

Summary of Governor Newsom's Fiscal Year 2022-23 Budget Proposal

Governor's FY 2022-23 Budget Request

Governor Newsom on January 10 released his Fiscal Year (FY) 2022-23 budget request, kicking off this year's formal budget negotiations with the Legislature. Notably, the budget forecasts a \$46 billion revenue surplus. The growth in new revenue is large enough to trigger the Gann Limit, a voter-passed spending limit that requires tax revenue above a certain level be spent first on education, with the remainder rebated to taxpayers, unless used for infrastructure. It is encouraging that the governor's proposal would direct a portion of this year's surplus toward transportation, housing, and climate adaptation, albeit at lower levels than Bay Area transportation and housing stakeholders have requested. Below is a high-level summary of the transportation, housing, and climate provisions of the governor's budget request.

TRANSPORTATION

State Transportation Infrastructure Package

As with last year's May Revise, Gov. Newsom links a request for \$4.2 billion in Prop 1A high-speed rail (HSR) bond funding for the Central Valley segment with his proposal to augment transportation with General Fund investments. The governor this year is proposing a roughly \$6 billion augmentation from the General Fund (vs. the Bay Area's \$10 billion request) distributed as follows:

- Transit and Intercity Rail Capital Program (TIRCP) - \$2 billion
- Southern California Transit Investments - \$1.25 billion
- Supply Chain & Port Electrification - \$1.2 billion (over two years)
- Active Transportation & Bike/Ped Safety - \$750 million
- Transportation Resilience - \$400 million

It's interesting that the high-speed rail request is proposed in the *current year*, which would necessitate early action on the budget and could create an opportunity to fund other items before the next fiscal year.

For context, the chart below compares the governor’s budget request with the current FY 2021-22 state budget and the requests for the FY 2022-23 budget included in a November 2021 advocacy letter from the Bay Area Transportation Coalition led by MTC and ABAG (Attachment A).

State Transportation Infrastructure Package Comparison Chart

	FY 2021-22 Budget (As enacted prior to reversion to General Fund)	Bay Area Transportation Coalition Request	FY 2022-23 Governor’s Proposed Budget
High-Speed Rail (HSR)	\$0	Letter was silent on amount; but expressed support for HSR	\$4.2 billion (same as May Revise FY 22 request)
Transit and Intercity Rail Capital Program (TIRCP)	\$1 billion	\$5 billion (proposed to be distributed 75% by State Transit Assistance formula; 25% via statewide competitive)	\$2 billion
Southern California Transit Investments	\$1 billion	--	\$1.25 billion
Active Transportation	\$500 million	\$2 billion	\$750 million
Transportation Resilience	\$300 million	\$1 billion	\$400 million
Grade Crossings	\$500 million	--	\$500 million

Gov. Newsom's proposal for transit is much lower than the amount requested by the Bay Area; and the governor proposes that it all flow through the Transit and Intercity Rail Capital Program (TIRCP). A top priority will be continuing to press that some of the General Fund monies for transit capital needs flow to the Bay Area through the State Transit Assistance (STA) formula (combined share) and ensuring that any TIRCP augmentation is accompanied by trailer bill language to ensure these funds can be used more flexibly to meet the region's most urgent transit capital needs.

State Transit Assistance

The governor's budget forecasts an increase in STA funding (a critical source of transit operating dollars) in the current year from \$839 million to \$856 million statewide. This would result in approximately \$268 million for the Bay Area, of which \$197 million will flow directly to operators as revenue-based funds, and \$72 million will come to MTC as population-based funds. This represents a modest increase from the current year, but the budget contains some good news for this fiscal year; the Bay Area should receive about \$19 million more than forecast in STA funds in FY 2021-22 including about \$14 million in revenue-based funds and \$5 million in population-based funds. See Attachment B for details of the FY 2022-23 STA funding levels would be by operator.

Other notable transportation proposals include:

- **Zero-Emission Vehicles:** \$6.1 billion over four years for zero-emission vehicles, including transit buses and school buses, \$3.5 billion from the General Fund. This includes \$935 million from the General Fund to support 1,000 drayage trucks and 1,600 transit buses and related infrastructure. An additional \$419 million is proposed for sustainable community-based transportation equity projects that increase zero-emission mobility options.

- **No COLA for Gas Tax:** One concerning transportation proposal is to freeze the cost-of-living adjustment (COLA) for the state gas tax that was incorporated into SB 1 (Beall, 2017), in light of high gas prices and inflation. This could set a troubling precedent. The proposal notes that the Administration plans to explore backfilling the local subvention portion for cities and counties for local streets and roads with State Highway Account funds.

HOUSING

The governor requests \$4 billion in General Fund augmentation for affordable housing and homeless investments. While significantly lower than the amount requested by affordable housing leaders throughout the state, this is a good starting point for negotiations. An important priority will be supporting the use of General Fund monies for housing and exploring opportunities to refine and expand the governor's proposal, described below.

Affordable Housing

The budget proposes a \$2 billion General Fund augmentation for affordable housing investments over two years, as follows:

- State Low Income Housing Tax Credits - \$500 million
- Infill Infrastructure Grant Program - \$500 million
- Affordable Housing and Sustainable Communities Program - \$300 million (this would augment cap-and-trade proceeds)
- Adaptive Reuse & State Excess Sites - \$200 million
 - \$100 million state excess land sites; \$100 million for adaptive reuse incentive grants
- Other affordable housing production and preservation financing - \$500 million
 - Funds for various housing programs targeted at mixed-income rental housing, infill preservation and residents of mobile home parks.

Homelessness

The budget requests \$2 billion in General Fund resources over two years to address homelessness. This would be on top of the \$5.8 billion for Homekey in FY 2022-23 (the second of a two-year commitment included in last year's budget). Key provisions include:

- **Housing for Individuals with Behavior Health Needs:** \$1.5 billion to be administered through the Department of Health Care Services' Behavior Health Continuum Infrastructure Program; and
- **Encampments:** \$500 million to support local governments' efforts to shelter individuals living in encampments.

CLIMATE ADAPTATION

The budget proposes \$20 billion over five years in infrastructure investments in transportation, energy, housing, wildfire resilience, and drought to advance the state's climate and opportunity agenda. Notable climate investments that aren't covered in the transportation and housing summaries include:

- **Reduce Wildfire Risk:** \$1.2 billion over two years to increase resilience to wildfires by increasing the pace and scale of forest and fuel management;
- **Building Decarbonization:** Roughly \$1 billion for residential building efficiency upgrades;
- **Transformative Climate Communities Program** — \$165 million to support projects that serve as models for equitable, community-driven infrastructure investments in California's most disadvantaged communities; and
- **Regional Climate Collaboratives and Resilience** — \$135 million to provide direct investment in communities through capacity-building grants, tribal, local and regional adaptation planning, and implementation of resilience projects.

**State Transit Assistance (STA) Revenue-Based (PUC 99314)
MTC Estimate Based on Governor's Budget Proposal, FY 2021-22 and FY 2022-23
January 2022**

	FY 2021-22 Sept. 2021 Estimate	FY 2021-22 Jan. 2022 Estimate	FY 2022-23 Jan. 2022 Estimate
REVENUE BASED FUNDS			
Transit Operator			
ACE	\$412,667	\$424,587	\$427,455
Caltrain	\$8,497,982	\$9,168,909	\$9,330,329
CCCTA (County Connection)	\$745,031	\$803,852	\$818,004
City of Dixon	\$7,274	\$7,848	\$7,986
ECCTA (TriDelta)	\$360,211	\$388,650	\$395,492
City of Fairfield	\$132,200	\$142,637	\$145,149
GGBHTD	\$8,154,174	\$8,797,957	\$8,952,846
LAVTA	\$357,375	\$385,590	\$392,379
Marin Transit	\$1,393,573	\$1,503,597	\$1,530,068
NVTA	\$101,174	\$109,162	\$111,084
City of Petaluma	\$43,410	\$46,837	\$47,662
City of Rio Vista	\$2,312	\$2,495	\$2,538
SamTrans	\$8,522,922	\$9,195,818	\$9,357,712
SMART	\$1,761,701	\$1,900,790	\$1,934,253
City of Santa Rosa	\$145,869	\$157,386	\$160,156
Solano County Transit	\$310,718	\$335,250	\$341,152
Sonoma County Transit	\$203,198	\$219,241	\$223,101
City of Union City	\$110,392	\$119,108	\$121,205
Vacaville City Coach	\$23,660	\$25,528	\$25,977
VTA	\$25,832,080	\$27,871,556	\$28,362,240
WCCTA (WestCat)	\$472,526	\$509,833	\$518,808
WETA	\$2,317,255	\$2,500,205	\$2,544,222
SUBTOTAL	\$59,907,704	\$64,616,834	\$65,749,817
AC Transit	\$22,789,317	\$24,588,563	\$25,021,449
BART	\$35,710,889	\$38,530,310	\$39,208,643
SFMTA	\$60,878,595	\$65,685,040	\$66,841,436
SUBTOTAL	\$119,378,801	\$128,803,913	\$131,071,527
TOTAL REVENUE BASED FUND	\$179,286,505	\$193,441,408	\$196,846,976
POPULATION BASED FUNDS	\$65,303,438	\$70,459,229	\$71,699,676
GRAND TOTAL STA	\$244,589,943	\$263,900,637	\$268,546,652

Note: Amounts above for FY 2022-23 do not reflect the ARP funding exchange necessary to implement MTC Resolution No. 4481, Revised (October 2021).