



**CALIFORNIA
TRANSIT
ASSOCIATION**

1415 L Street, Suite 200 • Sacramento, CA 95814

Phone (916) 446-4656 • FAX (916) 446-4318

E-Mail: info@caltransit.org

www.caltransit.org

FOR IMMEDIATE RELEASE

October 1, 2009

CONTACT: Jeff Wagner,
Communications Director
(916) 752-4150

Case Closed: A Resounding Victory for Transit Riders
***California Supreme Court Rejects State's Appeal of Lower Court Ruling:
Raids on Public Transportation Funding Are Illegal***

SACRAMENTO – In a resounding victory for those who provide and those who depend on public transit in California, the State Supreme Court late yesterday rejected the Schwarzenegger Administration's appeal of a lower court ruling that annual raids on transit funding are illegal.

By declining to accept the Petition for Review filed by state officials, the high court upheld the ruling of the Third District Court of Appeal that recent funding diversions violated a series of statutory and constitutional amendments enacted by voters via four statewide initiatives dating back to 1990.

“By denying the state's appeal, the Supreme Court has affirmed once and for all what we always maintained was true: that it's illegal to shift dedicated state transit funds away from transit agencies and their riders,” said Joshua Shaw, Executive Director of the California Transit Association and lead plaintiff in the case. “This decision validates our position that this practice has been illegal since even before 2007, and that the definition of mass transportation adopted by lawmakers since then to mask these diversions is illegal.”

Public transit officials now hope to work with the Administration and Legislature to restore those funds taken since the Association filed the initial lawsuit in October, 2007, on the heels of the 2007-08 state budget package that raided \$1.19 billion from the Public Transportation Account (PTA). Since that agreement, more than \$3 billion in transit funding has been re-routed to fill holes in the General Fund.

“This is a clear victory for the millions of Californians who depend every day on public transit to get to work, go to school and access vital health care facilities,” said Michael Burns, General Manager of the Santa Clara Valley Transportation Authority and Chair of the Association's Executive Committee. “Public transit has certainly borne more than its fair share of the budget burden in recent years, and we see the effects of that throughout the state in the form of fare increases, transit service reductions, job layoffs and more. We're very hopeful that the high court's decision will now enable us to work with lawmakers to restore these funds and help us to meet the ever-increasing demands for transit services in California.”

--- MORE ---

Case Closed: A Resounding Victory for Transit Riders

2-2-2-2-2

In its original lawsuit, the Association maintained that several successful ballot measures -- from 1990's Proposition 116 through Proposition 1A of 2006 -- established the PTA as a trust fund and require that PTA revenues must be spent on "mass transportation purposes."

The initial Superior Court decision, issued in January of 2008, ruled that the 2007-08 budget violated the law by diverting \$409 million from the PTA to reimburse the General Fund for past debt service payments on Proposition 108 bonds. The ruling declared that the shift "does not serve any transportation planning or mass transportation purpose." At the same time, however, the Court permitted an additional \$779 million transfer from the PTA to cover home-to-school busing and other programs that public transit advocates argued did not meet the definition of "mass transportation" as expressed in Proposition 116, which voters approved with the intent of establishing the PTA as a trust fund to support true public transportation service.

Just two weeks after the Superior Court ruling, the Legislature re-instated the \$409 million worth of cuts by reconfiguring the law on which the court's decision was based, meaning that the entire \$1.19 billion rightfully intended for public transportation funding had been raided. The Association filed its appeal of the Superior Court decision last September.

On June 30 of this year, the appellate court dismissed the State's claims that it is legal to divert PTA revenues before they are deposited in the PTA, and also that it is within the purview of the Legislature to transfer "spillover" funds from the PTA to the Mass Transportation Fund (MTF). "The MTF was created in 2007 by budget writers as a mechanism to perpetrate the diversion of transit funding to non-transit purposes," Shaw explained. "By shifting PTA money into the 'Mass Transportation Fund,' they sought to create a veneer of legitimacy for these diversions. The appellate court rejected this legerdemain."

Another key component of the appellate court's decision was its definition of "mass transportation purposes" specified by the initiatives. The court denied the state's contention that the definition permitted the transfer of funds for home-to-school bus service, transport of disabled persons to regional centers funded by the Department of Developmental Services, repayment of Proposition 42 loans, payment of Proposition 116 bond debt service, and payment of the General Fund's obligation to fund bond debt service for non-transit general obligation bonds. These are all programs historically supported only by General Fund revenues; thus, when the budget writers diverted transit dollars to these programs, they hoped to achieve General Fund "savings."

"While we agree that these are all worthy programs, they simply don't fit the public's definition of mass transportation," said Shaw. "We feel the voters intended 'mass transportation' to mean 'public transportation' or 'public transit,' and the appellate court agreed."

By skirting the intention of the initiatives, budget crafters diverted more than \$5 billion of transit funding this decade – nearly \$3.5 billion in the last three budget cycles alone. Transit funding took an additional critical blow when the budget agreement enacted in February of this year eliminated the State Transit Assistance program.

But proponents of the legal action saw the suit as being about more than just money to keep transit moving.

--- MORE ---

Case Closed: A Resounding Victory for Transit Riders

3-3-3-3-3

“Four times since 1990 – and with overwhelming approval – voters have clearly and repeatedly expressed their demands for dedicated transit funding,” Shaw noted, “and their will has been repeatedly circumvented by those responsible for crafting the state budget.”

“Furthermore, our original lawsuit strikes at the heart of the gimmicks that have been employed year after year in putting together the state budget,” he added. “We recognize the horrendous crunch that the budget crafters face, but the fact that the California Supreme Court would not even hear the state’s request for an appeal of the appellate court decision is one more obvious sign that the whole budget process needs serious reform.”

#