



Memorandum

TO: BUILDING BETTER
TRANSPORTATION COMMITTEE

FROM: James R. Helmer
Betsy Shotwell

SUBJECT: LEGISLATIVE REPORT

DATE: 01-14-04

Approved

Date

RECOMMENDATION

Accept Legislative Report.

BACKGROUND

At its December 16, 2003 meeting, the City Council approved legislative priorities for 2004. During the upcoming legislative session, these guidelines will provide direction to City staff in making its legislative recommendations. The objective of this report is to provide information and insights on legislative activities at both the federal and state levels.

ANALYSIS

Federal Transportation Appropriations Legislation

Failing to complete work on the federal FY 2004 Omnibus Appropriations bill in December 2003, Congress adjourned until January 20, 2004. While the House had passed the conference report in early December, the bill was delayed in the Senate when several Democrats objected to moving the bill without debate.

The Omnibus Appropriations bill encompasses seven of 13 individual federal spending bills that Congress was not able to complete prior to the beginning of the new federal fiscal year on October 1, 2003. The seven uncompleted bills that comprise the FY 2004 Omnibus Appropriations bill are:

- Agriculture
- Commerce/Justice/State
- District of Columbia
- Foreign Operations
- Labor/Health and Human Services/Education

- Transportation/Treasury
- Veterans Administration/HUD

A procedural vote to end debate on the measure is scheduled for January 20, 2004 in the Senate. If this motion fails debate will continue until resolution regarding the concerns expressed by opponents can be addressed or the Senate leadership is able to garner enough votes to end debate and to move the bill forward for a vote. Until such a time, Congress will need to pass more Continuing Resolutions to fund the impacted agencies and programs whose funding is included in the Omnibus bill.

Local funding earmarks included in the FY 2004 Omnibus Appropriations bill:

- \$2 million for the BART to Silicon Valley Extension Project
- \$400,000 for the San José Office of Early Care and Education Services to enhance training in the Smart Start program
- \$125,000 for construction of a youth facility for the City of San José
- \$100,000 for the San José Police Department

FY 2004-05 State Budget

On January 9, 2004, Governor Arnold Schwarzenegger introduced the first budget of his new Administration. The document presents his proposed plan for addressing California's continuing budget problems. The budget proposes an approach that relies on substantial spending cuts; a large shift of property taxes from local governments; as well as additional borrowing, deferrals, and fund shifts. In total, the Governor's proposal provides \$2.1 billion to the General Fund from prior proposed and mid-year budget reductions.

In regards to Transportation, the Governor's proposed FY 2004-05 budget includes:

- \$800 million for new allocations from GARVEE (Grant Anticipation Revenue Vehicles) bond proceeds
- \$804.4 million for GARVEE bond debt service for the upcoming scheduled February issuance of GARVEE debt
 - The inaugural program includes the I-880/Coleman Avenue Interchange and the SR 87 North and SR 87 South projects
- A full suspension of the Proposition 42 transfer, a \$1.1 billion action
 - San José would not receive \$2 million in local street funding with a suspension of the program
- A repeal of the special statutory designation of Traffic Congestion Relief Program (TCRP) projects
 - Includes the BART to Silicon Valley Extension
- A transfer of approximately \$47 million of non-restricted State Highway Account funds to the General Fund instead of to the Public Transportation Account (PTA)
- Removing the \$9.9 billion bond measure from the November 2004 ballot that would if passed provide funding the California High Speed Rail program

FY 2003-04 Mid-year changes include:

- A transfer of \$189 million from the Traffic Congestion Relief Fund (TCRF) to the General Fund
- A transfer of approximately \$60 million in gas tax (non-restricted) SHA funds to the General Fund instead of the PTA
- Retaining in the General Fund \$30 million in additional gasoline sales tax revenue, “spillover” funds that would otherwise accrue to the PTA
- Shifting the funding of local transportation projects from an accrual basis to cash basis in order to realize, for one-time purposes only, roughly \$800 million in federal cash reimbursements.
 - \$406 million would be transferred to the General Fund for debt service of three transportation bond issues (seismic retrofit bonds and Proposition 116)
 - \$200 million would be loaned to the General Fund to be repaid in 2007
 - \$194 million would remain in the State Highway Account

According to the Metropolitan Transportation Commission (MTC), the proposed mid-year cuts would leave only \$296 million in the TCRF for the entire year, despite estimated reimbursement needs of \$495 million for projects that already received an allocation from the California Transportation Commission (CTC). According to information furnished to MTC by Caltrans, TCRP project sponsors have already spent an estimated \$273 million, and are expected to continue to seek reimbursements at roughly \$40 million per month.

The Governor’s submittal of his proposed budget to the Legislature is the first step in the state’s budget process. The Governor will present a revision of his budget in May (May Revise) based on updated revenue information from tax receipts submitted in April. The Assembly and Senate will generally review and debate budget legislation during the spring. The schedule for completion of the budget process is constitutionally mandated and requires the budget to be completed by June 15 each year and signed by the Governor prior to the start of the fiscal year on July 1.

JAMES R. HELMER
Director of Transportation

BETSY SHOTWELL
Director Intergovernmental Relations