

January 10, 2023

## Governor Newsom Releases Proposed FY 2023-24 State Budget, Includes Series of Proposed Cuts to Previous Transportation Funding Commitments

This morning, Governor Newsom released his [proposed Fiscal Year 2023-24 budget](#), based on the latest economic forecasts available to the Governor and his Department of Finance.

The \$297 billion budget proposes to invest state funding in addressing the Administration's top priorities, including housing and homelessness, workforce development, transportation infrastructure, reproductive health services, combatting climate change, wildfires, emergency response, flooding, and drought.

The Governor's fiscally conservative proposed budget forecasts General Fund revenues will be \$29.5 billion lower than at the 2022 Budget Act projections, which results in an estimated budget gap of \$22.5 billion in the 2023-24 fiscal year. Given early reports of this estimated budget gap, we were not surprised to see a series of proposed cuts to previous transportation funding commitments. Primarily, the Governor is proposing to reduce future commitments of Transit and Intercity Rail Capital Program (TIRCP) funding. The 2022 Budget Act committed an additional \$4 billion for TIRCP (\$2 billion in both FY 2023-24 and 2024-25). In his budget release, Governor Newsom proposes to reduce the amount of new TIRCP funding to \$1 billion in each fiscal year, but indicates his support for returning to the originally proposed \$2 billion if the state's fiscal outlook looks better in January 2024.

Additionally, the 2021 and 2022 Budget Acts committed \$10 billion over five years for a Zero-Emission Vehicle Funding Package that supports the transition to zero-emission vehicles for light-, medium-duty, and heavy-duty vehicles, including zero-emission transit buses, locomotives, and ferries. The proposed budget maintains \$8.9 billion (89 percent) of this investment, reflecting a \$2.5 billion General Fund reduction across various ZEV programs, which are partially offset by approximately \$1.4 billion in fund shifts to Cap-and-Trade funds. ZEV programs will see a total of \$1.1 billion in reductions, as follows:

- **Equitable Zero-Emission Vehicles and Infrastructure** - A reduction of \$745 million General Fund, which is partially offset by a shift of \$535 million to the Greenhouse Gas Reduction Fund. Despite this reduction, \$2.1 billion (91 percent) remains for programs that expand affordable and convenient ZEV infrastructure access in low-income neighborhoods.
- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure** - A reduction of \$1.5 billion General Fund, which is partially offset by a shift of \$839 million to the Greenhouse Gas Reduction Fund. Despite this reduction, approximately \$5.3 billion (89 percent) remains for programs that support drayage, transit and school buses, and port ZEVs and infrastructure.
- **Zero-Emission Mobility** - A reduction of \$184 million General Fund, which is partially offset by a shift of \$25 million to the Greenhouse Gas Reduction Fund. Despite this reduction, approximately \$180 million (53 percent) for sustainable community-based transportation equity projects remains intended to support increasing access to zero-emission mobility in low-income communities.
- **Emerging Opportunities and Federal Programs** - A reduction of \$133 million General Fund, which is partially offset by a shift of \$40 million to the Greenhouse Gas Reduction Fund. Despite this reduction, approximately \$1.3 billion (93 percent) remains for investment in demonstration and pilot projects, including maritime, aviation, rail, and other off-road applications, in addition to support for hydrogen infrastructure and vehicle grid integration at scale.

PROPOSED ZEV INVESTMENTS FOR FY 2023-24				
Purpose	General Fund Cut	Greenhouse Gas Reduction Fund Backfill	Net Adjustment	Balance of Remaining Funds
Equitable Zero-Emission Vehicles and Infrastructure	\$745 million	\$535 million	-\$210 million	\$2.1 billion
Heavy Duty Zero-Emission Vehicles and Infrastructure	\$1.5 billion	\$839 million	-\$661 million	\$5.3 billion
Zero-Emission Mobility	\$184 million	\$25 million	-\$159 million	\$180 million
Emerging Opportunitites and Federal Programs	\$133 million	\$40 million	-\$93 million	\$1.3 billion
TOTAL	\$2.562 billion	\$1.439 billion	-\$1.123 billion	\$8.8 billion

Below, we highlight additional actions taken in the proposed budget impacting transit:

- **Active Transportation Program** - A reduction of \$500 million General Fund, with \$300 million of the reduction being restored from State Highway Account funds, for a net reduction of \$200 million. The remaining funds will allow the program to sustain all of the programming capacity approved in the 2023 programming cycle. Despite the reduction detailed, approximately \$850 million (81 percent) of the original \$1.05 billion of additional funds remains for projects that increase the utilization and safety of active transportation methods.
- **Climate Adaptation Program** - A shift of \$200 million General Fund with \$200 million State Highway Account funding, rendering the amount of funding for the Climate Adaptation Program unaltered. These funds are intended to support climate resiliency and reduce infrastructure risk.
- **Grade Separations** - \$350 million, initially planned for allocated in 2023-24 for grade separation projects, will be delayed and made available for dispersal in 2025-26.

Finally, the proposed budget includes an update to the State Transit Assistance (STA) program projections. STA will see revenues of about \$1.05 billion in FY 2023-24. Compared to FY 2022-23, this is a reduction of about \$102 million. Similarly, the revenue reflected for intercity and commuter rail would be about \$360 million and revenue for the Low Carbon Transit Operations Program (LCTOP) is expected to be about \$105 million, which is a reduction of about \$40 million and \$25 million, respectively, from FY 2022-23. As has been the trend for each of the state funded programs, we also note a reduction in revenue for the TIRCP, which is expected to receive about \$503 million in FY 2023-24 - a \$37 million reduction from last year.

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

REVENUE ESTIMATES FOR FY 2022-23 & 2023-24 @ GOVERNOR'S BUDGET (JAN. 10)			
FUNDING SOURCE	FY 2022-23 (CY)	FY 2023-24 (BY)	CHANGE (CY → BY)
STA			
Base Rate (2.375%)	\$333,353	\$299,948	-\$33,405
Incremental Rate (1.75%)	\$235,174	\$210,560	-\$24,614
SB 1 Rate (3.5%)	\$470,348	\$421,120	-\$49,228
STA SOGR (30% of TIF)	\$120,613	\$125,619	\$5,006
Subtotal	\$1,159,488	\$1,057,247	-\$102,241
Intercity & Commuter Rail			
Base Rate (2.375%)*	\$333,353	\$299,948	-\$33,405
SB 1 Rate (0.5%)	\$67,193	\$60,160	-\$7,033
Subtotal	\$400,546	\$360,108	-\$40,438
TIRCP			
Cap & Trade (10% of GGRF)**	\$259,000	\$210,000	-\$49,000
SB 1 (70% of TIF)	\$281,431	\$293,111	\$11,680
Subtotal	\$540,431	\$503,111	-\$37,320
LCTOP			
Cap & Trade (5% of GGRF)**	\$130,000	\$105,000	-\$25,000
LTF			
Local Sales and Use Tax (.25%)	\$2,010,539	\$2,097,525	\$86,986
TOTAL	\$4,241,003	\$4,122,991	-\$118,012
*Funds used for additional Caltrans purposes			
**Amounts reflect anticipated auction revenues for each FY			

The Association's initial budget priorities letter, which was submitted to Governor Newsom and Legislative leaders last month, can be found [here](#).

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

