

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

January 12, 2024

Agenda Item 3a - 23-1479

Overview of Governor Newsom's Fiscal Year 2024-25 State Budget Proposal

Subject:

Highlights of Governor's proposed Fiscal Year 2023-24 budget, including planned transit investments.

Summary:

California's fiscal year (FY) 2024-25 budget negotiations will kick into high gear this month with the anticipated January 10 release of Governor Newsom's budget request. (As of the writing of this memo, the budget request has not been made public). The state's fiscal outlook is even bleaker than last year's prediction; the Legislative Analyst's Office (LAO) in early December 2023 projected California's budget deficit would grow to \$68 billion in FY 2024-25, up from the \$14 billion lawmakers anticipated when crafting last year's budget deal. Of significant concern is how the Governor will propose to address this shortfall considering the \$2 billion in General Fund commitments for transit made in last year's budget agreement (plus additional funding from other sources) for FY 2024-25, described below. Staff will provide a verbal update at your meeting on the Governor's FY 2024-25 State Budget proposal.

Recap of Transit Commitments for FY 2024-25 in Last Year's Budget

As a reminder, last year's budget agreement included a four-year, \$5.1 billion transit package, with \$4 billion committed through a regional Transit and Intercity Rail Capital Program (TIRCP) and \$1.1 billion to be distributed through a new Zero Emission Transit Capital Program, with the flexibility to use all funds for either capital or operating purposes. The Bay Area's share of these funds flows to MTC, with the \$4 billion distributed according to the region's share of the state's population. The Bay Area is set to receive approximately \$770 million, which the Commission in October 2023 committed as follows:

- BART Core Capacity Program (\$350 million)
- VTA's BART to Silicon Valley, Phase 2 (\$375 million)
- Transit Operations Reserve (\$45 million)

The TIRCP portion of the funding is from the state's General Fund. The Legislature appropriated half the regional TIRCP funds in the FY 2023-24 budget. The transit package stipulated that the remaining funds (\$2 billion statewide; \$385 million for the Bay Area) would be appropriated in the FY 2024-25 state budget.

The transit package provided that the \$1.1 billion Zero Emission Transit Capital Program be distributed to MTC and other regional transportation planning agencies over a four-year period beginning with \$410 million in FY 2023-24 and \$230 million for each of fiscal years 2024-25, 2025-26 and 2026-27 based on the State Transit Assistance formula. The Bay Area's share over the four years is approximately \$400 million.

In November 2023, the Commission committed this \$400 million for emergency operating assistance and adopted a proposed distribution of emergency operating funding for Bay Area transit operators facing near term operating shortfalls. Consistent with the requirements of Senate Bill 125, the FY 2023-24 transportation trailer bill, the Commission identified additional resources – including TIRCP resources committed through the 2023 transit package and a contribution of regional discretionary funds – to address Bay Area transit operator's three-year standardized operating shortfalls (\$776 million).

Issues:

None identified.

Recommendations:

Information

Attachments:

- None



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