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MEMORANDUM

TO: TC Board, Executive Committee, Contributing & Affiliate Members

FROM: Mark Watts, Interim Executive Director 

DATE: June 16, 2015

SUBJECT: State Budget Update

State Budget

On June 15, the Legislature approved AB 93, the 2015 State Budget Act. The overall State General Fund expenditure plan for 2015-16 reflected in the bill amounts to \$117 billion. But, in a disagreement with the Governor, the legislative General Fund budget is based on a higher level of revenue estimates for the fiscal year than the Governor’s Department of Finance has estimated. This sets up a period of 12 days in which the Governor and the Legislature can discuss this and other differences in the budget, leading to a final compromise.

Transportation Budget Items

In addition to the Budget Act, the Legislature approved four trailer bills, including AB 95 (related to transportation). AB 95 includes several items of interest to the transportation community:

Development of CT preservation “Shelf”. Includes 25 positions to create a \$500 million project shelf for the State Highway Operations and Preservation Program (SHOPP).

AMTRAK Funding for Intercity Rail. Fully funds Amtrak contract changes, pursuant to federal government requirements for intercity rail services.

Intercity Rail Reporting. Requires Caltrans to report, by April 1, 2016, to the Legislature on potential benefits to safety, greenhouse gas reduction, service levels, and operating costs by improving grade separations at key intersections, as defined by the Federal Railroad Administration, along the state's intercity rail system.

Cap on Clean Air Vehicle Program. Increases the cap on the "green sticker" Clean Air Vehicle program from 70,000 to 85,000. This program allows low-emission and energy-efficient vehicles with a single occupant to use high-occupancy vehicle lanes.

Cap-and-Trade Funding

The Conference Committee final spending plan incorporated into the final budget sent to the Governor includes staff resources necessary to continue existing workload related to cap-and-trade expenditures, but rejects all of the discretionary expenditure proposals. This conforms to the announced legislative intent that discussions will continue to further refine the state's expenditure plan for the 40 percent of the cap-and-trade revenues that are not continuously appropriated according to statute enacted last year.

However, the existing statutory continuous appropriations remain, so sixty percent of revenue in 2015-16 will be allocated to High Speed Rail, Affordable Housing and Sustainable Communities, Low Carbon Transit Operations, and the Transit and Intercity Rail Capital Program, pursuant to current law.

Transportation Loan Repayments

The Budget Conference Committee previously added language into their version of the budget related to Pre-Prop 42 loans. These loans have not been characterized by the Governor as part of the state's "Wall of Debt" and had remained withheld over the past decade due to state budget pressures.

The final budget agreement identifies \$842 million in Pre-Prop 42 borrowing from 2000-01 as "general fund borrowing" which would qualify the loans for repayment from the Proposition 2 "Rainy Day" funds in a future legislative action.