



STAFF REPORT

SUBJECT: State Transportation Propositions 1A and 1B

MEETING DATE: October 19, 2006 **AGENDA ITEM:** 9

STAFF CONTACT: Jim Kemp, Steve VanDenburgh, Brittany Odermann

RECOMMENDATION:

- A. Receive a report on transportation related measures on November 7, 2006 state ballot and consider adoption of a position of support for state Propositions 1A and 1B.
- B. Authorize staff to prepare applications for the 101/Santa Barbara to Ventura Widening and 101/Santa Maria River bridge projects for Proposition 1B Corridor Mobility Improvement Account program funding in cooperation with Caltrans, Ventura County Transportation Commission and San Luis Obispo Council of Governments and direct staff to return for board approval of project applications at a future meeting.

SUMMARY

Two propositions that will be on the state ballot in November—Propositions 1A and 1B—have the potential to impact transportation revenues for our region if approved by voters by a simple majority. Prop 1A would not create new funding, but would limit the state’s ability to divert Proposition 42 (approved by voters in 2002) revenues to non-transportation purposes. Prop 1B would authorize \$19.9 billion in state general obligation bonds for transportation capital improvements. Some of the revenues from Prop 1B would be distributed on a formula basis providing approximately \$71 million for projects in Santa Barbara County, however, most of the 1B funds will be allocated by state agencies for projects on a competitive basis.

SBCAG has an opportunity to secure funds from one of the competitive programs that would be created by the passage of Prop 1B—the Corridor Mobility Improvement Account. Two projects meet many of the program’s eligibility criteria: the Highway 101 Santa Maria River Bridge Widening Project and the South Coast Highway 101 Widening

project. Because the proposition requires that projects funded from this program be under construction by December 31, 2012, the CTC has already begun establishing guidelines for the program to get an immediate start on the projects if the proposition passes. Applications for funding must be submitted to Caltrans in December so that they can be turned into the CTC by January 15, 2007. This requires that staff begin preparing the applications with Caltrans and partner agencies in neighboring counties even before the November 7 general election occurs. SBCAG staff is recommending that the board authorize the preparation of applications to the Corridor Mobility program, and return in December for formal approval to submit them, if Prop 1B passes.

At the request of the SBCAG Board at the September meeting, this item has been placed on the agenda to allow the Board the opportunity to take a formal position of support on Propositions 1A and 1B.

Background

The November 7 general election ballot will include Proposition 1A which would place greater restrictions on the use of Prop. 42 funds for non-transportation purposes and require that outstanding Prop. 42 loans to the general fund be repaid by June 30, 2016. Four state infrastructure bonds are also on the ballot for transportation, housing, education and levees totaling \$37 billion. The transportation bond, Proposition 1B, would provide \$19.9 billion in funding.

Members of the public have contacted SBCAG staff and asked if the propositions would provide sufficient funding for transportation to make the renewal of Measure D unnecessary. Proposition 1A stabilizes one existing source of transportation revenues. Prop 1B provides a needed increase in transportation funding. These propositions would provide important contributions to projects in the County, but only a fraction of what the Measure D renewal would provide for transportation needs in our region.

Under Proposition 1B, SBCAG, local agencies, and transit operators would receive by formula approximately \$71 million in funding. This would provide part of the \$554 million in matching and leveraged funds assumed in the Measure D Renewal Expenditure Plan that would be needed to deliver the \$1.6 billion program over 30 years.

Proposition 1A, fire-walling Proposition 42, would provide no new revenue to cities\counties or the STIP program but would make it more difficult for the Governor and legislature to borrow transportation revenues for General Fund supported state operations, thus making existing state transportation funding more reliable.

Proposition 1A – Prop. 42 Protection

Proposition 42, which was approved by almost 70% of state voters in 2002, amended the State Constitution to dedicate the state sales tax revenues from fuel sales to transportation purposes. It generates about \$1.4 billion annually, however, the state has diverted these revenues to non-transportation purposes in two of the last three years.

Proposition 1A will amend the Constitution to revise the Proposition 42 provisions to restrict the ability of the Governor and the Legislature to suspend the transfer of revenues to transportation accounts and retain the funds for the General Fund or other purposes other than transportation. Currently, the Governor can issue a proclamation that the transfer of revenue to transportation accounts would have a significant fiscal impact on General Fund-supported state operations. Then the legislature, by a 2/3 vote in each house, can suspend all or part of the transfer to the transportation account. Proposition 1A continues the annual sales tax transfer to transportation programs but would require that future suspensions of revenues to transportation be treated as loans. The Governor would be required to issue a proclamation of severe state fiscal hardship; a 2/3 vote in favor of the suspension for one fiscal year would be required in both houses of the legislature; and the legislature must also enact a statute requiring the full repayment of transportation accounts, with interest, within 3 years. Prop. 1A also states that the number of suspensions is limited to two in any 10-year period, beginning July 1, 2007 and prohibits a second suspension until the first is fully repaid. This amendment also requires repayment of the revenues that were not transferred to transportation accounts as of July 1, 2007 to occur no later than June 30, 2016.

Total Prop 42 funding received by cities and the county for street repairs is currently 10-20% of the amount that Measure D provides for the same purpose. Most of the funding diverted from cities\counties for local streets to the General Fund in FY 2003-04 and FY 2004-05 has been repaid through the FY 05/06 and 06/07 state budgets so Prop. 1A's requirement to repay loans by 2016 would not have a major impact on local agencies. Since Prop. 1A still does allow loans to be made to the General Fund, though under stricter rules, local agencies relying solely on Prop. 42 funding for street repairs would be vulnerable to having their repair budgets disrupted by periodic suspensions of Prop. 42 transfers if Measure D were not available to smooth out funding reductions from year to year.

Proposition 42 and Measure D Allocations to Local Agencies

Agency	Prop. 42 FY 05/06 *(actuals)	Measure D FY 06/07 (est.)
Buellton	\$20,294	\$295,100
Carpinteria	\$65,030	\$784,400
Goleta	\$210,016	\$1,714,900
Guadalupe	\$28,274	\$374,900
Lompoc	\$188,678	\$2,240,800
Santa Barbara	\$419,773	\$4,696,400
Santa Maria	\$397,638	\$4,758,500
Solvang	\$24,276	\$328,000
County	\$1,683,097	\$6,985,800
TOTAL	\$3,037,076	\$22,178,800

* Cities and counties won't receive new Prop. 42 apportionments in FYs 06/07 and 07/08. In FY 06/07, they receive payback of Prop. 42 funds borrowed in 03/04 and 04/05 by the State. In FY 07/08, they receive no apportionment of any sort. New apportionments resume in FY 08/09.

Proposition 1A does not create new funding for local agencies or for state projects, but it does help significantly to stabilize existing transportation funding generated by Prop 42.

The 2006 STIP adopted by the California Transportation Commission assumes that revenues generated by Prop 42 will be available each year to fund projects programmed in the STIP as provided in statute. Repayment of the loans to the STIP program was assumed in the five year revenue estimate for the 2006 STIP and passage of Prop. 1A would actually require that the loans be repaid on a slower schedule than assumed in the STIP. The CTC would have to adjust the STIP before or during the 2008 STIP cycle to take this into account and it would probably require delaying projects unless additional STIP revenues are provided by the passage of Prop. 1B.

Proposition 1B – Transportation Bonds

Proposition 1B—the Highway Safety, Traffic Reduction, Air Quality and Port Security Fund of 2006—is the largest of the four bond propositions that comprise the Governor’s \$37 billion infrastructure package. SBCAG staff has summarized the \$19.9 billion state transportation infrastructure bond scheduled for the November 2006 ballot in the attached table to estimate how much funding might be received in Santa Barbara County if the bond measure passes. Some of the funds will come to the county by formula. An estimate of the funds that we would be guaranteed to receive is \$70.8 million, or 0.35% of the \$19.9 billion program.

Prop 1B Formula Funds for Santa Barbara County (est.)

STIP Augmentation (to SBCAG)	\$22.5 million
Local Streets & Roads (to local agencies)	\$22.2 million
Transit Agency Improvements (to transit agencies).	<u>\$26.1 million</u>
Total	\$70.8 million

It is also likely that funding from the Local Seismic Retrofit Program would come into the county to make the match for the nine local bridges on the seismic retrofit list. All of the other funding available from Prop 1B programs would be distributed competitively by the state.

Counties with transportation sales tax measures will receive extra benefit from the State bond. One program in particular in Prop. 1B, the State-Local Partnership Program, provides a benefit to counties with measures and also provide a direct incentive for counties to pass transportation sales tax measures. It would be funded at \$1.0 billion by bond proceeds and funds would be distributed over five years on a dollar for dollar match basis by the CTC. It is SBCAG staff’s understanding that the program was included in the bond because the expired State-Local Partnership program was very popular and successful with “self-help” counties that adopted local sales tax measures and helped expedite the delivery of sales tax measure projects so the drafters of Prop 1B wanted to revive it. The other reason to include it was because the drafters wanted to provide a clear incentive for voters to support both the State bond and local transportation measures that would be on the same ballot. There was a concern that voters might view the bond and the transportation measures as competing for their votes—a duplication of effort or redundancy—and vote for one or the other, rather than see them as coordinated, complementing efforts to bring together state and local funding packages to deliver projects.

Prop 1B – CMIA Program

One competitive program created by the passage of Prop 1B would be the Corridor Mobility Improvement Account administered by the California Transportation Commission (CTC). Funded with \$4.5 billion of the \$19.9 billion bond measure, the program would fund projects selected by the CTC that reduce congestion by expanding capacity and enhancing operations, improve travel times in high congestion corridors, and enhance access to jobs, markets, housing and commerce. Sixty percent of program funds must be expended on projects in counties in the south part of the state (Santa Barbara County is included in this group) and 40% on projects in the north. Candidate projects must be able to be under construction by December 31, 2012. *Applications for funding are due to Caltrans District offices in December so that they can be turned in to the CTC by January 15, 2007. This timeline requires that SBCAG begin work with its partner agencies on applications even before the November 7 election outcome is known.*

SBCAG and Caltrans District 5 staff have discussed submitting, if the proposition passes, the Highway 101 Santa Maria River Bridge Widening Project with the San Luis Obispo Council of Governments (SLOCOG). Part of the incentive for submitting this project is to eliminate a potential bottleneck that would be created at the bridge when the Highway 101 Santa Maria six lane widening project is completed. SLOCOG staff has indicated they will recommend to the SLOCOG board that a joint CMIA application be submitted for the project and that their board is likely to support this recommendation. The project is currently completing its environmental studies utilizing STIP funding contributed by SBCAG, SLOCOG and Caltrans. Design is underway utilizing a \$2.7 million federal earmark secured by Congresswoman Capps, and there will be only minor right of way costs to move forward. In the judgment of SBCAG staff and Caltrans, the project should be able to meet the 2012 deadline to start construction and it would be competitive under the CMIA program guidelines. Funds from the CMIA program would provide additional funding for design and construction. No funding is currently programmed towards the project's estimated \$40 million construction cost, though \$8 million is included in the Measure D Renewal Expenditure Plan.

SBCAG and District 5 staff have also discussed with the Ventura County Transportation Commission staff and Caltrans District 7 submitting the South Coast Highway 101 project. While the project easily meets most of the program criteria such as linking jobs and housing and providing increased capacity, the major challenge will be submitting a project that meets the December 2012 construction deadline. Initial discussions have centered around submitting an application for the entire corridor for environmental, design and construction costs, but breaking ground on one segment of the corridor—perhaps from La Conchita in Ventura County (where 101 transitions from 4 to 6 lanes) to north of Carpinteria—by the 2012 deadline. Another option is to include the Cabrillo\Milpas-Hot Springs project as a segment of the widening project and request that construction funding shortfalls be funded from the Corridor Mobility program. Because this segment is scheduled for construction in 2007, it would help the entire corridor project meet the 2012 construction deadline. With two Regional Transportation Planning Agencies supporting the project, and two Caltrans Districts, the project should be a strong contender for funding. Aside from funding for the Cabrillo\Milpas-Hot Springs project no funding is currently programmed towards the project's estimated \$428 million total cost, though \$140 million is included in the Measure D Renewal Expenditure Plan.

In summary, Propositions 1A and 1B should be viewed as complementary to the passage of local transportation sales tax measures rather than redundant. As they relate to our own renewal of Measure D, the following should be considered:

- Completion of the projects in the Measure D renewal expenditure plan will require significant contributions of state and federal funding
- Measure D funds can only be spent on specific, high-priority projects that benefit our county's transportation system and cannot be diverted to other purposes or areas
- Without a local transportation sales tax measure, the region will not qualify for some of the state bond funds and will receive a smaller share
- Measure D will generate \$1.6 billion (in current year dollars) for an estimated \$3 billion in transportation needs in our county—the state bond will generate \$71 million in formula funding for the county and perhaps \$50 to \$130 million in additional competitive funding.
- The state bonds are limited to capital projects and cannot be used to pay for operating bus or rail services—Measure D funds are more flexible and can be used for transit operating costs

In deciding whether to take a position of support for Propositions 1A and 1B, the Board should consider that:

- The Corridor Mobility Improvement Account program in Prop 1B provides SBCAG with an opportunity to receive major state contributions for two important Highway 101 projects, the Santa Maria River Bridge and the widening of Highway 101 on the South Coast.
- An estimate of the funds that the SBCAG region would be guaranteed to receive by formula from the passage of Prop 1B is \$70.8 million and discretionary funding from the CMIA could substantially increase the amount of funding for our county if the bond passes.
- Since funding from the CMIA is awarded on a discretionary basis by the California Transportation Commission, SBCAG's support for Prop 1B could be beneficial in obtaining funding for the two project applications proposed by staff.
- Prop 1A would not create new funding, but would limit the state's ability to divert Proposition 42 revenues to non-transportation purposes.
- Prop 1A helps ensure that the intent of voters who overwhelmingly approved Prop 42 (ie., dedicating sales tax on fuel sales for transportation) will be fulfilled.

Information about Propositions 1A and 1B including the official title and summary, impartial analysis by the Legislative Analyst's Office, arguments by proponents and opponents and the full text of the propositions can be found on the Secretary of State's website: www.ss.ca.gov

COMMITTEE REVIEW: None

Attachments:

Summary of Proposition 1B

**PROPOSITION 1B SUMMARY –
SBCAG Staff – July 5, 2006**

Funding (x\$100,000)	Program	Purpose	How Allocated	Funding for Projects in Santa Barbara County
\$4,500	Corridor Mobility Improvement Account	To relieve congestion by expanding capacity, enhancing operations, and improving travel times in high congestion corridors.	<p>CTC to develop and adopt guidelines, by Dec. 1 2006, and allocate funds after reviewing project nominations (due no later than Jan. 15, 2007) submitted by Caltrans and regional agencies. CTC to adopt initial program to be funded by March 1, 2007.</p> <p>All projects nominated must be in a regional transportation plan.</p> <p>Projects must meet all of the following criteria:</p> <ol style="list-style-type: none"> 1. Is nominated by Caltrans and the regional agency OR there is a commitment of supplemental funds to the project from state, local federal sources to fully fund the project. 2. Can commence construction or implementation no later than Dec. 31, 2012 3. Improves mobility in high congestion corridors by improving travel times or reducing the number of daily vehicle hours of delay, improves connectivity of the state highway system between rural, urban, suburban areas, or improves operation or safety of a highway road or segment. 4. Improves access to jobs, housing, markets, and commerce. <p>Geographic balance will be achieved by the CTC allocating 60% of funds to south county projects, 40% to north county projects (S.B. is a south county).</p>	Since this is a competitive program, SBCAG is not guaranteed any funding. Highway 101 projects on the South Coast will be the best candidates, as will the Santa Maria River Bridge widening project. Because of the 2012 construction requirement, requesting funding for the Milpas\Cabrillo project to close shortfalls may be our best chance for funding.
\$1,000	State Route 99 Corridor	Safety, operational enhancements, rehabilitation, or capacity improvements along the 400 mile Route 99 corridor	Available to Caltrans	Not applicable to SB County
\$3,100	Ports, Infrastructure, Security and Air Quality			
	\$2,000 to Trade Corridors Improvement Fund	Improvements to federally designated trade corridors of national significance	CTC to allocate to projects after considering trade infrastructure and goods movement plans that have been adopted by state and regional agencies	TBD: Targeted to rail and highway lines in/out of Southern California ports and the border region.
	\$1,000 to reduce emissions and improve air quality	Emissions reductions from activities related to the movement of freight long trade corridors	Funds to be allocated by state Air Resources Board to reduce emissions in California's trade corridors	TBD: APCD & SBCAG should monitor
	\$100	Port, Harbor & Ferry Terminal Security	Available to the Office of Emergency services to be allocated as grants for port, harbor, and ferry terminal security improvements.	City of Santa Barbara could compete for grants

\$200	School Bus Retrofit and Replacement for Air Quality	Reduce children's exposure to emissions	(No agency is identified to select projects—may need follow-up legislation)	Can't say until more is known about who and how funds allocated
\$2,000	State Transportation Improvement Program (STIP) Augmentation	Capital highway and transit projects	Funds will be distributed to regional agencies for project selection and concurrence by the CTC according to the statutory STIP formula.	SBCAG's share expected to be \$22.5 million. This is not "new money"; it is an advance of future STIP funds already assumed as matching funds for projects in the Measure D Renewal Expenditure Plan or other projects of regional significance that were nominated for measure funding but did not make it into the renewal measure.
\$4,000	Public Transportation Modernization, Improvement and Service Enhancement	For rehabilitation, safety, modernization, capital service enhancement or expansion, new capital projects, bus rapid transit improvements, or rolling stock procurement, rehabilitation or replacement		
	\$400	Caltrans Intercity Rail Improvement	Available to Caltrans for intercity rail projects, of which \$125 million shall be used for the procurement of intercity rail cars and locomotives	No funds directly to SBCAG, though Amtrak service through SBCAG region may benefit
	\$3,600	Transit Agency Improvements	50% of the funds shall be distributed by the controller to transit agencies based on farebox returns, 50% to transit agencies based on population (same method used to distribute STA funds).	SBCAG region would receive approx. \$20.5 mil. based on population and \$5.6 mil. based on farebox revenue. S.C. I.MTD \$15,200,000 SMAT \$6,600,000 COLT \$3,100,000 S.Y. \Cuy. \$1,200,000
\$1,000	State Local Partnership Program	Primarily a matching program for agencies with transportation sales tax programs, though other sources may be used as a match.	CTC to allocate over 5 years. Dollar for dollar match with local funds to eligible projects nominated by applicant transportation agencies. No criteria set at this time for how matching funds allocated.	Difficult to estimate without criteria and without knowing if Measure D will be renewed.
\$1,000	Transit System Safety, Security & Disaster Response	Transit safety and disaster preparedness	Allocation process to be determined by legislative statutes for capital projects that provide increased protection against a security and safety threat, and to develop a disaster response transportation system that	TBD

	Account		can move people, goods, emergency personnel and equipment after a disaster.	
\$125	Local Seismic Retrofit Program	Directed at the 497 local bridges still to be seismically retrofitted	Provides the 11.5% match for federal bridge funding available for bridge repairs	There are 9 local bridges in S.B. county that could receive funding.
\$250	Highway-Railroad Crossing Safety	High priority grade separations and railroad crossing safety improvements	Available to Caltrans. A dollar for dollar non-state match is required.	Possibly could provide matching funds for a Hwy 166 grade separation in Guadalupe.
\$750	SHOPP	Augment Caltrans' maintenance and operations program	Caltrans proposes projects and the CTC allocates funds.	This is not a formula program—it is needs driven, but we should expect Caltrans Dist. 5 will request funding for SB county highway projects.
\$2,000	Local Streets and Roads	For roadway maintenance and rehabilitation, traffic safety, and congestion relief	Appropriated by the state Controller. <ul style="list-style-type: none"> \$1 bil. or 50% to counties. 75% based on vehicles registered in the county, 25% based on % of the county road miles in the state versus S.B. county \$1 bil. or 50% to cities based on population relative to city population in the state (\$400k minimum) 	\$12.4 (est.) to County of Santa Barbara; \$9.7 million(est.) to cities in Santa Barbara County County \$12,400,139 Buellton \$400,000 Car. \$460,149 Goleta \$984,442 Guad. \$400,000 Lompoc \$1,357,984 S.B. \$2,904,584 S.M. \$2,849,232 Solvang \$400,000
\$19.925 bil.				