

March 28, 2007

Public Transit Informational Hearing

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Budget Subcommittee No. 5 on Transportation

Hon. Mike Feuer, Chair





Public Transit in California



Modes

- Bus.
- Rail: including commuter rail, such as BART, Caltrain, and Southern California Metrolink, and urban/light rail, such as San Francisco MUNI, LACMTA Metro, San Diego Trolley, and Sacramento RT.
- Other modes including ferries and “demand response” transit such as paratransit service.



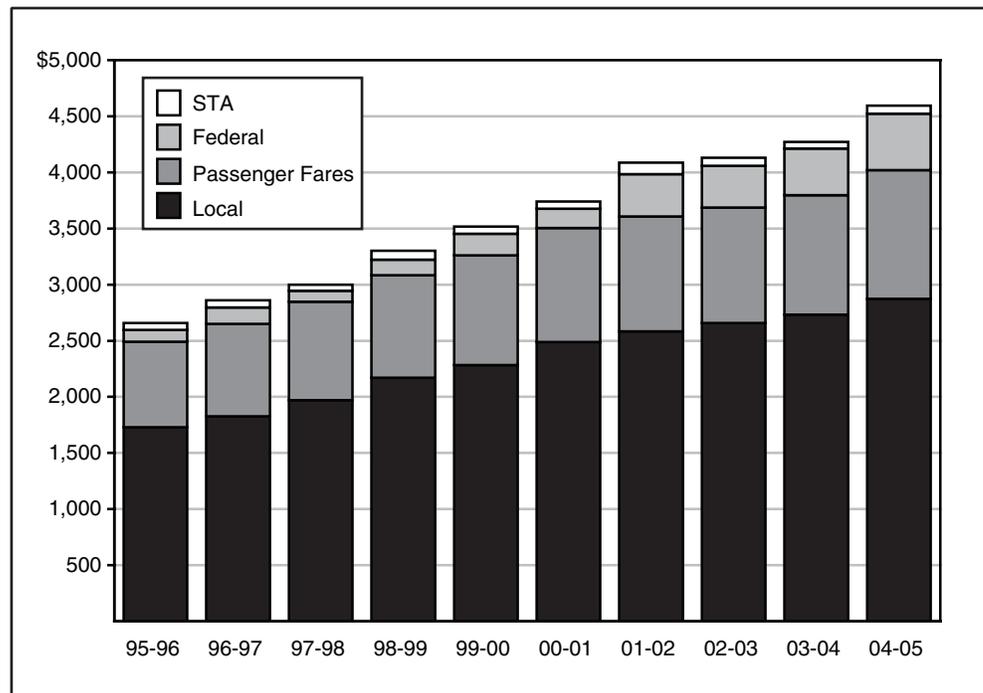
Usage

- Total of 1.3 billion passengers served in 2004-05 (latest year with available data). Almost 70 percent of these passengers were served by bus, 28 percent by rail, and the remainder (2 percent) by other modes.
- Compared to 2000-01, total transit trips statewide have remained relatively the same.
- In 2004-05, about 366 million trips were made by train while 923 million trips were made by bus. This combination is similar to the mix of trips made by the modes in 2000-01.



Funding of Public Transit—Operations

In Millions



Local funds are the primary source—totaling \$2.9 billion (or 63 percent) of transit operating revenues statewide in 2004-05.

- For the ten-year period from 1995-96 through 2004-05, local funds made up an average of 65 percent of total transit operating revenues annually.
- Most of the local funds come from the one-quarter cent statewide sales tax provided under the Transportation Development Act. Other local funds include local sales tax and property tax revenues.



Funding of Public Transit—Operations

(Continued)

-
- ☑ **Passenger fares** are the second most important source, totaling \$1.1 billion (25 percent) of transit operating revenues in 2004-05.
 - For the ten-year period, fares accounted for about 27 percent of annual total transit operating revenues.

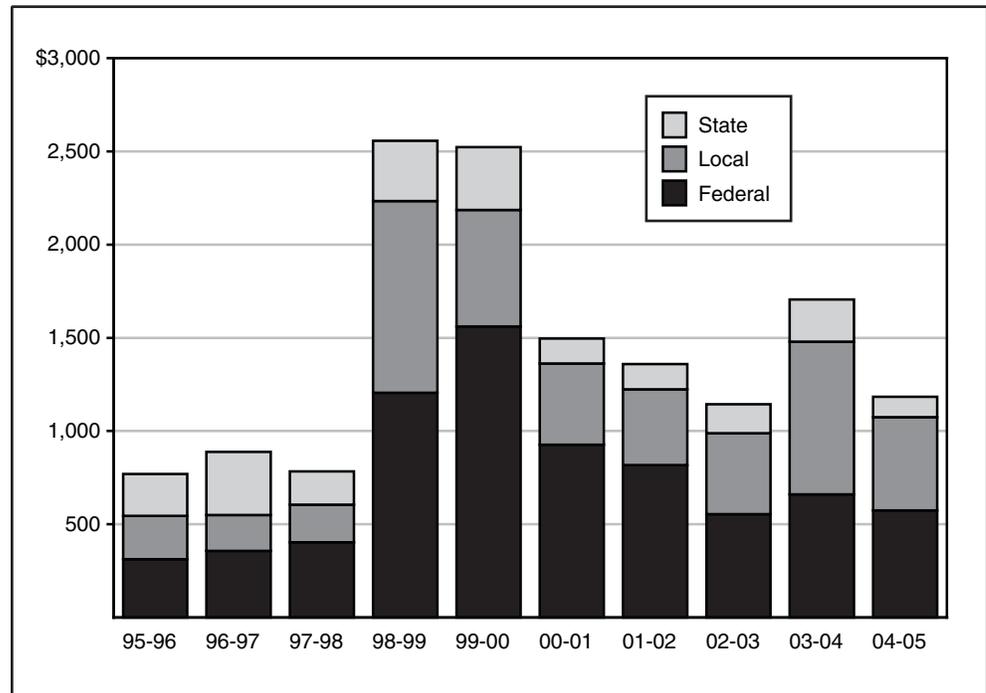
 - ☑ **Federal funds**—the third source—have grown in significance, providing about \$504 million in 2004-05.
 - On average, federal grants account for about 6.5 percent of total transit operating revenue each year.
 - The proportion of total transit operating revenue from federal grants has increased from a low of 3.2 percent in 1997-98 to a high of 11 percent in 2004-05. (In dollar terms, from \$97 million in 1997-98 to \$504 million in 2004-05.)

 - ☑ **State Transit Assistance (STA)** accounts for a small proportion of transit operating revenues.
 - Over the ten-year period, STA funding accounted for an average of 2 percent of all transit operating revenues.
 - The amount (\$72 million) in 2004-05 was 1.6 percent of all transit operating revenues.



Funding of Public Transit—Capital

In Millions



Federal grants provide the main source of funding for transit capital improvements.

- In 2004-05, \$575 million (or 49 percent) in transit capital improvements were funded from federal money.
- Federal funds accounted for about 50 percent of statewide transit capital funding over the ten-year period (1995-96 through 2004-05).



Funding of Public Transit—Capital

(Continued)

- ☑ **State funds** provide substantial capital improvement funding, but still small in proportion.
 - In 2004-05, the state provided about \$100 million in transit capital funding, or 9.2 percent of total funding for transit capital.
 - Over the ten-year period, state funding averaged 17 percent of total capital funding.



Sources of State Funds for Transit

- Public Transportation Account (PTA)**

 - Revenues come from (1) a portion of the gasoline sales tax (spillover and Proposition 111), and (2) diesel sales tax.
 - Current law requires 50 percent of PTA revenue to be allocated to STA. The remaining 50 percent of revenues is used to provide intercity rail service (both operation and capital), support Caltrans mass transportation program, support the High-Speed Rail Authority, and fund transit capital improvements in the State Transportation Improvement Program (STIP).

- Proposition 42—Transportation Investment Fund (TIF)**

 - Gasoline sales tax (the amount that does not go directly to PTA).
 - Starting in 2008-09, annually 20 percent of TIF revenues would go to PTA, and 40 percent would be available for STIP projects, including transit capital projects.

- Traffic Congestion Relief Fund**—for specific 141 projects, including a number of transit projects.

- Proposition 1B bond funds**—\$3.6 billion set aside for transit capital improvements. These monies are available beginning in 2007.



Condition of the Public Transportation Account

- Governor's Budget***—proposes \$1.1 billion in PTA funds to offset General Fund expenditures in 2007-08, including:

 - \$340 million in spillover revenue for transportation debt service.
 - \$627 million for home-to-school transportation.
 - \$144 million for regional center transportation.

- Budget Curtails Other PTA Expenditures***

 - Reduces STA funding to \$185 million (about \$410 million less than called for under current law).
 - Provides no contract funding for High-Speed Rail Authority (only \$1.2 million to support current staff).
 - Defers allocations for transit capital projects that have been scheduled for funding in 2006 STIP.

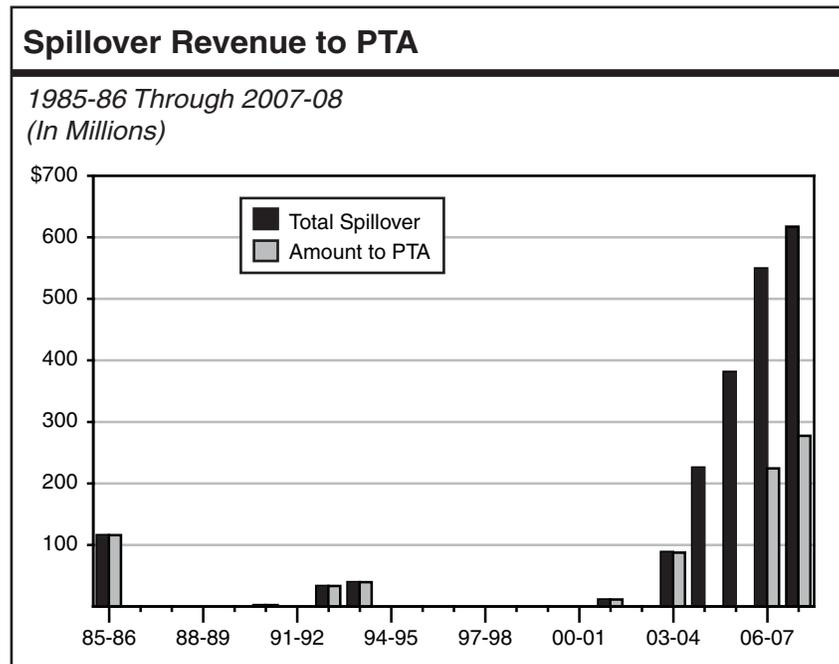
- Slim Balance***—the budget would leave only \$69 million in PTA at the end of 2007-08.

- Analyst's Recommendations***

 - Establish priorities for PTA expenditures in 2007-08 to clarify what expenditures would not be made in the event of insufficient PTA funds.
 - Direct the California Transportation Commission and the Department of Transportation to report on the transit capital projects that would be delayed or not funded as a result of the budget proposals.



Reduce PTA Volatility; Simplify Transportation Funding Structure



Spillover

- Volatile source of revenue to PTA.
- Spillover mechanism no longer necessary with passage of Proposition 42. This is because all state gasoline sales tax revenues are now dedicated to transportation.



Analyst's Recommendation

- Eliminate spillover mechanism, effective 2008-09 to simplify the state's transportation funding structure. This would reduce the volatility in the PTA, and increase the predictability and stability of annual STA funding level.