

**TO:** Regional Transportation Commission  
**FROM:** Rachel Moriconi, Senior Transportation Planner  
**RE:** State and Federal Legislation and State Budget

---

**RECOMMENDATION:**

Staff recommends that the Regional Transportation Commission (RTC) accept this report and take action on legislative and budget issues, if necessary.

---

**BACKGROUND**

Every year the Regional Transportation Commission adopts a legislative agenda to guide its support and opposition of state legislative or administrative actions. Thousands of bills are introduced each year. Working with its legislative assistants and other transportation entities, the RTC monitors several bills and other actions that could impact transportation in Santa Cruz County. The RTC also tracks the annual State Budget. The budget can significantly impact existing and future transportation projects.

**DISCUSSION**

State Legislation

In May 2008, the RTC reviewed and adopted positions on several bills that have been introduced during this state legislative session. Attached is an updated matrix showing the status of those bills (Attachment 1). Several bills have been amended or dropped since May.

Significant discussions surrounding SB375 (Steinberg), the bill focused on addressing greenhouse gas emissions through expanded transportation-land use coordination, occurred in July 2008. Several of the concerns identified by the RTC in June 2008 (Attachment 2) have been tentatively addressed. According to the California League of Cities, negotiations on SB 375 have been very productive and they recommend that agencies which are thinking about taking a position on SB 375 consider delaying that decision until new language is printed. Likely amendments include removal of mandatory growth designations; transportation funds will not have to be allocated according to a specified development pattern; regional targets for reduced carbon from cars and light trucks would be set through a collaborative process between the State Air Resources Board (ARB), the regional transportation planning agency, and local governments; and the bill may also be amended to extend the timeline for the Regional Housing Needs Assessment to eight years to align with two cycles of the regional transportation plan in order to ensure that the same assumptions are used for distributing housing numbers and transportation dollars. Attached is the position letter sent by California Association of Councils of Government (CalCOG) (Attachment 3).

## The FY2008/09 State Budget

As of the writing of this staff report, the State Budget had not yet been adopted. Some legislators have suggested that the budget may not be passed until September or even October. Proposals from the Governor, Assembly, Senate, and Conference Committee initially included full funding of Proposition 42 – which designates revenues from the sales tax on gasoline to transit, local streets and roads, and State Transportation Improvement Program (STIP) projects. However, starting in mid-July, legislative leaders are rumored to have discussed diverting Proposition 42 funds to the State General Fund. Staff sent a letter opposing such diversions to Assemblyman Laird, who chairs the Assembly Budget Committee ([Attachment 4](#)). Agencies throughout the state sent similar letters opposing the diversion of Proposition 42 funds. A statewide campaign has been launched by transportation, local government and business advocates against the diversion of transportation funds ([Attachment 5](#)). [Attachment 6](#) includes two of the many articles which have been written about the negative impacts of diverting transportation funds to other uses.

If Proposition 42 funds are diverted to the state general fund this year, the County and cities in our region would lose nearly \$4 million in funds designated for local streets and roads; \$286 million in PTA funds would be lost to transit agencies statewide (in addition to the loss of “spillover” revenues discussed at prior meetings), reducing Santa Cruz Metro’s ability to replace buses and address other capital needs; and the California Transportation Commission (CTC) would not be able to allocate STIP funds for some projects programmed in FY08/09. This would have the trickle down effect of limiting which programmed projects would receive STIP funds in future years.

Some legislative leaders have stated that they are not considering diverting Proposition 42 funds, but given the large deficit and resistance to making cuts and raising taxes it is unclear what the final decision will be. Staff will provide any additional information that may be available at this meeting.

Separate from the State Budget, the Legislature did appropriate additional Proposition 1B funds for local streets and roads in late June through AB 1252 (Caballero), which was approved by the Governor on June 30<sup>th</sup>. The new law includes \$87 million to augment the county portion of the Local Streets and Roads Program; \$100 million to augment the Regional Planning, Housing and Infill Incentive Account; and \$50 million to augment the Transit-Oriented Development Account.

## Potential Impacts to Santa Cruz County Projects

Due to uncertainties surrounding the 2008/09 State Budget, the California Transportation Commission (CTC) made its approval of FY08/09 allocations contingent upon approval of the State Budget. Except in the case of AB3090 reimbursements (which they are required to pay first), the CTC has indicated that it may reconsider all other allocations, if Proposition 42 funds are diverted to the General Fund. This includes \$1.375 million for the Project Approval/Environmental Document (PA/ED) phase of the Highway 1 HOV Lane project and

\$150,000 for RTC Planning, Programming, and Monitoring (PPM), which was tentatively allocated at the July 2008 CTC meeting. If these funds are rescinded, this would have a significant impact on the RTC's FY08/09 budget. CTC staff has indicated that if the funds are diverted they will revisit the entire 2008 STIP and deprogram several projects. Since our region only received 32% of its share of 2008 STIP funds when the STIP was initially adopted, staff will advocate that any deprogramming come from regions that were programmed to receive more than their share of funds.

### Federal Legislative Update

Attached is an update on federal activities from the RTC's federal legislative assistant Chaney and Associates (Attachment 7). In recent weeks, discussions have focused on solvency of the Highway Trust Fund, funding bridge repairs, increased funding for transit and other infrastructure, and funding for Amtrak. While legislative activity related to SAFETEA-LU Reauthorization has been limited in Washington, staff is participating on a working group with other transportation entities statewide to outline our priorities for the next act.

### **SUMMARY**

This report provides an update on federal and state legislative activities affecting transportation. Staff is also monitoring proposals for the FY08/09 California State Budget. If transportation funds are diverted to the General Fund in the State Budget, the 2008 STIP may be significantly affected.

#### Attachments:

1. RTC Legislative Matrix
2. RTC Letter to Senator Steinberg regarding SB375
3. CalCOG Letter to Senator Steinberg regarding SB375
4. RTC Letter to Assemblyman Laird Opposing Diversion of Transportation Funds
5. Press Release on Campaign Opposing Raiding of Transportation Funds
6. News Articles on Impacts of Diverting Transportation Funds
7. Federal Legislative Update