

AGENDA: January 19, 2006

TO: Transportation Policy Workshop (TPW)
Interagency Technical Advisory Committee

FROM: Rachel Moriconi, Senior Transportation Planner

RE: Update on the Governor's Budget Proposal and Proposition 42 Funds

RECOMMENDATION:

This item is for information only.

DISCUSSION

On January 10, 2006, Governor Arnold Schwarzenegger released his Fiscal Year 2006/07 State Budget proposal. Given the time limitations associated with mailing the packet for today's meeting, **staff will provide an oral report on the Governor's budget proposal at your meeting.** CalCOG's summary of the budget proposal is attached (Attachment 1).

Proposition 42 Funds

Perhaps the most significant item in the Governor's proposed FY06/07 State Budget for transportation is full funding of Proposition 42. Proposition 42, approved by voters in 2002, dedicated revenues from existing state sales taxes on gasoline to transportation projects and programs. Thanks to intensive statewide efforts, the Governor and Legislature agreed to release Proposition 42 funds to transportation in FY05/06, though this was only a one-year commitment. As such, the RTC, its Interagency Technical Advisory Committee and similar transportation interests around the state have been working over the past few months to ensure that revenues from the state sales tax on gasoline are once again released to transportation in FY06/07. In addition to funding STIP projects, Proposition 42 revenues are also distributed to cities and counties for local street and road maintenance and to transit agencies. Staff intends to work with our legislators to support this element of the Governor's proposal.

PTA Funds

The Governor's FY06/07 Budget Proposal, once again suspends the "spillover" revenues to the Public Transportation Account (PTA). The "spillover" revenues are available when revenues from the gasoline sales tax at the 4.75 percent rate exceed revenues from all taxable sales at the 0.25 percent rate and dates back to the establishment of sales tax on gasoline in 1972. Instead of those funds going to the PTA, those funds will be diverted to the State General Fund. The STIP Fund Estimate assumed \$333 million in PTA-spillover revenues in FY06/07.

Payback of Prior Loans in FY06/07

As a reminder, over \$5 billion in transportation funds were "loaned" to the state general fund in prior years. Infrastructure Bond proposals have discussed firewalling Proposition 42 funds in the future and repayment of prior loans. The Governor's FY06/07 budget proposal includes advance repayment of some of these loans. It appears that at least some of these loan repayments are dependent on the sale of tribal gaming bonds, which has been tied up in litigation. These funds were **not** assumed for FY06/07 in the STIP Fund Estimate.

Impact on the STIP and Santa Cruz County Projects

Funds potentially available for the *State Transportation Improvement Program* (STIP) come from three main sources: PTA Spillover Revenues, Proposition 42 transfers to transportation, and loan repayments. Regardless of the Governor's budget proposal and the reaction of the legislature, the 2006 *State Transportation Improvement Program* (STIP) will be adopted in accordance with the Fund Estimated adopted last fall. Even if the RTC's 2006 *Regional Transportation Improvement Program* (RTIP) proposal is incorporated into the adopted STIP (in April 2006), the annual release (allocation) of funds to projects programmed to receive STIP funds will be dependent on Proposition 42 funds and repayment of prior loans. The 2006 RTIP proposes that the CTC program FY06/07 STIP funds to the projects listed below. If the final FY06/07 State Budget (scheduled for June 2006) does not match the funding levels assumed in the STIP Fund Estimate, release of funds to these projects may be delayed a year or two.

- MetroBase Consolidated Bus Operations Facility: \$6.3 million AB3090 Reimbursement
- Auxiliary Lanes on Highway 1 between Soquel and Morrissey: \$200,000 for environmental work
- Santa Cruz Branch Rail Line Acquisition: \$10,000,000
- Highway Freeway Service Patrol: \$82,000
- Struve Slough Bridge (on Harkins Slough Road): \$764,000 for construction

The Pacific Station/Metro Center in downtown Santa Cruz is also awaiting release of \$800,000 in Traffic Congestion Relief Program (TCRP) funds. Availability of those funds is also subject to release of Proposition 42 funds and loan repayments.

Next Steps

Staff will continue working with our legislators, as well as local and statewide transportation partners, to secure funding needed to meet the region's transportation needs.

SUMMARY

The Governor's proposed FY06/07 State Budget and mid-FY05/06 Budget were released on January 10, 2006. A summary of this proposal is attached (Attachment 1).

Attachment: CalCOG Summary of the Governor's 2006-07 Budget Proposal
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