

**ASSEMBLY BUDGET SUBCOMMITTEE NO. 5
ON TRANSPORTATION AND
INFORMATION TECHNOLOGY**

Assemblymember Manny Diaz, Chair

FRIDAY, APRIL 30, 2004

**MTA Boardroom
One Gateway Plaza, Plaza Level
Los Angeles, CA 90012-2932**

9:30 A.M.

**OVERVIEW HEARING ON GOVERNOR'S PROPOSAL
TO SUSPEND PROPOSITION 42**

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| <u>OPENING COMMENTS</u> | 9:30 |
| <ul style="list-style-type: none">• ASSEMBLYMEMBER MANNY DIAZ, CHAIR• SUBCOMMITTEE MEMBERS• CITY COUNCIL MEMBER TONY CARDENAS | |
| <u>CITY OF LOS ANGELES</u> | 9:40 |
| <ul style="list-style-type: none">• BRIAN WILLIAMS, DEPUTY MAYOR | |
| <u>LAO</u> | 9:45 |
| <ul style="list-style-type: none">• JOEL RIPEHAGEN <ol style="list-style-type: none">1. LAO ANALYSIS OF ADMINISTRATION'S BUDGET PROPOSAL AND RECOMMENDATIONS TO THE LEGISLATURE | |
| <u>CALIFORNIA TRANSPORTATION COMMISSION</u> | 10:10 |
| <ul style="list-style-type: none">• BOB BALGENORTH, CHAIR <ol style="list-style-type: none">1. ACCOUNTING SYSTEM CHANGES (ACCRUAL TO CASH)2. PROPOSITION 42 PROPOSAL<ul style="list-style-type: none">▪ OVERVIEW OF 140 PLUS TCRP PROJECTS SLATED TO BE DELETE▪ CLOSE OUT COSTS AND COST TO KEEP PROJECTS ALIVE<ol style="list-style-type: none">1. NUMBER OF PROJECTS BEING FUNDED WITH GARVEY BONDS▪ LONG TERM IMPACTS | |

CALTRANS 10:35

- **BOB GARCIA (OR ALTERNATE)**
- 1. STAFFING ISSUES.
 - a) HOW WILL THE ADMINISTRATION'S BUDGET PROPOSAL IMPACT PROJECT DELIVERY
- 2. IDENTIFY HIGH PRIORITY STIP PROJECTS
- 3. MAINTENANCE OF HIGHWAY SYSTEM--LAO QUESTIONS
- 4. PROVIDE ADDITIONAL BACKGROUND ON ISSUES COVERED BY CTC

TRANSPORTATION CALIFORNIA 10:55

- **MARK WATTS (OR ALTERNATE)**
- 1. STATEWIDE IMPACT OF GOVERNOR'S BUDGET PROPOSAL

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS 11:10

- **JIM GOSNELL, DEPUTY EXECUTIVE DIRECTOR**
- 1. IMPACT OF ADMINISTRATION'S BUDGET PROPOSAL ON SOUTHERN CALIFORNIA

TRANSIT AGENCY PANEL 11:25

- **KURT EVANS, VALLEY TRANSPORTATION AUTHORITY**
- **MICHAEL TURNER, METROPOLITAN TRANSPORTATION AUTHORITY**
- **GREGORY T. WINTERBOTTOM, ORANGE COUNTY TRANSPORTATION AUTHORITY**
- 1. LOCAL IMPACT OF ADMINISTRATION'S BUDGET PROPOSAL
 - (a) IMPACT ON LOCAL FUNDING
 - (b) PROP 42 SUSPENSION

PUBLIC COMMENT 12:15

ADJOURNMENT 12:45

PROPOSITION 42

BACKGROUND:

Proposition 42 was passed by the voters in March 2002 and provides that all state sales tax revenue on gasoline be used for specific transportation purposes.

Proposition 42 revenues are divided as follows through 2007-08:

- \$678 million for the Traffic Congestion Relief Program (TCRP);
- 40 percent of the remaining balance for the State Transportation Improvement Program (STIP);
- 40 percent of the remaining balance for local streets and roads (20 percent for cities and 20 percent for counties); and
- 20 percent of the remaining balance for the Public Transportation Account (PTA).

Beginning in 2008-09, all Proposition 42 revenues will be divided according to the above formula, with no more funds going to the TCRP.

The funds provided for the TCRP are for 141 specific transportation projects throughout the state.

Proposition 42 can be suspended only if specifically requested by the Governor and with the passage of a stand-alone bill that receives a 2/3 vote in both houses of the Legislature.

Proposition 42 was partially suspended for the 2003-04 budget year, which resulted in \$289 million being provided for the TCRP (\$189 million) and to repay a loan to the State Highway Account (\$100 million).

GOVERNOR'S PROPOSAL:

Governor Schwarzenegger proposes a complete suspension of Proposition 42 and does not propose to repay the lost transportation funds at a future date (as was done with the current year partial suspension).

Under the Governor's proposal, the TCRP would lose \$678 million, the STIP would lose approximately \$200 million, local governments would lose approximately \$200 million, and the PTA would lose approximately \$100 million.

In addition, the Governor proposes to eliminate the entire TCRP. Under this proposal, the state would likely face significant closeout costs, local governments would lose commitments on letters of no prejudice, and TCRP projects would have to compete with other critical transportation projects for state funding through the STIP.

Since the release of the Governor's proposed budget, gas prices have been significantly higher than projected. If this is sustained, then Proposition 42 revenues will also be higher.

TCRP OPTIONS FOR 2004-05:

The California Transportation Commission has compiled the following options for the TCRP other than the Governor's proposal to eliminate all funding for the program.

Each of the following assumes the Legislature does not approve the Governor's mid-year proposal to transfer \$189 million for the TCRP to the General Fund in the current year.

Alternative A – Provide new funding to cover the projected costs for projects with an existing allocation for Phase 4 Construction or Procurement and terminate other projects as of June 30, 2004.

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Beyond |
|--|---------------|-----------------|-----------------|-----------------|--------------|
| Beginning Balance | \$566 M | \$74 M | | | |
| Cash-flow, existing allocations | \$492 M | | | | |
| Cash flow, existing construction allocations | | \$103 M | \$34 M | \$13 M | \$0 M |
| Contract termination costs, all other projects | | \$24 M | | | |
| Resources needed | \$74 M | (\$53 M) | (\$34 M) | (\$13 M) | \$0 M |

Alternative B - Provide new funding to cover the projected costs for projects with an existing allocation of TCRP funds.

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Beyond |
|---------------------------------|---------------|------------------|-----------------|-----------------|----------------|
| Beginning Balance | \$566 M | \$74 M | | | |
| Cash-flow, existing allocations | \$492 M | \$237 M | \$65 M | \$25 M | \$3 M |
| Resources needed | \$74 M | (\$163 M) | (\$65 M) | (\$25 M) | (\$3 M) |

Alternative C - Provide new funding to cover the projected costs for projects with an existing allocation of TCRP funds, and funding to reimburse agencies for eligible costs on projects completed under a currently approved AB 1335 Letter of No Prejudice (LONP).

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Beyond |
|---|---------------|------------------|------------------|-----------------|------------------|
| Beginning Balance | \$566 M | \$74 M | | | |
| Cash-flow, existing allocations | \$492 M | \$237 M | \$65 M | \$25 M | \$3 M |
| Repayment - AB 1335 Letters of No Prejudice | | \$6 M | \$113 M | \$0 M | \$150 M |
| Resources needed | \$74 M | (\$169 M) | (\$178 M) | (\$25 M) | (\$153 M) |

Alternative D - Provide new funding to cover the projected costs for projects with an existing allocation of TCR funds, funding to reimburse agencies for eligible costs on projects completed under a currently approved AB 1335 Letter of No Prejudice (LONP), and funding to resume making allocations for Phase 4 Construction or Procurement.

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Beyond |
|---|---------------|------------------|------------------|------------------|------------------|
| Beginning Balance | \$566 M | \$74 M | | | |
| Cash-flow, existing allocations | \$492 M | \$237 M | \$65 M | \$25 M | \$3 M |
| Repayment - AB 1335 Letters of No Prejudice | | \$6 M | \$113 M | \$0 M | \$150 M |
| Cash flow, 2004-05 Constr / Procurement Allocations | | \$132 M | \$329 M | \$287 M | \$347 M |
| Resources needed | \$74 M | (\$301 M) | (\$507 M) | (\$312 M) | (\$500 M) |

Alternative E - Provide funding to complete the TCRP.

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Beyond |
|--|----------------|------------------|------------------|------------------|--------------------|
| Beginning Balance | \$566 M | \$74 M | | | |
| Cash-flow, existing allocations | \$492 M | \$237 M | \$65 M | \$25 M | \$3 M |
| Repayment - AB 1335 Letters of No Prejudice | | \$6 M | \$113 M | \$0 M | \$150 M |
| Cash flow, 2004-05 Constr / Procurement Allocations | | \$132 M | \$329 M | \$287 M | \$347 M |
| Cash flow, 2004-05 non-Construction allocations and future year new allocations. | | \$197 M | \$254 M | \$554 M | \$1,046 M |
| Resources needed | \$74 M | (\$498 M) | (\$761 M) | (\$866 M) | (\$1,546 B) |