

BUSINESS, TRANSPORTATION, AND HOUSING

The programs within the Business, Transportation, and Housing Agency (BTH) promote the state's business and economic climate, transportation infrastructure, affordable housing, and patients' rights. The Agency also includes public safety programs, including the Department of Motor Vehicles, the California Highway Patrol, and the Department of Alcoholic Beverage Control. Funding for all programs exceeds \$19.7 billion, which is derived largely from special fund revenues, federal funds, and bond proceeds.

In addition to the changes discussed in this chapter, the May Revision includes proposals to reduce state operations and achieve statewide efficiencies. Please see the Reducing State Government chapter for details on the Governor's proposal.

BTH AGENCY SECRETARY

The Secretary for the BTH Agency oversees and coordinates the activities of 13 departments and several economic development programs and commissions to improve California's place in the global marketplace. The Agency also directly administers several programs, including the Small Business Loan Guarantee Program, tourism promotion, the Infrastructure Bank, and the film commission.

The Small Business Loan Guarantee Program provides guarantees on bank loans to small businesses that otherwise would not be made because of short credit history or lack of collateral. The guarantees are backed by a trust fund that can guarantee loans

up to five times the amount of the trust fund. Chapter 731, Statutes of 2010, in part, appropriated \$20 million General Fund for the program to guarantee an additional 700 loans over two years. The federal government subsequently awarded the State \$168.6 million, of which half will be used for this program.

RECENTLY ADOPTED SOLUTIONS

The Legislature approved the following solution in March, which was signed into law.

- Reduced Small Business Loan Guarantee Program—A decrease of \$20 million General Fund in 2010-11 given the large infusion of new federal funds and the need for General Fund savings.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (Caltrans) has nearly 21,000 employees and an annual budget of approximately \$14 billion. Caltrans designs and oversees the construction of state highways, operates and maintains the system, funds three intercity passenger rail routes, and provides funding for local mass transit projects. Over 15,200 miles of highways and 12,000 state bridges are maintained, and 809 public-use and special-use airports and heliports are inspected. The largest sources of funding for transportation projects are excise taxes paid on fuel consumption, federal funds also derived from fuel taxes, and weight fees on trucks. Bond funds currently provide more than 32 percent of the total funding available for projects. Until 2010, sales tax on gasoline also was a major source of revenue for transportation, but the 2010 tax swap, which was reaffirmed by enactment of additional legislation in March 2011, eliminated gasoline sales taxes in exchange for an equivalent increase in fuel excise taxes. These revenues enabled funding for highways and roads to continue at the same level and provide a one-time \$762 million loan to the General Fund.

RECENTLY ADOPTED SOLUTIONS

The Legislature approved the following major solution in March, which was signed into law.

- Reenacted Excise Tax for Fuel Sales Tax Swap—The 2010 Budget Act included funding from fuel excise taxes to reimburse the General Fund for the cost of debt service on transportation-related state bonds. Enactment of Proposition 22

in November 2010, however, precludes the use of excise taxes for debt service or loans. Chapter 6, Statutes of 2011, was enacted in March 2011 to fund transportation-related debt service and loans from weight fees on trucks and other revenues that are not restricted as gasoline taxes are. The Budget provided \$903.5 million in General Fund relief from weight fees in 2010-11 in addition to the \$799.6 million in General Fund relief achieved prior to enactment of Proposition 22.

- Debt Service Offset—Pre-Proposition 22 debt service reimbursement from fuel excise taxes and post-Proposition 22 debt service from weight fees and other revenues are expected to provide a total of \$714.9 million in General Fund relief in 2010-11. Weight fees and other revenues will provide another \$777.5 million in General Fund reimbursements for debt service costs in 2011-12.
- Special Fund Loans—A loan of \$550.8 million in 2010-11 and \$210 million in 2011-12 is provided from weight fee revenues.

OTHER POLICY PROPOSALS

The May Revision includes the following significant policy proposals necessary to support the following programs:

- Capital Outlay Support—The May Revision proposes to temporarily increase Caltrans' engineering and design resources in the Capital Outlay Support Program by 122 contract positions to address a one-year shortfall in the number of projects for which design work has been completed for projects that are ready to be funded. The shortfall was caused primarily by the large amount of unanticipated American Recovery and Reinvestment Act (ARRA) funding and bid savings from the downturn in the economy. These funds were used to accelerate projects that otherwise would not have been funded until later years. The spike in available funding, however, is one-time. Therefore, the May Revision proposes the workload be completed by contract staff. The May Revision also proposes language to ensure that the cost of contracted workload does not exceed the cost if the work had been completed by Caltrans staff.
- Planning Program Project Initiative Document (PID) Funding—The Governor's Budget proposed an increase of \$2.4 million and 18 positions to complete PIDs for state and locally-funded projects on the state highway system. This included a decrease of \$4.9 million in State Highway Account resources and an increase of \$7.2 million in reimbursements from locals to complete PIDs on

locally-funded projects. The May Revision proposes an increase of \$572,000 and 4 positions to address increased PID workload associated with state-funded projects in the 2011 Ten-Year State Highway Operation and Protection Program and to reflect the elimination of reimbursement funding for PID development and independent quality assurance workload for locally-funded projects on the state highway system. In lieu of anticipating local reimbursements, Budget Bill language has been proposed to authorize reimbursements should locals opt to have Caltrans perform the work.

- **Public Private Partnerships (P3s)**—The May Revision proposes to increase Caltrans' reimbursement authority by \$1.6 million from project sponsors to contract with financial advisors to review, analyze, and evaluate three projects for potential P3 procurement. Caltrans anticipates the need for approximately \$534,000 per project per year for financial services.
- **Proposition 1B Bond Funding**—In addition to the \$2.3 billion in Proposition 1B bond appropriations proposed in the Governor's Budget, the May Revision proposes an additional \$1 billion in bond appropriations to start funding the construction of additional projects which Caltrans anticipates starting in 2011-12. This amount includes a total increase in funding of \$593.6 million for corridor mobility, \$191.9 million for trade corridors, \$122.9 million for public transit modernization, \$47.6 million for major highway rehabilitation, \$134.8 million for State Route 99, and a decrease in funding for local projects, including \$35.5 million for state-local partnership projects and \$8.2 million for local bridge seismic safety, due to fewer local projects being ready to start in 2011-12.

HIGH-SPEED RAIL

The High-Speed Rail Authority (Authority) is responsible for the development and construction of a high-speed passenger train service between San Francisco and Anaheim (Phase I), with extensions to San Diego and Sacramento and points in-between (Phase II). Proposition 1A, enacted in November 2008, authorizes \$9 billion in bond proceeds for the rail lines and equipment, and an additional \$950 million for state and local feeder lines. The federal government also has awarded the Authority nearly \$3.5 billion, most of which has been designated to fund portions of the project in the Central Valley.

During 2011-12, the Governor's Budget and May Revision proposals will allow the Authority to continue to work on design and environmental studies and to work with communities on issues related to the right-of-way for Phase I of the project.

The Governor's Budget proposed \$12.6 million in state operations and \$179.3 million in capital outlay funding for a total of \$192 million for 2011-12. The proposed budget would fund the Authority's administrative and legal costs, as well as contracts for program oversight, environmental outreach and communication, and financial consulting. The capital outlay funding proposal would be used for environmental work and preliminary design and engineering for the seven Phase I segments, with half of the funding coming from Proposition 1A bond funds and half from federal funding.

The May Revision proposes an increase of \$3.9 million in state operations and a decrease of \$46.2 million in capital outlay funding, bringing the total funding to \$149.6 million for 2011-12. The Authority's revised cost estimate for capital outlay work on Phase I projects in 2011-12 is \$180.5 million. However, because \$47.4 million in current year savings can be carried over and used in the budget year, the Authority's capital outlay budget has been reduced to \$133.1 million.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development has a budget of approximately \$255.9 million and 600 employees to promote preservation and expansion of safe and affordable housing and strong communities throughout California. The Department supports housing development and administers state and federal housing and community development financing programs. It also develops, administers, and enforces building codes, manufactured housing standards, and mobilehome park regulation.

OTHER POLICY PROPOSALS

The May Revision includes the following significant policy proposal necessary to support various housing programs:

- Proposition 1C Bond Funds—An increase of \$63 million in appropriations in 2011-12. This amount includes \$25 million for the Housing Urban-Suburban-and-Rural Parks Program, \$18 million for the Transit-Oriented Development Program, and \$20 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program. Additionally, the proposed budget language that would have restricted the Department from making new awards for bond programs with continuous appropriation authority is withdrawn, allowing the Department to approve pending and future awards.

