



# Memorandum

**TO:** RULES COMMITTEE

**FROM:** James R. Helmer  
Betsy Shotwell

**SUBJECT:** SEE BELOW

**DATE:** 08-16-06

Approved

Date

8/17/06

**SUBJECT: PROPOSITION 1A – TRANSPORTATION FUNDING PROTECTION;  
PROPOSITION 1B – HIGHWAY SAFETY, TRAFFIC REDUCTION, AIR QUALITY,  
AND PORT SECURITY BOND ACT OF 2006**

## RECOMMENDATION

Approve recommendations of support for Proposition 1A – Transportation Funding Protection and Proposition 1B – Transportation Bond Act appearing on the November 2006 State ballot. A one-week turnaround to Council is requested, as there is no Council meeting on September 5. A complete copy of Propositions 1A-E on the November 2006 State ballot can be reviewed in the City Clerk's Office. The November ballot is also available on the Secretary of State's website at [www.ss.ca.gov](http://www.ss.ca.gov)

## OUTCOME

Approval by the City of San José demonstrates support for investing \$19.9 billion to provide statewide transportation benefits related to safety, mobility and infrastructure condition.

## BACKGROUND

The State of California has for several years experienced funding shortfalls in dealing with statewide infrastructure improvements. The limited funding has created impacts in transportation infrastructure, housing, disaster preparedness and flood prevention, and in public education facilities. In an effort to begin to address some of the infrastructure needs within California, a series of bond measures will be on the November 2006 ballot. This memo addresses Proposition 1A and Proposition 1B, two of the items that have been placed on the ballot as part of the infrastructure bond package.

- Proposition 1A if passed by a majority of the voters, will place tighter restrictions on the ability of the Governor and the Legislature to suspend Proposition 42 funds and to use them for non-transportation purposes. Proposition 42, approved in March 2002, dedicated the California portion of sales tax on gasoline and diesel fuel sales to transportation purposes.

- Proposition 1B is a \$19.9 billion bond that would provided funding for local streets and roads, highway corridors, public transportation, intercity rail, air quality, and other transportation infrastructure improvements.

Staff is recommending support of both Proposition 1A and Proposition 1B, based on adopted Council legislative priorities related to preserving and increasing funding for transportation purposes. This staff report also responds to a Council Referral from the recent Budget Hearings requesting information on potential benefits for San José from passage of the State Transportation Bond Measures.

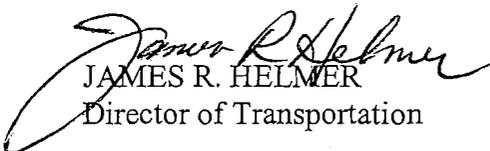
### ANALYSIS

Attachment A provides perspectives on the existing transportation funding issues and the benefits of the potential passage of Proposition 1A and Proposition 1B. In summary, these benefits include:

- Preservation of funding to City of San José for local street pavement maintenance in the amount of \$8 million annually.
- Preservation of funding to Santa Clara Valley Transportation Authority (VTA) for discretionary transportation projects in the amount of \$15 million annually.
- New funding to City of San José for local street improvements, including pavement maintenance, in the amount of \$30 million.
- New funding to VTA for discretionary transportation projects in the amount of \$63 million.
- Potential new funding to VTA in the order of \$500 million based on a statewide competitive process that could fund projects such as BART to Silicon Valley, Bus System Enhancements, Blossom Hill/Monterey Pedestrian Railroad Crossing, Route 101/Trimble Interchange Upgrade, and Route 101/Tully/Capital/Yerba Buena Corridor Upgrade.

### COORDINATION

This item was coordinated with the City Attorney's Office and the City's Legislative Representative in Sacramento.

  
JAMES R. HELMER  
Director of Transportation

  
BETSY SHOTWELL  
Director, Intergovernmental Relations

For questions please contact Kelly Doyle, Associate Transportation Specialist at (408) 975-3240.

Attachments

**PROPOSITION 1A – TRANSPORTATION FUNDING PROTECTION****PROPOSITION 1B – HIGHWAY SAFETY, TRAFFIC REDUCTION, AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006**

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*What issues are these propositions trying to address?*

The Propositions are intended to address ongoing transportation funding shortfalls by preserving existing transportation funding sources and developing new funding sources.

Funding for transportation infrastructure improvements remains scarce and finding adequate funding sources to meet the increasing needs continues to remain a challenge. In 1999, the California Transportation Commission (CTC), in cooperation with the California Department of Transportation (Caltrans) and regional transportation planning agencies from throughout the state, produced a 10-year needs assessment of California's transportation network. The assessment identified unfunded rehabilitation needs for the state highway system, local streets and roads, and public transit. The assessment suggested that California's unfunded transportation needs through 2009 would exceed \$100 billion.

The City's Department of Transportation staff has regularly provided Council with information regarding the status of transportation funding needs within the City. Recently, staff reported to the Building Better Transportation (BBT) Committee the magnitude of the funding shortfall associated with improving, operating, and maintaining the transportation system. Projected annual operating and maintenance shortfalls for San José range between \$18 million and \$25 million, depending upon the level of federal and state funding over the next five years. The one-time cost for major rehabilitation and capital improvements is estimated at \$370 million.

In March 2002, approximately 69 percent of California's voters approved Proposition 42, which dedicated the California portion of sales tax on gasoline and diesel fuel sales to transportation purposes. Included in Proposition 42 language was the ability for the California State Legislature and the Governor to suspend Proposition 42 allowing the funds to remain in the State's General Fund in times of an economic emergency. Between 2003 and 2005, Proposition 42 was suspended increasing the transportation-funding shortfall in California.

*How would these propositions seek to resolve the issues?*

Proposition 1A – Transportation Funding Protection

If passed, Proposition 1A would amend the State constitution to further limit the conditions under which the Proposition 42 transfer of gasoline sales tax revenues for transportation uses can be suspended. The measure requires:

- Proposition 42 suspensions to be treated as loans to the General Fund that must be repaid in full, including interest, within three years of suspension;
- Allows suspension to occur twice in ten consecutive fiscal years; and,
- The repayment of a past suspension, excluding those made prior to 2007-08, to be repaid in full prior to the Legislature and Governor approving a new suspension of funds.

Proposition 1B – Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006

If approved, by a majority of California voters, the state would be authorized to sell \$19.9 billion in general obligation bonds to fund transportation projects to relieve congestion, improve the movement of goods, improve air quality, and enhance the safety and security of the statewide transportation system. In addition, if the measure is passed, it will set forward the process to begin the development of criteria, guidelines and performance measures that will be used to allocate the dollars associated with this critical funding tool.

Proposition 1B funds a broad range of categories for transportation infrastructure. Bond funding for all programs would be provided over 10 years, subject to annual appropriation by the Legislature. Annual funding for three new programs Corridor Mobility, Trade Corridors and State Route 99 is tied to the annual budget bill and would therefore require approval by two-thirds of lawmakers, while annual funding for the other categories would require a simple majority approval by the Legislature. A description of the various transportation programs and funding levels is provided in Attachment B.

If Proposition 1B passes, the adoption and approval of criteria and guidelines as well as the adoption of projects will need to take place in a short space of time in order to meet the timeframes outlined in SB 1266 (Perata), the legislative vehicle for the bond. In order to promote the City's priorities, staff will work with VTA and MTC to meet the January 16, 2006 deadline for Caltrans and Regional Planning Agencies, to submit project requests to the CTC. In response to these deadlines, MTC has put together a committee that will develop the Bay Area's funding priorities. The City's Director of DOT, as well as staff from VTA have been appointed to this regional committee. The deadline for the CTC to adopt the initial program of projects is March 1, 2007.

***How would the passage of these propositions affect San Jose and our region?***

The passage of Proposition 1A assures that San José and VTA regularly receive State Proposition 42 transportation funds as previously approved by State voters. The estimated funding share to San José for pavement maintenance is approximately \$8 million annually. The VTA share for discretionary Countywide transit and highway priorities is approximately \$15 million annually.

The passage of Proposition 1B will provide new funding for transportation needs statewide over a ten-year period. The City of San José would receive a “guaranteed” amount of \$30 million for local street improvements, including pavement maintenance. The VTA would have opportunities to compete for regional transportation funds based on project benefits and readiness. The VTA would receive a “minimum guaranteed” amount of \$63 million and would likely be able to compete for funding amounts in the order of \$500 million. Potential regional projects in San José that are good candidates for funding are: BART to Silicon Valley, Bus System Enhancements, Blossom Hill/Monterey Pedestrian Railroad Crossing, Route 101/Trimble Interchange Upgrade, and Route 101/Tully/Capital/Yerba Buena Corridor Upgrade.

***Staff's recommended position:***

City staff recommends support for Proposition 1A and Proposition 1B. Legislative priorities approved by the City Council, in early 2006, include supporting legislation that preserves and protects Proposition 42 as well as measures that generate transportation funding through innovative funding mechanisms.

***Who are the propositions' supporters and opponents?*****Supporters (Partial List)**

California Transportation Commission  
California Chamber of Commerce  
California Teacher's Association  
League of California Cities  
Metropolitan Transportation Commission  
Western Growers

**Opposition**

No known organized opposition

**State Proposition 1B – Transportation Bond Act  
Funding Levels and Categories**

<b>Proposition 1B Uses of Bond Funds</b>	
	<b>Amounts (In Millions)</b>
<b>Congestion Reduction, Highway and Local Road Improvements</b>	<b>\$11,250</b>
Reduce congestion on state highways and major access routes	\$4,500
Increase highways, roads, and transit capacity	2,000
Improve local roads	2,000
Enhance State Route 99 capacity, safety, and operations	1,000
Provide grants for locally funded transportation projects	1,000
Rehabilitate and improve operation of state highways and local roads	750
<b>Public Transportation</b>	<b>\$4,000</b>
Improve local rail and transit services, including purchasing vehicles and right of way	\$3,600
Improve intercity rail, including purchasing railcars and locomotives	400
<b>Goods Movement and Air Quality</b>	<b>\$3,200</b>
Improve movement of goods on state highways and rail system, and in ports	\$2,000
Reduce emissions from goods movement activities	1,000
Retrofit and replace school buses	200
<b>Safety and Security</b>	<b>\$1,475</b>
Improve security and facilitate disaster response of transit systems	\$1,000
Provide grants to improve railroad crossing safety	250
Provide grants to seismically retrofit local bridges and overpasses	125
Provide grants to improve security and disaster planning in publicly owned ports, harbors, and ferry facilities	100
<b>Total</b>	<b>\$19,925</b>