



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 4a

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Memorandum

TO: Legislation Committee

DATE: January 14, 2011

FR: Deputy, Executive Director, Policy

W. I. 1131

RE: Proposed FY 2011-12 State Budget

Governor Brown's proposed FY 2011-12 state budget contains many sweeping changes, but largely holds transportation funding steady at the levels anticipated as part of last year's gas tax swap. The budget proposes reenactment of the swap by a two-thirds vote in response to the Proposition 26 provision that requires any tax increase enacted since January 2010 to be reinstated by two-thirds of the Legislature or repealed as of November 2, 2011. Failure to reenact the gas tax swap could result in a loss of over \$2.5 billion in transportation funds, as shown in the chart below.

Fund Source	Estimated Revenue Generated, FY 2011-12		
	<i>(Dollars in millions)</i>		
	Before Gas Tax Swap	After Gas Tax Swap	Post-Proposition 26 Without Swap Reenactment
Sales Tax on Gasoline	\$2,355	\$0	\$0
Excise Tax on Diesel Fuel	\$512	\$406	\$406
New Increment of Excise Tax on Gasoline	--	\$2,355	\$0
New Increment of Sales Tax on Diesel Fuel	--	\$106	\$0
Total	\$2,867	\$2,867	\$406

Revenue estimates based on Governor's FY 2011-12 budget summary.

As expected, Governor Brown's budget also includes a proposal to redirect vehicle weight fee revenue to the General Fund to help pay for transportation bond debt service now that Proposition 22 has made gasoline excise taxes off limits. This proposal was originally put forward by Governor Schwarzenegger as part of his December 2010 special session proposal. Specifically, the budget proposes redirecting \$262 million in weight fee revenue in the current year and another \$700 million in FY 2011-12. In addition, the budget proposes loaning the General Fund \$494 million in weight fee revenue in the current year and another \$166 million in FY 2011-12. Similar to the debt service, these loans are designed as a substitute for loans made from gasoline excise taxes enacted as part of the gas tax swap, but that are now prohibited by Proposition 22.

Governor Proposes \$330 Million for the State Transit Assistance Program

The budget provides approximately \$330 million for State Transit Assistance (STA), the one source of state funding that may be spent on transit operations. For the San Francisco Bay Area, this amounts to \$119 million, including \$87 million in revenue-based funds that go directly to transit operators and \$32 million in population-based funds. This is a significant increase above the \$88 million level the region anticipated as a result of Proposition 22's requirement to split Public Transportation Account (PTA) revenue 50/50 between STA and transit capital improvements. See Attachment A for a specific breakdown of the funding amounts by operator. The budget achieves this higher funding level through legislation that would shift funds residing in the PTA to STA so that it reaches the equivalent of a 75 percent share. There may be further opportunities to boost STA funding through additional transfers from the PTA fund balance, which the budget leaves at \$275 million.

Budget Estimates Slight Drop in Gasoline Excise Taxes

To maintain the revenue neutrality that was a key component of the original gas tax swap, the budget estimates that the new excise tax that was added by the swap will be reduced from 17.3 cents per gallon to 15.5 cents per gallon in FY 2011-12, for a total excise tax of 33.5 cents per gallon. This is a reflection of lower forecasts for the amount of revenue that would have been generated by the sales tax on gas, likely due to lower consumption and relatively stable gasoline prices. In future years, the excise tax will be adjusted upwards as consumption and fuel prices rise.

\$2.3 Billion in Bond Funding Requested for Proposition 1B Programs

While the budget recommends no further bond sales in FY 2010-11 in order to "give the Administration time to prioritize funds for the most effective activities," it proposes \$2.3 billion for capital funding of bond projects in FY 2011-12, including \$631 million for the Corridor Mobility Improvement Account, \$972 million for Trade Corridors, \$117 million for Public Transit Modernization, \$200 million for State-Local Partnership Program, and \$22 million for Local Bridge Seismic Safety.

Request for Increased Reimbursement Funding for Project Initiation Documents (PID)

The budget requests an increase of \$2.4 million and 18 positions to complete project initiation documents (PIDs), a key stage for any state highway project, whether funded with state or local funds. This includes a decrease of \$5 million in State Highway Account resources and an increase of \$7 million in reimbursements from local transportation agencies to complete PIDs on locally-funded projects. Due to cuts in PID resources in the current budget and the critical role that PIDs play in the project delivery process, the issue of how the department funds PIDs (and the PID process overall) has garnered significant attention over the last several months by local agencies, and in particular, the Self Help Counties Coalition. Staff will track this issue closely to ensure that the budget provides a reasonable level of funding to meet the local demand for PIDs without unfairly shifting the entire burden of PID financing to the local level.

High Speed Rail

The budget provides \$180 million in state and federal funds for partial design and environmental work of the state's high speed rail system. Of this amount, \$12 million is specified for the San Francisco to San Jose portion of the alignment and \$35 million is specified for the San Jose to Merced portion. The budget summary points out that while the federal government has awarded the California High Speed Rail Authority (HSRA) several billion dollars for construction, details of the grants have not been finalized and appropriation of the funds may not be needed until FY 2012-13. The budget proposes the following key changes for the HSRA:

- Program Management Oversight — an increase of \$1 million for oversight and review of the Program Management Team’s work products and schedules.
- Interagency Agreements — an increase of \$1 million as a result of interagency agreements with the Department of Justice and the Department of General Services.

Budget Proposes End to Property-Tax Increment-Based Redevelopment

One of the most significant and controversial elements of Governor Brown’s budget is a call to eliminate all 425 redevelopment agencies in the state in order to free up property tax funding for schools, cities, and counties. The budget summary notes that, “Cities, counties, special districts, and K-14 schools are losing billions of dollars in property tax revenues each year to subsidize redevelopment.” The Department of Finance estimates that under current law, redevelopment agencies will divert \$5 billion in property tax revenue from other taxing agencies in FY 2011-12. The cost to the General Fund to backfill K-14 schools is approximately \$1.8 billion per year.

As an alternative financing mechanism for redevelopment, the proposal recommends a Constitutional amendment that would allow voters to approve certain tax increases and bonding by a 55-percent vote for development projects such as those currently done by redevelopment agencies. Voters in each affected jurisdiction would have to approve use of their tax revenues for these purposes.

Redevelopment has clearly brought about many benefits in the Bay Area, serving as a critical tool in many of the region’s transit-oriented developments, including the following:

- San Francisco Transbay Terminal
- Pleasant Hill BART — Contra Costa Centre
- Union City BART
- “Uptown” redevelopment & renovation of Fox Theater — Oakland
- Downtown San Mateo
- Downtown Vallejo & waterfront
- Richmond Intermodal Station
- Downtown Santa Rosa

The loss of redevelopment funding could have a major impact on the region’s ability to finance planned improvements in Priority Development Areas (PDAs). Unlike many sources of public funding, redevelopment funds are very flexible and may be used for any number of public benefits, from parks to sewer improvements. It is worth noting that redevelopment funds constitute one of the most common forms of local match for our own Transportation for Livable Communities grant program.

Over the next several weeks, staff will further analyze the ramifications of this proposal, seeking input from our local jurisdictions, transit operators, and statewide organizations, including the League of Cities and the State Association of Counties. We will work to ensure that any major reform proposal includes policy changes that not only help the state’s fiscal condition, but also provide new revenue options for those communities interested in sustainable development.



Ann Flemer

SAN FRANCISCO BAY AREA STATE TRANSIT ASSISTANCE FUNDING	FY 2011-12 Governor's Budget Proposal
STATEWIDE REVENUE	\$ 329,587,000
MTC REVENUE-BASED FUNDING	\$ 87,014,421
Apportionment Jurisdictions	
AC Transit	\$ 8,151,425
ACE	\$ 469,081
BART (Bay Area Rapid Transit)	\$ 23,247,231
Benicia	\$ 9,607
Caltrain	\$ 4,222,283
Central Contra Costa Transit Authority (County Connection)	\$ 455,402
Dixon	\$ 4,623
Eastern Contra Costa Transit Authority (TriDelta)	\$ 174,289
Fairfield	\$ 109,688
Golden Gate Bridge, Highway and Transit District	\$ 3,693,512
Healdsburg	\$ 2,247
Livermore-Amador Transit (LAVTA)	\$ 166,220
Napa Transit Services	\$ 35,801
Rio Vista	\$ 3,094
SamTrans	\$ 3,453,573
San Francisco MTA	\$ 29,899,881
Santa Rosa	\$ 125,678
Sonoma County Transit	\$ 125,860
Union City	\$ 17,157
Vallejo	\$ 464,022
Valley Transportation Authority (VTA)	\$ 11,977,647
Western Contra Costa Transit Authority (WestCAT)	\$ 206,100
REVENUE BASED AMOUNT	\$ 87,014,421
POPULATION BASED AMOUNT	\$ 31,741,407
BAY AREA STA TOTAL	\$ 118,755,829

SAN FRANCISCO BAY AREA STATE TRANSIT ASSISTANCE FUNDING	FY 2011-12 Governor's Budget Proposal
<i>Statewide STA Funding</i>	\$ 329,587,000
MTC POPULATION-BASED FUNDING	\$ 31,741,407
Apportionment Jurisdictions	
Northern Counties/Small Operators	
Marin	\$ 953,790
Napa	\$ 507,365
Solano	\$ 1,573,787
Sonoma	\$ 1,801,755
CCCTA	\$ 1,827,257
ECCTA	\$ 1,068,726
LAVTA	\$ 741,261
Union City	\$ 270,739
WestCAT	\$ 257,585
Vallejo	\$ -
SUBTOTAL	\$ 9,002,267
Regional Paratransit	
Alameda	\$ 1,151,884
Contra Costa	\$ 595,267
Marin	\$ 132,989
Napa	\$ 86,847
San Francisco	\$ 909,443
San Mateo	\$ 503,562
Santa Clara	\$ 1,043,325
Solano	\$ 247,741
Sonoma	\$ 275,442
SUBTOTAL	\$ 4,946,499
Lifeline	
Alameda	\$ 2,539,266
Contra Costa	\$ 1,158,424
Marin	\$ 250,220
Napa	\$ 157,546
San Francisco	\$ 1,399,377
San Mateo	\$ 657,985
Santa Clara	\$ 2,011,025
Solano	\$ 509,707
Sonoma	\$ 583,846
SUBTOTAL	\$ 9,267,394
MTC Regional Coordination Program	\$ 8,525,248
POPULATION BASED GRAND TOTAL	\$ 31,741,407