



Item #12-8-5 Information

Government Relations & Public Affairs Committee

July 25, 2012

State Budget Update

Issue: Update on state budget.

Recommendation: None; this item is informational.

Discussion: In June, the Legislature passed and the Governor signed a budget for the 2012-13 fiscal year. They also enacted a number of supplemental budget bills (trailer bills) that enacted policy changes.

Redevelopment (AB 1484)

In May, the Department of Finance proposed a budget trailer bill related to the dissolution process for former redevelopment agencies. AB 1484 made a number of technical and substantive changes to ABx1 26, the original redevelopment dissolution bill. AB 1484 requires those involved in the dissolution process to learn and implement significant new rules. In particular, AB 1484 added or modified required actions and deadlines for this summer and fall. On July 20, the League of California Cities' Board of Directors authorized commencement of litigation in the League's name on behalf of the cities of California to challenge the constitutional validity of AB 1484. Their main challenge is the constitutionality of Department of Finance's ability to "claw-back" sales and property taxes to meet the state's funding demands from redevelopment successor agencies.

Transportation transfers (SB 1006)

Staff informed the Strategic Planning Committee in June that the Governor proposed taking a share of new Highway User Tax Account (HUTA) funds for General Fund relief. There was agreement at the time between the Legislature and transportation stakeholders to impose a sunset on this take of transportation funds. However, the Governor rejected this compromise, so the enacted transportation budget trailer bill (SB 1006) will result in a total loss of \$312 million in state and local transportation funding through 2012-13 and another \$128 million annually on a permanent basis beginning in 2013-14.

Due to a drafting error in the 2010 gas tax swap, these funds from the Off-Highway Vehicle account are not subject to the new HUTA formulas. These funds were intended to go the State Transportation Improvement Program (STIP) and local streets and roads. This budget action does not actually reduce funding for state or local transportation accounts, because the State Controller has never released these funds since the gas tax swap went into effect.

High-speed rail (SB 1029)

As its last action before adjourning for summer recess, the Legislature passed SB 1029, which appropriates funding for high-speed rail, as well as other related improvements on existing rail systems. SB 1029 does six key things:

1. *Funds rail connectivity:* Appropriates \$819 million from Proposition 1A for connectivity funding for improvements on existing rail regional and inter-city systems to improve connectivity to the High-Speed Rail System.

2. *Funds Initial Operating Segment*: Appropriates \$5.8 billion (\$3.2 billion in federal funds, \$2.6 billion in Proposition 1A funds) to begin construction of the Initial Operating Segment (IOS) of the High-Speed Rail System in the Central Valley.
3. *Funds HSR Bookends*: Appropriates \$1.1 billion from Proposition 1A for improvements associated with the blended approach in the San Francisco Peninsula and the Los Angeles Basin.
4. *Funds HSR project development*: Includes \$252.5 million for design, planning, and right-of-way acquisition activities for the High-Speed Rail System.
5. *Links items 1-3*: Includes provisions that join the funding for the IOS, the bookends allocation, and the connectivity funding contingent upon the appropriation of all three elements.
6. *Establishes oversight*: Requires funding for the IOS be subject to oversight by the Public Works Board.

Approved by:

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