

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

May 10, 2024

Agenda Item 3a

Fiscal Year (FY) 2024-25 State Budget Update

Subject:

Update on FY 2024-25 State Budget Negotiations.

Background:

Late last month, Governor’s Office implemented a discretionary spending freeze across all state agencies and departments, which will temporarily pause the release of the formula-based Transit and Intercity Rail Capital Program (TICRP) and Zero-Emission Transit Capital Program (ZEC) funding approved in the Fiscal Year 2023-24 budget [Senate Bill (SB) 125/ Assembly Bill (AB) 102]. This “[Section 74 spending freeze](https://dof.ca.gov/wp-content/uploads/sites/352/2024/04/BL-24-07.pdf) (https://dof.ca.gov/wp-content/uploads/sites/352/2024/04/BL-24-07.pdf)” authorization was a component of AB 106, a bill that included a suite of budget reduction strategies; those “frozen” expenditures could be on the table for the Legislature and Administration to cut through the budget process.

Overview of State Spending Freeze Impact on SB 125/AB 102 Funds

SB 125/AB 102 provided the Bay Area roughly \$1.1 billion over five years. The Commission has committed to use those funds to support BART Core Capacity & BART Silicon Valley Phase 2 (\$725 million) and transit operating (\$445 million plus about \$28 million from interest earned). MTC had anticipated imminently receiving the Bay Area’s “year one” resources (approximately \$530 million) share of these resources.

Staff’s initial assessment is that a short delay in receiving these resources is less-than-ideal, but it would be manageable in that Bay Area operators are not facing **immediate** shortfalls and the capital projects are not expected to need to expend funds in the very near-term.¹ However, it’s concerning that these funds are included in the “freeze” in that it indicates that the funds may be at risk. The Bay Area is depending on those SB 125/AB 125 commitments to sustain transit and invest in capital projects that are leveraging billions of dollars in matching federal funds.

¹ The Bay Area is depending on interest earned to help address operating deficits. The longer the funds are delayed, the lower the interest earned. The Legislature and Governor in their April “early action” already included a one-year delay of FY 2024-25 TICRP funds. A two-month “freeze” would further reduce interest earnings by an estimated \$4.5 million.

Timing/Next Steps

It is our understanding that the Administration could “unfreeze” the funds at any time, but no additional action will likely be taken until at least after the May Revision is released sometime before May 14, 202.

Staff will provide a verbal update at your committee meeting on this and other FY 2024-2025 State Budget negotiations, including advocacy related to the Regional Early Action Program 2.0 (REAP 2.0) and an overview of the May Revise.

Issues:

None identified.

Recommendations:

Information

Attachments:

- None



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