

Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee

July 14, 2023

Agenda Item 3a

Fiscal Year 2023-24 State Budget Update

Subject:

Overview of the fiscal year 2023-24 State Budget, including an update on the transit operating fiscal cliff negotiations and a summary of the budget's housing, homelessness, and resilience components.

Background

On June 26, 2023, Governor Newsom, Assembly Speaker Rendon, and Senate Pro Tempore Atkins announced a three-party budget agreement for fiscal year (FY) 2023-23. The budget agreement itself is included in Assembly Bill (AB)/Senate Bill (SB) 102, which had not been signed at the time this summary sheet was prepared but is widely understood to reflect the final agreement. SB 102 includes dozens of earmarks across various sectors. With respect to transportation, the bill includes \$31 million in total earmarks, of which the Bay Area received about \$12 million. In addition, dozens of accompanying bills known as "trailer bills" provide further guidance as it relates to the budget, as described in more detail below. This summary sheet provides a high-level overview of the budget agreement related to transit funding, homelessness, and resilience.

Transit Funding Secured to Avert Near-Term Service Cuts

The transportation aspect of the budget agreement includes full restoration of the \$4 billion that was included in last year's budget agreement (over two years – FY 2024 and FY 2025) for the Transit and Intercity Rail Capital Program (TIRCP), with the flexibility to use the funds for operating, plus \$1.1 billion for a new Zero Emission Transit Capital Program with the flexibility to use those funds for operating purposes as well. The Bay Area's share of these funds will flow to MTC for distribution, with the \$4 billion distributed according to the region's share of the state's population, providing the region with about \$800 million. The \$1.1 billion will be distributed to MTC based on the State Transit Assistance (STA) formula, which is based 50 percent on population and 50 percent on a region's share of local funds (fares and other sources) used for transit operating purposes, amounting to about \$400 million for the Bay Area. This \$400 million will be distributed over a four-year period, beginning with about \$150 million in FY 2023-24.

Transportation Trailer Bill

The transportation portion of the budget also includes a trailer bill, SB 125, which requires various financial reporting requirements related to the financial condition facing California's transit agencies in the short and the long-term. Importantly, these provisions assign several essential tasks to the state's regional transportation planning agencies, like MTC, since they will receive the funds and be responsible for deciding how to allocate them. The bill sets forth objectives for the funds, including that they are intended to be "one-time, multiyear bridge funding" until long-term transit sustainability solutions are identified and to help transit operators prevent service cuts and increase ridership. With respect to the allocation of the funds, the bill provides that regional transportation planning agencies shall prioritize ensuring the availability of service for transit-dependent riders and providing funds to support agencies representing a significant share of the region's ridership. See Attachment 1 for further details on SB 125.

Housing & Homelessness

Housing production, housing preservation, and homelessness programs fared very well in the FY 2023-24 budget, with most programs meeting or exceeding the commitments made in last year's budget. The only down notes are a \$50 million cut to the CalHome commitment and the lack of an appropriation for the Community Anti-Displacement and Preservation Program proposed by Senator Caballero's SB 225, which MTC and ABAG support. See Attachment B for details of amounts by core programs.

Additionally, the final budget rejected the Governor's proposal to claw back \$200 million from the California Dream for All homeownership program and \$50 million from the Accessory Dwelling Unit Grant Program appropriated in the FY 2022-23 State Budget. Finally, the budget retains \$82.5 million of the FY 2021-22 appropriation to the Foreclosure Intervention Housing Prevention Program and states the Legislature's intent to provide \$247.5 million in additional funding over fiscal years 2024-27.

Climate Resilience & Adaptation

By contrast, FY 2023-24 budget did not fund climate adaptation and resilience programs anywhere close to the levels called for in the previous year's climate packages. Further, the final budget deal rescinds hundreds of millions in resilience funds appropriated in FY 2022-23, including \$125 million that had been allocated for the MTC/ABAG-supported Regional Resilience Adaptation Planning and Implementation program. Instead, the Legislature and Administration hope to pass legislation placing a bond on the March 2024 ballot to cover some or all the commitments. Two climate resilience bills to place general obligation bonds on the 2024 ballot are currently pending – SB 867 (Allen) and AB 1567 (Garcia), which would authorize roughly \$16 billion in bonds.

Attachments:

- Attachment A: SB 125 Summary
- Attachment B: Housing & Homelessness Funding Table
- Attachment C: Climate and Resilience Funding Table



Alix A. Bockelman