



Government Relations & Public Affairs Committee

May 28, 2009

State Budget Update and Transportation Funding Advocacy

Issue: What are the impacts of the state budget shortfall on transportation funding, and what issues should SACOG weigh in on?

Recommendation: Staff recommends that the Government Relations & Public Affairs Committee recommend that the Board adopt a set of state budget advocacy positions and direct staff to advocate on these positions.

Discussion: In February, the Legislature adopted a budget through June 2010. Since that time, a shortfall of \$24.3 billion has accumulated and is growing. The Governor issued a May Revision to this adopted budget to correct this shortfall. The Legislature has convened a Budget Conference Committee, which is holding hearings on the May Revision. The Legislature will be introducing legislation to make budget changes, in the next few weeks, as they anticipate not having sufficient cash on hand to pay bills as soon as July 1.

Impact on Bond Sales

The State Treasurer believes that the state may not be able to sell bonds until the budget is balanced. As seen earlier this year, suspension of bond sales has adverse effects on highway, road and transit programs. Housing programs (Prop. 1C of 2006) will also suffer, potentially stalling downtown railyards and other projects in the region. Some of the Proposition 1B (2006) projects that may be delayed if bonds cannot be sold are listed below. This list does not include all local projects that may be awaiting bond sales.

- SACOG, Universal Fare Card Implementation, \$5,500,000
- SACOG, Vehicles for Ag Worker Program Grant, \$100,000
- Yolo County Transportation District, Maintenance and Operations Facility Improvements, \$1,064,000
- City of Sacramento, Intermodal depot retrofit, \$10,500,000
- Sacramento Regional Transit District (RT), Northeast Corridor Enhancements, \$5,000,000
- Regional Transit, Louis/Orlando Transfer Point Improvements, \$2,500,000
- Caltrans, SR 99/Everta Road Interchange, \$19,110,000
- Caltrans, SR 99 Auxiliary Lanes, Calvine Road to Mack Road, \$6,860,000
- Caltrans, Feather River Bridge Replacement and Widening, \$73,500,000

Impact on SACOG Programming

If the state cannot fund the State Transportation Improvement Program (STIP), it will impact how many projects SACOG is able to fund this fall. Staff has not identified the scope of the programming round for this fall, but the STIP is one of three primary sources of funding (the other two being federal).

Impact on Transit Operations

The Governor proposes to use \$336 million of “spillover” sales tax revenues for transit bond debt service costs, which by law is intended to be paid out of the General Fund. Spillover funds accrue when revenue derived from sales taxes on gasoline is proportionately higher to all taxable sales, generally reflecting higher gas prices. The spillover is intended to provide additional funds for transit operations and capital projects when ridership is high.

Proposition 42 Suspension

The Governor has not proposed suspending Proposition 42, but it has been discussed as a potential legislative proposal. If the Legislature uses its authority to suspend Proposition 42 (Prop. 1A of 2006), that would have adverse effects on city and county road fund payments as well as reduced or no funding for the STIP. Local projects to be funded with Traffic Congestion Relief Program (TCRP) funds, such as RT South Sacramento Corridor Phase II (\$63 million) will at best be delayed. Staff believes the impact on the region would be dramatic.

Elimination of Williamson Act

The Governor proposes to eliminate state subventions to local governments for open space and agricultural land under the Williamson Act, the state program that funds a portion of the revenue lost by counties when they lower property tax assessments in exchange for land owners keeping their land in agricultural or open space.

Options for Transportation

While state funding for transportation will almost certainly be reduced to close the budget shortfall, SACOG should still communicate its priorities to the Legislature and the Governor. In order to repair the budget, the opportunity may also emerge to stabilize future transportation funding and allow more local options for project financing.

Recommended Budget Advocacy Principles

- **Stabilize funding for transit:** The Senate Transportation & Housing Committee is creating a working group to work with stakeholders to develop concepts and ideas to make transit funding more reliable, and address operating funding issues.
- **More local revenue options:** SB 406 and SB 205 would allow supplemental motor vehicle fees for general transportation purposes and regional blueprint implementation.
- **Voter threshold reforms:** Lowering local option transportation funding initiatives from 2/3 voter approval provides local governments opportunities to offset state budget cuts and generate new revenues. ACA 15 provides one such option.
- **Maintain funding for Williamson Act:** SB 715 would provide reforms.

Approved by:

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