

## Legislative Update for June 2007

The arduous and unpredictable reconciliation process on the state budget has begun. This is the next to final phase of the budget process, with the final phase consisting of cigar tent negotiations between the Governor and the four Legislative Leaders. The Conference Committee's job is to reconcile the differences between the Senate and Assembly budgets, and it is the Conference Committee's intent to complete this task in time for a vote on June 15, which is the largely ignored Constitutional deadline for adopting a budget. Since a majority of the items remain "open" as of June 13<sup>th</sup>, the Constitutional deadline will be ignored once again.

The members of the Conference Committee include Senators Denise Ducheny (D - San Diego), Dennis Hollingsworth (R - Murrieta), and Mike Machado (D - Linden), and Assembly members John Laird (D - Santa Cruz), Mark Leno (D - San Francisco), and Roger Niello (R - Sacramento). This year it is the Assembly's turn to lead with Assemblyman Laird being chairman of the Conference Committee.

It will take several passes through the 300 page agenda before the Conference Committee completes its work. Easy items will be knocked-out on the first pass. Each additional pass requiring more and more closed door negotiations, which has resulted in a very erratic schedule for the Conference Committee. The largest and most contentious item on the agenda is the Public Transportation Account, which will likely be the final item adopted. The following is an overview of the transportation items before the Conference Committee if you have any questions or need further details, please give me a call.

**PTA – The May Revise increased the raid on PTA funds from \$1.1 billion to \$1.3 billion.** The Senate and the Assembly adopted very different proposal with respect the PTA, but in general both houses rejected the Governor's proposal to divert the spill over funds to the general fund.

The Senate rejected the proposal to shift \$1.3 billion in PTA funds to pay for general fund obligations, such as \$832 million for Home-to-School transportation, \$340 million in transportation related bond debt, and \$129 million for transportation costs at regional centers.

The Assembly adopted a more complicated proposal that is aimed at eliminating the annual fight over spill over dollars. The Assembly also rejected the Governor's proposal, but the Assembly agreed to use \$469 million in PTA capital funds to pay for bond debt service and the transportation costs at regional centers.

In exchange for diverting the \$469 million, the Assembly's budget would impose a long term "fix" on how fuel sales tax dollars are allocated. Beginning with the 2008-09 fiscal year, the Assembly proposes to repeal the spill over calculation. This would increase the amount of funds that would flow via Prop 42 by nearly \$1 billion, from \$1.6 billion to \$2.56 billion. In order to lessen the impact that repealing the spill over would have on public transit, the proposal would then change the exiting 40-40-20 split of Prop 42 funds to 35% to STIP, 30% to local streets and roads, and 35% to PTA.

This proposal is not without some controversy. CSAC and the League of Cities have expressed concerns about lowering the streets and road share from 40% to 35%. They fear that future economic conditions may result in the streets and road receiving fewer dollars than what it currently receives with a 40% share.

Gas prices are forecast to remain at historic highs for several years to come. It could be argued that the only way local streets and roads would lose money under the Assembly's proposal is if fuel prices drop significantly. Regardless heated negotiations on this item are beginning to melt any optimism for a long term fix.

**State Transit Assistance STA:** Since both the Senate and Assembly rejected the Governor's proposal to divert the spill over from STA this item is currently not on the Conference Committee's agenda. Both the Senate and Assembly's action increase the STA allocation from \$206 million to \$619 million for 07-08. This does not include Prop 1B transit capital funds that would be allocated via the STA program.

**Supplanting Funds** – By rejecting the Governor's PTA proposal, both the Assembly and Senate removed from the budget the Governor's proposal to use Prop 1B transit capital funds to supplant PTA capital funds programmed in the STIP. The Senate and Assembly approved appropriating \$600 million transit capital bond funds and the Assembly approved a \$100 million appropriation of bond funds for transit security projects.

**Non-Article 19 Funds:** The Assembly and Senate adopted different proposals for the use of non-Article 19 funds, which are funds generated through leases, rents, and the sale of Caltrans owned property. The Assembly rejected the Governor's proposal to shift these funds from the capital side of the PTA account to the SHOP Program. The Senate agreed to transfer these funds from the PTA to SHOPP on a one time basis.

**High Speed Rail Authority (HSRA):** With more money in the PTA, both the Senate and the Assembly significantly increased the appropriation for the High Speed Rail Authority, but by different amounts. This item will be decided in by the Conference Committee. The Senate augmented to the HSRA's budget by \$40 million and the Assembly increased the Authority's budget by \$50 million. The Governor's budget proposed only \$1.2 million. The added funds are intended to allow the HSRA to continue work on environmental review, and other work critical to moving this project forward.

**Proposition 1B** – The May Revise requested an appropriation of \$11.5 billion in Prop 1B funds. This appropriation would be available for allocation over the next three years, and the request included \$3.4 billion in CMIA funds, \$1.8 billion in STIP augmentations, \$1 billion in Local Street and Road funds, \$599 million in State and Local Partnership funds, and \$1.3 billion in transit capital funds.

Both the Senate and the Assembly rejected this multi year \$11 billion appropriation, but approved a \$4 billion Prop 1B appropriation for the 2007-08 fiscal year. This appropriation includes funds for the CMIA, STIP, State and Local Partnership, local streets and roads, Trade Infrastructure and transit capital funds. The total appropriation amount may grow and the amount for each category may change based on budget negotiations and a review of the funding needs for the coming year.

There is a concerted effort being made by cities to appropriate the entire \$1 billion city share of the local streets and roads program. So far counties appear content with a \$500 million appropriation this year and the remainder in a year or two. The Senate has approved a \$400 million appropriation and the Assembly a \$600 million appropriation for the local streets and road funds for the 2007-08 fiscal year.

**Capital Outlay Support:** The May Revise proposed increasing staff support funding for 2007-08 by \$206 million and 527 personnel years. The Governor’s staffing proposal would be split with 85% of the funds for state staff and 15% would be used for contract staff. Both the Senate and Assembly eliminated the funding for the contract staff. The Senate redirected this \$50 million in savings to the SHOPP.

**Environmental Enhancement & Mitigation:** Both the Senate and Assembly reversed the Governor’s proposal and augmented the EEM program by \$10 million. The Governor’s January budget zeroed out funding for this program. The Senate also augmented the Bicycle Account Grant program by \$5 million, but this item is subject to Conference Committee action because the Assembly took no action on this item.

**Proposition 42:** Both the Senate and Assembly fully fund Prop 42 at \$1.48 billion in 2007-08. No changes are expected to this item.

## Legislation

The following is an update on several bills we have been following on behalf of CalACT. This includes only those bills that remain alive for this session. If you have any questions about these bills or the fate of bills not included in this list, please give me a call.

Bill	Topic	Status	Client-Position
<b>AB 57 (Soto)</b> A-06/01/2007	Highways: Safe Routes to School construction program.	06/06/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/06/2007-S RLS.)	CalACT-Watch
<b>NOTE:</b> This bill would delete the January 1, 2008, sunset for the Safe Routes to School program. This program provides a competitive grant program for bicycle and pedestrian projects that improve the safety and access to schools.			

<b>AB 118 (Nunez)</b> A-06/01/2007	Alternative fuels and vehicle technologies: funding programs.	06/06/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/06/2007-S RLS.)	CalACT-Watch
<p><b>NOTE:</b> AB 118 would enact the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007.</p> <p>In general, this bill would establish an ongoing funding source for research, development, and deployment of clean fuels and advanced vehicle technologies. The goal of this bill is to help assist in the diversification and transition of California's transportation fuels market to cleaner, less carbon intensive alternative fuels.</p>			
<b>AB 867 (Davis)</b> I-02/22/2007	Transportation analysis zones.	06/05/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/05/2007-S RLS.)	CalACT-Watch
<p><b>NOTE:</b> AB 867 would require transportation planning agencies to consider factors related to income and race in their regional plans.</p> <p>Specifically, this would require each metropolitan planning organization (MPO) and each regional transportation planning agency (RTPA) serving an area with a population greater than 300,000 to factor mobility of low-income and minority residents into its computer analysis of regional transportation analysis zones (TAZs) used to estimate travel behavior and traffic generation as part of the transportation demand model.</p>			
<b>AB 901 (Nunez)</b> A-06/01/2007	Transportation: Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.	06/07/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/07/2007-S RLS.)	CalACT-Watch
<p><b>NOTE:</b> AB 901 would establish a process for the allocation of \$3.6 billion in Prop 1B funds that are dedicated to public transit capital improvements.</p> <p>Recent amendments expand the definition of an eligible project to also include projects included a regional transportation plan; requires the CTC to include in its annual report a summary of activity on <u>all</u> Prop 1B funding programs, and the bill requires the appropriate policy committees in the Senate and Assembly to</p>			

annually hold joint hearings on the Prop 1B programs.

AB 901 would establish the following allocation process for the transit funds:

- ◆ Defines an eligible project to be a transit capital project that is consistent with the sponsoring agency's short range transit plan, or is consistent with the STIP, the Traffic Congestion Relief Program, or regional transportation plan.
- ◆ Require transit operators and regional agencies to submit to Caltrans by June 1, a list of projects that the sponsoring agency plans begin in a given fiscal year.
- ◆ Requires Caltrans to submit by September 30 of each year a list to Finance and the legislative budget committees of the projects requesting funds for the following fiscal year, and a list of each operator's share of the total available funds.
- ◆ Requires the CTC to include in its annual report a summary of the transit projects and a description of the mobility improvements the transit capital program is achieving.
- ◆ The Senate and Assembly transportation and budget committees are also required to hold an annual hearing on the Prop 1B programs and in particular the transit capital program.

<p><b>AB 945 (Carter)</b> A-04/26/2007</p>	<p>Transportation needs assessment.</p>	<p>06/06/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/06/2007-S RLS.)</p>	<p>CalACT-Watch</p>
<p><b>NOTE:</b> AB 945 would require the California Transportation Commission (CTC), in collaboration with the Department of Transportation (Caltrans), and regional transportation planning agencies, to assess statewide transportation needs and funding sources every five years beginning on July 1, 2008.</p> <p>The author is working with the CTA on drafting amendments that would add a review of public transit needs to this assessment.</p>			
<p><b>AB 1091 (Bass)</b> A-06/01/2007</p>	<p>Transit-Oriented Development Implementation Program.</p>	<p>06/07/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/07/2007-S RLS.)</p>	<p>CalACT-Watch</p>
<p><b>NOTE:</b> AB 1091 is the vehicle that would implement changes to the \$300 million Transit-Oriented Development Implementation</p>			

	<p>Fund established under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C).</p> <p>The Department of Housing &amp; Community Development is expected to release it proposed guidelines for this program in July. AB 1091 would be used to amend those guidelines if necessary.</p>		
<p><b>AB 1350 (Nunez)</b> A-06/01/2007</p>	<p>Transportation bond funds.</p>	<p>06/07/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/07/2007-S RLS.)</p>	<p>CalACT-Watch</p>
	<p><b>NOTE:</b> AB 1350 was significantly amended to establish a formula based allocation process for the transit security funds.</p> <p>As amended the bill would allocate 75% of the funds to transit operators in counties with a population greater that 250,000. Each operator in these counties would receive these funds in proportion to the operator's STA allocation. The remaining 25% would be allocated to the remaining operators based on the operator's proportionate share of STA funds.</p> <p>The bill defines an eligible project to include those that increase protection against a security threat, or the development of disaster response systems.</p> <p>In addition, the Office of emergency Services would administer this program and develop guidelines for the project selection process.</p>		
<p><b>AB 1358 (Leno)</b> A-04/23/2007</p>	<p>Planning: circulation element: transportation.</p>	<p>06/06/2007-In Senate. Read first time. To Com. on RLS. for assignment. (06/06/2007-S RLS.)</p>	<p>CalACT-Watch</p>
	<p><b>NOTE:</b> AB 1358 would enact the Complete Streets Act of 2007.</p> <p>The bill directs the Office of Planning and Research (OPR) to amend guidelines for the development of general plan circulation elements to include "routine accommodation of all users of the transportation system." The bill would also require the legislative body of a city or county, upon revision of the circulation element of its general plan, to modify the circulation element to identify how the jurisdiction will provide for the routine accommodation of all users of the transportation system.</p>		

<b>SB 45 (Perata)</b> A-06/04/2007	Transportation funds: transit system safety.	06/07/2007-In Assembly. Read first time. Held at Desk. (06/07/2007-A DESK)	CalACT-Watch
<p><b>NOTE:</b> SB 45 establishes a process for allocating \$1 billion dedicated to transit security improvements.</p> <p>In general, this bill creates one pot of funds that would be split 75/25, with 75% being made available by the Office of Homeland Security (OHS) to eligible transit operators for projects located in high-threat areas. High-threat areas would be based on a risk assessment of large transit systems conducted by the federal Office of Domestic Preparedness.</p> <p>The remaining 25% of the security funds would be allocated to all transit operators in California. The allocation formula would be based on the formula used in the State and Local Programs section of the Fiscal Year 2006 Department of Homeland Security federal appropriations bill (HR 2360). Additional details of this formula will follow.</p> <p>SB 45 was recently amended to remove a third program to provide grants to transit operators for preparing disaster response transportation systems.</p>			
<b>SB 70 (Florez)</b> A-05/17/2007	Biodiesel.	06/07/2007-To Com. on TRANS. (06/07/2007-A TRANS.)	CalACT-Watch
<p><b>NOTE:</b> SB 70 has been substantially amended to allow the use of biodiesel fuel blends greater than B20 by public agencies. Prior versions mandated the use of biodiesel.</p> <p>As amended the state or any public entity may use biodiesel blends greater than B20 is the following conditions are met:</p> <ul style="list-style-type: none"> <li>◆ The fuel is cost competitive and readily available</li> <li>◆ The State Air Resources Board finds at a public hearing that it does not increase air pollutants or toxic air contaminants.</li> <li>◆ The use of the fuel will not void any warranties on the engine or emission control equipment.</li> </ul>			
<b>SB 375 (Steinberg)</b>	Transportation planning:	06/07/2007-In	CalACT-Watch

A-06/04/2007	travel demand models: preferred growth scenarios: environmental review.	Assembly. Read first time. Held at Desk. (06/07/2007-A DESK)	
<p><b>NOTE:</b> SB 375 would require the California Transportation Commission (CTC) prepare and adopt by April 1, 2008, specific guidelines for the travel demand models used in the development of regional transportation plans by certain regional transportation planning agencies. In general, the bill has three separate provisions:</p> <ol style="list-style-type: none"> <li>1) It requires regional transportation planning agencies (RTPAs) to adopt preferred growth scenarios that reduce vehicle miles traveled per household;</li> <li>2) It requires the California Transportation Commission (CTC) to adopt guidelines for the use of travel demand models by RTPAs that meet specified standards; and</li> <li>3) It provides for various forms of CEQA relief in communities that conform their general plans to the preferred growth scenario.</li> </ol>			
<b>SB 445 (Torlakson)</b> A-06/04/2007	Road User Task Force.	06/06/2007-In Assembly. Read first time. Held at Desk. (06/06/2007-A DESK)	CalACT-Watch
<p><b>NOTE:</b> SB 445 was amended to include a member selected by the California Transit Association, and language was added that the CTC may consider a transit operator for one of its three appointees.</p> <p>This bill establishes a 14 member Road User Task Force for the purpose of studying alternatives to the current system of taxing road users through per-gallon fuel taxes and reporting its findings to the legislature by January 1, 2009.</p> <p>The task force would consist of members appointed by the following:</p> <ul style="list-style-type: none"> <li>◆ 2 members appointed by the Senate Committee on Rules</li> <li>◆ 2 members appointed by the Speaker of the Assembly</li> <li>◆ 2 members appointed by the Governor</li> <li>◆ 3 members appointed by the CTC. The CTC shall select members that represent highway users groups, including transit providers, and the transportation research community.</li> <li>◆ 1 member appointed by the California Transit Association</li> <li>◆ 1 member appointed by the League of Cities</li> </ul>			

	<ul style="list-style-type: none"> <li>◆ 1 member appointed by CSAC</li> <li>◆ 1 member from the California State Automobile Association</li> <li>◆ 1 members from the Automobile Club of Southern California</li> </ul>		
<b>SB 716 (Perata)</b> A-06/04/2007	Transit operators.	06/07/2007-In Assembly. Read first time. Held at Desk. (06/07/2007-A DESK)	CalACT-Watch
<p><b>NOTE:</b> SB 716 implements the allocation process for the \$3.6 billion dedicated to transit capital improvements. While these funds are divided amongst transit operators based on the State Transit Assistance formula, SB 45 creates an oversight process and places conditions on the allocation of these funds.</p> <p>SB 716 authorizes the CTC and the Controller to administer this program. However, the bill places restrictions on the CTC oversight of this program.</p> <p>Prior to seeking a disbursement of these funds a transit operators shall submit to the CTC a description of the project that addresses the following conditions:</p> <ul style="list-style-type: none"> <li>◆ The useful life of the project shall have a useful life greater than 2 years.</li> <li>◆ Estimated schedule for completion.</li> <li>◆ Total cost of the project, including identification all funding sources.</li> <li>◆ The funds must be encumbered within three years of the allocation.</li> </ul> <p>The CTC's review of each request is limited to determining if it is a capital project that meets the general obligation bond law requirements and it has a useful life of 10 years. The CTC shall also find that the project will become fully funded with the allocation.</p> <p>The CTC would then report on a quarterly basis to the Controller its actions. The Controller would then commence the allocation process. The Controller is also authorized if needed to audit the use of the funds.</p>			
<b>SB 717 (Perata)</b> A-05/10/2007	Transportation Investment Fund.	05/24/2007-To Com. on TRANS. (05/24/2007-A	CalACT-Watch

	(TRANS.)	
	<b>NOTE:</b> This bill would continuously authorizes the transfer of Prop 42 sales tax revenue to the Transportation Investment Fund (TIF) beginning in fiscal year 2008-09, and continues the distribution of the revenues according to the current formula. SB 717 is needed because the statute governing the allocation of these funds sunsets at the end of the 2007-08 fiscal year.	