



CALIFORNIA ASSOCIATION OF COUNCILS OF GOVERNMENTS

MEMORANDUM

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- Los Angeles County Metropolitan Transportation Authority
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- Transportation Agency for Monterey County
- Tulare County Association of Governments
- Ventura County Transportation Commission
- Western Riverside Council of Governments

DATE: January 10, 2006

TO: COG Directors

FROM: Adrienne Shilton, Staff, for Rusty Selix

RE: **Governor's 2006-07 Budget Proposal**

Governor Arnold Schwarzenegger today proposed a \$125.6 State budget, and for transportation, the news is generally good. The most significant new actions in the Governor's proposed 2006-07 Budget regarding Transportation include full funding of Proposition 42, as well as the advance in loan repayments of Proposition 42.

Reporters questioning the Governor today asked whether the Strategic Growth Plan including transportation bond measures would become a Christmas tree with earmarks for special projects. The Governor responded that he had already discussed that question with Senate Pro Tem Don Perata and Assembly Speaker Fabian Nuñez, and they all agreed that the Plan would not become a Christmas tree, and that projects would be selected through a needs-based process and not catering to wishes of specific Legislators.

He was also asked about design build and indicated that the Mayor of Los Angeles, Antonio Villagarosa, had lobbied to use design build for the 405 freeway project and the Governor is therefore convinced that it should be extended to all other major projects. He believes a compromise will be reached on this issue and on related labor and wage issues. He said he is committed to whatever will be the fastest and cheapest way to build projects.

Summarized below are the Budget highlights:

Proposition 42; Full Funding

The Governor has proposed full funding for Proposition 42 in 2006 -07 for a total of \$1.4 billion. The transfer will be distributed as follows:

- \$678 million to the TCRF
- \$582 million to the State Transportation Improvement Program (STIP)
- \$146 million to the Public Transportation Account

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- California State Association of Counties
- League of California Cities

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Additionally, the Budget proposes an early repayment of a portion of the 2004-05 Proposition 42 loan (which is currently due to be repaid in 2007-08.) This amount of \$980 million will be allocated as follows:

- \$410 million to the TCRF
- \$255 million to the State Transportation Improvement Program (STIP)
- \$255 to cities and counties

This early repayment, combined with the full funding of the base transfer, will provide an additional \$2.3 billion for transportation in 2006-07.

Public Transportation Account (PTA)

The budget proposes to suspend the spillover revenues to the Public Transportation Account in 2006-07.

The 2005 Budget and subsequent legislation suspended the transfer for two years, and for 2006-07, specified that the first \$200 million of spillover be retained in the General Fund, the next \$25 million go toward the Bay Bridge seismic retrofit project, and any remaining revenues be transferred to the Public Transportation Account. These revenues, which total approximately \$325 million, are expected to be sufficient to fund *only* the transfers to the General Fund and Bay Bridge project.

Indian Gaming Bonds

The 2005 Budget Act assumed repayment of a portion of outstanding transportation loans with \$ billion in bond proceeds derived from certain Indian gaming revenues to specified transportation programs. This transportation funding package will eventually provide \$465 million to the State Highway Account, \$290 million to the Traffic Congestion Relief Program, \$22 million to the Public Transportation Account, and \$22 million to be allocated on a formula basis to cities and counties for local streets and roads rehabilitation and restoration projects.

The Budget assumes that the bond sale of the Tribal Gaming Bonds will occur in the spring of 2006. However, there have been several lawsuits that have prevented the sale in 2004-05; thus the date will continue to be adjusted as the legal issues are evaluated.

Strategic Growth Plan

As previously reported to you, the Governor has proposed a major infrastructure plan, which includes \$107 billion in total investment in transportation infrastructure over the next decade. Dubbed the "Strategic Growth Plan," the following details the specifics of the plan:

- \$2.2 billion to expand and complete the High Occupancy Vehicle lane system and major projects on state interregional routes.
- \$ 8.9 billion to expand trade corridors and regional priorities.



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- \$ 8.9 billion for a capacity expansion on major corridors of the highway system by strategies such as adding auxiliary lanes, using technology to assist drivers and improving interchanges.
- \$4.5 billion to expand existing transit rail, and to add new urban commuter rail and intercity passenger rail.
- \$28.9 billion for rehabilitation and preservation of the state highway system.
- \$7.9 billion for safety and operational improvements on the state highway system.
- \$3.0 billion for transportation technology and intelligent transport systems.
- \$943 million to expand park and ride opportunities and bicycle and pedestrian routes.
- \$47 million to improve transit and rail services.
- \$297 million to expand the Freeway Service Patrol.

The two central funding mechanisms for this plan include two \$6 billion Bond measures for transportation scheduled in June 2006 and November 2008, as well as permanent Proposition 42 protection (more details below).

The \$12 billion in bonds for transportation would be the first of a series of bond measures totaling \$68 Billion over 10 years. Other funding sources for the Strategic Growth Plan include \$47 billion in existing transportation funding sources such as the gas tax and federal funds.

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