



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3d

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Memorandum

TO: Legislation Committee

DATE: June 1, 2018

FR: Executive Director

W.I. 1131

RE: Update on FY 2018-19 State Budget

Overview

The Governor's May Revision of the FY 2018-19 State Budget (May Revise) was released on May 11th, anticipating \$8 billion in higher revenue than assumed in January. While this is the largest state budget on record, reflecting continued economic growth, the May Revise continues the Governor's January proposal to take a cautious approach toward new spending. The May Revise summary notes that despite strong fiscal health in the short term, risks to the long-term health of the state budget continue to mount, including uncertainty resulting from the federal tax package and the fact that the state is close to exceeding the longest economic expansion in its history. According to the May Revise budget summary, even a moderate recession could reduce annual state revenues by over \$20 billion per year for several years. Accordingly, the Governor continues to recommend fully funding the Rainy Day Fund up to \$13.5 billion. The remainder of this memo highlights the budget's proposed funding levels related to transportation, housing, and emergency response/resilience.

State Transit Funding Rising

Due to an upswing in the price of diesel fuel, state funding for public transit is forecast to grow considerably in FY 2018-19 and the current year. Specifically, funding for State Transit Assistance, a formula program which can generally be used for transit operations or capital purposes, is forecast to grow by approximately \$109 million from \$659 million in the January budget to \$768 million, or nearly 17% in the May Revise. Increases for individual operators are shown in the Attachment. In addition, a new program for intercity and commuter rail which funds ACE, SMART and Caltrain, among other rail operators across the state, is forecast to grow by \$42 million from \$214 million to \$256 million.

Housing and Homelessness

The Governor's January Budget included \$4.4 billion in state and federal funding for affordable housing and homelessness programs across numerous departments and programs. This included allocating funding authorized by the 2017 housing package of 15 bills approved last year, including proceeds from the document recording fee authorized by SB 2 (Atkins) and proceeds from the \$4 billion housing bond (SB 3 (Beall)) that the Budget assumes will be available upon voter approval in the November 2018 election. Proposed funding for select housing programs in FY 2018-19 includes:

- \$245 million – Building Homes Jobs Fund Programs (SB 2)
- \$277 million – Veterans and Affordable Housing Bond Act (SB 3)
- \$455 million – Affordable Housing and Sustainable Communities Program

The remaining funds would be allocated to various programs to fund affordable housing, provide assistance to first time homebuyers, alleviate homelessness and provide other forms of housing support.

The May Revise also augments near term funding for housing for those in need of mental health services who are homeless or at risk of homelessness. Specifically, the budget proposes a \$359 million Homelessness Response Proposal (including \$250 million for a new Homelessness Emergency Aid block grant for cities, counties or joint powers authorities that declare a local shelter crisis and identify city-county coordination) and placing on the November 2018 ballot a \$2 billion "No Place Like Home" bond measure that was previously approved by the Legislature in 2016 in order to resolve legal challenges that have tied up the funds since they were originally approved for mental health purposes.

Wildfire Response and Recovery

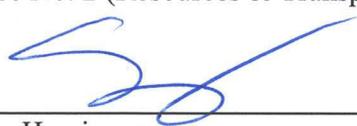
The May Revise augments the earlier budget proposal with new investments in disaster recovery, response and prevention. In response to the Northern California wildfires, the May Revise includes nearly \$22 million in General Fund revenues to backfill the property tax revenue losses that cities, counties, and special districts will incur in FY 2017-18 and FY 2018-19 due to the October 2017 wildfires. The May Revise also includes approximately \$29 million in General Fund revenues to waive the local match for Northern California counties' costs of debris removal and nearly \$50 million in General Fund revenues to increase to nearly \$122 million the amount of funding available through the California Disaster Assistance Act to repair, restore or replace public property damaged or destroyed by a disaster and reimburse local governments from costs associated with emergency response. The May Revise also includes \$15 million to upgrade California's public safety radio network to ensure that the public safety radio system used by first responders and dispatchers supports the Next Generation 9-1-1 system proposed in the January Budget.

Cap and Trade Funding

Earlier this year, the Governor proposed a \$1.3 billion cap-and-trade spending plan for FY 2018-19 to be funded from auction proceeds. The May Revise proposes an additional \$50 million in auction proceeds (supplemented with other funding) to implement the Governor's Forest Carbon Plan, which is targeted toward making California's forests more resilient to wildfires and other threats posed by climate change. Negotiations over Cap and Trade funding are ongoing between the two houses.

Miscellaneous Budget Items

Staff has been working on two budget items with direct implications to MTC: 1) funding for the Bay Conservation and Development Commission to relocate to the Metro Center as planned since 2013 and 2) funding for MTC to conduct a rail study at the request of Senator Bob Wieckowski (D, Fremont), to evaluate passenger rail needs and opportunities in the central and southern Alameda County area with east-west connections to the Tri-Valley and Peninsula, including a possible intermodal transit station in the Shinn Park region of Fremont. The May Revise proposed \$2.6 million for the tenant improvements for BCDC, even though the actual cost was \$5 million. Staff is working to ensure the full cost is covered in the final budget. The item will be taken up by the Assembly-Senate Budget Conference Committee since the two houses took different actions. Likewise, funding for the rail study is subject to approval by the conference committee; the Senate Budget Subcommittee No. 2 (Resources & Transportation) approved \$5 million for the study.



Steve Heminger

Attachment:

- Attachment A: State Transit Assistance Funding

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State Transit Assistance Population-Based Funding, FY 2017-18
Resolution 3837, Revised Framework

	Feb 2018 Fund Estimate	May Revise
	FY 2017-18	FY 2017-18
	Revenue Estimate	Revenue Estimate
Northern Counties/Small Operators		
Marin	\$1,365,936	\$1,407,038
Napa	\$738,170	\$760,382
Solano/Vallejo	\$2,223,049	\$2,289,941
Sonoma	\$2,612,496	\$2,691,106
CCCTA	\$2,589,413	\$2,667,329
ECCTA	\$1,564,121	\$1,611,186
LAVTA	\$1,070,082	\$1,102,280
Union City	\$374,612	\$385,884
WCCTA	\$344,981	\$355,361
SUBTOTAL	\$12,882,859	\$13,270,507
Regional Paratransit		
Alameda	\$1,414,545	\$1,457,109
Contra Costa	\$1,001,332	\$1,031,461
Marin	\$193,203	\$199,016
Napa	\$156,686	\$161,400
San Francisco	\$1,122,326	\$1,156,097
San Mateo	\$553,361	\$570,012
Santa Clara	\$1,584,887	\$1,632,577
Solano	\$432,686	\$445,705
Sonoma	\$619,754	\$638,402
SUBTOTAL	\$7,078,780	\$7,291,780
Lifeline		
Alameda	\$1,674,967	\$1,674,967
Contra Costa	\$1,070,684	\$1,070,684
Marin	\$192,575	\$192,575
Napa	\$151,356	\$151,356
San Francisco	\$886,302	\$886,302
San Mateo	\$609,595	\$609,595
Santa Clara	\$1,632,590	\$1,632,590
Solano	\$481,849	\$481,849
Sonoma	\$560,203	\$560,203
MTC Mean-Based Discount Project	\$0	\$0
JARC Funding Restoration	\$0	\$0
Participatory Budgeting Pilot	\$1,000,000	\$1,000,000
Reserve for a Means-Based Transit Fare	\$5,002,155	\$5,401,219
SUBTOTAL	\$13,262,276	\$13,661,340
MTC Regional Coordination Program	\$12,200,213	\$12,567,323
BART to Warm Springs	\$0	\$0
eBART	\$0	\$0
Transit Emergency Service Contingency Fund	\$333,333	\$333,333

SamTrans	\$0	\$0
STA Population-Based SB 1 Reserve	\$0	\$0
GRAND TOTAL	\$45,757,460	\$47,124,283

Note: Information based on May 11, 2018 Revised State Budget. Assumes \$468.8 million in statewide STA revenue in FY 2017-18 and \$663.4 million in statewide STA revenue in FY 2018-19.

**State Transit Assistance Population-Based Funding, FY 2018-19
 Resolution 4321 Framework**

	Feb 2018 Fund Estimate	<u>May Revise</u>
	FY2018-19	FY2018-19
	Revenue Estimate	Revenue Estimate
County Block Grant		
Alameda	\$6,649,391	\$7,971,264
Contra Costa	\$8,344,142	\$10,002,925
Marin	\$2,146,528	\$2,573,249
Napa	\$1,313,035	\$1,574,061
San Francisco	\$3,180,601	\$3,812,892
San Mateo	\$1,904,308	\$2,282,877
Santa Clara	\$5,300,829	\$6,354,613
Solano	\$3,950,403	\$4,735,728
Sonoma	\$4,826,595	\$5,786,103
SUBTOTAL	\$37,615,833	\$45,093,712
Regional Program	\$16,121,071	\$19,325,877
Transit Emergency Service Contingency Fund	\$333,333	\$333,333
GRAND TOTAL	\$54,070,237	\$64,752,922

Note: Information based on May 11, 2018 Revised State Budget. Assumes \$468.8 million in statewide STA revenue in FY 2017-18 and \$663.4 million in statewide STA revenue in FY 2018-19.