



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 5

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Memorandum

TO: Legislation Committee

DATE: January 13, 2012

FR: Deputy Executive Director, Policy

W. I. 1131

RE: FY 2012-13 State Budget Proposal

Overview

The Governor's proposed budget for FY 2012-13 forecasts a \$9.2 billion shortfall, a sharp drop from the \$27 billion deficit the Legislature faced last year. Going forward, the budget forecasts a structural shortfall of \$5 billion, down from \$20 billion a year ago. After a "cuts only" approach last year, which reduced General Fund spending by \$16 billion (to its lowest level as a share of the state's economy since 1972-73, according to the budget summary), Governor Brown is now seeking new revenue to close the gap. Specifically, he plans to ask voters to approve a four-year 0.5 percent sales tax increase and tax increases on income taxes for single filers with incomes above \$250,000. Collectively, the taxes are estimated to generate approximately \$6.9 billion in FY 2012-13, though the Legislative Analyst's Office has pointed out that this estimate could be off by as much as \$5 billion, given the challenge of forecasting capital gains tax revenue. The budget also proposes \$5.4 billion in "trigger cuts" to take effect on January 1, 2013, if voters do not approve the Governor's tax initiative. Proposition 98 funding for schools and community colleges would bear the brunt of these trigger cuts: \$4.8 billion (90 percent) of the total.

Transportation Funding Held Steady, But Over \$1 Billion in Weight Fees Diverted

The proposed budget contains few changes to the transportation budget relative to the current year, but it does divert about \$1.4 billion from the State Highway Account to the General Fund to offset transportation bond debt service and provide a loan to the General Fund. This revenue comes from one of the few remaining sources of transportation funding that is not constitutionally protected — vehicle weight fees. Of the \$1.4 billion, approximately \$635 million is for anticipated debt service on transportation bonds (including future bond sales in FY 2012-13) and \$752 million is a loan (some of which was authorized in prior years). While significant, it's worth noting that this shift is consistent with the "comprehensive fix" MTC and others supported last year that reaffirmed the gas tax swap (preserving \$2.5 billion in gasoline excise tax funding for transportation), in exchange for allowing weight fees to be used for General Fund relief. These funds would otherwise be available for various purposes, including state highway rehabilitation, operational improvements to the highway system, as well as State Transportation Improvement Program (STIP) projects.

State Transit Assistance Funding Forecast to Grow Slightly

With regard to public transit, the budget forecasts a \$420 million State Transit Assistance (STA) program, a 5 percent increase from the current year (forecast to be \$399 million, \$17 million lower than estimated when the budget was enacted). Because the constitution now requires STA to be

continuously appropriated on the basis of revenue generations, the final STA funding level for FY will depend on actual receipts from the sales tax on diesel fuel. We estimate the Bay Area would receive approximately \$152 million in STA funding, including \$111 million in revenue-based funds and \$40 million in population-based funds. This represents roughly the same as what was forecast in the current year, though revenue has come in slightly below expectations due to lower diesel consumption. Attachment A shows a detailed breakdown of FY 2012-13 STA funding by operator.

Consolidation Proposal: A New Transportation Agency

The budget proposes a number of organizational changes, including the elimination of two state agencies, and 48 boards, commissions, programs, and departments. Specific to transportation, the budget proposes to consolidate a number of agencies under one “Transportation Agency.” This would include Caltrans, the Department of Motor Vehicles, the High-Speed Rail Authority (HSRA), the California Highway Patrol, the California Transportation Commission (CTC), and the Board of Pilot Commissioners. It is unclear how this restructuring would affect the role of the CTC and HSRA’s governing boards and staff.

Caltrans Named as a Candidate for Zero-Based Budgeting

The budget also highlights Caltrans as an agency for which a thorough review is planned to move towards a bottom-up budgeting approach, as provided for last December by Executive Order B 13 11. The review proposes to examine which “functions need to exist” and the appropriate level of resources needed to accomplish them. As such, the modest staffing changes in the budget, which reduce Caltrans staff by 2 percent, are only preliminary and are likely to change at the conclusion of this review. One notable change is a reduction in the department’s Mass Transportation division by almost 42 personnel years and \$3.7 million, which the budget states is a reflection of reduced workload as a result of reduced transit capital funding.

Support Costs for High Speed Rail Authority Proposed, a Punt on Capital Funding

The Administration affirms its support for continuation of the high-speed rail project in the budget summary and proposes \$16 million for staffing and contract activities to support legal analysis, environmental planning, procurement and other work related to the project. However, the budget does not yet include a request for any capital funding, stating that the Department of Finance is still reviewing the revised Business Plan (under the 90-day period granted by Proposition 1A) and will propose “a complete capital outlay and support funding plan in early 2012.”

Budget Proposes Using Greenhouse Gas Cap-and-Trade Auction Fees for Public Transit

The budget estimates that greenhouse gas emission allowances from the new “cap-and-trade” program will generate roughly \$1 billion in FY 2012-13. The Administration intends to propose trailer bill language for how to spend the funding, but the summary document indicates an interest in funding “low carbon transportation & sustainable infrastructure development.” Staff from the department of Finance indicated that the critical test for whether a project is eligible for this revenue will be demonstration of a nexus to greenhouse gas emissions by reducing them or mitigating their effects. The budget summary document also references “state of the art systems to move goods and freight, deploy advanced technology vehicles and vehicle infrastructure, advanced biofuels and low carbon and efficient public transportation.”

Amtrak Cost Increase

The budget proposes an increase of \$13.9 million for the Caltrans operation and maintenance agreement with Amtrak as a result of being charged an increased share of the cost of operating the Pacific Surfliner corridor in the Los Angeles to San Diego corridor. This is a reflection of a new federal requirement that ends any federal subsidy for the operating cost of Amtrak trains.

Budget Punts on Most Bond Funding

The budget states that estimated expenditures for Proposition 1B bond funding will be revised in the spring when project sponsors can provide a more accurate forecast of cash-flow needs. However, the budget does assume a significant increase in Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) expenditures for local transit projects, growing from \$420 million in the current year to \$830 million in FY 2012-13. No additional appropriation is needed to authorize this expenditure as the Legislature appropriated \$1.5 billion in FY 2010-11. The budget assumes future bond sales would be directed to this program to accommodate cash flow needs.

Budget Increases Bicycle Transportation Funding but Could it Go Further?

The budget proposes \$11.9 million in funding for bicycle-related projects, a \$2.5 million increase over the current year. While this is a welcome increase, it is unclear why the budget leaves a \$5.6 million balance in the Bicycle Transportation Account, a balance that accrued due to a \$6 million General Fund loan repayment in the current year. Across the state, bicycling is becoming an increasingly popular mode of travel. Moreover, there is no shortage of bicycle improvement projects that could easily make use of those funds. MTC staff will explore this question as the budget hearings commence over the next few months.



Ann Flemer

**GOVERNOR'S PROPOSED FY 2012-13 STATE BUDGET
S.F. BAY AREA STATE TRANSIT ASSISTANCE FUNDING, FY 2012-13**

STATEWIDE REVENUE	\$ 420,429,000
S.F. BAY AREA ESTIMATE	\$ 151,791,465
Apportionment Jurisdictions	
AC Transit	\$ 12,167,936
ACE	\$ 489,145
BART (Bay Area Rapid Transit)	\$ 26,762,260
Benicia	\$ 8,080
Caltrain	\$ 5,311,814
Central Contra Costa Transit Authority (County Connection)	\$ 612,890
Dixon	\$ 4,875
Eastern Contra Costa Transit Authority (TriDelta)	\$ 261,197
Fairfield	\$ 124,781
Golden Gate Bridge, Highway and Transit District	\$ 4,884,774
Healdsburg	\$ 3,913
Livermore-Amador Transit (LAVTA)	\$ 217,382
Napa Transit Services	\$ 41,313
Rio Vista	\$ 6,323
SamTrans	\$ 4,988,443
San Francisco MTA	\$ 40,003,735
Santa Rosa	\$ 110,817
Sonoma County Transit	\$ 155,449
Union City	\$ 40,082
Vallejo	\$ 558,544
Valley Transportation Authority (VTA)	\$ 14,363,473
Western Contra Costa Transit Authority (WestCAT)	\$ 290,548
REVENUE BASED AMOUNT	\$ 111,407,775
POPULATION BASED AMOUNT*	\$ 40,383,690
S.F. BAY AREA ESTIMATE	\$ 151,791,465

*See opposite side for population-based amount details

**GOVERNOR'S PROPOSED FY 2012-13 STATE BUDGET
S.F. BAY AREA STATE TRANSIT ASSISTANCE FUNDING, FY 2012-13**

	FY 2012-13 Governor's Budget Estimate
<i>Statewide STA Funding</i>	<i>\$ 420,429,000</i>
MTC POPULATION-BASED FUNDING	\$ 40,383,690
Apportionment Jurisdictions	
Northern Counties/Small Operators	
Marin	\$ 1,214,367
Napa	\$ 656,260
Solano	\$ 1,976,371
Sonoma	\$ 2,322,603
CCCTA	\$ 2,302,082
ECCTA	\$ 1,390,560
LAVTA	\$ 951,341
Union City	\$ 333,044
WestCAT	\$ 306,700
SUBTOTAL	\$ 11,453,328
Regional Paratransit	
Alameda	\$ 1,257,581
Contra Costa	\$ 890,220
Marin	\$ 171,764
Napa	\$ 139,299
San Francisco	\$ 997,789
San Mateo	\$ 491,958
Santa Clara	\$ 1,409,022
Solano	\$ 384,673
Sonoma	\$ 550,983
SUBTOTAL	\$ 6,293,290
Lifeline	
Alameda	\$ 2,681,260
Contra Costa	\$ 1,514,329
Marin	\$ 294,144
Napa	\$ 247,663
San Francisco	\$ 1,478,855
San Mateo	\$ 855,581
Santa Clara	\$ 2,678,036
Solano	\$ 656,136
Sonoma	\$ 884,638
MTC Means-Based Discount Project	\$ 500,000
SUBTOTAL	\$ 11,790,642
MTC Regional Coordination Program	\$ 10,846,430
POPULATION BASED GRAND TOTAL	\$ 40,383,690