



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Agenda Item 4

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*Memorandum*

TO: Legislation Committee

DATE: February 6, 2009

FR: Executive Director

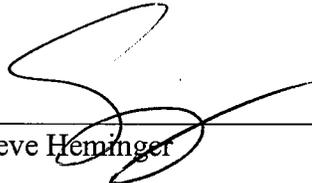
RE: State Budget Update

California legislators failed to reach agreement on closing a \$42 billion, 18-month shortfall by February 1, the date by which the state officially fell short of sufficient cash to meet its funding obligations for various programs. In response, the bond rating agencies downgraded the state's General Obligation bond rating from A+ to A, the lowest in the nation. As a result, State Controller John Chiang announced the need to delay for 30 days thousands of claims by businesses for services and products they provide to the state, including assistance to more than one million aged, blind and disabled Californians to pay their rent, utilities, and food; disbursements to state agencies for public services, ranging from public safety to health and welfare; and tax refunds for individuals and businesses that overpaid their 2008 taxes.

On January 29, the California Superior Court ordered the State Controller to implement the Governor's Executive Order, which requires 238,000 state employees to take furloughs two days per month. According to Governor Schwarzenegger, the furloughs would save the state an estimated \$1.4 billion through June 2010. The first furlough took place today.

The effect of the state budget crisis is already affecting Bay Area transit operators, who have not yet received their second quarter disbursement of State Transit Assistance funds. Because the Administration has proposed to reduce these funds from \$306 million to \$153 million in the current year, the State Controller is awaiting further action on the budget before disbursing them. MTC's recent action to pursue purchase of \$200 million in state bonds to help meet cash flow needs for certain Proposition 1B-funded projects will prevent delay for a number of on-going highway projects that are already under construction or scheduled for award in the next several months; however, projects on a slower schedule are still at risk of delay.

At your meeting, we will provide you with an update of any late-breaking news on the state budget.

  
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Steve Heminger