

Prop 1B: Highway Safety, Traffic Reduction, Air Quality, Port Security Bond of 2006 (Senate Bill SB 1266 – Introduced by Senate President Pro Tem Perata)

Staff Recommendation:	SUPPORT
Issues Committee Recommendation:	SUPPORT
Executive Committee Recommendation:	SUPPORT
Board Recommendation (8/18/06):	SUPPORT

Rationale:

Of the total \$19.9 billion bond funds from Prop 1B, approximately \$7.1 billion will be allocated directly to the state counties. Of this \$7.1 billion, San Diego County's share is estimated at \$485.6 million or 6.84% of those funds.¹ The remaining \$12 billion will be allocated either on a competitive basis, through the various accounts addressed in the measure, or directly to prioritized projects.

Prop 1B funding is needed to address traffic congestion and improve our state's transportation infrastructure. The Texas Transportation Institute reports that the City of San Diego is ranked 12th in the nation for traffic congestion and the area has experienced the 4th highest growth in traffic congestion since 1982.² The California Chamber of Commerce estimates San Diego stands to face a 106% increase in traffic within the next 20 years.³

Currently, San Diego County experiences roughly 82 million hours of delay time per year, leading to over 59 million gallons of excess fuel consumed. Estimating current gas prices at an average of \$3.30/gallon multiplied by 59 million, the price tag comes to \$194.7 million in wasted motor vehicle fuel for San Diegans, per year.

For businesses, that price tag is higher. The trucking industry has an estimated loss of \$71.05 per hour of delay. Factoring in the cost of the excess fuel and the value of travel time delay, the total cost of the traffic congestion per this formula is approximately \$1.4 billion per year.⁴

¹ California Department of Transportation <http://www.dot.ca.gov/docs/sb1266/SB1266FormulaDistributionbyCounty.pdf>

² http://tti.tamu.edu/documents/mobility_report_2005.pdf

³ <http://www.calchamber.com/NR/rdonlyres/C6C2EBBF-752D-4A1D-8BE1-7AF08BD6BD94/0/transportation06.pdf>

⁴ *The 2005 Urban Mobility Report*, Texas Transportation Institute,

Background:

CA Transportation Fund Sources

Funds from the following revenue and bond sources are spent on maintaining, operating, and improving highways, streets and roads, passenger rail, and transit systems.

State taxes (annual)*	
Excise tax on gasoline and diesel fuel:	\$3.4 billion
Sales tax on gasoline and diesel fuel:	\$2 billion
Weight fees on commercial vehicles:	\$900 million
Total:	\$5.4009 billion
Federal taxes (annual)	
Federal gasoline and diesel fuel tax revenues	\$4.5 billion
Local governments	
Local sales and property taxes and transit fares (annual)****	\$9.5 billion
Total annual revenue earmarked for transportation:	\$19.4009 billion
State obligation bonds**	
Prop 108 - Passenger Rail & Clean Air Bond Act of 1990***	\$1 billion
Prop 116 - Clean Air and Transportation Improvement Act of 1990***	\$1.99 billion
Prop 192 - Seismic Retrofit Bond Act of 1996 ***	\$2 billion
Total funds from transportation bonds:	\$4.99 billion

Source: Legislative Analyst's Office

* Funds are generally dedicated to specific transportation purposes.

** Of this, only \$355 million has not been spent thus far.

<http://holmes.uchastings.edu/cgi-bin/startfinder/0?path=calprop.txt&id=webber&pass=webber&OK=OK>.

****Additional funds may come from locally issued bonds backed mainly by local sales tax revenue.

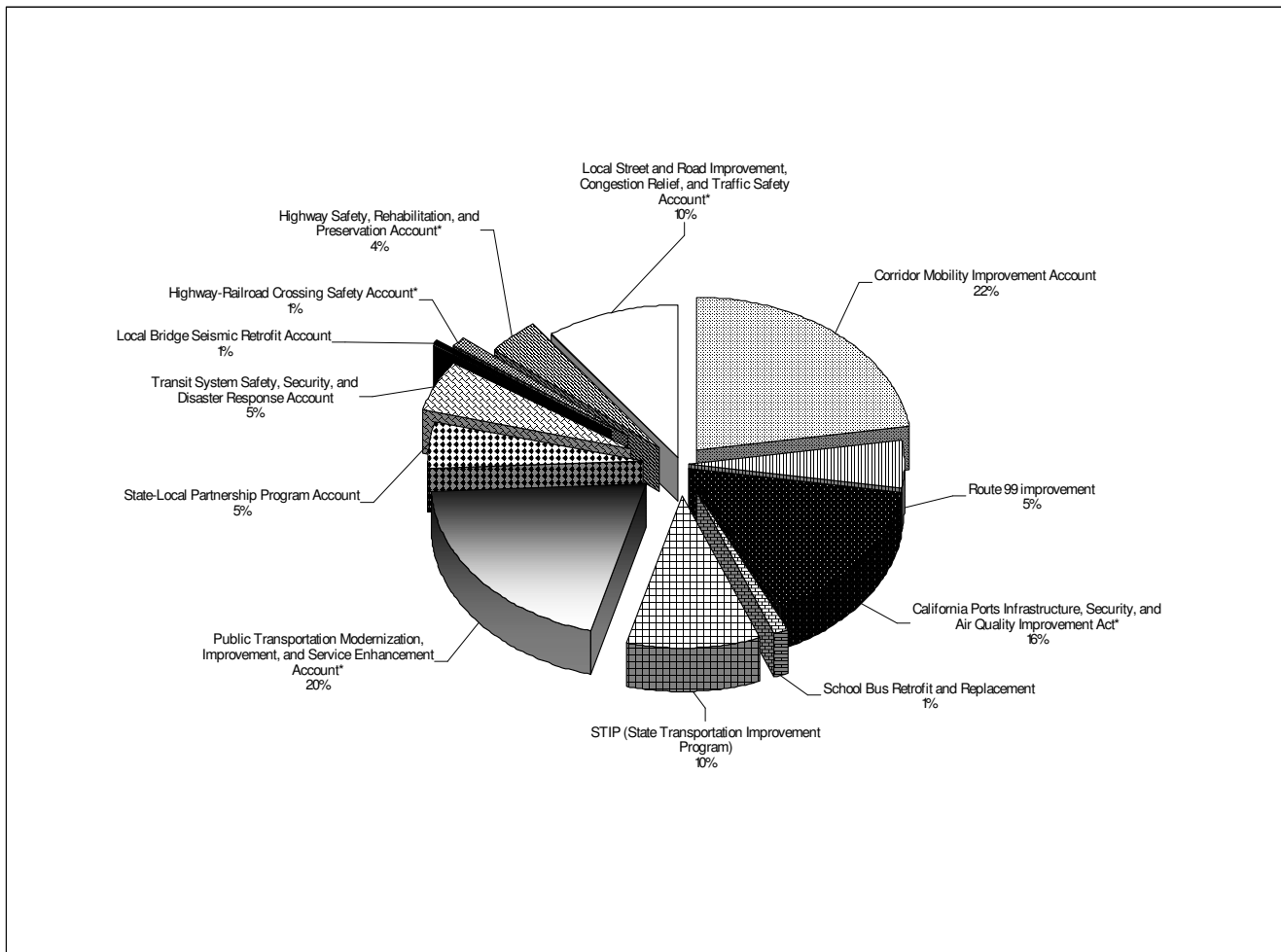
Senate President Pro Tem Don Perata is a long-time advocate for increased spending on infrastructure. Perata's proposed \$10 billion infrastructure bond failed to reach the ballot last year, but is now part of Schwarzenegger's \$37.3 billion mega-infrastructure bond package to rebuild California. For historical comparison, Schwarzenegger's plan is reminiscent of former Governor Pat Brown's policy in the 1960's, which sought to improve California through infrastructural spending.⁵

⁵ Mendel, Ed. *Voters get sweeping bond, governor gets victory*. The San Diego Union-Tribune. May 6, 2006.

Proposal:

This Proposition, if passed, would create the Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006, rendering \$19.925 billion for transportation purposes. The funding will be distributed as follows:

Section	Account Name	Percentage	Dollars
8879.23(a)	Corridor Mobility Improvement Account	22.58%	\$4,500,000,000
8879.23(b)	Route 99 improvement	5.02%	\$1,000,000,000
8879.23(c)	California Ports Infrastructure, Security, and Air Quality Improvement Act*	15.56%	\$3,100,000,000
8879.23(d)	School Bus Retrofit and Replacement	1.00%	\$200,000,000
8879.23(e)	STIP (State Transportation Improvement Program)	10.04%	\$2,000,000,000
8879.23(f)	Public Transportation Modernization, Improvement, and Service Enhancement Account*	20.08%	\$4,000,000,000
8879.23(g)	State-Local Partnership Program Account	5.02%	\$1,000,000,000
8879.23(h)	Transit System Safety, Security, and Disaster Response Account	5.02%	\$1,000,000,000
8879.23(i)	Local Bridge Seismic Retrofit Account	0.63%	\$125,000,000
8879.23(j)	Highway-Railroad Crossing Safety Account*	1.25%	\$250,000,000
8879.23(k)	Highway Safety, Rehabilitation, and Preservation Account*	3.76%	\$750,000,000
8879.23(l)	Local Street and Road Improvement, Congestion Relief, and Traffic Safety Account*	10.04%	\$2,000,000,000
Total			\$19,925,000,000



By function, the funds would be allocated as follows:

Figure 1 Proposition 1B Uses of Bond Funds	
	Amounts (In Millions)
Congestion Reduction, Highway and Local Road Improvements	\$11,250
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
Public Transportation	\$4,000
Improve local rail and transit services, including purchasing vehicles and right of way	\$3,600
Improve intercity rail, including purchasing railcars and locomotives	400
Goods Movement and Air Quality	\$3,200
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
Safety and Security	\$1,475
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
Total	\$19,925

Source: Legislative Analyst's Office

Fiscal Effect:

Allocation of Prop 1B funds by program, region and agency:

Allocation of Prop 1B Funds	
Dedicated to specific programs	
CALTRANS	
State Route 99 Corridor	\$1 billion
Intercity rail projects	\$400 million
Highway-Railroad Crossing Safety Account	\$250 million
SHOPP	\$250 million
Traffic Light Synchronization	\$500 million
STIP augmentation - prioritized projects	\$500 million
CARB	
Emission reduction and air quality improvement	\$1 billion
	\$3.9 billion
Undefined/no criterion	
Transit safety, security and disaster response	\$1 billion
School bus purchase and retrofit	\$200 million
	\$1.2 billion
Competitive	
Local Bridge Seismic Retrofit	\$125 million
Corridor Mobility Improvement Account	\$4.5 billion
Trade Corridors Improvement Fund	\$2 billion
Port, Harbor, and Ferry Terminal Security	\$100 million
State-Local partnership program	\$1 billion
	\$7.725 billion
Allocated directly to local agencies	
RTIP Augmentation*	\$1.5 billion
Public transportation modernization**	\$3.6 billion
Local streets and roads	\$2 billion
	\$7.1 billion
\$19.925 billion	
<small>* The RTIP (Regional Transportation Improvement Program) consists of 75% of STIP funding, which is further subdivided by formula into county shares ** To be allocated according to PUC formula distributions</small>	

Determining San Diego's share:

Out of the \$19.9 billion provided by the bond, only \$7.1 billion will be allocated directly to local counties. Those funds are divided in the following three categories:

RTIP Augmentation:	\$1.5 billion
Transit:	\$3.6 billion
Local Streets & Roads:	<u>\$2.0 billion</u>
	\$7.1 billion

San Diego’s share of these allocated funds is illustrated in the table below:

San Diego’s Estimated Prop. 1B funds

Program	Funds
State Transportation Improvement Program	\$109.7 million
Transit	\$222.5 million
Local Streets and Roads	\$153.4 million
Total	\$485.6 million

For comparison, the average amount of funding is:

(Overall total) / (58 counties + Tahoe) = \$7.1 billion / 59 = **\$120.3 million**

San Diego’s share of the \$7.1 billion directly allocated to counties is therefore **403.57%** of the average.

Cost of Prop 1B:

The bonds issued would be repaid over the next 30 years. The \$19.925 billion principal would produce about \$19 billion in interest (assuming a 5% interest rate). The repayments will most likely be paid out of the General Fund.⁶

	30 year plan
Principal	\$19.9 billion
Interest (with 5% rate)	\$19 billion
Total	\$38.9 billion
Annual Payments	\$1.3 billion

**Source: Legislative Analyst’s Office*

Construction and improvement of transportation infrastructure will incur operational costs for state and local governments. The total cost is currently unknown, but may be offset by the revenues generated by infrastructure improvements (i.e. transit fares and tolls).⁷

Arguments in Support of Prop 1B (as written by Marian Bergeson, Alan C. Lloyd, and Allan Zaremberg):⁸

- California has the most congested highways in the nation – Californians spend 500,000 hours stuck in traffic every day.
- Proposition 1B puts backlogged transportation projects on the fast track, reducing congestion and improving highway safety
- Proposition 1B improves safety, reduces congestion, and expands public transportation throughout the state.
- Proposition 1B will reduce air pollution and improve air quality by replacing old school buses, reducing traffic, and reducing car emissions.

⁶ Legislative Analyst’s Office http://www.lao.ca.gov/ballot/2006/1B_11_2006.pdf

⁷ Legislative Analyst’s Office http://www.lao.ca.gov/ballot/2006/1B_11_2006.pdf

⁸ http://www.ss.ca.gov/elections/vig_06/general_06/public_display/proposition_1b/argument_in_favor_1b.pdf

- There will be strict accountability through annual audits and reports to ensure funds are spent on intended projects
- There will be no new taxes; projects will be paid for as they are implemented.
- California’s population will reach 50 million in the next 20 years, or twice the capacity of what our current infrastructure is designed for.

Supporters of Prop 1B:

- Governor Schwarzenegger
- Senate President Pro Tem Don Perata
- Assembly Speaker Fabian Nuñez
- Marian Bergeson, Chair, California Transportation Commission
- Alan C. Lloyd, Former Chair, California Air Resources Board
- Allan Zaremberg, President, California Chamber of Commerce
- Los Angeles County Metropolitan Transportation Authority
- California Taxpayers Association
- Californians to Improve Traffic Now
- Rebuilding California
- Valley Industry and Commerce Association

Arguments against Proposition 1B

- This measure fails to achieve the goals of improving the California transportation system in a fiscally responsible manner
- A fiscally responsible solution would be a “pay as you go” approach to fund much-needed transportation projects
- Infrastructure improvements should come from the general fund, thus allowing California to borrow less money to meet its annual obligations
- Having a portion of the budget each year set aside for infrastructure is the responsible method of making improvements, and prevents future generations from incurring massive debt
- The three (3) weeks allotted for the California Transportation Commission to develop and adopt guidelines to fund all outlined transportation programs is not nearly enough time to fully research, plan, and have public oversight and review of the money spent.

Signors for the Arguments in opposition to Prop. 1B:

- Michael N. Villines – California State Assemblyman, 29th District

JL/ch/cc