

Governor Newsom Releases Proposed FY 2024-25 State Budget, Preserves \$5.1 Billion State Commitment to Public Transit

This morning, Governor Newsom released his [proposed Fiscal Year \(FY\) 2024-25 budget](#), based on the latest economic forecasts available to the Governor and his Department of Finance.

Responding to a \$37.9 billion budget deficit, the \$291.5 billion budget proposes to implement a series of funding delays and shifts (between fund sources) to maintain the state's commitments to addressing top priorities, including preserving transit operations, delivering major capital projects, combatting the housing and homelessness crises, preparing for and responding to climate change, and expanding access to healthcare services.

In this difficult budget year, the Governor's proposed budget preserves the \$5.1 billion for transit operations and capital projects we helped secure in the Budget Act of 2023-24 but delays the appropriation of some of this critical funding to address the state's budget problem.

Specifically, the Governor's proposed budget:

- Holds harmless the \$2 billion appropriated to the population-based Transit and Intercity Rail Capital Program in FY 2023-24.
- Holds harmless the \$1.1 billion appropriated to the Zero-Emission Transit Capital Program between FY 2023-24 and FY 2027-28.
- Extends the appropriation timeline for the \$2 billion that the state committed to appropriate to the population-based TIRCP in FY 2024-25 by instead appropriating \$1 billion in FY 2024-25 and the remaining \$1 billion in FY 2025-26.

The maintenance of these funds is supported by a shift of \$261 million in General Fund expenditures to the Greenhouse Gas Reduction Fund.

Additionally, the Governor's proposed budget delays the appropriation of a portion of funding for TIRCP Cycle 6 (i.e. funding committed in FY 2022-23 that was awarded at the beginning of calendar year 2023 for new and existing transit projects) by applying an analysis of the cashflow needs of award recipients. Specifically, the Governor's proposed budget extends the appropriation timeline for \$2.1 billion by instituting a four-year appropriation schedule for these funds that will extend from FY 2024-25 to FY 2027-28 and shifts \$530 million of the General Fund expenditures used to support these appropriations to the Greenhouse Gas Reduction Fund. The Newsom Administration believes that this new phased appropriation will not impact awarded projects. We note that the Newsom Administration will need to pursue an extension of the June 30, 2027, encumbrance deadline for these funds.

Additionally, the Governor's proposed budget modifies the \$10 billion commitment to zero-emission vehicles and infrastructure made in the Budget Acts of 2021-22 and 2022-23. Specifically, the Governor's proposed budget extends the appropriation timeline for these funds from five years to seven years and implements a series of General Fund cuts, fund shifts, and funding delays.

Specifically, the Governor's proposed budget:

- Implements \$38.1 million in General Fund cuts to various zero-emission vehicle programs, including:
 - \$7.3 million for Emerging Opportunity.
- Shifts \$475.3 million in General Fund Expenditure to the GGRF in the current year for various zero-emission vehicle programs, including:
 - \$218.6 million for ZEV Fueling Infrastructure Grants;
 - \$28.5 million for Transit Buses and Infrastructure; and,
 - \$71.3 million for Clean Trucks, Buses, and Off-Road Equipment.
- Delays \$600 million in Greenhouse Gas Reduction Fund Expenditures from FY 2024-25 to FY 2027-28, including:
 - \$137 million for Clean Trucks, Buses, and Off-Road Freight Equipment; and,
 - \$100 million for Community-Based Plans, Projects and Support/Sustainable Community Strategies.

The Governor's proposed budget does not mention or provide new details about a potential climate/resources bond.

The proposed budget also includes an update to the State Transit Assistance (STA) program projections. STA will see revenues of about \$1.1 billion in FY 2024-25. Compared to FY 2023-24, this is an increase of about \$65 million. Similarly, the revenue reflected for intercity and commuter rail would be about \$363 million, which is an increase of about \$23 million from FY 2023-24. Unlike the aforementioned trends, revenue for the Low Carbon Transit Operations Program (LCTOP) is expected to be about \$182.5 million, which is a decrease of about \$32 million from FY 2023-24 numbers. We also note a reduction in revenue for the Transit and Intercity Rail Capital Program (TIRCP), which is expected to receive about \$666 million in FY 2024-25, a \$55 million reduction from last year.

A breakdown of the revenue totals can be found in the table below.

REVENUE ESTIMATES FOR FY 2023-24 & 2024-25 @ GOVERNOR'S BUDGET (JAN. 10)			
FUNDING SOURCE	FY 2023-24 (CY)	FY 2024-25 (BY)	CHANGE (CY → BY)
STA			
Base Rate (2.375%)	\$284,674	\$303,760	\$19,086
Incremental Rate (1.75%)	\$195,119	\$209,182	\$14,063
SB 1 Rate (3.5%)	\$390,237	\$418,364	\$28,127
STA SOGR (30% of TIF)	\$125,619	\$129,388	\$3,769
Subtotal	\$995,648	\$1,060,693	\$65,044
Intercity & Commuter Rail			
Base Rate (2.375%)*	\$284,674	\$303,760	\$19,086
SB 1 Rate (0.5%)	\$55,748	\$59,766	\$4,018
Subtotal	\$340,422	\$363,526	\$23,104
TIRCP			
Cap & Trade (10% of GGRF)**	\$429,000	\$365,000	-\$64,000
SB 1 (70% of TIF)	\$293,111	\$301,904	\$8,793
Subtotal	\$722,111	\$666,904	-\$55,207
LCTOP			
Cap & Trade (5% of GGRF)**	\$214,500	\$182,500	-\$32,000
LTF			
Local Sales and Use Tax (.25%)	\$2,097,525	TBD	TBD
TOTAL	\$4,370,206	\$2,273,623	\$942
<i>*Funds used for additional Caltrans purposes</i>			
<i>**Amounts reflect anticipated auction revenues for each FY</i>			

Finally, the Governor's proposed budget includes a \$300 million reversion to the General Fund for the Regional Early Action Planning Grants (2.0) and a \$200 million reversion to the General Fund for the Infill Infrastructure Grant Program.

In response to the Governor's proposed budget, Association Executive Director Michael Pimentel released the following statement:

"In the face of a \$37.9 billion funding shortfall, Governor Newsom's budget proposal introduced today upholds the state's commitment to provide \$5.1 billion in critical funding to California transit agencies necessary to avoid devastating service cuts and advance major transportation and rail capital projects that benefit transit-reliant communities, riders, workers and families across our state.

In an especially tough budget year, we applaud Governor Newsom for recognizing the importance of public transportation to everyday Californians and the role our agencies play in expanding access to jobs and opportunity, improving air quality, and combatting climate change. This funding not only keeps California moving, but will significantly help advance the state's landmark environmental, public health, and equity goals. As the budget process proceeds, we look forward to engaging the Newsom Administration and the Legislature on the details of the Governor's budget proposal, with the goal of ensuring that the final mechanics and timeline for appropriating these funds meet the varied needs of regions and agencies across the state."

For questions about this Funding Update, please contact Executive Director Michael Pimentel (michael@caltransit.org).