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BOARD MEMORANDUM

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

THROUGH: Michael T. Burns
 General Manager

FROM: Kurt Evans
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SUBJECT: Monthly Legislative History Matrix

FOR INFORMATION ONLY

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.

The California State Legislature officially adjourned the 2007 regular session during the early morning hours of September 12. The focus is now with Gov. Arnold Schwarzenegger, who has until midnight on October 14 to act on the stack of bills sent to him by lawmakers during the last weeks of the regular session. As of this writing, he still has roughly 600 measures on his desk that require his consideration.

In the meantime, Gov. Schwarzenegger officially convened special legislative sessions on health care and water development, two issues that were not resolved during the regular session. In calling the special sessions, the Governor said enacting comprehensive health care reform, and ensuring a safe, clean and reliable water supply are “vital to our state and the quality of life of all Californians.” He added, “We owe it to the people of California to finish our work on these important reforms.”

The 2007 regular session was a mixed bag for transportation. While significant progress was made on moving forward with implementation of Proposition 1B, the \$20 billion transportation bond measure that was approved by the voters last November, public transit took a beating in the FY 2008 budget. Here is a summary of the highlights:

Public Transportation Account Money Diverted to the General Fund

The FY 2008 state budget delivered bad news for public transit, diverting a total of \$1.26 billion from the Public Transportation Account (PTA) to the General Fund to help fix a multibillion-dollar deficit. This diversion consists of \$626 million in “spillover” revenues (out of a total of \$826 million) and \$633 million in other PTA funds. Transportation has been hit hard in recent budget negotiations. However, in prior fiscal years, the burden was shared across modes, primarily through the diversion of Proposition 42 funds. However, this year, public transit bore the entire brunt due in part to the enormous size of the “spillover,” all of which is supposed to go to public transit, and the passage of Proposition 1A last November, which provides greater protection for Proposition 42 funds.

Governor Vetoes \$100 Million in State Transit Assistance Program Funding

While the budget submitted by the Legislature to the Governor preserved \$200 million in “spillover” revenues for the State Transit Assistance Program (STA), Gov. Schwarzenegger used his line-item veto to reduce this amount by \$100 million, providing a total STA funding level from all revenue sources of \$316 million statewide. According to the Schwarzenegger Administration, this cut in STA was made in order to free up money in the PTA to provide an adequate level of funding to meet the cash flow needs of transit capital projects programmed in FY 2008 in the State Transportation Improvement Program (STIP).

STA funding for the Bay Area in FY 2008 is \$111 million. VTA will receive a total of \$13.2 million, which is comprised of VTA’s “revenue-based” share of the STA baseline, Proposition 42 increment and “spillover.” Of the \$35 million in STA “spillover” coming to the Bay Area, \$9.6 million falls under the “population-based” share, which flows to the Metropolitan Transportation Commission (MTC). Of this amount, \$6.3 million is available for the Proposition 1B/SamTrans-Caltrain right-of-way payback policy that the commission adopted in June. While this amount is significantly lower than what was anticipated, it would still enable full payback to occur over the next 10 years. The following table shows the amount of “spillover” available for the Proposition 1B and SamTrans paybacks in FY 2008.

Proposition 1B/SamTrans Spillover Repayment in FY 2007-08

(Dollars in millions)

| Category | Prop 1B Regional Transit Program Spillover Payments | Percent | FY 2007-08 Payment |
|-----------------|--|----------------|---------------------------|
| Lifeline | \$ 10 | 16% | 1.0 |
| Small Ops/North | \$ 3 | 5% | 0.3 |
| BART to WSX | \$ 3 | 5% | 0.3 |
| eBART | \$ 3 | 5% | 0.3 |
| SamTrans | \$ 43 | 69% | 4.4 |
| Total | \$ 62 | 100% | 6.3 |

New Account is Established to Offset General Fund’s Transportation Costs

In an attempt to avoid legal problems that could be associated with transferring the “spillover” directly into the General Fund, SB 79, a budget trailer bill, creates a new account, known as the Mass Transportation Fund. The \$1.26 million diversion of PTA money in FY 2008 would be deposited into Mass Transportation Fund and allocated as shown in the following table.

| Program | Amount (Dollars in millions) |
|----------------|---|
| | |

| | |
|--------------------------------------|----------------|
| Home to School Transportation | \$99 |
| General Obligation Bond Debt Service | \$948 |
| General Fund Prop. 42 Loan Repayment | \$83 |
| Regional Center Transportation | \$129 |
| Total | \$1,259 |

Long-Term “Spillover” Diversion

SB 79 includes a significant policy change that specifies how the “spillover” would be treated in future budget years. Under the provision of this legislation, beginning in FY 2009, 50 percent of all “spillover” revenues would be deposited into the newly created Mass Transportation Fund and used to offset General Fund-related transportation costs, such as those noted in the previous table. The remaining 50 percent would be split two-thirds to STA, and one-third to the STIP and intercity rail. Since these are statutory provisions (rather than constitutional ones), they can be changed through the enactment of future legislation. In a recent noteworthy development, on September 6, the California Transit Association sued the state in Superior Court to invalidate both the \$1.26 billion FY 2008 PTA diversion, as well as the provisions in SB 79 that would use 50 percent of “spillover” revenues in future budget years for General Fund obligations.

Funding for Proposition 1B Bond Programs

The budget appropriates \$4.2 billion in FY 2008 for the various programs funded with Proposition 1B bond proceeds. This amount is more than one-fifth of the \$20 billion authorized under the proposition. The following table shows how \$4.2 billion would be distributed among the various Proposition 1B bond programs. No funds were provided for the Trade Corridor Improvement and State-Local Partnership Programs, primarily because the Legislature could not reach a consensus on how to resolve implementation issues related to these two programs.

| Program | Amount <i>(Dollars in millions)</i> |
|--|---|
| Local Streets and Roads | \$950 |
| Public Transit Capital Improvements | \$600 |
| Corridor Mobility Improvement Account | \$608 |
| Transit Security | \$101 |
| Port Security | \$41 |
| Local Bridge Seismic | \$14 |
| Highway 99 | \$14 |
| State Transportation Improvement Program | \$727 |
| State Highway Operation and Protection Program | \$403 |
| Intercity Rail | \$188 |
| Highway-Railroad Crossing Safety | \$123 |
| School Bus Retrofit | \$193 |
| Air Quality (Port-Related) | \$250 |
| Total | \$4,212 |

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

Of the \$600 million in Proposition 1B bond funds appropriated statewide for public transit capital improvements in FY 2008, which will be allocated according to the STA formula, the Bay Area will receive approximately \$215 million. This amount breaks down to \$157 million in “revenue-based” funding, which will go directly to Bay Area transit operators, and almost \$58 million in “population-based” money, which will be administered by MTC. VTA’s formula share is approximately \$23.2 million.

Proposition 1B Transit Security Funds

Of the \$100 million in Proposition 1B bond revenues appropriated statewide for public transit security and emergency response activities in FY 2008, \$60 million will be allocated to eligible project sponsors according to the STA formula. The figures for the Bay Area for this portion of the money are not yet available. Of the remaining amount, \$25 million will go to waterborne transit operators for emergency response capital projects pursuant to a competitive grant program, and \$15 million will be distributed to commuter and intercity rail operators on a competitive basis.

Cities and Counties are Big Winners

The FY 2008 budget appropriates \$950 million of the total \$2 billion available from Proposition 1B for local street and road improvements. AB 196, which is on the Governor's desk, calls for distributing \$550 million of this amount to cities and \$400 million to counties. Assuming that Gov. Schwarzenegger signs AB 196 into law, local jurisdictions in Santa Clara County would receive the following amounts:

- ✓ County of Santa Clara = \$15,283,799
- ✓ Campbell = \$640,979
- ✓ Cupertino = 889,547
- ✓ Gilroy = \$800,644
- ✓ Los Altos = \$453,207
- ✓ Los Altos Hills = \$400,000
- ✓ Los Gatos = \$474,220
- ✓ Milpitas = 1,073,481
- ✓ Monte Sereno = \$400,000
- ✓ Morgan Hill = \$619,532
- ✓ Mountain View = \$1,181,429
- ✓ Palo Alto = \$1,009,735
- ✓ San Jose = \$15,701,514
- ✓ Santa Clara = \$1,842,211
- ✓ Saratoga = \$506,375
- ✓ Sunnyvale = \$2,188,648
- ✓ TOTAL = \$43,465,320

High-Speed Rail

The FY 2008 budget provides \$20 million for the California High-Speed Rail Authority, partially from unobligated Proposition 116 rail bond funds. Proposition 116 was passed by the voters in 1990. The budgeted amount is significantly lower than the \$103 million sought by the authority to keep all of its planned right-of-way purchases and engineering work on schedule.

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