

TO: Regional Transportation Commission
FROM: Linda Wilshusen, Executive Director
RE: Draft Proposal to Address Transportation Funding Crisis

RECOMMENDATION

Staff recommends the Regional Transportation Commission review the Self-Help Counties Coalition draft “Rescue Transportation” proposal, and support the concept of working with other regions to develop a proposal to address the state’s transportation funding crisis.

BACKGROUND

Over the past several years transportation funding in California has been severely impacted by State Budget shortfalls. In response to the ongoing diversion of transportation funds to backfill the State General Fund, the Self-Help Counties Coalition (made up of counties that have approved local transportation sales tax measures) has prepared a draft proposal entitled “Rescue Transportation” and is seeking input from regional agencies on this proposal. Regions statewide are reviewing the proposal this month and it is likely to change as input is received. If this proposal moves forward, it could eventually take the form of a proposition on a future State ballot.

Development of this proposal was initiated prior to the Governor’s California Performance Review (CPR), which also proposes changes to Caltrans and the CTC. A summary of the CPR was distributed to the Commission last month. In contrast to the CPR, which would fold Caltrans into a large Infrastructure Department, this proposal would further separate transportation from other elements of State government.

DISCUSSION

The Self-Help Coalition’s “Rescue Transportation” proposal aims to:

1. Provide greater stability for transportation funding and provide revenue more consistent with growth in travel demand than existing funding sources;
2. Create a “firewall” to remove any linkage between transportation funding and the state general fund;
3. Provide greater autonomy and flexibility to Caltrans; and
4. Change the composition of the CTC to provide more autonomy and grant it the authority to set rates for transportation fees and taxes, within specified parameters, in order to accomplish the first goal. As such, the CTC would act as the Board of Directors for Caltrans.

Key provisions of the proposal are summarized in the attached memorandum from Bob McCleary, Executive Director of the Contra Costa Transportation Authority (CCTA) ([Attachment 1](#)). The

draft proposal (Attachment 2) uses Article 19 of the State Constitution as a template for the proposal. Article 19 is the section of the State Constitution that addresses revenues for transportation-related programs. Proposed changes to Article 19 are shown in underline/~~strikeout~~ format. **Shadowed** sections are notes from the authors of this working draft proposal that would not be included in the final version.

At the September 2, 2004 RTC meeting, Commissioners questioned how the State has been able to continually override Proposition 42, the dedication of sales tax on gasoline for transportation purposes which was approved by California voters in March 2002. Whenever the State declares a budget crisis, it is able to suspend Proposition 42 and divert those funds back into the General Fund. To date, the State has borrowed nearly \$6 billion in State Highway Account (SHA) funds and continually delayed repayment of those funds. According to the State Constitution, gas tax funds may only be used on transportation and any “loans” must, in theory, be paid back to the State Highway Account. However, there is currently no firewall that truly protects the funds and insures timely repayment of loans. The impact on transportation in Santa Cruz County has been the delay of nearly all of the region’s STIP-funded projects, including the Highway 1/17 Merge Lanes project, and the CTC’s refusal to return over \$7 million in STIP funds that had previously been programmed to the MetroBase project (see separate agenda item on the proposed RTIP amendment to fund the MetroBase project). In concept, the Self-Help Counties’ proposal could provide a firewall for transportation funds.

Staff agrees that the goals of the of the “Rescue Transportation” proposal are reasonable and will work with our fellow regional agencies and organizations to fine tune the proposal. RTC staff is concerned with the key provisions that would reduce the role of the Legislature in determining the level of funding released for transportation each year and instead increase the role of non-elected persons, the California Transportation Commission (CTC), that would be appointed to 6-year terms by the Governor. Also, staff is concerned that the CTC in recent years has not always ensured geographically equitable allocation of transportation funds and will strongly encourage the Self-Help Counties Coalition to include provisions that enforce SB45.

Staff is also concerned that the proposal does not address what will happen if the existing State Highway Account (SHA) loans are not repaid, nor does it address how toll facility revenues will be distributed. Regional Transportation Commissioners, who “wear many hats,” may also have concerns about there being such a strong firewall for transportation funds when other programs tied to the State General Fund, such as education, health care, and criminal justice, as well as local city/county revenues could be negatively impacted. It is also likely that labor unions will have concerns about the proposal, especially regarding Article XIXD.

As this is a working draft, staff will continue to monitor the proposal and changes as they are made to the draft. Staff will return to the Commission in the future with a recommendation regarding the final proposal. In the meanwhile, **staff recommends the Commission review the Self-Help Counties Coalition draft “Rescue Transportation” proposal (Attachment 2) and support the concept of working with other regions to develop a proposal to address the transportation funding crisis.**

SUMMARY

In response to frustrations about the continual borrowing of transportation funds for the State General Fund, the Self Help Counties Coalition has developed a working draft proposal to revise Article 19 of the California Constitution (Attachment 2). Staff recommends the Commission support in concept this proposal.

Attachments:

1. September 1, 2004 Memorandum from Bob McCleary Regarding “Rescue Transportation” Proposal
2. Working Draft “Rescue Transportation” Proposal – Revisions to California Constitution Article XIX

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