



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Legislation Committee

DATE: June 1, 2012

FR: Executive Director

W. I. 1131

RE: FY 2012-13 State Budget Update

Overview

On May 14, Governor Brown released his May Revision to the FY 2012-13 state budget, adjusting the stubborn state deficit upward from \$9.2 billion in January to \$15.7 billion today. The increase is a result of a number of factors, including lower revenue forecasts (\$4.3 billion), in combination with higher mandatory expenditures for K-14 education and Medi-Cal expenditures resulting from litigation (\$1.7 billion). The budget makes up the difference through a combination of deeper cuts (to education, health and human services, and state employee compensation), loans and transfers, and new revenue from the imposition of temporary taxes if approved by voters on the November ballot. The new taxes are estimated to raise approximately \$5.9 billion; if the measure fails, the budget proposes automatic cuts of \$6.1 billion that would fall most directly on K-14 education.

Budget Transfers Gas Tax Revenue to General Fund

The most significant budget-balancing proposal affecting transportation in the May Revise is a proposed transfer of \$312 million in gasoline tax funds from fuel purchased for off-highway vehicles to the General Fund (GF). The proposal takes advantage of a drafting error from the gas tax swap that resulted in the funds being transferred to special funds that receive the off-highway gas tax revenue from the *base* gas tax rather than to transportation programs. As a result, the three intended recipients of the gas tax swap — local streets and roads, the State Transportation Improvement Program (STIP), and the State Highway Operation and Protection Program (SHOPP) — have not received these funds to date, even though the clear intent of the legislation was that they would receive 100 percent of the new increment of the gas tax.

The May Revise proposes to transfer \$184 million that has accumulated in these accounts over the last two years and \$128 million annually beginning in FY 2012-13. This amounts to a one time loss for the STIP and local streets and roads of \$81 million each and a loss of \$56 million per year going forward. Unfortunately, whereas gas tax revenue collected from vehicles that drive on local streets and highways is dedicated to transportation purposes by the State Constitution, gasoline purchased for use in *off-road* vehicles is not protected. Considering the size of the GF deficit, it seems very likely that the Legislature will endorse this proposal, at a minimum for FY 2011-12 and FY 2012-13. MTC will advocate that the Legislature adopt a sunset provision for this proposal and enact legislation correcting the drafting error.

High-Speed Rail Funding

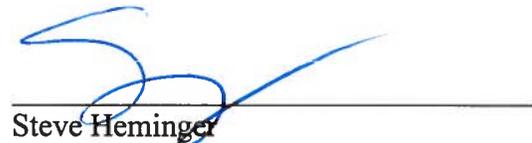
In response to the High-Speed Rail Authority's adoption of its revised business plan, the Administration submitted a revised budget request in April for a total of \$6.1 billion in expenditure authority for the project, including \$2.8 billion in appropriations from Proposition 1A to commence construction of the Central Valley segment, with the balance to come from federal funds. In an encouraging move, the Administration also is requesting \$816 million in connectivity funding (after a veto of all but the positive train control projects last year), provided that such funds only be available if the Legislature appropriates funding for construction of the Central Valley segment. As you will recall, these connectivity funds were the subject of the Peninsula Corridor agreement between the Authority and various Bay Area transportation agencies that the Commission approved in March.

State Transit Assistance Funding Left Intact

One piece of good news for transportation is that the May Revision makes no official change to the January forecast for State Transit Assistance (STA) funding, which remains at \$420 million. In fact, conversations with Department of Finance staff indicate that due to higher than anticipated diesel prices, revenues are coming in quite a bit higher than anticipated, raising the prospect that transit operators may receive more than was forecast in January. Of course, the final amount of STA funding for FY 2012-13 will not be known until the end of FY 2012-13 since the funding is continuously appropriated on the basis of tax receipts and is disbursed by the State Controller quarterly.

Caltrans Capital Outlay Support Program Cut Back

Noting a significant reduction in funding available for new highway projects going forward, largely as a result of the conclusion of the American Recovery & Reinvestment Act, the budget recommends a reduction of \$14.5 million and 330 state positions for engineering, design and construction oversight activities in Caltrans capital outlay support program.



Steve Heminger