



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 5

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Legislation Committee

DATE: January 12, 2006

FR: Deputy Executive Director

RE: Proposed FY 2007-08 State Budget

Budget Delivers Mixed-Messages for Transportation

The Governor's proposed FY 2007-08 budget provides both good news and bad news for transportation. While the budget fully funds Proposition 42 and provides repayment of outstanding Proposition 42 loans — for a grand total of \$1.5 billion — it also proposes shifting \$1.1 billion from the Public Transportation Account (PTA) to offset costs that are traditionally covered by the General Fund. The proposed PTA fund shifts include:

- \$340 million for general obligation bond debt service for rail bonds, Proposition 108 and Proposition 116
- \$627 million to the Department of Education for school bus service
- \$144 million to the Department of Developmental Services for transportation services for the developmentally disabled

The ramifications of this fund shift are two-fold: it reduces funding available for intercity rail and transit capital improvements in the State Transportation Improvement Program (STIP) and it reduces funding available for the State Transit Assistance (STA) program — the only state fund source for vitally-needed transit operating expenses. According to the Department of Finance, the Administration intends for the transfer to the Department of Education to be ongoing, while the other proposed transfers are one-time.

Administration Proposes Ongoing Spillover Diversion

The budget estimates that the spillover will be \$617 million in FY 2007-08 and proposes not to use any of these funds for STA next year and into the future, contrary to current law.¹ In addition, the Administration reports that in the *current* year the spillover is likely to generate \$102 million less than previously estimated. To address this shortfall, the budget proposes to lower next year's STA funding level by the same amount, leaving a total STA funding level of \$185 million statewide. If the Administration were to follow current law with regard to the spillover — even taking into account the \$102 million drop — STA funding would total \$493 million.

¹Under current law 50 percent of spillover funds are supposed to go to STA, while the remainder stay in the PTA. The intent of the spillover was to put in place a mechanism so that when gasoline prices rise at a faster rate than the general economy, the revenues will accrue to transportation rather than providing a windfall to the state's General Fund. The spillover calculation is 4.75 percent of all taxable sales less 5 percent of all sales except gasoline.

Threefold Drop in STA Funding Relative to Current Year

The proposed STA funding level constitutes more than a three-fold drop in STA funding relative to this year’s \$624 million funding level. This is partly due to a high proportion of one-time funds contained in the current budget. Of the \$624 million total, more than half (\$352 million) was one time in nature. For the Bay Area in particular, the proposed budget provides the region with \$65 million in STA funds, including \$47 million that would go directly to transit operators based on transit operator revenue and \$18 million of which would come to MTC according to our share of the state’s population. This is in comparison to a total of almost \$220 million this year, including \$160 million revenue-based and \$60 million for the population portion. Attachment A details the proposed funding level by transit operator and compares this amount with the base STA and Proposition 42 increment provided in the current year and FY 2005-06.

Proposition 42 Fully Funded

The table below indicates the funding level for the various Proposition 42 programs. FY 2007-08 is the last year of allocations to the Traffic Congestion Relief Program (TCRP) and the last year that cities and counties have to forgo funding for local streets and roads. The end of the TCRP will mean much greater funding levels for all Proposition 42 programs beginning in FY 2009. With regard to the TCRP, our region has \$1.5 billion worth of projects funded by this program, but only \$701 million has been allocated to date. The infusion of another \$684 million will help to reimburse agencies that have used their own funds to keep projects going as well as help those ready to request a new allocation.

Proposition 42 & Loan Repayments: Statewide Amounts

Program	Proposition 42	Proposition 42 Loan Repayment	Total
Traffic Congestion Relief Program (TCRP)	\$602 million	\$82 million	\$684 million
Local Streets and Roads*	\$0.0	N/A	\$0.0
State Transportation Improvement Program (STIP)*	\$699 million	N/A	\$699 million
Public Transportation Account	\$175 million	\$1 million	\$176 million
Total Proposition 42 Revenues	\$1,475 million	\$83 million	\$1,558 million

*Loans fully repaid in FY 2006-07. Cities and counties receive no funding for local streets and roads from Proposition 42 due to payments made in FY 2001-02 and 2002-03.

Funding Provided for Some Bond Programs, Placeholders for Others

With regard to Proposition 1B implementation, the budget includes funding details for some programs, as shown below. With respect to the transit security, intercity rail, trade related air quality, and port security programs, the budget documents indicate that program implementation approaches are still under discussion and therefore no funding details are

provided. The table details the different funding levels proposed for the next three years for some of the larger Proposition 1B programs.

Proposition 1B Bond Program (in millions)	2006-07	2007-08	2008-09	2009-10	Total
Corridor Mobility Improvement Account	\$100	\$317	\$712	1,090	\$2,119
Public Transportation Modernization		\$600	\$350	\$350	\$1,300
Trade Corridors	\$15	\$170	\$255	\$255	\$680
State Transportation Improvement Account	\$262	\$340	\$287	\$408	\$1,035
State Highway Operation and Protection Program	\$141	\$403	\$102	\$13	\$518
State Local Partnership Program		\$170	\$166	\$166	\$502
Streets and Roads		\$600	\$300	\$150	\$1,050

In addition to Proposition 1B, the budget proposes to appropriate \$373 million for Proposition 1C, the housing bond. This includes \$100 million proposed for the regional planning & infill incentive program and \$95 million for the new Transit-Oriented Development Incentive Program administered by the Department of Housing and Community Development.

High-Speed Rail

The budget proposes to defer the high-speed rail bond indefinitely and provides only \$1.2 million to meet the California High Speed Rail Authority's operating needs, rather than the \$103 sought by the authority for project-specific engineering work and right of way purchases.

Next Steps

Typically, budget subcommittee hearings covering transportation do not begin until late March to early April. In the interim, MTC staff will share your concerns regarding the proposed budget with our delegation in the near future and will work actively to oppose the proposed diversion of the spillover funds and PTA funds away from public transportation.

Therese W. McMillan