



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 2b

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Memorandum

TO: Legislation Committee

DATE: June 7, 2013

FR: Executive Director

W. I. 1131

RE: FY 2013-14 State Budget Update

Overview

The Assembly-Senate Budget Conference Committee is finalizing the FY 2013-14 State Budget over the next two weeks. Chaired by Senator Mark Leno, the committee also includes two other Bay Area representatives: State Senator Loni Hancock & Assembly Member Liz Skinner. Transportation is not a major unresolved issue this year, with the exception of cap-and-trade funding, as noted below. Staff will provide an update on any adjustments to the budget at your meeting on June 14, one day before the statutory deadline for a state budget.

Majority of Cap-and-Trade Funding Loaned to General Fund

As of this writing, it appears likely that the Legislature will approve the Governor's request to use "cap-and-trade" funds as a loan to the General Fund, though the exact amount of the loan is not yet settled. The Brown Administration requested loaning the General Fund \$500 million — its total revenue forecast for this fund source in FY 2013-14. The Administration explained their proposal on the grounds that the Air Resources Board is updating the AB 32 Scoping Plan later this year, which would allow for more time to develop an expenditure plan for the use of cap-and-trade funds. The Senate accepted this proposal, while the Assembly reduced the loan to \$400 million, retaining \$100 million to be appropriated at a future date for as-yet undetermined Greenhouse Gas (GHG)-reducing projects.

The Transportation Coalition for Livable Communities, of which MTC is a member, is supporting the Assembly's approach and seeking \$40 million — consistent with transportation's 40 percent share of GHG emissions statewide — as seed funding for the Sustainable Communities Infrastructure Program proposed by AB 574 (Lowenthal). While AB 574 was held in the Assembly Appropriations Committee, the bill could still be enacted as a budget trailer bill that would create a statutory framework for funds to be appropriated in the future.

Active Transportation Program Rejected

The Legislature rejected the Brown Administration's proposed Active Transportation Program (ATP), which consolidated bicycle and pedestrian-related state and federal programs into one program. While the Senate rejected it altogether, the Assembly rejected it but kept the issue open by adopting budget bill language requiring the Administration to convene a stakeholder group this summer to develop a compromise on the issue. There were many reasons why the Legislature rejected the proposal, including concern that it provided no guarantee of funding for Safe Routes to Schools and a concern that it shifted too much authority away from Caltrans and towards the California Transportation Commission.

Budget Appropriates Funds for Proposition 1B, But None for Transit

The budget appropriates \$258 million for Proposition 1B, the \$20 billion bond program approved by the voters in 2006. The appropriations are split as follows:

- \$81 million for Trade Corridors Improvement Fund
- \$78 million for State Highway Operations
- \$44 million for Intercity Rail
- \$41 million for State Route 99
- \$14 million for Local Bridge Seismic Retrofit
- \$1 million for Grade Separations

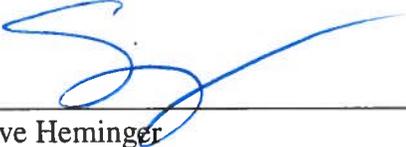
Unfortunately, the budget does not appropriate any funds to the bond's transit capital program — the Public Transit Modernization Improvement and Service Enhancement Account (PTMISEA), which received \$3.6 billion overall, of which \$2.8 billion has been appropriated to date. For the Bay Area, project sponsors have submitted approximately \$961 million in allocation requests, \$935 million of which will be allocated by July 2013, according to Caltrans. While an additional \$120 million in allocations will be available statewide once additional bonds are sold, it is disappointing that the budget included no new PTMISEA appropriations given that Bay Area transit operators could likely expend their remaining \$284 million in outstanding bond funding over the next fiscal year.

Budget Uses Additional State Highway Account Funds for Debt Service

The budget includes the Administration's request to transfer approximately \$67 million in non-gas tax State Highway Account funds to the General Fund — on an ongoing basis — to more fully offset transportation bond debt service costs. These funds, referred to as "miscellaneous," include rental income and the sale of surplus property, which are not protected by Article XIX of the State Constitution or the provisions recently added by Proposition 22 (2012).

Caltrans Capital Outlay Support Funding Reduced

The budget includes a reduction of \$36 million, 184 state positions and 64 consultants for engineering, design and construction oversight activities in Caltrans capital outlay support program as a result of the reduced workload due to the winding down of Proposition 1B and the American Recovery & Reinvestment Act.



Steve Heminger