



January 8, 2021

TO: Board Members, Transportation Agency for Monterey County

FROM: Gus Khouri, Principal, Khouri Consulting LLC

RE: STATE LEGISLATIVE UPDATE – GOVERNOR’S FY 2021-22 STATE BUDGET

On January 8, Governor Newsom released his proposed FY 2021-22 State Budget. The 2021-22 Budget, which contains \$164 billion in General Fund spending (\$227 billion with special funds) is projected to have a one-time surplus of \$34 billion. To resolve a \$54.3 billion deficit due to the COVID-19 pandemic-induced recession, the budget relies on using \$15.6 billion from the Rainy Day Fund, \$450 million from the Safety Net reserve, \$3 billion from the Public School System Stabilization Account, \$2.9 billion from the state’s operating reserve, and over \$10 billion in federal assistance assumed but not yet approved. While unemployment rates have dropped from 16.4% last May to about 8% this January, the Governor projects a structural deficit of \$7.6 billion for FY 2022-23 due to a decrease in income taxes, and that is expected to grow to \$11 billion by FY 2024-25.

Of the \$887 billion available nationally from the Coronavirus Response and Relief Supplemental Appropriations Act, the state is expected to receive \$105.5 billion of that amount for specific purposes, detailed in the chart below. The Governor cannot use it to backfill the deficit. If California does not receive the \$10 billion assumed in the draft state budget, it would trigger cuts to education and health and human services.

Governor Newsom released a \$4.5 billion Equitable Recovery for California’s Businesses and Jobs plan, the business and workforce recovery elements of his 2021-22 State Budget that will help California through the COVID-19 pandemic recovery. In recognition of the devastating impacts of the COVID-19 pandemic, the Governor proposes \$3 billion of relief as follows: \$2.4 billion for low-income workers who are eligible to receive the earned income tax credit,

\$575 million in small business and non-profit assistance, and waiving the \$800 franchise tax fees for restaurants and personal services. This plan includes \$300 million in one-time General Fund revenues for the most critical statewide deferred maintenance, including greening of state infrastructure. Projects include the installation of electric vehicle charging stations at state-owned facilities. An additional \$1.5 billion investment is included to accelerate the state's progress toward these goals while creating jobs. Funds will support purchases of clean trucks, buses and off-road freight equipment and the "Clean Cars 4 All" programs. It will support job-creating construction of electric charging and hydrogen fueling stations necessary to accelerate zero-emission vehicle adoption. The package builds upon Executive Order N-79-20, which mandates no gas-powered passenger vehicle sales by 2035, which will force a conversion to an alternative fuel source.

Transportation Funding

The drop in fuel consumption due to the shelter in place order has resulted in an estimated \$1.5 billion reduction of gas tax receipts through FY 2024-25, which will undoubtedly impact funding for local streets and roads, the State Highway Operations and Protection Program (SHOPP), which focuses on maintaining our state highway system, and the State Transportation Improvement Program (STIP), which provides funding for multi-modal transportation improvements. For FY 2020-21 through FY 2023-24, \$17.4 billion is programmed for the SHOPP and \$2.4 billion for the STIP.

The federal stimulus package will provide some much-needed relief for public transportation operations (\$2 billion) and highway projects (\$900 million). The state has received over \$500 million in the redistribution of unused funding from other states. This is in addition to the \$3.7 billion that was received last year through the CARES Act to help transit agencies.

The State Transit Assistance Program is estimated at \$667 million for FY 21-22, a decrease of \$127 million from the FY 2020-21 January budget figure, and \$107 million for the Low Carbon Transit Operations Program, which is down \$8 million from FY 2020-21.

**Potential Estimates for California
Coronavirus Response and Relief Supplemental Appropriations Act**
(Dollars in Billions)

Cost Areas	Available Nationwide	California Estimate
Individuals and Families	\$326.4	\$42.4
Unemployment Insurance Benefits	\$120.0	\$20.0
Economic Impact Payments (\$600 per person)	\$166.0	\$18.3
Food Assistance	\$13.0	\$1.3
Rental and Utility Assistance	\$25.0	\$2.6
Funeral/Burial Assistance	\$2.4	\$0.2
Test, Trace, Vaccinate	\$54.1	\$2.2
Testing and Contact Tracing	\$19.5	\$1.8
Testing in Rural and Underserved Communities	\$2.8	TBD
Vaccine Development	\$19.7	-
Vaccine Manufacturing and Distribution	\$8.8	\$0.4
Strategic National Stockpile (PPE)	\$3.3	-
Health/Mental Health	\$10.3	\$0.7
Provider Relief	\$3.0	\$0.2
Increase Medicare Provider Payments	\$3.0	TBD
Mental Health and Substance Use Disorders	\$4.3	\$0.5
Business and Transportation Support	\$408.1	\$50.1
Small Business Support/Paycheck Protection (excluding airlines)	\$310.0	\$45.2
Live Venues	\$15.0	TBD
Child Care/Head Start	\$10.3	\$1.0
Agriculture (Farmers, Ranchers)	\$13.0	\$0.6
Loans to Underserved Communities	\$15.0	TBD
Airlines (Paycheck Protection) and Airport Improvements	\$18.0	\$0.4
Transit/Bus/Amtrak	\$17.0	\$2.0
State Highways	\$9.8	\$0.9
Education	\$81.1	\$10.1
Primary and Secondary	\$54.3	\$6.8
Governor's Emergency Education Relief (GEER) Funds	\$1.3	\$0.2
GEER - Private Schools	\$2.8	\$0.2
Higher Education	\$22.7	\$2.9
Broadband/Telehealth	\$7.0	TBD
Totals	\$887.0	\$105.5