

TO: Regional Transportation Commission
FROM: Rachel Moriconi, Senior Transportation Planner
RE: State Legislative and Budget Update

RECOMMENDATION:

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

BACKGROUND

As of the writing of this staff report, the State Budget has yet to be adopted. While negotiations continue, progress has been limited according to legislative leaders. The Governor released a revised budget proposal in August, which received little support from the legislature. Legislative leaders and the Governor continue to indicate that they oppose borrowing transportation funds to balance the budget, though do intend to divert some revenues designated for transit to the State General Fund. The RTC has repeatedly communicated to local legislators and the Governor its opposition to the diversion of any transportation funds to the State General Fund.

DISCUSSION

Staff will provide an oral update on the State Budget at this meeting and may recommend the RTC take action on budget issues, if necessary. Though the Governor and Democratic legislative leaders have indicated that they do not intend to borrow Proposition 42 revenues this year, the suspension of Proposition 42 remains a possibility.

As reported last month, 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.

The CTC has decided that if Proposition 42 revenues are diverted to the General Fund as a part of the 2008-09 Budget, that they will reprogram the 2008 State Transportation Improvement Program (STIP). At its August 27-28, 2008 meeting, the CTC will discuss what assumptions to use for a revised 2008 STIP Fund Estimate, should Proposition 42 funds be unavailable. Their discussion will include:

- Estimated repayment schedule for Proposition 42 revenues.
- Programming and allocation methodology (limiting programming and allocation to the Transportation Investment Fund [Proposition 42] and Transportation Facilities Account [Proposition 1B] revenues available in a given year versus programming and allocating based on the estimated expenditures of projects).
- Impact to the Public Transportation Account.

RTC staff will report verbally, at this meeting, the results of the CTC's discussion.

According to Caltrans, a suspension would result in an estimated delay of STIP projects across the fund estimate period, as follows:

- 18 percent of the 2008-09 projects delayed to 2009-10
- 70 percent of the 2009-10 projects delayed to 2010-11
- 90 percent of the 2010-11 projects delayed to 2011-12

Attached is the list of projects in Santa Cruz County currently programmed to receive STIP funds which may be impacted if Proposition 42 is suspended ([Attachment 1](#)). Since our region only received 32% of its share of 2008 STIP funds when the STIP was initially adopted, staff will advocate that any delays or deprogramming come from regions that were programmed to receive more than their fair share of funds.

State Legislation

August 31, 2008 is the deadline for bills to pass out of the legislature. At this meeting, staff will report on which bills met the deadline. September 30, 2008 is the deadline for the Governor to sign bills into law. In early August, Governor Schwarzenegger announced that he would block any bill that reached his desk until the Legislature approves a budget. On August 25, the Governor sent a letter to legislative leaders saying he will make an exception for a high-speed rail clean-up measure and a water bond. The Assembly is expected to send the governor a bill that will revise the \$9.9 billion high-speed rail bond measure currently on the ballot. The Governor also indicated that he would make an exception for a plan to expand the California Lottery and a budget reform plan to increase the state's "rainy-day" fund. These proposals are part of budget negotiations that remain unresolved.

SUMMARY

This report provides an update on the state budget. Staff will provide an oral update on the budget and pending legislation at this meeting.

Attachment: Projects Currently Programmed to Receive STIP funds