



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 4

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Memorandum

TO: Legislation Committee

DATE: December 5, 2008

FR: Deputy Executive Director, Policy

RE: State Budget Update

On Monday, December 1, Governor Schwarzenegger declared a fiscal emergency triggering a deadline for legislators to address an estimated \$28 billion shortfall in the FY 2008-09 and FY 2009-10 state budget. Lawmakers now have 45 days to pass legislation closing the deficit. If that January 15 deadline is missed, the Legislature has to stay in session, without considering other bills, until an agreement is reached.

This latest declaration was expected after Sacramento legislators fell short of the votes necessary to pass a package of spending cuts and revenue increases just before Thanksgiving. Public transit was not spared in the cuts put forward by Senate Democratic leadership: a \$17 billion package of cuts and revenue increases included a \$156 million cut to State Transit Assistance for FY 2008-09 and every year thereafter through FY 2012-13. This would amount to a 51 percent cut (as opposed to a 75 percent cut proposed by the Governor) from the current year level of \$306 million, resulting in a loss of \$56 million for Bay Area transit operators, including \$41 million in revenue-based funds and \$15 million in population-based funds. The STA cuts were part of an overall package that was rejected along party lines as Republicans were unwilling to support the revenue increases that were included.

As noted previously, the proposed cuts to STA underscore the need for a major fix to transit funding next year, which will include securing the Proposition 42 and base Public Transportation Account for transit uses, and merging the Spillover with Proposition 42.

Staff will update you with any new developments related to the budget at your meeting.

Therese W. McMillan