



May 14, 2021

TO: Board Members, Transportation Agency for Monterey County
FROM: Gus Khouri, President, Khouri Consulting LLC
RE: **STATE LEGISLATIVE UPDATE – MAY REVISE TO THE GOVERNOR’S FY 2021-22 BUDGET**

On May 14, Governor Newsom released his May Revision to the FY 2021-22 budget. The May Revision stands in stark contrast to the budget of one year ago. Compared to a projected budget deficit of \$54.3 billion a year ago, the state now has a projected \$75.7 billion surplus. Combined with over \$25 billion in federal relief, this supports a \$100 billion “California Comeback Plan” towards the Governor’s vision of accelerating the state’s economic recovery from the COVID-19 pandemic.

The May Revise includes \$24.4 billion in reserves, which is the highest in state history. The forecast does not project large structural deficits; however, risks to the economic forecast remain—new coronavirus variants, vaccine hesitancy, higher inflation if disrupted supply chains cannot support increased consumer demand, and a stock market decline could impact state revenues. These risks, together with the one-time nature of the federal funds and new revenue, constrain the state’s ability to significantly expand ongoing commitments.

What does this mean for transportation?

The Governor is proposing to provide \$11 billion in funding (of which \$4.4 billion is from the General Fund) to reduce greenhouse gas emissions, create jobs, and enhance mobility, as follows:

- **State Highway Rehabilitation and Local Roads and Bridges**—\$2 billion (\$1.1 billion in special funds through 2028, and \$968 million in federal funds) to support the advancement of priority State Highway Operation and Protection Program (SHOPP) projects, Interregional Transportation Improvement Program (ITIP) projects, and local road and bridge investments. This amount includes \$912 million from the Coronavirus Response and Relief Supplemental Appropriations Act that was enacted by Congress in March.
- **Priority Transit and Rail Projects**—\$1 billion in General Fund for transit and rail projects statewide that improve rail and transit connectivity between state and regional/ local services.

- **Active Transportation**—\$500 million in General Fund to advance projects that increase the proportion of trips accomplished by walking and biking, increase the safety and mobility of non-motorized users, advance efforts of regional agencies to achieve greenhouse gas reduction goals, enhance public health, and benefit many types of users, especially in disadvantaged communities. According to CalSTA Secretary David Kim, this augmentation could help fund projects that scored 80 points and above in Cycle 5. If so, projects such as projects such as the Alisal Safe Routes Projects in Salinas (89 points), San Antonio Drive Bikeway and School Gap Closure in King City (82 points) could receive funding.
- **High Priority Grade Separations and Grade Crossing Improvements**—\$500 million in General Fund to support critical safety improvements throughout the state.
- **Zero-Emission Rail and Transit Equipment Purchases and Infrastructure**—\$407 million (\$100 million in General Fund, \$280 million in Public Transportation Account, and \$27 million in federal funds) to demonstrate and purchase or lease state-of-the-art, clean bus and rail equipment and infrastructure that eliminate fossil fuel emissions and increase intercity rail and intercity bus frequencies.
- **Zero-Emission Buses and Trucks**—\$1.4 billion (\$1.3 billion in General Fund, \$87 million in Air Pollution Control Fund) to demonstrate and purchase or lease green buses and trucks. These funds are budgeted outside of the transportation budget and are included and described in the Climate Resilience Chapter.
- **Zero-Emission Vehicle Infrastructure**— \$826 million for a total of \$1.8B, and \$3.2B over three years for ZEV infrastructure.
- **Litter Abatement**- One-time funding of \$1.5 billion in General Fund will be used for a three-year effort to clean up garbage statewide, beautify the state’s transportation network, educate the public about the harms of litter, and create long-lasting litter deterrents.
- **High-Speed Rail**—\$4.2 billion in Proposition 1A to complete high-speed rail construction in the Central Valley, advance work to launch service between Merced and Bakersfield, advance planning and project design for the entire project, and leverage potential federal funds.
- **Los Angeles Olympics**—\$1 billion in General Fund to deliver critical projects in time for the 2028 Olympic Games.