An Overview:
2006-07 Governor's Budget
Funding for Transportation Programs

L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented To:

Senate Budget and Fiscal Review
   Subcommittee No. 4

Hon. Mike Machado, Chair

Funding Outlook Has Significantly Improved in Past Year

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☑ Actions since February 2005:

- 2005-06 budget provided full amount of Proposition 42 money to transportation ($1.3 billion).

- Bay Bridge funding settled with passage of Chapter 71, Statutes of 2005 (AB 144, Hancock).

- Federal transportation funding act reauthorized to provide funding through 2009.

☑ Together, these actions have increased the total funding level for state transportation programs and significantly reduced the uncertainties regarding future funding.

☑ However, some uncertainty remains.

- It is unclear when the Traffic Congestion Relief Fund (TCRF) will receive $1.2 billion in tribal gaming revenues.

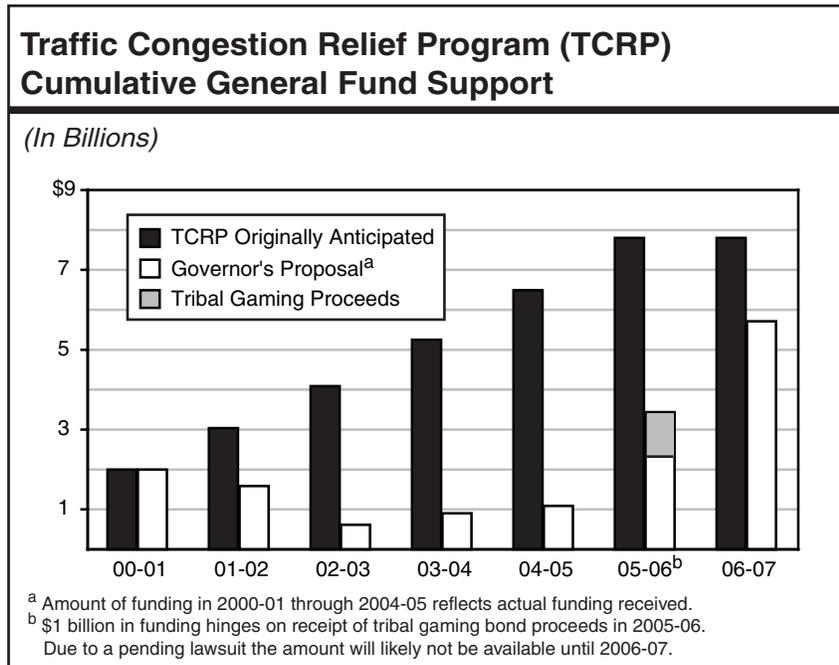- The annual transfer of Proposition 42 funds to transportation is not guaranteed.

2006-07 Proposals for Transportation Funding

☑ The *2006-07 Governor's Budget* proposes the following:

■ Transfer to transportation the full amount required by Proposition 42. For the budget year, this amount is projected to be $1.4 billion.

■ Repay early a portion—$920 million (including principal and interest)—of a loan due in 2007-08 from the General Fund.

■ No "spillover" for the Public Transportation Account as required by existing law.

☑ The Governor's budget assumes $1 billion in tribal gaming bond revenues will be available in the current year for transportation.

■ If this revenue is not received by the end of 2006-07, current law requires $465 million in TCRF revenues to be transferred to the State Highway Account (SHA) to repay a past loan. Administration is proposing trailer legislation to make repayment of SHA loan contingent upon receipt of tribal gaming revenue.

Governor's Proposals Boost Short-Term Funding

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Traffic Congestion Relief Program (TCRP) Cumulative General Fund Support

(In Billions)

a Amount of funding in 2000-01 through 2004-05 reflects actual funding received.
b $1 billion in funding hinges on receipt of tribal gaming bond proceeds in 2005-06. Due to a pending lawsuit the amount will likely not be available until 2006-07.
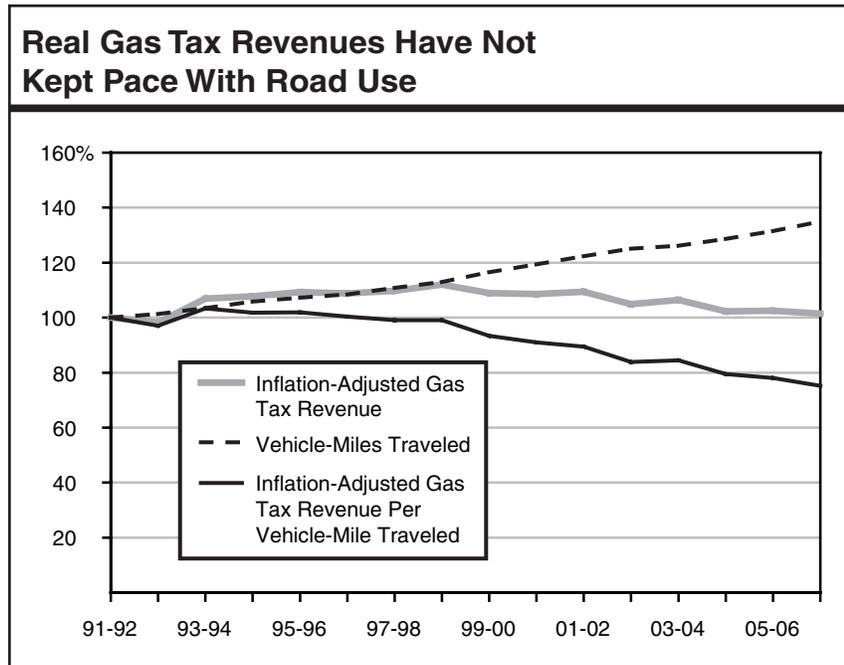
☑ If all of the transportation funding proposed for 2006-07 materializes, it would enable many transportation projects to proceed and begin to "catch up" on prior-year delays.

☑ Specifically, full Proposition 42 funding and the $920 million early repayment in 2006-07 would provide:

- $1,088 million for the 141 projects in the Traffic Congestion Relief Program.

- $837 million for the State Transportation Improvement Program.

- $146 million for the Public Transportation Account.

- $255 million for local streets and roads.

Transportation Funding Has Not Kept Pace With Demand

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Real Gas Tax Revenues Have Not Kept Pace With Road Use

Legend:
- Inflation-Adjusted Gas Tax Revenue
- Vehicle-Miles Traveled
- Inflation-Adjusted Gas Tax Revenue Per Vehicle-Mile Traveled

X-axis: 91-92, 93-94, 95-96, 97-98, 99-00, 01-02, 03-04, 05-06
Y-axis: 20 to 160%

☑ Proposition 42 aside, revenues from the state's gas tax and weight fees are the primary source of funding for transportation.

☑ However, these revenues (in constant dollar terms) have not kept pace with increasing travel over the past 15 years.

☑ Meanwhile, demand for new transportation facilities remains high. In 1999, the California Transportation Commission identified over $100 million in unfunded transportation needs.

☑ Annual redirections of transportation funding to other uses combined with the declining value of the gas excise tax suggest that the state still faces large, unfunded transportation demands.

Recommendations

☑ ***Assess the State's Transportation Needs.*** The state does not currently have an up-to-date assessment of its transportation needs. Therefore, we recommend that the Legislature direct the California Transportation Commission, working with Caltrans and the regional agencies, to:

- Estimate the amount of funding needed to complete currently programmed projects in the state's transportation programs and federally earmarked projects that are high in statewide priority.

- Provide an updated assessment of what the state's needs are beyond those projects that have already been programmed.

☑ ***Provide Ongoing Funding for Transportation.*** To provide the state with the greatest fiscal flexibility, while providing transportation with a reliable source of funding, we continue to recommend that Proposition 42 be repealed and that the state gas tax be increased correspondingly and indexed to inflation.