



Funding Update | December 1, 2011

UPDATE

Adjustment Expected for FY 2011-12 First Quarter State Transit Assistance Payments

As reported yesterday, Association staff has been working with the State Controller's Office (SCO) to correct an underpayment in the first quarter State Transit Assistance (STA) Program. We have just received word that SCO is making the correction which will show an additional \$16,618,500 that should be paid for STA. This amount will be held until the second quarter payment, which should be paid around January 15th. Please contact Legislative Advocate Gus Khouri at 916-446-4656 or by email at gus@caltransit.org with any questions.

As background, below is the information contained in yesterday's Funding Update:

The State Controller's Office (SCO) recently published the first quarter allocations for the State Transit Assistance (STA) program. Click [here](#) to see this document. The total amount published to be allocated to all agencies for the first quarter was \$82,747,500. However, this amount differs from what has been reported by the Board of Equalization (BOE). According to BOE, a transfer was made according to Revenue and Taxation Code Section 7102 (4.75% tax base on diesel) in the amount of \$86,258,000 to the Public Transportation Account (PTA), of which the STA program receives 50%. Furthermore, the additional 1.87% tax increment on diesel, of which the STA receives 100% of the proceeds, generated \$33,237,000. Finally, AB 105 [Chapter 6, Statutes of 2011] directs a one-time appropriation of \$23 million from the PTA to the STA. Therefore, the amount of the first quarter allocation for FY 11-12 of the STA program should be \$99,366,000. We are currently working with the SCO to correct the underpayment of approximately \$16 million.

As a reminder, the STA program is now reliant upon actual consumption of diesel rather than a budget appropriation. Consequently, the allocations will likely fluctuate from quarter to quarter. In May, the DOF estimated that the STA program would be funded at \$416 million. Assuming that this quarter's allocation, minus the one-time \$23 million transferred pursuant to AB 105, is comparable to allocations for the next three quarters (approximately \$76 million per quarter), STA may end up being funded at roughly \$327 million for the 2011-12 fiscal year. Therefore, we urge your agency to be judicious with the money that you receive, due to the lack of predictability and fluctuation that comes with relying on consumption of diesel fuel.

Legislative Analyst's Office Estimates \$13 Billion Deficit Through FY 2012-13

The Legislative Analyst's Office (LAO) released a report earlier this month regarding California's fiscal outlook for 2012-13. The report indicates that California's economic recovery continues to be slow, and projects that General Fund revenues and transfers in 2011-12 will be \$3.7 billion below the level assumed in the 2011-12 budget package passed in June. This, coupled with an expected \$10 billion shortfall for FY 2012-13, will create a \$13 billion budget problem to solve in 2012.

The 2011–12 budget package contained trigger cuts that would take effect if revenues for 2011–12 were forecast to be less than the amount assumed in the budget package by \$1 billion or more. There are two tiers of potential trigger cuts: first, if revenues are forecast to be \$1 billion or more below the budget level, and second, if revenues are forecast to be \$2 billion or more below. The second tier of cuts—all of which affect K–14 education—is prorated depending upon how much revenues are below the budget level. This year's revenue shortfall translates into \$2 billion in "trigger" cuts to various education and health and human service programs. Please click [here](#) to see the LAO report.

Mindful of the looming deficit and struggling economy, our Association will continue to pursue new funding sources for transit as well as seek to protect our existing resources as part of our recently approved 2012 State Legislative Program. Please click [here](#) to see our 2012 program.

Association staff will keep you apprised of any new budget developments as they occur.

Please contact Legislative Advocate Gus Khouri at 916-446-4656 or by email at gus@caltransit.org with any questions regarding this Funding Update.