



State Transportation Financing: Long Term Needs

14th Annual CALCOG Regional
Issues Forum

Thursday, April 12, 2007

Monterey, CA

Link Long-Term Need to Current Environment

- Best estimates come from Senate Resolution 8 Report of 1999
- Recent updated CTC calculations basically doubles original findings
- But => All progress for transit investments now threatened by Governor's proposed 2007-08 State Budget

Original SR 8 Report

- May, 1999
- Based on survey, not “analytical” (nor independent)
- Goal to obtain immediate snapshot of transit service needs in California; respondents asked to address:
 - **Existing service needs**: defined as current unfunded operations projected over the next decade and unfunded capital projects needed to sustain service. List the amount (difference) needed to fully fund existing service.
 - **Enhanced service needs**: defined as unfunded operations and capital projects needed to provide existing service needs and identified unmet demand over the next 10 years. List only the amount (difference) needed to fully fund unmet demand.
 - **Expanded service needs**: assumes a 50% increase in ridership by 2010. What unfunded high priority operations and capital projects would be needed to provide congestion relief, economic support, environmental benefit or other benefit over the next 10 years. List only the amount (difference) needed over and above existing and enhanced services to fully fund expanded service.

Original Senate Resolution 8 Report: Needed Transit Investments

(10-year planning horizon; in million\$)

Capital

Rolling Stock

Rail	\$1.6
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Bus	0.8
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Rail Capital	7.5
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Bus Capital	0.9
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Operations

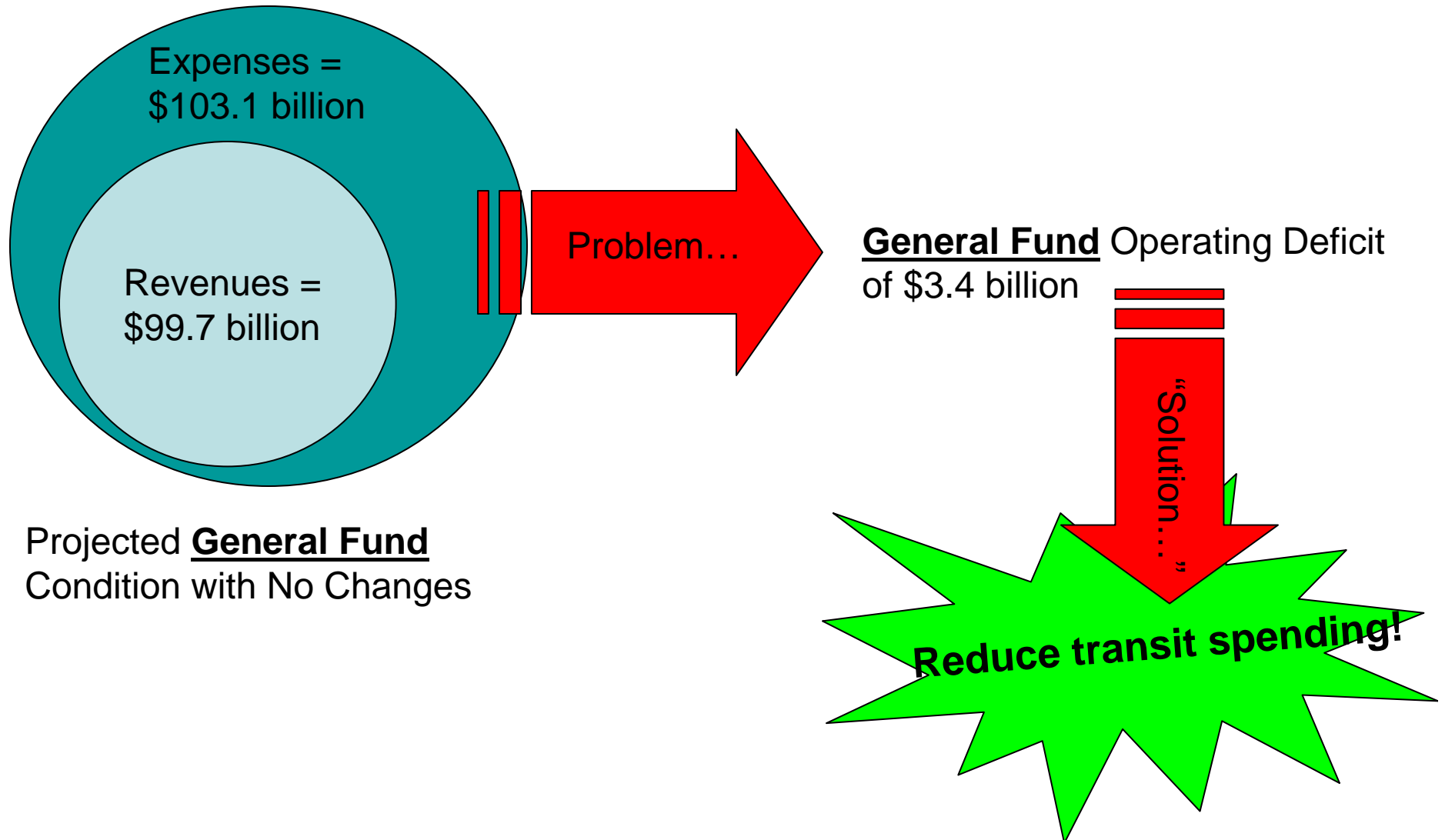
Rail Ops	0.5
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Bus Ops / ADA	3.5
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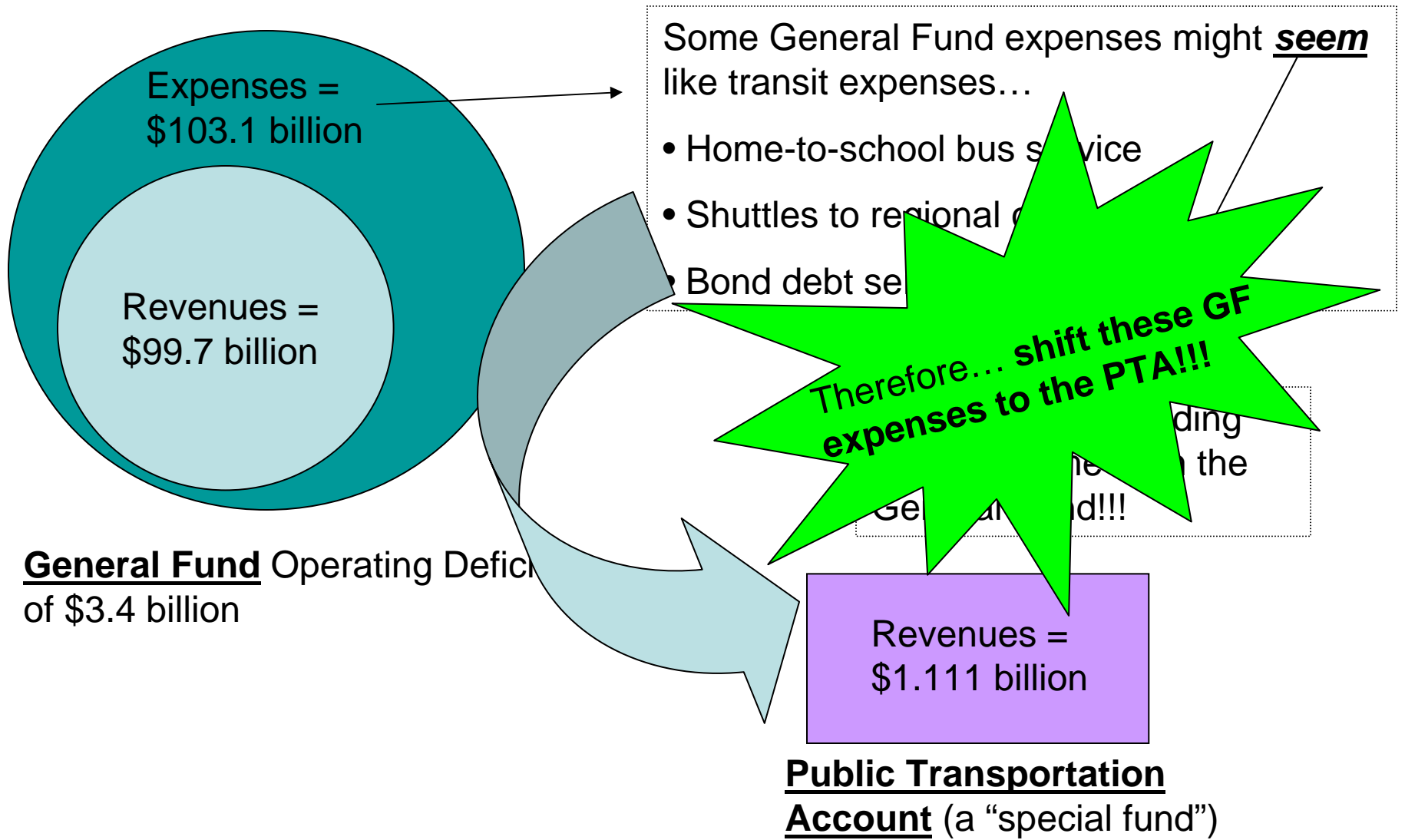
TOTAL =	\$14.8
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Governor's 2007-08 Budget and Public Transportation Funding

Governor's 2007-08 Budget



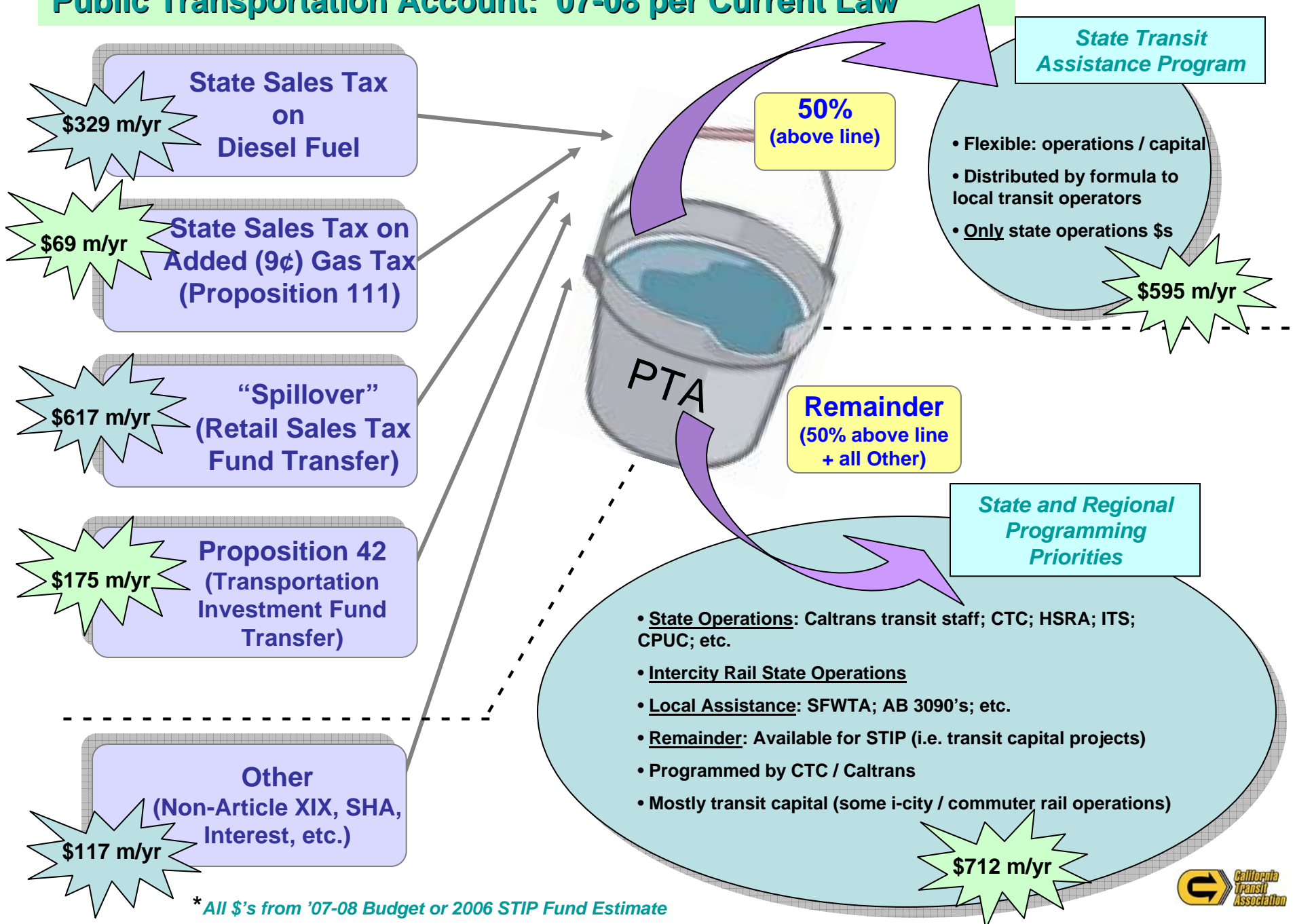
How Does Reducing Transit Spending “Help” the General Fund?!?!



Public Transportation Account

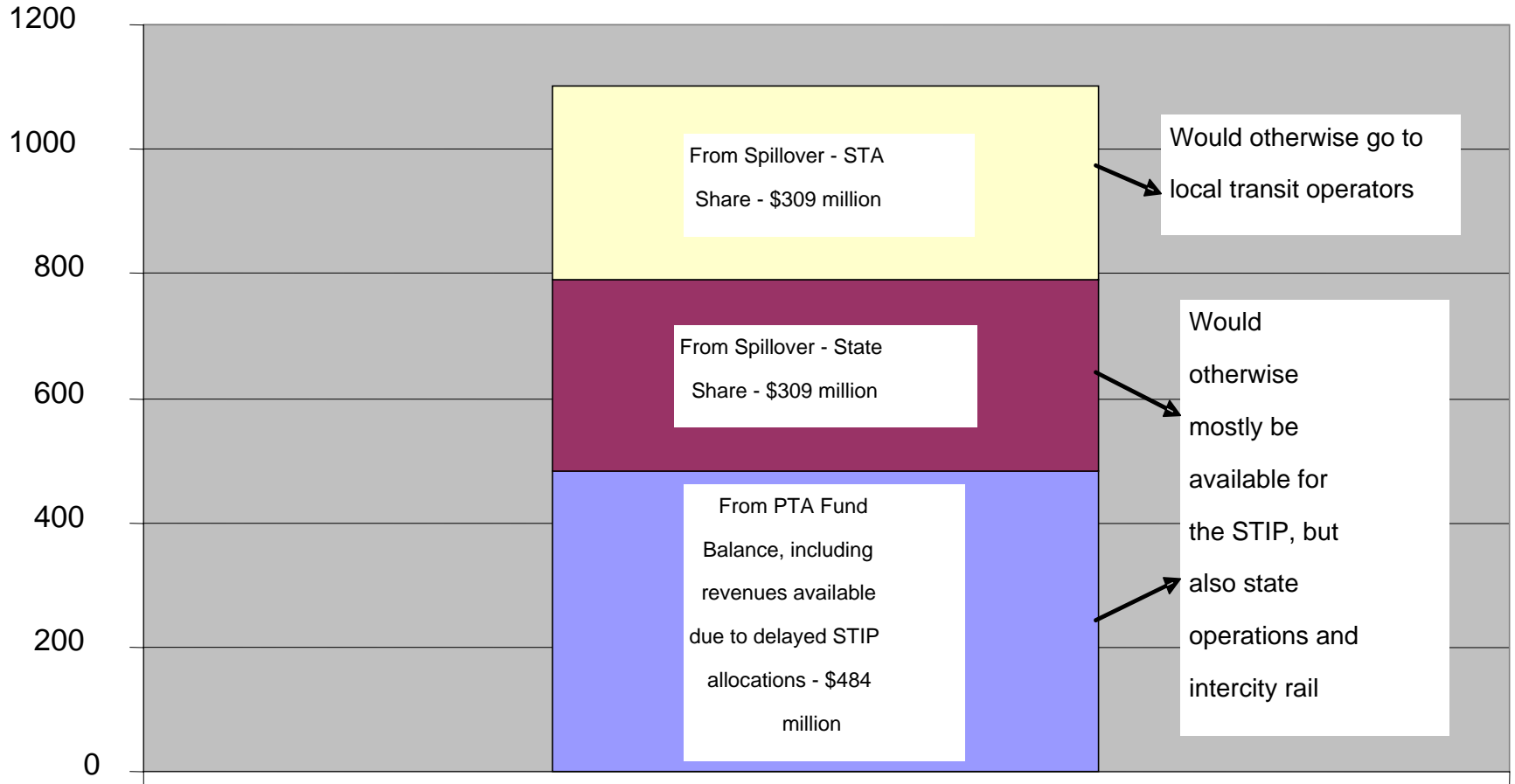
- Supports local operations and state and local capital investments
 - State Transit Assistance Program:
 - Formula-based
 - Flexible: operations or capital
 - State and Regional Programming Priorities:
 - Programming and budget based
 - Capital only (except for intercity rail)
 - After state costs, local projects through STIP
- **ONLY** source of state operations funding

Public Transportation Account: '07-08 per Current Law



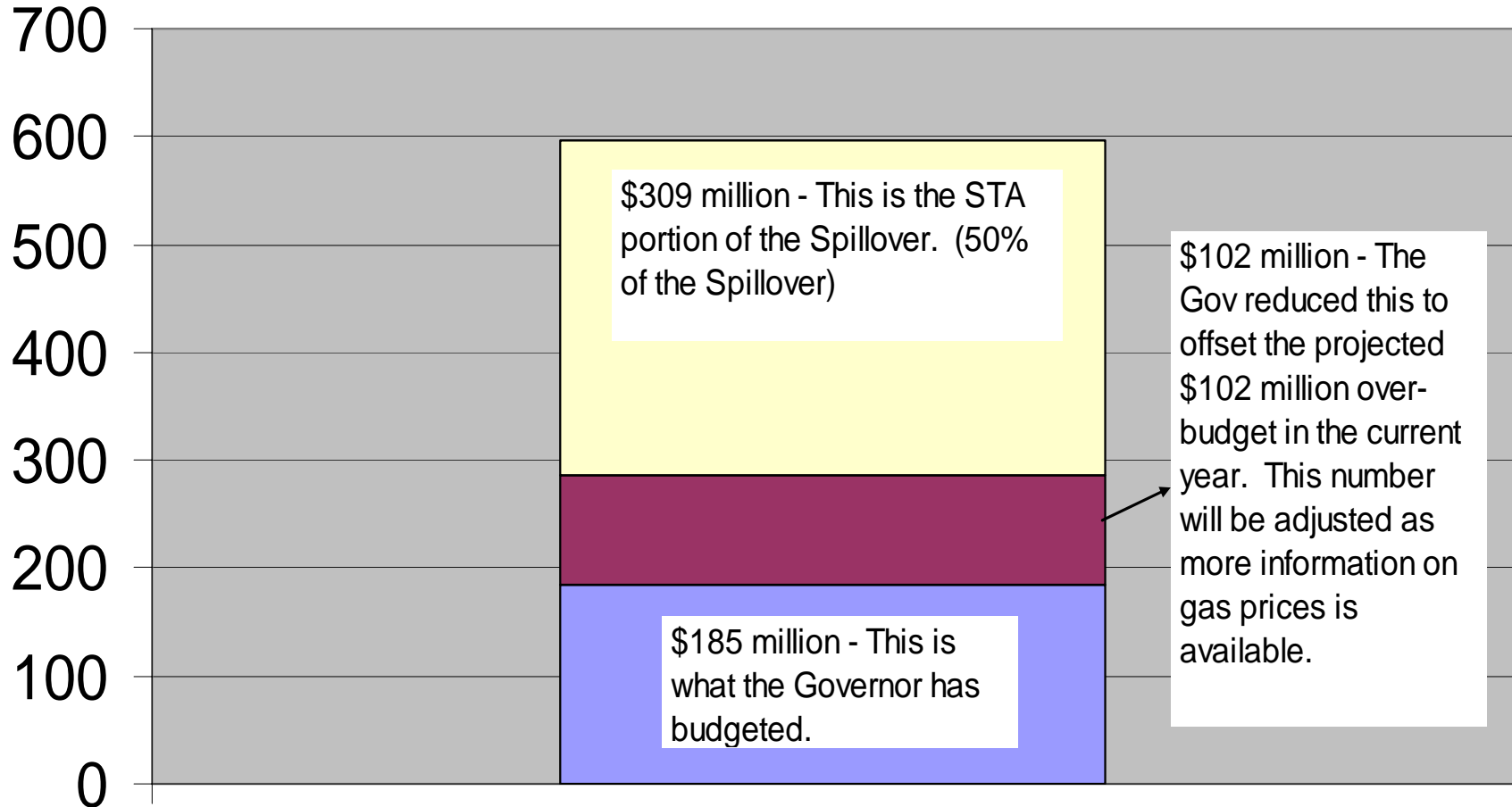
Where the \$1.1 billion PTA Comes From

(in millions)



Governor's STA Proposal

(in millions)



What's the Effect of Shifting Old GF Obligations to the PTA?

- Bond debt service = \$340 million
- Shuttles to regional centers = \$144 million
- Home-to-school transportation = \$627 million
- **TOTAL = \$1.111 billion**
- State Transit Assistance Program = (-\$411 million)
- Transit Capital Projects in STIP = (-\$700 million)
- **TOTAL CUT = \$1.111 billion!**
- Reduces PTA reserves to \$69 million!
- No new Proposition 1B transit investments!

California Transit Association's Policies

- Oppose proposed \$1.111 billion in new non-transit responsibilities for Public Transportation Account:
 - \$340 million in general obligation bond debt service
 - \$144 million in costs for shuttle programs serving developmentally disabled regional centers
 - \$627 million in costs for home-to-school transportation (proposed **permanent shift & ongoing new obligation of the PTA**)

Our Policies (continued)

- Oppose proposed permanent cut of \$617 million+/year in ongoing “spillover” funds from going to transit
- Oppose proposed \$411 million reduction in State Transit Assistance Program
 - STA should be \$596 million (i.e. per current law)
 - Governor proposes \$185 million

Our Policies (continued)

- Oppose proposed \$700 million reduction in Public Transportation Account capital funding
- Oppose proposed substitution of \$600 million in Proposition 1B transit capital funds for STA Program's operations funding cuts and PTA's capital funding cuts
- Support proposed full funding of Proposition 42 and loan repayment as required by Proposition 1A

Conclusions?

- Can be no meaningful dialogue about transit's long-term needs while more than \$1 billion being shifted out of the program
- Let's work together to stabilize and grow all transportation funding sources
- We will offer solutions on the “spillover” revenue source
- Want your feedback! Thanks!



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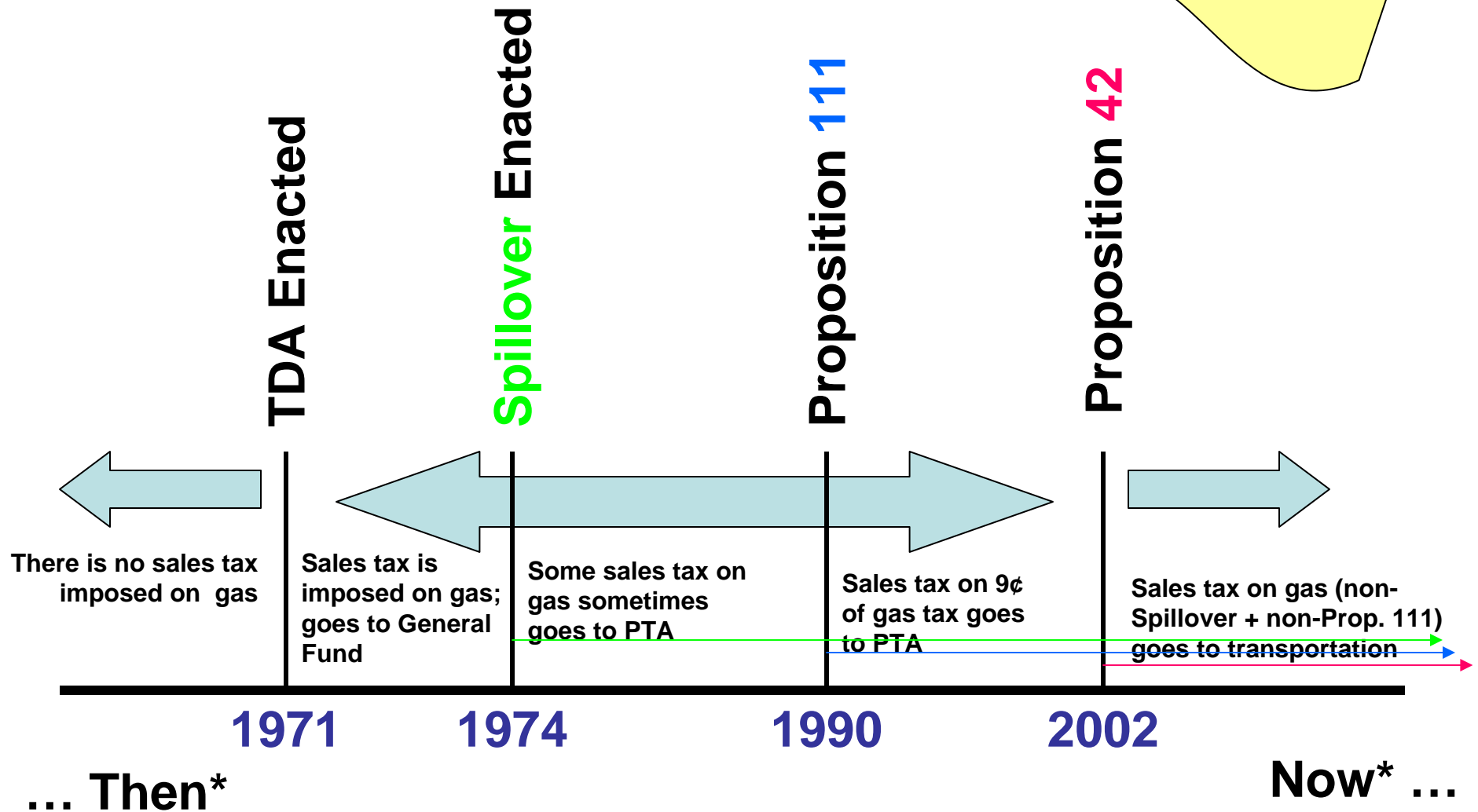
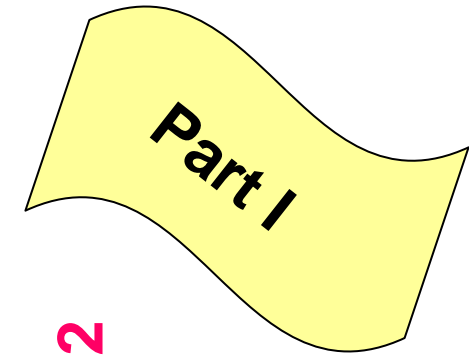
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“Spillover” & Transit: What’s At Risk?

- \$617 million+ /year in “*spillover*” transit funding!
- What’s “*spillover*” transit funding?
 - When the price of gasoline is high, state law is supposed to transfer a portion of the sales tax on gasoline into the Public Transportation Account
 - Helps motorists priced out of their cars
 - Helps transit agencies pay higher fuel prices
- These dedicated transit dollars could be used for:
 - Capital project funding in the STIP
 - Ongoing transit operations funding through the State Transit Assistance (STA) Program

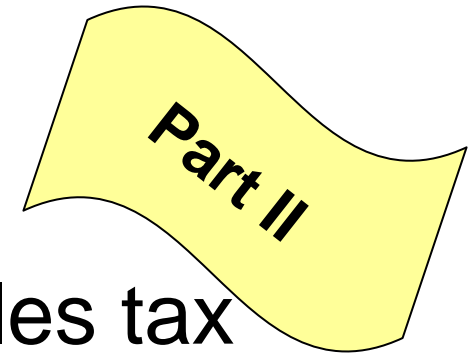
The Story of the Transportation Development Act! (Or, How We Got Our Little Buddy, "Spillover")



* Not to scale!

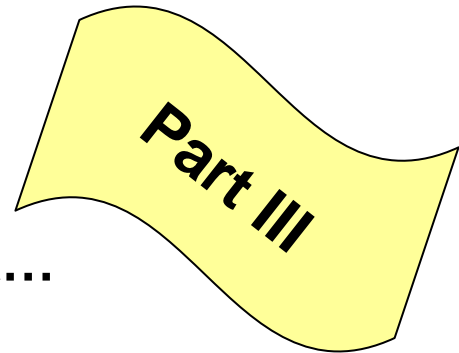


The Story of the Transportation Development Act!
(Or, How We Got Our Little Buddy, “Spillover”)



- TDA: Shifted 0.25% of State sales tax revenue to counties for transit purposes
 - Available for streets & roads in rural counties
- TDA: Also extended the State sales tax to gasoline; revenues go to General Fund
 - Paid for “hole” in General Fund
- However! Almost immediately, General Fund began to “make money” on the deal
 - Thus, spillover & the Public Transportation Account were established to fund more transit...

The Story of the Transportation Development Act! (Or, How We Got Our Little Buddy, "Spillover")



Supposed to work this way:

Before 1971



3.75% sales tax rate*

1971 on...

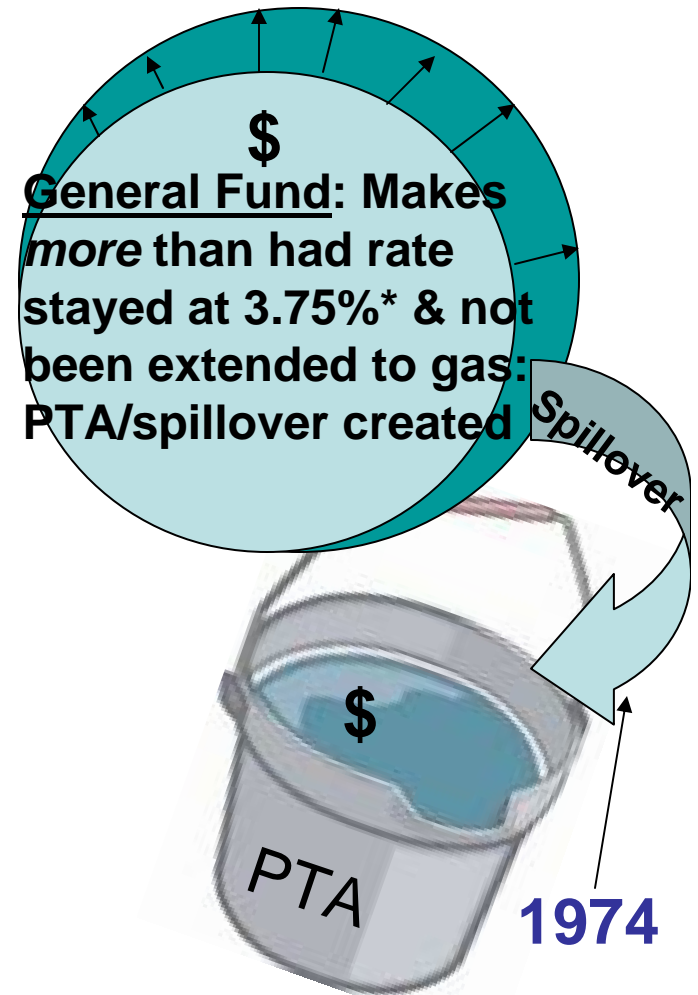


3.50% sales tax rate*

+

TDA: Sales tax on all goods plus gas at 0.25%

But...



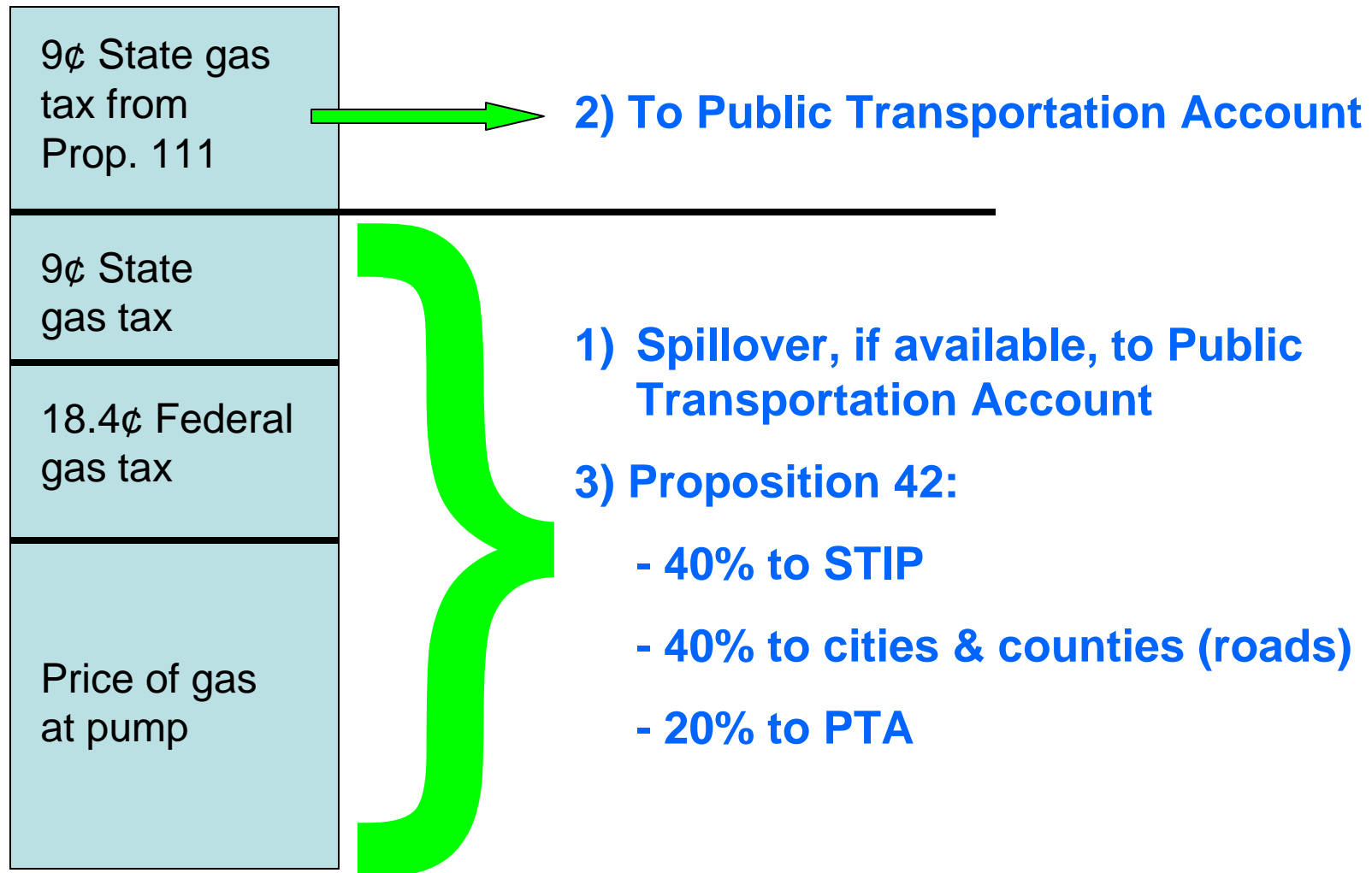
* *Spillover calculation now compares 4.75% on all goods vs. 5.00% on all except gas*

**The Story of the Transportation Development Act!
(Or, How We Got Our Little Buddy, “Spillover”)**



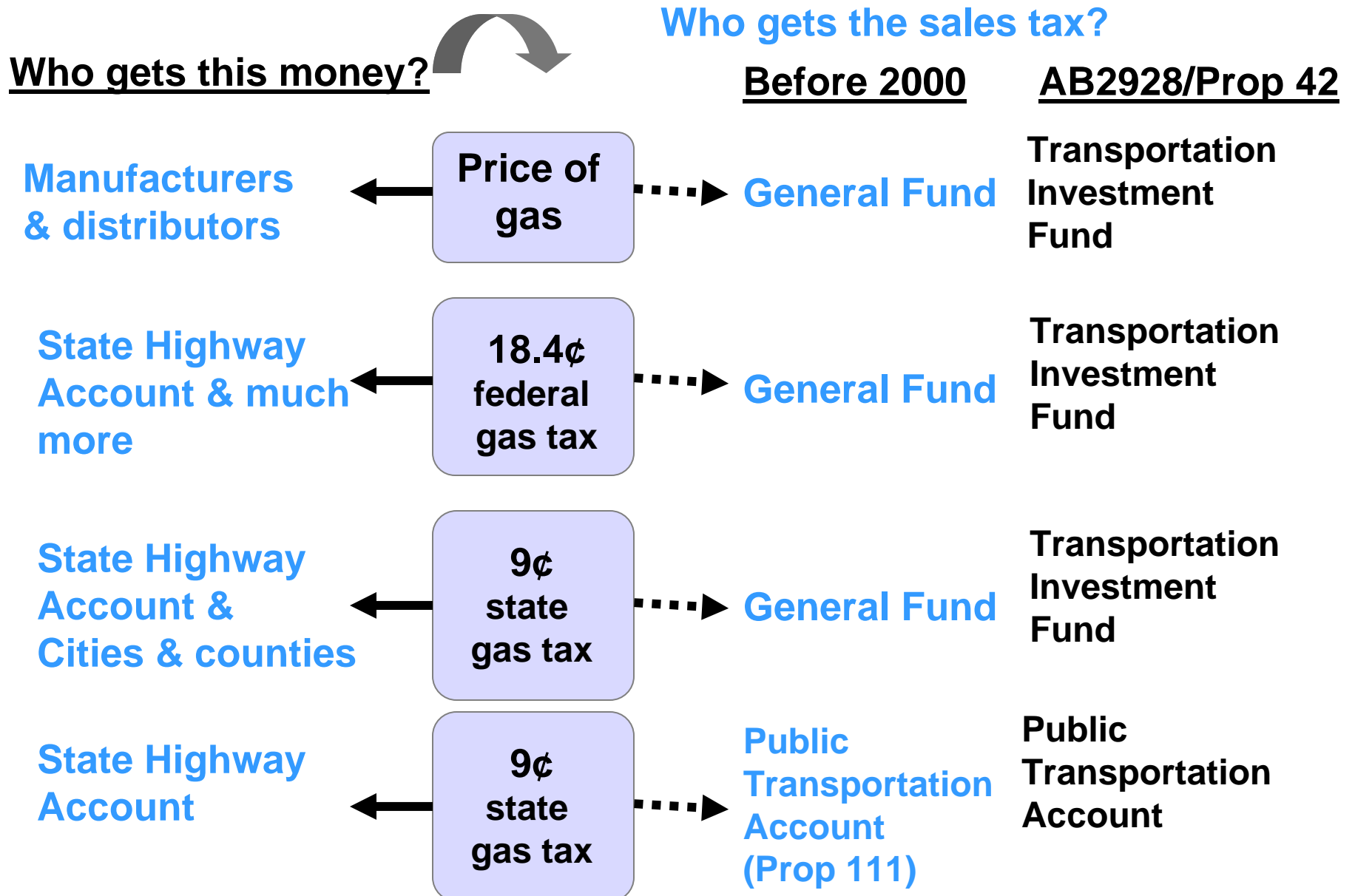
- Section 7102(a)(1), Revenue & Taxation Code:
the “Spillover”
 - Net revenue from 4.75% sales tax on gasoline in excess of 0.25% sales tax on all other goods
- Calculated and transferred from the Retail Sales Tax Fund to the Public Transportation Account before either:
 - The Prop. 42 revenues are calculated and transferred to the Transportation Investment Fund; or,
 - The Prop. 111 revenues are calculated and transferred to the Public Transportation Account

Sales Tax, Sales Tax, Everywhere Sales Tax!



Sales tax revenue from sale of gasoline

The Sales Tax on Gas



State Transit Assistance: What's It Do?

- Allocated directly to transit operators on a formula basis (population and local effort).
- Can be used for operations (i.e. to run buses or trains, purchase fuel) or for capital (i.e. to buy buses or trains).
- ONLY state source of transit operations funding.
- **Supposed to be \$596 million statewide** in 2007-08 (i.e. if Legislature does *NOT* enact Governor's Budget of \$185 million).