

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

**February 12, 2021**

**Agenda Item 3a**

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**Governor's Fiscal Year (FY) 2021-22 State Budget**

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- Subject:** Overview of transportation, housing, and resilience provisions in Governor's proposed budget.
- Overview:** Governor Newsom's proposed \$227 billion FY 2021-22 State Budget forecasts combined reserves and a surplus totaling \$34 billion but forecasts a structural deficit of \$8 billion in FY 2022-23 and growing in future years. To help address the pandemic's disproportionate impact on low-income families, the budget proposes \$3 billion in immediate new aid to low-income working households that qualified for the earned income tax credit in 2019 and to small businesses and nonprofits. The Governor proposes augmenting the current FY 2020-21 budget year with "early action" items of supplemental appropriations this fiscal year. This memo summarizes the budget's key transportation, housing, homelessness, and climate/resilience proposals.
- Transportation:** Overall, the state's transportation programs budgeted \$20.6 billion in FY 2021-22. While still growing slightly, gas tax revenues are forecast to be about \$1.5 billion lower than pre-pandemic forecasts over the next three years. California is estimated to receive approximately \$912 million of the most recent federal COVID relief funding for highways, with \$729 million available statewide and \$183 million sub allocated to urbanized areas over 200,000 in population. These unanticipated federal funds present a potential funding opportunity for the Bay Area.
- The budget highlights the development of the Climate Action Plan for Transportation Infrastructure (CAPTI) by the California State Transportation Agency (CalSTA) working with Caltrans, the California Transportation Commission, the Department of Finance and other agencies by July 15, 2021 to implement the Governor's transportation-related climate Executive Orders (N-19-19 and N-79-20). The CAPTI is anticipated to "identify the actions necessary to change the state's transportation project planning and programming to reach California's climate change goals," presenting an essential opportunity for engagement by MTC and other Bay Area transportation stakeholders.
- The budget estimates the following amounts for core transit programs in FY 2021-22
- \$667 million for State Transit Assistance, a \$23 million increase from the current year but \$112 million less than FY 2019-20
  - \$487 million for Transit and Intercity Rail Capital Program (funded by Cap and Trade pursuant to current law)
  - \$107 million for Low Carbon Transit Operations Program (funded by Cap and Trade pursuant to existing law)

Notably, the budget indicates the Newsom Administration's support for regulatory and reporting relief related to the Transportation Development Act (TDA), to remove farebox recovery and efficiency requirements that are currently infeasible due to the loss of ridership during the pandemic. This has also been a priority for the California Transit Association and is a priority item in our 2021 Advocacy Program.

***Transportation Electrification*** The budget includes support for the state's zero-emission vehicle (ZEV) goal for 2035. Specifically, it includes \$1.5 billion for the infrastructure and incentives to implement that state's ZEV goals.

- \$1 billion for the construction of electric vehicle charging and hydrogen fueling stations backed by registration fee revenue.
- \$465 million in one-time Cap and Trade revenues toward vehicle rebates, including for zero-emission buses
- \$50 million for ZEV charging at state facilities

### **Affordable Housing:**

The budget proposes to augment affordable housing production funding as follows:

- \$500 million for the Infill Infrastructure Grant Program (IIG), including \$250 million for early action
- \$500 million in additional low-income housing tax credits, consistent with prior year augmentations
- \$426 million for Affordable Housing and Sustainable Communities (AHSC, funded by Cap and Trade pursuant to current law)

***New Emphasis on Enforcement of State Housing Law*** A recent report by the California State Auditor criticized the state's confusing web of affordable housing programs and mismanagement of bond funds and recommended simplifying the state's housing funding programs with strengthening state oversight of local jurisdictions' compliance with state housing law. The budget includes the following related items:

- An additional \$4.3 million for the Department of Housing and Community Development (HCD) to provide technical assistance to help local governments meet planning and zoning requirements.
- Establishment of a new Housing Accountability Unit within HCD to "facilitate affordable housing production through monitoring, technical assistance and enforcement of existing housing production laws."
- An additional \$2.7 million for HCD to implement AB 434 (Daly, 2020), which requires coordination of the Transit-Oriented Development Implementation Program with the Multifamily Housing Program to streamline the rules and grant process.
- Update that HCD's promulgation of "pro housing" regulations for local agencies will be released in early 2021. Pursuant to AB 101 (trailer bill to the FY 2019-20 State Budget), the department is required to adopt criteria for a jurisdiction to qualify as "pro housing," which, if met, will give a jurisdiction priority in the receipt of various housing funds, including AHSC and IIG.

- \$2 million for the Department of Fair Employment and Housing to conduct outreach education campaigns, housing surveys and prosecute violations of anti-housing discrimination laws.

***Environmental Justice/Brownfield Redevelopment*** The budget includes \$300 million for toxic site cleanup of contaminated properties across the state. The budget creates incentives for the sites to be cleaned up and developed for housing. Sites will be prioritized based on public health risk criteria.

***Tenant Protection*** The budget notes that approximately \$2.6 billion of the \$25 billion in recent federal COVID relief funds are estimated to come to CA, split between local governments with populations over 200,000 and the state. These funds will be used to support low-income tenants with income below 80% of Area Medium Income (AMI) with a priority for those under 50% AMI. Funds can be used for rent or past-due utilities. Additionally, the budget proposes \$331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions. It will be important for MTC/ABAG and other Bay Area housing stakeholders to advocate for the region to receive a sufficient share of the state-controlled tenant and mortgage protection funding.

**Homelessness:**

Overall, the budget proposes \$2 billion to help combat homelessness. California's Homekey program, which was funded by federal CARES Act funds, resulted in the award of \$846 million to 51 local agencies to secure over 6,000 units of permanent housing for formerly homeless individuals and families. The budget includes \$1.75 billion to purchase additional motels, develop short-term community mental health facilities, and purchase or preserve seniors' housing.

- \$750 million, including \$250 million for local governments' early action to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings and other buildings, and convert it to interim or permanent housing. The Administration proposes extending streamlining provisions authorized in 2020 to these early-action funds.
- \$750 million over three years for competitive grants for counties for acquisition or rehabilitation of property to expand community-based behavioral health treatment options.
- \$250 million for counties for acquisition or rehabilitation to preserve and expand facilities for low-income seniors

The budget also includes \$12.4 million for Caltrans to assist with the state highway system's homelessness encampment cleanup.

**Resilience:**

The budget summary's economic outlook chapter notes the continued risk that climate change imposes on the state, with wildfires likely to affect individuals' and businesses' decisions about where to reside and conduct business, which in turn, could affect the growth of regions most at risk as well as those regularly impacted by smoke. The budget likewise acknowledges that rising sea levels may introduce new challenges to coastal communities.

To enhance the state's readiness for further wildfires, the budget includes \$1 billion to support a joint forest health and fire prevention strategy. This includes \$323 million in early action to begin prevention efforts before the next fire season. Significant resources are directed towards stewardship of state-owned land and prevention strategies in high-risk regions. In addition, the Governor proposes both one-time and ongoing increases in funding to support 30 additional fire crews for CAL FIRE and the California Conservation Corps.

The budget continues to invest in the California Earthquake Early Warning System, proposing \$17.3 million. Following years of research and development, the system began its initial operation in October 2019 and is anticipated to be fully operational by June 2021.

**Recommendation:** Information

**Attachments:** None.

  
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