

AGENDA: August 3, 2006

TO: Regional Transportation Commission
FROM: Kim Shultz, Senior Planner
RE: Status Report on State Legislation and the Budget

RECOMMENDATION

Staff recommends that the Regional Transportation Commission receive a status report on the State Budget and other legislative matters.

BACKGROUND

In approving the 2006 Legislative Agenda, the Regional Transportation Commission (RTC) directed staff to provide periodic status reports on legislative activity of interest to the Commission and member agencies.

DISCUSSION

In early July the Governor signed the 2006-07 State Budget adopted by the Legislature in late June. The approved State Budget provides transportation revenues beyond those originally considered in the draft budget. The proposed Infrastructure Bond Measure and other legislative items offer the potential for additional transportation revenues in the future. Following is a brief overview of those funding measures.

2006-07 State Budget

The 2006-07 State Budget included a significant allocation for transportation with full transfer of Proposition 42 funds for transportation in the current year, and accelerated repayment (\$1.4 billion) of past Proposition 42 funds transferred to the General Fund. The full transfer of Proposition 42 funds in the current year effectively keeps the State Transportation Improvement Program (STIP) whole as assumed by the California Transportation Commission (CTC) in their recent funding decisions.

The \$1.4 billion accelerated payback of Proposition 42 funds is for fiscal years 2003-04 and 2004-05. This provides an estimated \$440 million statewide for local streets and roads. The approximate split for Santa Cruz County is estimated by the League of California Cities as follows:

Capitola	\$79,000
Santa Cruz	\$442,000
Scotts Valley	\$91,000
Watsonville	\$380,000
Santa Cruz County	\$1,790,000

Infrastructure Bond Measure

Approval of the State Budget was preceded in May with bi-partisan support of a comprehensive Infrastructure Bond package to be placed on the November 2006 ballot. The bond package includes four separate bond measures that would provide funding for the following infrastructure projects: transportation improvements, school facilities, flood control, and affordable housing. Nearly \$20 billion, over 50 percent of the funds available through the Infrastructure Bond measures, are targeted for transportation improvements, including air quality and security at transit and port facilities.

Attachment 1 provides an overview of the funding programs and categories within the transportation element of the infrastructure bond measure. Revenues from the bonds would be spread over a 10 year period, subject to annual appropriation by the Legislature.

Funds within the respective program categories are either designated for distribution by formula (i.e. the Local Street and Roads program) or discretion exercised by CTC (i.e. the Corridor Mobility Improvement Account, State-Local Partnership Program and others). The discretionary funding authority given to the CTC represents a significant policy change from SB 45 which in 1997 gave virtually all project funding responsibilities to local agencies exercised at the regional level through the regional transportation planning agencies such as the RTC. Regional agencies will, however, have a role in the selection of project evaluation criteria to be used by the CTC in exercising their discretionary authority. Also, regional agencies, along with Caltrans, will be asked to submit project proposals in mid-January 2007. There is, however, no guarantee that all regions of the state will receive funding through the discretionary programs.

The Transportation Bond measure also provides a \$2 billion augmentation to the State Transportation Improvement Program (STIP). Funds would be distributed by formula with Santa Cruz County's share estimated to be approximately \$23 million. The CTC may use bond proceeds to advance projects already in the STIP and new funds may not be available for new projects until later years. Subject to the adoption of the transportation bond measure in November, the CTC anticipates programming funds in June 2007.

Local Streets and Roads

The transportation bond measure would provide \$2 billion for improvements to local streets and roads, with funds split 50/50 between cities and counties. Similar to existing state gasoline tax subventions, county funds are to be distributed based on the number of registered vehicles (75 percent) and the miles of county maintained roads (25 percent). Per the attached chart (Attachment 2), prepared by CSAC, the County of Santa Cruz can expect to receive over \$8 million. For cities, the funds are distributed according to population, but no city will receive less than \$400,000. As reported in (Attachment 3) the League of California Cities has estimated the cities allocation as follows:

Capitola	\$400,000
Santa Cruz	\$1,805,000
Scotts Valley	\$400,000
Watsonville	\$1,595,000

The funding provided through the Local Streets and Roads program could be used for reducing local congestion, improving traffic safety, rehabilitation, and maintenance.

Proposition 42 "Fix"

The Transportation Bond measure is considered a down payment on what is needed for transportation. In recognition of the outstanding need, the bi-partisan support for the Infrastructure Bonds extended to the creation of a constitutional "fix" to severely restrict the legislature and governor's ability to transfer gas sales tax dollars to non-transportation uses. Labeled as Proposition 1A, the proposition authorizes loans only in the case of severe state fiscal hardship, and requires full repayment, with interest, within three years of any loans. The proposition would also restrict such loans to no more than twice in any 10-year period.

Based on the action taken by the legislature to adopt this proposition, the coalition of business, labor, local government, and community leaders, known as "Californians to Improve Traffic Now" have dropped their effort to place a constitutional amendment on the November ballot, and are supporting the adoption of Proposition 1A.

CMAQ Phase-Out Provision

An important element of the RTC's 2006 State Legislative Agenda is support for a regional revenue sharing program to help off-set the loss of Congestion Management and Air Quality Improvement Program (CMAQ) funds to Santa Cruz County. A change in the measurement methods by the Environmental Protection Agency (EPA) elevated Santa Cruz, Monterey, and Santa Barbara Counties to attainment of air quality standards. Hence all three counties are no longer eligible for CMAQ funds beginning in federal fiscal year 2006-07. The regional transportation planning agencies (RTPAs) in the state agreed upon a proposal to create a revenue sharing program through FY 2007-08 to reduce the impact of losing these funds to the Monterey Bay and Santa Barbara County areas.

Enabling legislation for the CMAQ phase-out program was introduced by Senator Lowenthal in February 2006, in the form of SB 1587. The bill has passed through the Senate and was unanimously approved by the Assembly Appropriations Committee and awaits passage by the full Assembly when the legislature reconvenes in August. Santa Cruz County would receive a total of \$1.2 million through the CMAQ phase-out provision; \$800,000 in FY 2006-07 and \$400,000 in FY 2007-08. Subject to the passage of SB 1587 and the availability of funds, staff will present a recommendation for programming the CMAQ phase-out funds.

SUMMARY

This is a status report on legislative matters including the 2006-07 State Budget, the proposed Transportation Infrastructure Bond Measure, proposed fix to the Proposition 42, and CMAQ phase out provision.

Attachments:

1. *State Infrastructure Bond Proposal*, prepared by the California State Association of Counties (CSAC), June 2006.
2. *\$1 Billion Allocation of Transportation Funds for Counties*, prepared by CSAC, June 2006
3. *\$1 Billion Allocation of Transportation Funds for Cities*, prepared by League of CA Cities