

BUSINESS, TRANSPORTATION, AND HOUSING

The Business, Transportation and Housing Agency oversees programs that promote the state's business and economic climate, transportation infrastructure, affordable housing, and patient rights. The Agency also promotes public safety through the California Highway Patrol and the Department of Alcoholic Beverage Control. The majority of funding is derived from special fund revenues, federal funds, and the proceeds from Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.

TRANSPORTATION BOND FUNDING

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 authorizes \$19.925 billion over the next 10 years to fund existing and new statewide transportation-related infrastructure programs and projects. The Governor's Budget proposed \$7.685 billion for allocation to various programs and projects over three years and language to provide flexibility to ensure that those projects that are ready to commence be funded as soon as possible. The May Revision continues this proposal and updates the proposed appropriations in the Budget Bill to \$11.5 billion over three years.

The Governor's Budget also anticipated a need to appropriate bond funds in 2006-07 for projects that were ready-to-go. Because Caltrans has been able to identify project savings to accelerate over \$331 million for State Transportation Improvement Program and State Highway Operations and Protection Program projects in 2006-07, more money is available for other projects to be funded from the bonds.

BOND PROGRAM FUNDING CHANGES

Figure BTH-01 reflects changes in estimated needs for appropriations in the Proposition 1B bond programs. Major changes since January include an acceleration in funding for the Corridor Mobility and Highway 99 programs consistent with the California Transportation Commission’s actions to approve projects, and additional funding for State Transportation Improvement Program projects and retrofitting school buses. The May Revision also proposes \$187 million in 2007-08 for the purchase of rail cars and locomotives, provided that the audit of Caltrans’ rail equipment needs currently being conducted by the Office of State Audits and Evaluations identifies a need to purchase in 2007-08, and new funding proposals for security at ports and harbors and air quality improvement.

Figure BTH-01
Planned Proposition 1B Implementation
 (Dollars in Millions)

	Budget Bill Appropriations			Total Three-year Appropriations
	2007-08	2008-09	2009-10	
Corridor Mobility	\$610	\$1,577	\$1,229	\$3,416
Transit	\$600	\$350	\$350	\$1,300
State Transportation Improvement Program	\$739	\$799	\$274	\$1,812
Local Streets and Roads	\$600	\$300	\$150	\$1,050
Trade Infrastructure	\$202	\$302	\$302	\$806
State Highway Operation and Protection Program	\$405	\$267	\$24	\$696
State/Local Partnership	\$202	\$197	\$200	\$599
Grade Separations	\$123	\$123		\$246
Highway 99	\$16	\$109	\$302	\$427
School Bus Retrofit	\$97	\$97		\$194
Local Seismic	\$14	\$11	\$11	\$36
Air Quality Improvement	\$111			\$111
Port, Harbor, and Ferry Terminal Security	\$178	\$123	\$101	\$402
Intercity Rail	\$190	\$74	\$128	\$392
Total Appropriations	\$4,087	\$4,329	\$3,071	\$11,487

DEPARTMENT OF TRANSPORTATION

- 2006-07 -\$8.6 million General Fund; \$8.6 million Other Funds
- 2007-08 \$5.4 million General Fund; \$1,098 million Other Funds (Primarily Proposition 1B)

CAPITAL OUTLAY SUPPORT STAFFING

The Department traditionally submits a zero-based Capital Outlay Support request as part of the May Revision based on anticipated project allocations by the California Transportation Commission for the upcoming year and the resources needed to proceed with those projects. The May Revision projects 2007-08 capital outlay support and bond-related workload increases totaling \$206 million and 527 personnel years, with slightly higher levels through 2010 and declining significantly thereafter. This staffing proposal reflects 85 percent state staff and 15 percent contract staff for all capital outlay support and bond-related activities. Nonbond-related workload is declining slightly and 100 vacant state positions have been reduced, reflecting a lower level of ongoing workload. The May Revision includes \$129 million for contract positions to complete bond-related workload, representing approximately 95 percent of the total bond-related workload. The proposal also includes sufficient funding for existing positions that are expected to be filled by the end of 2006-07, with the balance of peak workload to be performed by contract staff. This will facilitate the rapid delivery of bond-funded projects and avoid the need in the future to significantly reduce the staffing level.

The May Revision also proposes 112 positions and \$13.4 million for administrative costs directly related to the expenditure of bond funds for Proposition 1B programs, including budgeting, accounting, planning, programming, and auditing. The ongoing need for administration resources will be evaluated annually as part of the budget development process as bond expenditures are further determined.

PUBLIC TRANSPORTATION ACCOUNT

A portion of the revenue in the Public Transportation Account (PTA) is derived from "spillover" sales tax on gasoline. The revenues occur when revenue derived from gasoline sales taxes is proportionately higher to revenue derived from all taxable sales pursuant to a statutory formula, and generally reflect higher gas prices. The Governor's Budget projected \$617 million in spillover revenues for 2007-08 and proposed to reallocate those funds, along with other funding available in the PTA, to offset General Fund expenditures for K-12 home-to-school transportation, debt service on transportation related General Obligation bonds, and transportation services for regional development centers.

In April, a Finance Letter was proposed to establish Budget Bill Control Section 24.8 to amend the way in which home-to-school transportation funding and General Fund savings would be achieved.

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May Revision revenue estimates increase the amount of spillover funding available by \$210 million in 2007-08. Of this amount, the May Revision proposes to amend Control Section 24.8 to reimburse the General Fund for \$200 million in 2006-07 home-to-school transportation expenditures. (See the Education chapter.) Additional revenues from spillover of \$5 million in 2006-07 and \$28 million from sales tax on diesel fuel in 2007-08 provide funding for an increase in state transit assistance grants from \$185 million to \$206 million in 2007-08. It is projected that these grants will grow to \$373 million in 2008-09.

Spillover revenues are projected to grow to \$935 million in 2008-09. While such estimates are highly uncertain, there appears to be sufficient fiscal capacity in the Account to continue to offset an additional \$200 million in General Fund costs in 2008-09 and ongoing, while providing at least \$100 million for program growth in the PTA.

DEPARTMENT OF MOTOR VEHICLES

- 2006-07 No Change
- 2007-08 \$9.4 million

IMPLEMENTATION OF VEHICLE REGISTRATION FINANCIAL RESPONSIBILITY PROGRAM

The May Revision proposes funding for vendor costs to reflect higher than anticipated activity in this program. The program was established by Chapter 920, Statutes of 2004 (SB 1500) and requires insurance companies to electronically report insurance policies on private-use vehicles and the suspension of vehicle registrations when evidence of insurance is not provided within specified timelines. Suspension notices are expected to be sent for 5.5 million vehicles lacking proof of insurance rather than the 3.6 million anticipated in the Governor's Budget. The Department of Motor Vehicles will work with the industry to reduce error rates and address program anomalies, which will reduce future costs.

MOTOR VEHICLE ACCOUNT

The Administration recognizes that the balance for the Motor Vehicle Account is rapidly declining, but the fund will be sufficient to fully fund 2007-08 proposed expenditures. A working group of affected agencies will continue to look at cost trends and future program needs, savings measures, and funding options including potential new funding sources to ensure the solvency of the fund. The working group will provide recommendations for consideration in the 2008-09 Governor's Budget.