



**\*\*\* ACTION REQUEST \*\*\***

## **TRANSPORTATION DOLLARS AT RISK AS PART OF STATE BUDGET PROCEEDINGS**

On January 10, Governor Brown released his 2011-12 State Budget proposal. The plan proposes deep cuts statewide (slashing spending by \$12.5 billion), and asks for a June special election to approve a five-year extension of several tax rates on sales, vehicles and income. The proposal would eliminate an 18-month General Fund deficit estimated at \$25.4 billion, comprised of a current year shortfall of \$8.2 billion and a budget year shortfall of \$17.2 billion. The governor proposes \$26.4 billion in actions to close the budget gap and produce a \$1 billion reserve.

Given the uncertainty with regard to transportation funding caused by last November's passage of Proposition 26, the Governor proposes to "reenact" the gas tax swap, with the new 2/3 vote threshold now required in the legislature by Proposition 26 to pass a tax increase. The governor's budget proposal references trailer bill language to achieve this goal, which includes reenactment of the gas tax increases for highways and streets and roads, as well as the sales tax on diesel fuel for public transit. Please [click here](#) to view a PowerPoint presentation which summarizes the budget and implications of Propositions 22 and 26 on public transportation, and the Association's position on these matters.

The reenactment of the gas tax swap is critical in order to maximize the level of funding available for the State Transit Assistance (STA) and intercity rail programs. As a result, Association Staff has been working with a broad coalition of transportation stakeholders, including the League of Cities, California State Association of Counties, California Alliance for Jobs, Self-help Counties Coalition, and Associated General Contractors, among others, on educating and advocating legislators on the need to reenact the swap and protect transportation funding.

The Governor's proposed budget solutions appear entirely consistent with our Association's policy recommendations. The Governor is attempting to resolve the budget by the first week of March. Therefore, **we urge our members to please take**

**positions in support of the Governor's budget and to communicate your support to your legislative delegations as soon as possible.** We will shortly provide sample letters to assist with your efforts. Please make calls in the meantime.

### **Budget Impact on Transit**

The Governor proposes an STA program of \$329 million dollars for FY 11-12. Please [click here](#) to view the State Controller's estimate of each jurisdiction's allotment based on the \$329 million allocation. This figure assumes that the gas tax swap will be reenacted and that a slight increase in the rate of the sales tax on diesel (6.5% to 6.62%) will be available and dedicated to the STA program, per the Governor's proposal. A portion of the PTA balance (\$23 million) is also being used to supplement the total for FY 11-12. The gas tax swap as approved last March increased the sales tax on diesel rate from 4.75% to 6.5%, lowered the excise tax on diesel to 13.6 cents, and utilized non-article XIX funds, in order to try and achieve a \$350 million program for FY 11-12. The sales tax on diesel rate will have to be temporarily adjusted further (FY 11-12 6.62%, FY 12-13 6.92%, FY 13-14 6.69%) in order free up non-article XIX funds and the PTA balance to create the capacity to provide revenue to other obligations of the Public Transportation Account (PTA), such as the intercity rail program or possible bond debt service.

### **LAO Recommends Elimination of State Funding for Public Transportation**

The Legislative Analyst's Office (LAO) recently released a document titled "The 2011-12 Budget: Achieving General Fund Relief from Transportation Funds" which proposes to eviscerate state funding for public transportation by eliminating the sales tax on diesel. Please [click here](#) to view the document. While the proposal does not appear to have any traction in the legislature, it is troubling that such a recommendation would even surface.

### **Budget Subcommittee Meetings**

On January 26, the Assembly Budget subcommittee #3 convened to discuss the transportation-related items, including the Governor's gas tax swap reenactment proposal and STA program, and the LAO's recommendation to eliminate state funding for public transportation. Association Executive Director Josh Shaw, along with several transportation and transit advocates, testified in support of the gas tax swap proposal and in opposition to the LAO recommendation. Please [click here](#) to view the membership of Assembly Budget subcommittee #3.

We are hoping for the same effort on February 8, when the Senate Budget subcommittee #2 will hold an informational hearing to discuss the transportation-related budget items, including the STA program and gas tax swap proposal. **While action**

**on those items is not expected, we encourage your agency's legislative advocates to supplement Executive Director Shaw's testimony in supporting the gas tax swap reenactment and denouncing the LAO's recommendation to eliminate state funding for public transportation.** Please [click here](#) to view the membership of Senate Budget subcommittee #2.

### **Transit Lobby Day**

Transit Lobby Day will be held on March 30th. This is our first chance this year to inform Sacramento policymakers about the impact of recent budget cuts and the need to restore transit funding per Governor Brown's proposal. Therefore, it is vital that all members of the Association participate in this year's annual event.

We will be making appointments with all 120 legislators, and representatives of Governor Brown. Please identify a broad-based team of transit supporters to bring from your agency and surrounding communities, in order to lobby these officials about the importance of public transit and supporting our efforts to protect transit revenues. Your team could possibly include some mix of your general manager, legislative affairs manager, governing board members, transit suppliers, activists from disabled and elderly groups, influential local business persons, environmental group representatives, and/or transit rider advocates.

**PLEASE DO NOT MAKE YOUR OWN APPOINTMENTS.** While we will strive to ensure each legislator will meet at least one transit representative from his/her district, the purpose of Transit Lobby Day is to provide legislators with a picture of the diverse transit systems and services across the state, not simply to match transit agencies with only their legislative delegations. We encourage you to meet with your delegation to discuss your local issues at other times throughout this year.

Please register by February 16th for this free event. [Click here](#) to register online.

The Citizen Hotel is offering guest rooms on March 29th at a discounted rate of \$159, plus 12 percent tax. Please contact the hotel at 916-492-4460 by March 16 and inform the reservations agent that you are with the California Transit Association. We will send you additional details about the schedule for Transit Lobby Day. Contact Amy J. Lai, CMP at 916-446-4656 x1017 or [amy@caltransit.org](mailto:amy@caltransit.org) with questions.

**Please contact Gus Khouri, Legislative Advocate, at 916-446-4656 or [gus@caltransit.org](mailto:gus@caltransit.org) if you have any questions about this Funding Update.**