

Date: _____ February 6, 2008

Committee Meeting Date: _____ February 21, 2008

Board Meeting Date: _____ March 6, 2008

BOARD MEMORANDUM

INFORMATION ITEM

TO: Administration and Finance Committee
Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Kurt Evans
Government Affairs Manager

SUBJECT: Monthly Legislative History Matrix

FOR INFORMATION ONLY

BACKGROUND:

For your information, I am attaching our Monthly Legislative History Matrix, which describes key transportation-related bills that are being considered by the California State Legislature during the 2007-08 session. It indicates the status of these measures and any adopted VTA positions with regard to them.

DISCUSSION:

The state budget continues to hang over the State Capitol Building like a huge black storm cloud. The state's fiscal condition has worsened significantly since the enactment of the FY 2008 budget last August. The housing slump, lower tax revenues, a legal settlement to repay retired school teachers, a pay increase for prison guards, the unexpectedly high cost of fighting wildfires in Southern California, and other factors impacting revenues and expenditures have eroded the budget's \$4 billion reserve. Projections now indicate that California will end the current fiscal year at least \$3.3 billion in the hole. Furthermore, absent any changes, the gap between revenues and expenses in FY 2009 is expected to be \$11.2 billion or more, bringing the total deficit facing the Governor and lawmakers to roughly \$14.5 billion.

In his fifth State of the State Speech since taking office, which he presented to a joint session of the Legislature on January 8, Gov. Arnold Schwarzenegger struck a somber tone in addressing California's projected multi-billion-dollar deficit for the current and next fiscal year. "Our budget problem is not because California's economy is in trouble," he told senators and Assembly members. "In spite of a weakness in housing, other areas of our economy continue to thrive. We remain a powerhouse of technology, agriculture, advanced research, venture capital, international trade, and innovation."

The issue, the Governor commented, is that demands on state services—driven by voter-approved mandates—are escalating faster than the state’s income. “While revenues are flat, automatic formulas are increasing spending by 7.3 percent,” he said in his 25-minute speech. “Even a booming economy can’t meet that kind of increase. So the system itself is the problem.” He noted, “For several years, we took actions that balanced the budget as long as the economy was booming. For several years, we kept the budget wolf from the door, but the wolf is back.” Now, he said, California has no choice but to “face our budget demons.”

Three days later, Gov. Schwarzenegger submitted his budget plan to the Legislature, which recommended \$17.3 billion in General Fund “solutions” to close the projected \$14.5 billion shortfall and create a \$2.8 billion reserve. Among the Governor’s recommendations are the following:

- Roughly a 10 percent across-the-board cut for all state agencies that receive their money from the General Fund.
- Suspending Proposition 98, and cutting \$4.7 billion from K-12 public schools over the next year and a half.
- Reducing spending for health care programs by \$1 billion.
- Closing 48 state parks.
- Reducing the state prison population by 34,000, including the early release of 22,000 inmates over the next two years.
- Issuing \$3.3 billion in deficit reduction bonds that were previously approved by the voters.

Weary of boom-and-bust state government financing, Gov. Schwarzenegger also called for a constitutional amendment to keep California from spending more than it collects in taxes. The proposed spending cap is similar to Proposition 76, an unsuccessful measure that the Governor backed in a special election in 2005 that would have imposed a cap on spending while setting aside in a reserve fund any extra money received during good times. The Governor’s new “Budget Stabilization Act” would do essentially the same thing, using a 10-year average of state tax income as the threshold for spending and requiring the Legislature to make cuts when income falls below projections.

With regard to transportation, the Governor’s budget recommends the following:

- Fully funding Proposition 42 at \$1.485 billion. Of this amount, the State Transportation Improvement Program (STIP) would receive \$594 million, local streets and roads \$594 million, and the Public Transportation Account \$297 million.
- Appropriating \$4.7 billion for Proposition 1B transportation infrastructure bond programs.

- Using \$600 million in Public Transportation Account dollars for such General Fund expenditures as transportation bond debt service, Proposition 1A loans repayments to the Traffic Congestion Relief Program (TCRP), and regional occupational center transportation.
- Providing \$744 million in Public Transportation Account dollars and \$350 million in Proposition 1B bond revenues for the State Transit Assistance Program (STA).
- Appropriating \$1.2 million for the California High-Speed Rail Authority.

Meanwhile, lawmakers were busy determining the fate of hundreds and hundreds of bills that were left over from last year. The deadline for bills that were introduced in 2007 to be passed out of their house of origin was January 31. Given that the housing downturn and economic slowdown have put California's state budget under severe pressure, most of these measures died.