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## *Memorandum*

TO: Partnership Technical Advisory Committee

DATE: September 17, 2007

FR: Rebecca Long & Theresa Romell

RE: FY 2007-08 State Budget Summary

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

The FY 2007-08 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. While transportation has frequently been hit hard in recent years, in prior years the burden was shared across modes - through a diversion of Proposition 42 funds, which affect highways and local streets and roads as well as public transit. Due in part to the enormous size of the spillover (\$827 million) this year, public transit bore the entire brunt.

### ***Governor Vetoes \$100 Million in STA Funding***

While the Legislature had preserved \$200 million in spillover funds for State Transit Assistance (STA), Governor Schwarzenegger used his line-item veto to reduce STA funding by \$100 million, providing a total statewide funding level of \$316 million. According to the Administration, this reduction was made in order to free up funding in the PTA to ensure an adequate level of funding to meet the cash flow needs of transit capital projects in the State Transportation Improvement Program (STIP). Total STA funding for the Bay Area is \$111 million, \$106 million less than the region should have received under current law, but \$39 million more than the worst-case scenario proposed by the Governor in the May Revise. Attachment A shows the final STA funding level for the region.

### ***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)*

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

***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 \$20 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.

***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.

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

Of the \$600 million appropriated statewide for the PTMISEA, 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 A for an estimate of the amounts by operator. It is worth noting that the bill requires that bond-funded projects be consistent with General Obligation bond law as it pertains to "useful life." The code section cited (Government Code 16727) requires that bond proceeds be limited to funding capital projects with a useful life of 15 years or more, except that up to 10 percent of bond proceeds may go towards projects with a useful life of 10-15 years. Our understanding is that this test would apply to each individual bond issuance.

***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. Attachment A also shows the estimated shares for each operator.

***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. Once this issue is resolved, we will provide detailed information on each jurisdiction's share of funds.

State Transit Assistance Revenue Based Funding for FY 2007-08 Budget (Based on FY 2006/07 3rd Quarter State Controller Factors)				
	A	B	C	D
Apportionment Jurisdictions	Baseline STA	Prop 42 Increment	Spillover	Total
<b>Statewide Revenue Base Funding (In Thousands)</b>	\$ 63,701,402	\$ 44,214,600	\$ 50,000,000	\$ 157,916,002
<b>MTC Share</b>	\$ 32,777,640	\$ 22,750,680	\$ 25,727,566	\$ 81,255,886
AC Transit	\$ 3,137,831	\$ 2,177,941	\$ 2,462,921	\$ 7,778,693
ACE	\$ 147,962	\$ 102,699	\$ 116,137	\$ 366,798
BART	\$ 8,241,158	\$ 5,720,117	\$ 6,468,584	\$ 20,429,859
Benicia	\$ 4,494	\$ 3,119	\$ 3,527	\$ 11,140
Caltrain	\$ 1,451,882	\$ 1,007,739	\$ 1,139,600	\$ 3,599,220
Central Contra Costa Transit Authority (County Connection)	\$ 176,964	\$ 122,830	\$ 138,902	\$ 438,696
Dixon	\$ 1,446	\$ 1,004	\$ 1,135	\$ 3,586
Eastern Contra Costa Transit Authority (TriDelta)	\$ 64,662	\$ 44,882	\$ 50,754	\$ 160,298
Fairfield	\$ 24,516	\$ 17,016	\$ 19,243	\$ 60,775
Golden Gate Bridge, Highway and Transit District	\$ 1,205,545	\$ 836,758	\$ 946,246	\$ 2,988,549
Healdsburg	\$ 391	\$ 271	\$ 307	\$ 969
Livermore-Amador Transit (LAVTA)	\$ 56,307	\$ 39,082	\$ 44,196	\$ 139,585
Napa Transit Services	\$ 15,203	\$ 10,552	\$ 11,933	\$ 37,689
SamTrans	\$ 1,765,443	\$ 1,225,379	\$ 1,385,718	\$ 4,376,540
San Francisco MTA	\$ 10,737,651	\$ 7,452,912	\$ 8,428,112	\$ 26,618,676
Santa Rosa	\$ 40,987	\$ 28,449	\$ 32,172	\$ 101,608
Sonoma County Transit	\$ 54,032	\$ 37,503	\$ 42,410	\$ 133,946
Union City	\$ 14,495	\$ 10,061	\$ 11,377	\$ 35,933
Vallejo	\$ 219,353	\$ 152,251	\$ 172,173	\$ 543,778
Valley Transportation Authority	\$ 5,329,598	\$ 3,699,228	\$ 4,183,266	\$ 13,212,092
Western Contra Costa Transit Authority (WestCAT)	\$ 87,719	\$ 60,885	\$ 68,852	\$ 217,456
<b>REVENUE BASED AMOUNT</b>	\$ 32,777,640	\$ 22,750,680	\$ 25,727,566	\$ 81,255,886
<b>POPULATION BASED AMOUNT</b>	\$ 12,207,363	\$ 8,473,027	\$ 9,581,707	\$ 30,262,096
<b>BAY AREA TOTAL</b>	\$ 44,985,003	\$ 31,223,707	\$ 35,309,272	\$ 111,517,982

State Transit Assistance Population Based Funding for FY 2007-08 Budget				
	A	B	C	D
Apportionment Jurisdictions	Baseline STA	Prop 42 Increment	Spillover	Total
Statewide Population Base Funding (In Thousands)	\$ 63,701,402	\$ 44,214,600	\$ 50,000,000	\$ 157,916,002
MTC Share	\$ 12,207,363	\$ 8,473,027	\$ 9,581,707	\$ 30,262,096
<b>Northern Counties</b>				
Marin	\$ 434,491	\$ 301,577	\$ 341,038	\$ 1,077,106
Napa	\$ 230,578	\$ 160,042	\$ 180,983	\$ 571,603
Solano (less Vallejo)	\$ 517,513	\$ 359,202	\$ 406,203	\$ 1,282,918
Sonoma	\$ 823,100	\$ 571,307	\$ 646,061	\$ 2,040,469
<b>SUBTOTAL</b>	\$ 2,005,683	\$ 1,392,127	\$ 1,574,285	\$ 4,972,095
<b>Small Operators</b>				\$ -
CCCTA	\$ 836,659	\$ 580,718	\$ 656,703	\$ 2,074,080
ECCTA	\$ 466,356	\$ 323,694	\$ 366,049	\$ 1,156,099
LAVTA	\$ 329,765	\$ 228,887	\$ 258,837	\$ 817,489
Union City	\$ 122,043	\$ 84,709	\$ 95,793	\$ 302,545
WestCAT	\$ 115,762	\$ 80,349	\$ 90,863	\$ 286,975
Vallejo	\$ 207,690	\$ 144,156	\$ 163,019	\$ 514,865
<b>SUBTOTAL</b>	\$ 2,078,276	\$ 1,442,513	\$ 1,631,264	\$ 5,152,052
<b>Regional Paratransit</b>				\$ -
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
<b>SUBTOTAL</b>	\$ 3,762,030	\$ -	\$ -	\$ 3,762,030
<b>Regional Express Bus Program</b>	\$ -	\$ -	\$ -	\$ -
<b>MTC Regional Coordination Program</b>	\$ 4,361,374	\$ 5,638,386	\$ -	\$ 9,999,760
<b>Prop 1B Program Restoration/Samtrans Reimbursement</b>			\$ 6,376,158	\$ 6,376,158
<b>GRAND TOTAL</b>	\$ 12,207,363	\$ 8,473,027	\$ 9,581,707	\$ 30,262,096

Attachment B

<p style="text-align: center;"><b>Bay Area's Share of Proposition 1B Transit Funding -- FY 2008 Appropriation</b></p> <p style="text-align: center;">Based on \$600 million statewide</p>	
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
<b>SUBTOTAL</b>	<b>48,312,270</b>
AC Transit	17,132,401
BART	39,337,827
Muni	52,742,022
<b>SUBTOTAL</b>	<b>109,212,251</b>
<b>TOTAL REVENUE BASED AMOUNT</b>	<b>157,524,520</b>
<b>POPULATION SHARE</b>	<b>57,844,048</b>
<b>GRAND TOTAL</b>	<b>215,368,568</b>

### Bay Area's Share of Transit Security Funding in Proposition 1B -- FY 2008

FY 2008	Revenue Based Formula	Population Based Formula	Grand Total
<b>Statewide Share</b>	<b>30,000,000</b>	<b>30,000,000</b>	<b>60,000,000</b>
<b>MTC Share</b>	<b>15,752,452</b>	<b>5,784,405</b>	<b>21,536,857</b>
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
<b>SUBTOTAL</b>	<b>4,831,227</b>	<b>1,774,059</b>	<b>6,605,286</b>
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
<b>SUBTOTAL</b>	<b>10,921,225</b>	<b>4,010,346</b>	<b>14,931,571</b>
<b>TOTAL</b>	<b>15,752,452</b>	<b>5,784,405</b>	<b>21,536,857</b>

**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)