemeteries
California Association of Recreation and
Parks District
California Association of Sanitation Agencies
City Clerks Association of California
Independent Cities Association

LOCAL GOVERNMENT (cont'd)

Association of Monterey Bay Area Governments
Coachella Valley Association of Governments
Council of Fresno County Governments
Gateway Cities Council of Governments
Merced County Association of Governments
San Benito County Governments
San Luis Obispo Council of Governments
South Bay Cities Council of Governments
Western Riverside Council of Governments
Tehachapi Valley Healthcare District
Monterey Regional Waste Management District
Costa Mesa Sanitary District
Orange County Sanitation District
Redevelopment Agency of the City of Vacaville
Economic Development Committee of the City of
Banning
Alameda County Mayors' Conference
Contra Costa County Mayors' Conference
Marin County Council of Mayors and Council
Members
Monterey County Mayors Association
Marin County Council of Mayors and Council
Members
Monterey County Mayors Association
Auburn Public Cemetery District
California Park and Recreation Society
Camp Meeker Recreation and Park District
Conejo Recreation and Park District
Rancho Simi Recreation and Park District
Moss Landing Harbor District
Santa Cruz Public Libraries Joint Powers Board
American Public Works Association; Monterey
Bay Chapter
Planning Director's Association of Orange County

WATER

Association of California Water Agencies
Las Virgenes Municipal Water District
Municipal Water District of Orange County
Orange County Water District
Tehachapi-Cummings County Water District
Valley Center Water District
Vista Irrigation District
Yuima Municipal Water District

LABOR

California Teamsters Public Affairs Council
California Association of Professional
Employees, AFL-CIO
Operating Engineers, Local Union #3
United Public Employees - Political Action
Committee
Glendale City Employees Association
San Luis Obispo Employees Association
Santa Rosa City Employees Association
Orange County Employees Association
Northern California Carpenters Regional Council
Building and Construction Trades Council of San
Mateo County
San Bernardino Public Employees Association
San Joaquin Building Trades Council
Whittier City Employees' Association
American Federation of State County Municipal
Employees MTA/PTSC LOCAL 3634, Los
Angeles
Amalgamated Transit Union Local 192, Oakland
Amalgamated Transit Union Local 256,
Sacramento
Amalgamated Transit Union Local 276, Stockton
Amalgamated Transit Union Local 1027, Fresno
Amalgamated Transit Union Local 1225,
Monterey-Salinas
Amalgamated Transit Union Local 1555, Oakland
Amalgamated Transit Union Local 1575, San
Rafael
Amalgamated Transit Union Local 1704, San
Bernardino
Amalgamated Transit Union Local 1756, Arcadia
United Transportation Union
United Transportation Union, Local 23, Santa
Cruz
International Brotherhood of Electrical Workers,
Local #47, Diamond Bar

HOUSING

California Housing Consortium
Community Housing Partnership
Housing California
California Coalition for Rural Housing
Golden State Manufactured-Home Owners
League
CHISPA (Community Housing Improvement
Systems and Planning Association, Inc.)
Housing Leadership Council of San Mateo
County

HOUSING (cont'd)

Non-Profit Housing Association of Northern
California
Opportune Housing
San Diego Housing Federation

ENVIRONMENT

Greenbelt Alliance

COMMUNITY

Alliance for a United Montebello
Chula Vista Civic Association
Hermosa Beach Community Alliance
Human Care Alliance (HCA)
San Francisco Human Services Network

TAXPAYER GROUPS

California Taxpayer Protection Committee
League of Placer County Taxpayers
San Diego County Taxpayers Association
San Diego Tax Fighters
Sonoma County Taxpayers Association

TRANSPORTATION

Automobile Club of Southern California
California Transit Association
California Alliance for Jobs
Capitol Corridor Joint Powers Authority
Southern California Transit Advocates
The Transit Coalition
Anaheim Transportation Network
Eastern Contra Costa Transit Authority
Livermore Amador Valley Transit Authority
Long Beach Transit
Mendocino Transit Authority
Monterey-Salinas Transit
North County Transit District
Omnitrans, San Bernardino Valley
Policy in Motion
San Benito County Local Transportation
Authority
Santa Clara Valley Transportation Authority
Santa Cruz Metropolitan Transit District
Shasta County Regional Transportation Planning
Agency
South Tahoe Area Transit Authority
Transit Alliance for a Better North County
Transportation Agency for Monterey County

TRANSPORTATION (cont'd)

Transportation California
Transportation Now Committee,
Corona/Norco/District 2 Chapter
Truckee North Tahoe Transportation
Management Association
Victor Valley Transit Authority
West Contra Costa Transportation Advisory
Committee
Western Contra Costa Transit Authority

BUSINESS

California Chamber of Commerce
California Building Industry Association
California Business Properties Association
California Downtown Association
Arcadia Chamber of Commerce
American Council of Engineering Companies
California
Azusa Chamber of Commerce
Beaumont Chamber of Commerce
Bell Gardens Chamber of Commerce
Blythe Area Chamber of Commerce
Brea Chamber of Commerce
Building Industry Association of Central
California
Burlingame Chamber of Commerce
Business Council of San Joaquin County
Canyon Lake Chamber of Commerce
Cathedral City Chamber of Commerce
Cerritos Regional Chamber of Commerce
Costa Mesa Chamber of Commerce
Chino Valley Chamber of Commerce
Corona Chamber of Commerce
Culver City Chamber of Commerce
Desert Hot Springs Chamber of Commerce
Downtown Association of Santa Cruz
Downtown Stockton Alliance
Emeryville Chamber of Commerce
Fairfield Suisun Chamber of Commerce
Fillmore Realty and Financial Services
Folsom Chamber of Commerce
Fontana Chamber of Commerce
Foster City Chamber of Commerce
Fullerton Chamber of Commerce
Garden Grove Chamber of Commerce
Gateway Chambers Alliance
Greater Bakersfield Chamber of Commerce
Greater Lakewood Chamber of Commerce
Greater Merced Chamber of Commerce
Greater Riverside Chambers of Commerce

BUSINESS (cont'd)

Greater Riverside Hispanic Chamber of
Commerce
Greater Tehachapi Economic Development
Council
Hegg Team Realty Inc.
Hemet / San Jacinto Valley Chamber of
Commerce
Indian Wells Chamber of Commerce
Indio Chamber of Commerce
Inland Empire African American Chamber of
Commerce
Inland Empire Chamber Legislative Alliance
Inland Valley Business Alliance
Irvine Chamber of Commerce
JSA Consulting Services
Kern County Hispanic Chamber of Commerce
La Quinta Chamber of Commerce
La Verne Chamber of Commerce
Lake Elsinore Valley Chamber of Commerce
Los Altos Chamber of Commerce
Los Angeles Area Chamber of Commerce
Lodi Chamber of Commerce
Milpitas Chamber of Commerce
Montclair Chamber of Commerce
Montebello Mid-Management Association
Monterey County Hospitality Association
Monterey Peninsula Chamber of Commerce
Moreno Valley Chamber of Commerce
Morgan Hill Chamber of Commerce and Visitors
Center
Mountain View Chamber of Commerce
Murrieta Chamber of Commerce
Nationwide Realty Management LLC
North Orange County Legislative Alliance
Ontario Chamber of Commerce
Orange County Hispanic Chamber of Commerce
Oxnard Chamber of Commerce
Pacific Grove Chamber of Commerce
Palo Alto Chamber of Commerce
Palos Verdes Peninsula Chamber of Commerce
Palm Desert Chamber of Commerce
Palm Springs Chamber of Commerce
Rancho Cucamonga Chamber of Commerce
Rancho Mirage Chamber of Commerce
Red Bluff/Tehama County Chamber of Commerce
Redlands Chamber of Commerce
Redwood City – San Mateo County Chamber
of Commerce
Regional Chamber Alliance, Serving cities of
Santa Fe Springs, Whittier, Norwalk, Pico
Rivera, and La Mirada

BUSINESS (cont'd)

Salinas Valley Builders Exchange
Salinas Valley Chamber of Commerce
San Benito County Chamber of Commerce
San Bernardino Area Chamber of Commerce
San Bruno Chamber of Commerce
San Carlos Chamber of Commerce
San Diego South County Chamber of Commerce
San Gabriel Valley Economic Partnership
San Gabriel Valley Legislative Coalition of
Chambers
San Joaquin Partnership, Inc.
San Jose Silicon Valley Chamber of Commerce
San Mateo Area Chamber of Commerce
Santa Clara Chamber of Commerce
Santa Maria Valley Chamber of Commerce
Silicon Valley Leadership Group
Santa Rosa Chamber of Commerce
Uni Quest Capital Inc.
Small Business Action Committee

[List of cities and counties omitted as it is too long]

BUSINESS (cont'd)

South Bay Association of Chambers of Commerce
South Gate Chamber of Commerce
South Orange County Regional Chambers of
Commerce
South San Francisco Chamber of Commerce
Southwest California Legislative Council
Sunnyvale Chamber of Commerce
Temecula Valley Chamber of Commerce
Thomas and Associates
Tuolumne County Chamber of Commerce
Valley Industry & Commerce Association
Victorville Chamber of Commerce
Wildomar Chamber of Commerce
Yorba Linda Chamber of Commerce
Yucca Valley Chamber of Commerce
Southern Sierras Chapter, National Electrical
Contractors Association