



**Government Relations & Public Affairs Committee**

July 30, 2009

**State Budget Update**

**Issue:** Update on state budget impacts to transportation.

**Recommendation:** None; this item is for information only.

**Discussion:** The State of California has an adopted and signed a “balanced” budget for FY 2009/10. The final budget does not include the diversion of the Highway Users Tax Account (HUTA), which would have transferred \$1.736 billion of local gas tax funds from cities and counties to the state over the next two years. This would have had an impact of approximately \$67 million in the SACOG region. It does provide full funding to the California High Speed Rail Authority with \$139 million from Proposition 1A Bonds and a provision for \$12 million in grants to support implementation of SB 375.

The FY 2009/10 state budget does not suspend Proposition 42, but continues to transfer funds from transportation programs to other state budget uses. This includes taking \$561 million from the spillover account; the redirection of \$225 million of PTA funds from public transit transferred to home-to-school transportation to pay for public transit bond debt costs; borrowing \$135 million for the State Highway Account; suspending local airport grants for \$4 million; and transferring \$70 million of unrestricted motor vehicle account revenues to the general fund. These funding reductions will have an adverse impact on the State Transportation Improvement Program (STIP). The preliminary draft STIP estimate due in August, scheduled to be approved by the CTC in October, will inform us on the full impacts of these cuts. Delays in the state budget adoption have pushed the STIP process back two months, with the projected adoption of regional STIPs in January and final state STIP adoption in June 2010. The state’s transit operators continue to suffer the diversion of State Transit Assistance funds that was part of the February budget solution. The loss of these funds has led to service cuts and fare increases both locally and around the state.

On the non-transportation side, the budget borrows \$2 billion from local governments through the suspension of Proposition 1A and takes an additional \$2.05 billion from redevelopment funds. A major part of the state’s transportation program relies on state bond sales. The state’s ability to continue to sell bonds based on the adopted budget has yet to be determined. The budget also suspends the Williamson Act, leaving only \$1,000 in the 2009/10 budget for that program.

Staff will provide any additional information on the budget at the Transportation Committee meeting. Attached for your information is a copy of a memorandum on the state budget prepared by our state legislative advocate.

Approved by:

Mike McKeever  
Executive Director

MM:JEB:gg  
Attachment

Key Staff: Matt Carpenter, Director of Transportation Planning, (916) 340-6276  
Rebecca Sloan, Director of External Affairs and Member Services, (916) 340-6224  
James E. Brown, Principal Program Expert, (916) 340-6221  
Erik Johnson, Public Information Coordinator, (916) 340-6247

# MOLODANOF GOVERNMENT RELATIONS

## Memorandum

To: Rebecca Sloan  
From: Jack Molodanof  
Re: Legislative Update  
Date: July 27, 2009

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### State Budget Update

After a grueling 24-hour marathon session last week, the Legislature finally passed the budget along with a package of trailer bills and then left (recessed) for summer vacation until August 17, 2009. The Assembly failed to pass controversial proposals, including the local gas tax (HUTA) and the offshore oil-drilling bills. These measures amount to an approximate \$1.1 billion shortfall. The Governor plans on signing the budget, however, it is not clear how he would make up the loss from the failed measures; either by taking out of the cash reserve and/or by using his veto pen to make additional cuts.

Below is a short summary of budget impact to local government/transportation funding:

### Local Government.

- 1) \$2.0 billion from suspension of Prop 1A. Suspension diverts 8 percent of property tax revenues of cities, counties and special districts; the state must repay \$2.0 billion within 3 years with interest. Provides for state financed securitization of the Prop 1A reduction amounts, which would allow local agencies to sell their Prop 1A receivables (state repayment obligation) to a joint powers authority that would then sell bonds to investors backed by the receivables. Also includes exemption hardship provisions that allows local agencies in or in danger of bankruptcy or unable to provide core services to apply to the Department of Finance for reduction or elimination of their property tax suspension.
- 2) \$2.05 billion from redevelopment funds (property tax increment). \$1.7 billion in 09-10 and \$350 million in 10-11.
- 3) The Senate passed, however, the Assembly rejected the \$1.7 billion take from share of local gas tax, the Highway User Tax Account or (HUTA); \$986 million for 09-10 and \$750 million for 10-11.

## Transportation

- 1) \$561 million take from “spillover” (Transit funds). Original assumption was that \$636 million of “spillover” gasoline sales tax would be available. Updated spillover scoring indicates a loss of \$75 million from original assumption.
- 2) \$315 million take of PTA funds (Transit funds) that were earmarked for home to school transportation
- 3) \$135 million borrowing from the State Highway Account. State must repay within 3 years and transfers \$70 million from the Motor Vehicle Account to the General Fund
- 4) Suspends local airport grants for \$4 million in savings.
- 5) Provides full funding to the High Speed Rail Authority (\$139 million) from Prop 1A bonds.
- 6) No suspension of Prop 42.

## Legislative Bills

Below is an update on legislative bills.

- 1) **AB 729 (Evans)-Design Build for Transit. Support.** Status: Passed Senate Appropriations with a vote of 9-1. Currently on Senate Floor waiting action.
- 2) **SB 715 (Wolk)-Williamson Act Reform. Support.** Status: Passed Senate Floor with a vote of 34-3. In Assembly Agriculture Committee-2 year bill.
- 3) **SB 575 (Steinberg)-Local Planning. Support.** Housing Element. Status: Passed Assembly Local Government with a vote of 4-2. In Assembly Appropriations waiting hearing.
- 4) **SB 279 (Hancock)-Energy Efficiency Financing. Support.** Status: Passed Assembly Local Government with a vote of 5-2. Currently on Assembly Floor awaiting action.
- 5) **SB 205 (Hancock)-Local Transportation Funding. Watch.** Status: Passed Assembly Local Government with a vote of 5-2. In Assembly Appropriations waiting hearing.
- 6) **SB 406 (DeSaulnier)-Regional Planning Funding. Watch.** Status: Passed Assembly Transportation Committee with a vote of 8-6. In Assembly Appropriations Committee waiting hearing.