

TO: Transportation Policy Workshop (TPW)
FROM: Rachel Moriconi, Senior Transportation Planner
RE: Update on the Governor's Fiscal Year 2008/09 Budget Proposal

RECOMMENDATION:

This item is for information only.

DISCUSSION

On January 10, 2008, Governor Arnold Schwarzenegger released his Fiscal Year 2008/09 State Budget proposal. Citing a projected \$14.5 billion 18-month deficit, which includes a current year shortfall of \$3.3 billion, the Governor proposes to cut nearly all General Fund programs by 10-percent and to have those reductions take effect by March 1st. Under the Governor's declaration of a fiscal emergency, the Legislature will convene in Special Session to consider making adjustments to address the current year's shortfall. In addition, the Governor proposes \$48.1 billion in new general obligation bonds to help augment needs for education (K-12 and higher education), high-speed rail, the judicial system, and water. Most transportation programs are not funded by the General Fund so the news for transportation is better than in recent years.

Key features of the 2008/09 budget proposal pertaining to transportation:

- Fully fund Proposition 42 at **\$1.5 billion:**
 - \$594M to State Transportation Improvement Program (STIP)
 - \$594M to Local Streets/Roads (1/2 to counties; 1/2 to cities)
 - **Preliminary** estimated breakdown by jurisdiction:
 - Capitola: \$95,000
 - Santa Cruz: \$550,000
 - Scotts Valley: \$110,000
 - Watsonville: \$490,000
 - County: \$2.4 million
 - \$297 million for the Public Transportation Account (PTA)
- **Prop 1B – \$4.7 billion in appropriations proposed**
 - \$1.6 billion: Corridor Mobility Improvement Account = *Highway 1 Aux Lane*
 - \$350 million to Local Transit = *MetroBase*
 - \$1.2 billion: STIP = *FY08/09 STIP projects*
 - \$500 million: Trade corridors
 - \$200 million: State-Local Partnership Program (SLPP) = guidelines TBD
 - \$215 million: State Highway Operation and Protection Program (SHOPP)
 - \$65 million: Grade separation

- \$108 million: Highway 99 projects
 - \$21 million: Local Seismic bridge replacements – *Murray St. Bridge*
 - \$73 million: Intercity rail
 - \$400,000: School bus retrofit
 - \$250 million: Air Quality
 - \$101 million: Transit Security
 - \$58 million: Port Security
 - \$0 for Local Streets and Roads
- **STIP: Proposition 42 and Proposition 1B proposals relatively good news, but** overall STIP revenues still 29% under Fund Estimate partially because PTA funds were redirected out of the STIP with SB79 & SB717. Projects currently programmed in FY08/09 that will be seeking STIP allocations/may be impacted:
 - Hwy 1/17 landscaping;
 - Graham Hill Road Safety project near roaring camp;
 - Rail ROW Acquisition;
 - Hwy 1 Aux Lane project;
 - MetroBase – AB3090 reimbursement
 - Bus Trip Planner
 - New projects proposed for 2008 STIP

Issues:

- **Delay of Excise Gas Tax Payments:** The Governor is proposing to delay payment of approximately \$500 million of local transportation excise gas tax. Cities and counties receive about \$100 million per month of these revenues. The Governor has proposed to suspend these payments for a five-month period (April-August 2008). This could cause cash flow issue for some local jurisdictions.
- **PTA Spillover:** 50% diverted to non-transit programs, as established by SB79 in 2007
 - \$141 million diverted to transportation services admin by regional centers
 - \$354 million in debt service on general obligation transportation bonds
 - \$83 million of spillover revenue to Prop 42 loan repayments
 - Institute of transportation study: \$5M
 - \$455 million to transit: 2/3 is directed to the STA and 1/3 to the state and regional programming side of the PTA.

Additional information on the budget is available online at: <http://govbud.dof.ca.gov/>.

Staff will provide additional information on FY08/09 budget proposals as it becomes available, and will continue working with legislators and transportation partners statewide to secure funding for the region's transportation projects.

SUMMARY

The Governor's proposed FY08/09 State Budget was released on January 10, 2008.