



Funding Update | May 14, 2010

Governor's May Budget Revise Leaves 'Tax Swap' Provisions Mostly Intact

The Governor today released his May Revision to the 2010-11 State Budget. The Governor estimates that the state's budget gap is \$19.1 billion (only \$800 million less than what the Governor stated in January), which includes a current year (FY 09-10) shortfall of \$7.7 billion, a budget year (FY 10-11) shortfall of \$10.2 billion and a modest reserve of \$1.2 billion. Citing lower than anticipated revenues, the Governor proposes to eliminate the California Work Opportunity and Responsibility to Kids Program, (CalWORKs) program, and to reduce funding for local mental health services by approximately 60 percent to help balance the budget. In addition, the Governor proposes to borrow \$650 million from the excise tax on gasoline (additional revenue generated from gas tax swap that was to be divided between STIP, SHOPP, and cities/counties), and utilize \$3.4 billion in federal funding to provide partial relief. Spending reductions account for \$12.4 billion of his proposed solutions.

Impact on Transit

In March, the legislature captured a total of \$1.586 billion in traditional sources of public transportation funding for FY 10-11 through the "gas tax swap". Public transportation received a \$400 million appropriation to the State Transit Assistance program from the balance frozen in the Public Transportation Account as a result of the Shaw v. Chiang lawsuit. The intercity rail program received a \$129 million appropriation from that balance for FY 10-11 and is expected to receive a like amount for FY 11-12. Beginning in FY 11-12, local transit operators are expected to receive \$348 million as a result of the 75 percent allocation to the State Transit Assistance program from the sales tax on diesel. The remaining 25 percent is dedicated primarily to the intercity rail program, as well as the other traditional expenditures of the Public Transportation Account (CPUC, CTC, ITS). Non-Article XIX funds which are derived from the sale of documents and miscellaneous services to the public were also dedicated to the intercity rail program to ensure full funding.

The May Revise proposes to transfer the \$72.2 million of Non-Article XIX funds that have materialized for FY 10-11 from the Motor Vehicle Account to the General Fund. This should not have an impact on the intercity rail program in the budget year.

Proposition 1B

The Governor proposes a \$350 million appropriation to transit capital projects from the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) and \$101.3 million for the Transit System Security Safety and Disaster Response Account (TSSSDRA).

On May 13th, Senate Budget subcommittee #2 approved an accelerated appropriation of \$1.15 billion to the PTMISEA. The additional appropriation, if approved by the Legislature and the Governor later this year, would make a total of \$1.5 billion available for Prop 1B PTMISEA allocations. While the appropriation would occur in 2010-11, the \$1.5 billion would incorporate three years of expenditures as provided by PTMISEA recipients to Caltrans Division of Mass Transportation (DMT). While the requested amount for expenditures by PTMISEA recipients is over \$700 million for FY 10-11, this action allows more projects to advance ahead of schedule. Any unallocated portion would carry over to 2011-12.

The additional appropriation is yet to be considered by the Assembly. If there is discrepancy on the measure by the two houses, the proposal would be heard in budget conference committee.

We will provide more details as they become available

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