

AGENDA
SUBCOMMITTEE NO. 5
ON INFORMATION TECHNOLOGY and TRANSPORTATION

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THURSDAY, JANUARY 16, 2003
8 A.M. OR UPON ADJOURNMENT
ROOM 437

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MID-YEAR BUDGET ADJUSTMENTS: TRANSPORTATION

PROPOSAL #1: Shift TCRP to California Transportation Commission

The Governor proposes to shift responsibility for the Transportation Congestion Relief Program (TCRP) from Caltrans to the California Transportation Commission (CTC).

Additional proposals consistent with the shift result in \$1.6 billion in General Fund savings and \$140 million in State Highway Account (SHA) savings.

BACKGROUND:

The TCRP was established by legislation enacted in 2000 and made historic changes in transportation financing. The TCRP provided significant new funding for 142 specific congestion relief projects, the State Transportation Improvement Program (STIP), local streets and roads, and the Public Transportation Account. At the time, the plan was to provide a total of \$6.8 billion from the General Fund, including a \$1.5 billion appropriation and \$5.3 billion from the transfer of sales taxes on gasoline from 2001-02 through 2005-06.

As part of the budget agreement for the 2001-02 Budget Act, the transfer of General Fund sales tax revenue to the TRCF was suspended for two years. Local Governments, however, were to be made whole during the suspension with State Highway Account funds, the Governor now proposes to cut a portion of those funds, as discussed in Proposal 5, below.

In addition, the Legislature placed a proposed Constitutional Amendment on the ballot to permanently require the General Fund transfer beginning in 2003-04. The Constitution, however, allows for the transfer to be suspended under certain conditions, which the Governor believes now exists, as discussed under Proposal 2, below.

Over the 2001-02 and 2002-03 Budget Acts, the General Fund has also borrowed back approximately \$1.3 billion from the TCRF of funds that were not yet needed for expenditures. The Governor proposes that the first repayment of \$500 million, scheduled for 2003-04, be forgiven, and the status of future repayments will be considered as the Governor finalizes the 2003-04 budget proposal. This issue is discussed under Proposal 3, below.

During the strong economic times of the late 1990's, the Legislature and the Governor responded to the needs of all Californians in a bipartisan manner by enacting massive tax cuts, historic increases in education funding, critical investments in health access, and by creating of the TCRP to reduce traffic congestion throughout the state. But now due to the national recession and other factors, California is experiencing

perhaps the worst budget crisis in history – and all of the bipartisan actions of the late 1990's need to be reevaluated.

As part of this reality, the Governor has proposed that the TCRP be shifted from Caltrans to the CTC and to reevaluate specific projects as the CTC moves forward with the State Transportation Improvement Program (STIP).

PROPOSAL #2: Suspension of General Fund Transfer to TIF

The Governor proposes to suspend the transfer of General Fund revenues to the Transportation Investment Fund (TIF).

This proposal saves the General Fund \$1 billion for the 2003-04 budget year.

BACKGROUND:

In March 2002, the voters enacted a Constitutional Amendment to permanently transfer General Fund revenues from sales tax on gasoline to the TIF. Current estimates state the transfer for 2003-04 to be \$1 billion.

From 2003-04 through 2007-08 the revenues deposited in the TIF are to be used for specified traffic congestion relief projects, the STIP, local street and road maintenance, and the Public Transportation Account (PTA).

Beginning in 2008-09, the funds would be allocated only to the PTA (20 percent) STIP (40 percent), and local streets and roads (20 percent to cities and 20 percent to counties).

As passed by the voters, the General Fund transfer may be suspended, in whole or in part, when (1) the Governor declares the transfer will result in a negative impact on the range of General Fund responsibilities for the state (such as education, public safety, local government, children and elderly health care, and federal requirements), and (2) the Legislature enacts a stand-alone bill with 2/3 vote in each house.

On December 9, 2002, the Governor issued a Proclamation that the General Fund Transfer "...will result in a significant negative fiscal impact on the range of functions of government funded by the General Fund of the State of California."

In addition, the Legislature has received proposed Trailer Bill language to enact the suspension.

PROPOSAL #3: TCRF Loan Repayment Forgiveness

The Governor proposes to forgive the planned 2003-04 repayment of the TCRF loan to the General Fund.

This proposal saves the General Fund \$500 million.

BACKGROUND:

In order to meet the budget shortfalls of 2001-02 and 2002-03, the General Fund has borrowed approximately \$1.3 billion from the TCRF. The repayment of this loan was scheduled to begin in 2003-04 with a \$500 million payment and continue through 2005-06.

When the loans and repayment schedule was enacted, the intent was to have no negative impact on transportation projects. With the significant costs of projects not occurring during the 2001-02 and 2002-03 budget years, the funds could be loaned to General Fund and then paid back in time for project cost requirements.

However, with the budget shortfall that now exists, the Governor believes the General Fund resources are not available to make the 2003-04 repayment, and is considering changes to the remaining repayments as well.

Without repayment, transportation projects will be negatively impacted. This is why the Governor has proposed shifting projects funded with the TCRF to be shifted to the CTC for reevaluation in connection with the STIP process.

PROPOSAL #4: TCRF Transfer to the General Fund

The Governor proposes to return \$100 million from the TCRF to the General Fund.

This proposal saves the General Fund \$100 million.

BACKGROUND:

At the time the TCRP was created, \$2 billion in General Funds was deposited in the TCRF, this included a \$1.5 billion General Fund appropriation and a \$500 million General Fund transfer from sales tax on gasoline revenue.

Since that time, much of the General Fund amounts have been borrowed back by the General Fund or expended on projects. According to the Department of Finance, \$139 million of the General Fund remains in the TCRF, which would be reduced by \$100 million under this proposal.

PROPOSAL #5: TCRF Loan Repayment to SHA & Impact on Local Roads

The Governor proposes to defer the planned 2003-04 TCRF loan repayment of \$50 million to the State Highway Account (SHA). As a result of the impact of this deferral on the SHA, the Governor proposes to eliminate \$90 million from cities and counties for local street and road maintenance.

This proposal has no direct impact on the General Fund, but enables other aspects of the Governor's proposed mid-year budget adjustment for transportation.

BACKGROUND:

In order to resolve the budget shortfall, the 2002-03 Budget Act provided a \$1 billion loan from the TCRF to the General Fund. In order to keep this loan from negatively impacting transportation projects, \$474 million was loaned from the SHA to the TCRF.

As the budget crisis has worsened, the Governor proposes to not make the first repayment of \$500 million from the General Fund to the TCRF and to transfer additional TCRF funds back to the General Fund.

Therefore, under the Governor's proposal, TCRF funds are not available to make the scheduled \$50 million repayment in 2003-04.

In addition, when the General Fund transfer of sales tax on gasoline revenue to the TCRF was suspended for two years beginning in 2001-02, the Legislature used the SHA to backfill what would have been the loss to local governments for street and road maintenance.

However, with the proposed TCRF deferral of the repayment of the SHA loan, the Governor proposes a SHA savings of \$90 million by eliminating the second, third, and fourth quarter apportionments for 2002-03.

PROPOSAL #6: Other Proposals

The Governor proposes the following additional General Fund savings.

- Transfer of \$15 million from the State Highway Account to the General Fund for 2001-02 and 2002-0 Statewide Cost Allocation Plan (SWACP) recoveries.
- Transfer of \$5.2 million from the Aeronautics Account reserve to the General Fund. This leaves enough revenues to cover expenditures for both the current and budget years.
- Revert to the General Fund \$5 million originally appropriated for the Cal train-Coyote Valley Station project, which has been cancelled and \$58,000 from savings from the San Joaquin Regional Rail Commission.