



METROPOLITAN
TRANSPORTATION
COMMISSION

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: Partnership Technical Advisory Committee

DATE: August 20, 2007

FR: Rebecca Long & Theresa Romell

RE: FY 2007-08 State Budget Summary

The State Senate returns this week to take up the Assembly-approved budget again, after a failed attempt to obtain the requisite two-thirds vote in July. This memo is based on the Assembly version of the budget, and is therefore subject to additional changes that could be proposed by the Senate. We will keep you advised of any substantive changes that are incorporated into the final budget.

Increase in STA Funding

First, the good news: The Assembly budget uses \$200 million in spillover funding to supplement State Transit Assistance (STA), providing a total of \$406 million statewide, up from \$206 million in the May Revise. For the region, the new total is \$143 million, a \$70 million increase over our “worst case” May estimate. Relative to the best-case scenario (no spillover funds diverted), the region lost about \$74 million. Attachment A shows the final STA funding level for the region.

Transit Rip-off: \$1.3 billion in PTA Funds Diverted

Despite this silver lining, the budget delivers very bad news for public transit, diverting a total of \$1.26 billion from the Public Transportation Account (PTA) to the General Fund. This consists of a \$626 million diversion of the spillover (out of a total \$826 million) and a \$633 million diversion of other PTA funds, including not only a cash reserve, but also a cash balance that would have been drawn down by prior STIP allocations. Consequently, the CTC deferred both transit and highway allocations until September in order to fully evaluate the impact this loss in the STIP will have on allocation capacity for FY 2007-08. Note that PTA funds are divvied up among all counties statewide according to STIP county share so the effect should be statewide, not just borne by counties that program a large share of their STIP to transit.

Mass Transportation Fund Will Offset GF Costs

In order to avoid legal problems that could be associated with transferring the spillover directly into the General Fund, SB 79 creates a new fund, known as the Mass Transportation Fund. Eligible expenditures from this fund include:

- Payment of future or prior debt service on transportation bonds
- General Fund reimbursement for repayment of prior Proposition 42 loans
- Home-to-school transportation
- Small school district transportation
- Department of Developmental Services’ “regional center transportation”

The amount of General Fund costs to be offset with PTA funds in FY 2007-08 are shown below:

(Dollars in millions)

Programs	Amount
Home to School	99
General Obligation (GO) Bond Debt Service	948
GF Reimbursement of Prop. 42 Loan Repayment	83
Regional Center Transportation	129
Total	1,259

Long Term Spillover Diversion

A budget trailer bill (SB 79) specifies how the spillover will be treated in future years. It provides that beginning in FY 2008-09, 50 percent of all spillover revenues will be used to offset General Fund-related transportation costs, such as those noted above. The remaining 50 percent will be split 2/3 to STA and 1/3 to the STIP and intercity rail. It should be noted that these are statutory provisions (rather than constitutional ones) and are therefore subject to change in future legislation, including future budget bill language. Only time will tell whether this “deal” to provide the PTA with half of the spillover will have any staying power.

Minimum Proposition 42 Repayment

The budget also modifies current law to provide that in any given year, the General Fund is obligated to repay no more than 10 percent of prior Proposition 42 suspensions. Under Proposition 1A, approved by the voters last November, the General Fund was required to pay *at least* 10 percent, but the budget adjusts this to make 10 percent the maximum, rather than the minimum.

High Speed Rail

The budget provides \$15.5 million for the High-Speed Rail Authority from balances in a 1990 rail bond, Proposition 116 (passed by the voters in 1990). This is significantly lower than the \$103 million sought by the agency to keep all of its planned right of way purchases and engineering work on schedule.

Bicycle Transportation Account

The budget increases the amount of funding transferred from the Highway Users Tax Account to the Bicycle Transportation Account by 44 percent, from \$416,667 per month to \$600,000 per month, or \$7.2 million per year.

Proposition 1B Implementation

One of the key trailer bills in the 2007 session is SB 88, which provides guidance for the administration of bond funding for FY 2007-08. The bill contains a number of requirements that are applicable to all Proposition 1B funds, including the following:

1. Useful life of projects must be identified in the project nomination process
2. Applications must include project delivery milestones, including but not limited to start and completion dates for environmental clearance, land acquisition, design, construction, bid award, construction completion, and project closeout.

3. Project sponsors who have received funds must report twice a year on the activities and progress made towards implementation of the project. This information will be forwarded to the Department of Finance.
4. If it is determined that project costs will exceed the approved budget, the recipient agency must provide a plan to the administering agency for down-scoping the project to remain within budget or finding alternative fund sources to meet the cost increase.
5. Within six months of a project becoming “operable” the recipient agency shall provide a report to the administering agency on the final costs of the project as compared to the approved budget, and the performance outcomes, as compared to those described in the original application.

Who’s In Charge?

The bill provides that the California Transportation Commission will be the administrator for all bond programs except for the following: the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA), which will be administered by Caltrans; the Port and Transit Security programs, which will be administered by the Office of Emergency Services and the Office of Homeland Security; and the Local Street and Road Improvement, Congestion Relief and Traffic Safety Account, which will be administered by the State Controller.

How Much Funding Does the Budget Provide for New Bond Programs?

The table below shows how much funding the budget appropriates to various new bond programs. Note that no funding is provided for the Trade Corridors Program in 2007-08.

(Dollars in millions)

Bond Program	
Local Streets and Roads	950
Public Transit	600
Corridor Mobility Improvement Account	594
Transit Security	100
State Transportation Improvement Program	664
State Highway Operation and Protection Program	381
Highway-Railroad Crossing Safety	122
Regional Housing and Infill Incentives (Prop. 1C)	300
Transit Oriented Development (Prop. 1C)	95
Total	\$3,806

It should also be noted that the budget trailer bills provide statutory guidance for Proposition 1B and 1C programs for FY 2007-08 *only*. Therefore, the rules for how funds will be evaluated in competitive programs, as well as the precise formulas used to allocate funds in certain formula programs must be revisited again next year. Overall, the Bay Area fares well based on the trailer bills. For instance, the final formula used for the PTMISEA program is based on a three-year average of transit operators’ revenue-based factors, rather than the FY 2007 factors, which results in an overall gain of \$3.5 million region-wide for FY 2007-08. In addition, 25 percent of transit security funds are allocated to ferries, which will presumably support Bay Area ferry operations.

Bay Area Public Transit Will Receive \$215 million in Bond Funds

Of the \$600 million appropriated statewide, the Bay Area will receive approximately \$215 million, including \$157 million for the revenue-share portion, which goes directly to transit operators, and almost \$58 million for the population-share. See Attachment B for an estimate of the amounts by operator.

Transit Security Funds

Of the \$100 million appropriated statewide, \$60 million is for the formula-based transit security and emergency response program, \$25 million is for a competitive ferry emergency response program, and \$15 million is for a competitive intercity rail program. Pursuant to SB 88, an operator who is eligible to receive funds under the intercity rail program may not also claim funds under the formula-based program. Consequently, it appears that the Altamont Corridor Express (ACE) train would therefore need to choose from the two programs. Assuming ACE remained in the formula-based program, in which all funds would go directly to transit operators, the region would receive approximately \$21.5 million.

Cities and Counties to Receive Almost Half of All Road Funds in FY 2007-08

The budget appropriates \$950 million to cities and counties for the Local Street and Road Improvement, Congestion Relief and Traffic Safety Account. The League of California Cities and the California State Association of Counties (CSAC) both supported a distribution that would have allocated \$550 million to cities and \$400 million to counties but the budget splits the funds 50/50. For the region as a whole, this makes a minor difference (\$179 million if the 50/50 split remains versus \$182.3 million if the \$400/\$550 split is adopted), but it clearly has a big impact on individual jurisdictions. It appears likely that the split proposed by the League and CSAC will be incorporated into a subsequent trailer bill after the final budget is adopted. At that time, we will provide detailed information on each jurisdiction's share of funds.

Attachment A

State Transit Assistance Revenue Based Funding for FY 2007-08 Budget (Based on FY 06/07 3rd Quarter State Controller Factors)

	A	B	C	D
Apportionment Jurisdictions	Baseline STA	Prop 42	Spillover	Total
Statewide Revenue Based Funding	\$ 58,707,702	\$ 44,214,600	\$ 100,000,000	\$ 202,922,302
AC Transit	\$ 2,891,849	\$ 2,177,941	\$ 4,925,842	\$ 9,995,633
ACE	\$ 136,363	\$ 102,699	\$ 232,274	\$ 471,336
BART	\$ 7,595,114	\$ 5,720,117	\$ 12,937,169	\$ 26,252,400
Benicia	\$ 4,142	\$ 3,119	\$ 7,055	\$ 14,316
Caltrain	\$ 1,338,066	\$ 1,007,739	\$ 2,279,199	\$ 4,625,004
Central Contra Costa Transit Authority (County Connection)	\$ 163,092	\$ 122,830	\$ 277,803	\$ 563,724
Dixon	\$ 1,333	\$ 1,004	\$ 2,271	\$ 4,608
Eastern Contra Costa Transit Authority (TriDelta)	\$ 59,593	\$ 44,882	\$ 101,508	\$ 205,983
Fairfield	\$ 22,594	\$ 17,016	\$ 38,486	\$ 78,096
Golden Gate Bridge, Highway and Transit District	\$ 1,111,039	\$ 836,758	\$ 1,892,493	\$ 3,840,290
Healdsburg	\$ 360	\$ 271	\$ 614	\$ 1,245
Livermore-Amador Transit (LAVTA)	\$ 51,893	\$ 39,082	\$ 88,392	\$ 179,367
Napa Transit Services	\$ 14,011	\$ 10,552	\$ 23,866	\$ 48,430
SamTrans	\$ 1,627,046	\$ 1,225,379	\$ 2,771,435	\$ 5,623,860
San Francisco Muni	\$ 9,895,902	\$ 7,452,912	\$ 16,856,225	\$ 34,205,039
Santa Rosa	\$ 37,774	\$ 28,449	\$ 64,343	\$ 130,566
Sonoma County Transit	\$ 49,796	\$ 37,503	\$ 84,821	\$ 172,120
Union City	\$ 13,359	\$ 10,061	\$ 22,755	\$ 46,174
Vallejo	\$ 202,158	\$ 152,251	\$ 344,346	\$ 698,756
Valley Transportation Authority	\$ 4,911,798	\$ 3,699,228	\$ 8,366,531	\$ 16,977,558
Western Contra Costa Transit Authority (WestCAT)	\$ 80,843	\$ 60,885	\$ 137,704	\$ 279,431
BAY AREA REVENUE BASED AMOUNT	\$ 30,208,125	\$ 22,750,680	\$ 51,455,131	\$ 104,413,937
BAY AREA POPULATION BASED AMOUNT	\$ 11,250,400	\$ 8,473,027	\$ 19,163,413	\$ 38,886,839
BAY AREA TOTAL	\$ 41,458,524	\$ 31,223,707	\$ 70,618,545	\$ 143,300,776

Attachment A

State Transit Assistance Population Based Funding for FY 2007-08 Budget				
	A	B	C	D
Apportionment Jurisdictions	Baseline STA	Prop 42	Spillover	Total
Statewide Population Based Funding	\$ 58,707,702	\$ 44,214,600	\$ 100,000,000	\$ 202,922,302
Bay Area Share	\$ 11,250,400	\$ 8,473,027	\$ 19,163,413	\$ 38,886,839
Northern Counties				\$ -
Marin	\$ 400,431	\$ 301,577	\$ 682,075	\$ 1,384,083
Napa	\$ 212,502	\$ 160,042	\$ 361,966	\$ 734,510
Solano (less Vallejo)	\$ 476,944	\$ 359,202	\$ 812,405	\$ 1,648,551
Sonoma	\$ 758,576	\$ 571,307	\$ 1,292,123	\$ 2,622,005
SUBTOTAL	\$ 1,848,453	\$ 1,392,127	\$ 3,148,569	\$ 6,389,149
Small Operators				\$ -
CCCTA	\$ 771,071	\$ 580,718	\$ 1,313,407	\$ 2,665,195
ECCTA	\$ 429,798	\$ 323,694	\$ 732,097	\$ 1,485,589
LAVTA	\$ 303,914	\$ 228,887	\$ 517,673	\$ 1,050,475
Union City	\$ 112,476	\$ 84,709	\$ 191,586	\$ 388,771
WestCAT	\$ 106,687	\$ 80,349	\$ 181,726	\$ 368,763
Vallejo	\$ 191,409	\$ 144,156	\$ 326,037	\$ 661,602
SUBTOTAL	\$ 1,915,355	\$ 1,442,513	\$ 3,262,527	\$ 6,620,395
Regional Paratransit				\$ -
Alameda	\$ 876,059	\$ -	\$ -	\$ 876,059
Contra Costa	\$ 452,727	\$ -	\$ -	\$ 452,727
Marin	\$ 101,144	\$ -	\$ -	\$ 101,144
Napa	\$ 66,051	\$ -	\$ -	\$ 66,051
San Francisco	\$ 691,672	\$ -	\$ -	\$ 691,672
San Mateo	\$ 382,981	\$ -	\$ -	\$ 382,981
Santa Clara	\$ 793,495	\$ -	\$ -	\$ 793,495
Solano	\$ 188,418	\$ -	\$ -	\$ 188,418
Sonoma	\$ 209,486	\$ -	\$ -	\$ 209,486
SUBTOTAL	\$ 3,762,030	\$ -	\$ -	\$ 3,762,030
MTC Regional Coordination Program	\$ 3,724,562	\$ 5,638,386	\$ -	\$ 9,362,947
Prop 1B Program Restoration/Samtrans Reimbursement			\$ 12,752,317	\$ 12,752,317
GRAND TOTAL	\$ 11,250,400	\$ 8,473,027	\$ 19,163,413	\$ 38,886,839

Bay Area's Share of Proposition 1B Transit Funding -- FY 2008 Appropriation Based on \$600 million statewide	
Apportionment Jurisdictions	Revenue Estimate (3-Year Average Revenue Factors)
Alameda CMA - Corresponding to ACE	279,923
Benicia	22,631
Caltrain	6,854,596
CCCTA	880,130
Dixon	6,980
ECCTA	388,372
Fairfield	124,083
GGBHTD	6,084,819
Healdsburg	1,889
LAVTA	272,333
NCPTA	71,438
SamTrans	7,880,305
Santa Rosa	174,909
Sonoma County Transit	210,209
Union City	69,222
Vallejo	943,675
VTA	23,232,161
VTA - Corresponding to ACE	388,609
WestCAT	425,986
SUBTOTAL	48,312,270
AC Transit	17,132,401
BART	39,337,827
Muni	52,742,022
SUBTOTAL	109,212,251
TOTAL REVENUE BASED AMOUNT	157,524,520
POPULATION SHARE	57,844,048
GRAND TOTAL	215,368,568

Bay Area's Share of Transit Security Funding in Proposition 1B -- FY 2008			
FY 2008	Revenue Based Formula	Population Based Formula	Grand Total
Statewide Share	30,000,000	30,000,000	60,000,000
MTC Share	15,752,452	5,784,405	21,536,857
Alameda CMA - Corresponding to ACE	27,992	10,279	38,271
Benicia	2,263	831	3,094
Caltrain	685,460	251,705	937,165
CCCTA	88,013	32,319	120,332
Dixon	698	256	954
ECCTA	38,837	14,261	53,098
Fairfield	12,408	4,556	16,965
GGBHTD	608,482	223,439	831,920
Healdsburg	189	69	258
LAVTA	27,233	10,000	37,234
NCPTA	7,144	2,623	9,767
SamTrans	788,030	289,370	1,077,400
Santa Rosa	17,491	6,423	23,914
Sonoma County Transit	21,021	7,719	28,740
Union City	6,922	2,542	9,464
Vallejo	94,368	34,652	129,020
VTA	2,323,216	853,100	3,176,316
VTA - Corresponding to ACE	38,861	14,270	53,131
WestCAT	42,599	15,642	58,241
SUBTOTAL	4,831,227	1,774,059	6,605,286
AC Transit	1,713,240	629,113	2,342,353
BART	3,933,783	1,444,511	5,378,294
Muni	5,274,202	1,936,722	7,210,924
SUBTOTAL	10,921,225	4,010,346	14,931,571
TOTAL	15,752,452	5,784,405	21,536,857

Notes:

- 1) Pursuant to SB 88, 60 percent of the \$100 million appropriated in the budget should go to the formula-based Transit Security program.
- 2) For Fiscal Year 2008, SB 88 distributes the formula portion of the Transit Security funding according to operators' three-year average of State Transit Assistance factors (FYs 05,06 & 07)