Business, Transportation, and Housing

The Business, Transportation and Housing Agency (BTH) includes programs that 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 $18.9 billion, which is derived largely from special fund revenues, federal funds, and bond proceeds.

Department of Transportation

The Department of Transportation (Caltrans) has nearly 21,000 employees and an annual budget of approximately $12.8 billion. Caltrans designs, builds, operates, and maintains the state's highway system, operates three intercity passenger rail routes, and provides funding for local mass transit projects. Caltrans maintains over 15,200 miles of highways and over 12,000 state bridges, and inspects 809 public-use and special-use airports and heliports. 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. Bond funds currently provide over 20 percent of the total funding available for projects. Until 2010, sales tax on gasoline was also a major source of revenue for transportation, but the 2010 tax swap eliminated gasoline sales taxes in exchange for an equivalent increase in fuel excise taxes and made a one-time $762 million loan to the General Fund while continuing to fund highways and roads at the same level.

The 2010-11 Budget includes funding from fuel excise taxes to reimburse the General Fund for the cost of debt service on transportation-related state bonds. However, the Budget assumes that with the approval of Proposition 22 in November 2010, these General Fund benefits will be lost effective October 2010. Projects funded with bond money would otherwise have been funded from state, federal and local fuel-related taxes. Bond funds enable these projects to be funded and constructed earlier than they would have been. Therefore, it is reasonable public policy to reimburse the General Fund for the costs of debt service on transportation projects from revenues available for transportation purposes. Weight fees on trucks, which total between $900 million and $1 billion annually, are not subject to the same restrictions as excise fuel taxes and may be used to pay for the cost of debt service. The Budget proposes to use these and other unrestricted funds to restore the General Fund solutions in the 2010-11 budget, while using the new excise tax revenues from the tax swap to continue funding transportation programs at the same level as the 2010 Budget Act.

The significant Non-General Fund workload adjustments are as follows:

- Enterprise Resource Planning Financial Infrastructure (E-FIS)—A decrease of $3 million and 35 positions in 2011-12 as a result of the workload reduction and efficiencies from implementing the E-FIS fiscal management system.
- Load Rating of Local Bridges—A redirection of $1.4 million in 2011-12 from local federal subvention funds and 9 positions for a six-year limited term to complete federally mandated load ratings on local bridges.
- Planning Program Project Initiation Document (PID) Workload Justification —An increase of $2.4 million and 18 positions to complete PIDs for state and locally funded projects on the state highway system. This includes 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.
- Job Access and Reverse Commute (JARC) and New Freedom (NF) Federal Grant Programs—An increase of $274,000 and 3 positions in 2011-12 for a three-year limited term to administer the JARC and NF federal grant programs and process applications for new projects.
- Proposition 1B Bond Fund – An appropriation of $2.3 billion for capital funding of bond projects including $631.2 million for corridor mobility, $972.3 million for trade corridors, $117 million for public transit modernization, $200 million for state-local partnership projects, $22 million for local bridge seismic safety, and $391.9 million for State Route 99.

The significant General Fund solutions are as follows:

- Debt Service Offset—The use of $262.4 million in weight fee revenues in 2010-11 and $700 million in 2011-12 to reimburse the General Fund for debt service payments made on certain transit and highway general obligation bonds. The use of $77.5 million in revenues that are not restricted by the California Constitution, such as revenue from the rental of state property, in 2011-12 to reimburse the General Fund for debt service payments made on Proposition 116 transit bonds. These transfers will allow the state to continue funding transportation projects and programs at current budgeted levels while achieving the same level of General Fund relief provided for in the 2010 Budget Act.

- Special Fund Loans—A loan of $494 million in weight fee revenues to the General Fund in 2010-11 and $166.3 million in 2011-12.

- Reenactment of Gas Tax Proposal—In response to passage of Proposition 26 in November 2010, which requires a two-thirds vote threshold for any tax measures occurring after October of 2009, the Budget proposes trailer bill language to reenact the 2010 tax swap in order to protect the revenue sources for highways and transit, and continue the General Fund relief provided in the 2010 Budget Act.

- Maintenance of Local Transit Assistance Funding—In response to passage of Proposition 22 in November 2010, which provided for 50 percent of diesel sales tax revenues to go to local transit agencies in the State Transit Assistance program, the Budget proposes trailer bill language appropriating additional funds from the Public Transportation Account fund balance to ensure that local transit agencies continue to receive the equivalent of 75 percent of diesel sales tax revenues, as well as the $23 million in 2011-12 and $12 million in 2012-13 that local transit agencies were to have received from non-Article XIX revenues as part of the 2010 tax swap. This augmentation from the Public Transportation Account fund balance will offset the effect on local transit of shifting of $77.5 million in non-Article XIX revenues to fund debt service in 2011-12. Given lower diesel sales revenues, the total amount of state funding for local transit agencies from Public Transportation Account resources is estimated to be $329.6 million.

High-Speed Rail

The High-Speed Rail Authority, which is independent from the Business, Transportation, and Housing Agency, is responsible for the development and construction of a high-speed passenger train service between San Francisco and Anaheim (Phase 1), with extensions to San Diego and Sacramento. The trains must be capable of operating at speeds of 200 miles per hour. Proposition 1A, enacted in November 2008, authorizes $9 billion in bond proceeds for the rail lines and an additional $950 million for state and local feeder lines. The federal government also has awarded the Authority nearly $3.6 billion, most of which must be used to fund the Central Valley portion of the project. There have been no financial commitments made from the private sector. Total costs for Phase 1 are projected by the Authority to exceed $42.6 billion.

The total amount of funding available, including state bond funds and federal funds, for state operations and capital outlay in 2010-11 is $220.9 million and $192 million in 2011-12. These funds are for continued project management, environmental and engineering work. Proposition 1A limits the amount of bond proceeds that can be used for right-of-way acquisition and preservation, mitigation, relocation, preliminary engineering, planning, and environmental studies to 10 percent of bond funds. No bond funds can be provided for construction before a plan for completion of a segment of the system is submitted to and approved by the Department of Finance. The approved plan must show full funding committed by all contributing entities for construction of all track, stations, parking, and signals, as well the purchase of rolling stock and an agreement with an operator that will operate the proposed segment without an operating subsidy, which is not permitted under Proposition 1A. The bond act also requires that no more than half of the total cost of the construction of a corridor or usable segment be funded from bond funds.

The significant Non-General Fund workload adjustments are as follows:

- Program Management Oversight—An increase of $1 million in 2011-12 as a result of an increased need for oversight and review of the Program Management Team's work products and schedules.
- Interagency Agreements—An increase of $1.136 million in 2011-12 as a result of interagency agreements with the Department of Justice and the Department of General Services.
- Program Management Services—A decrease of $37 million in 2011-12 as a result of the contract with the Program Management Team being fully funded.

While the Authority has been awarded several billion dollars in federal funds for construction, details of the grants have not been finalized and appropriation of these funds may not be needed until 2012-13. Thus, only $89.7 million in federal funds for partial design and environmental work is reflected in the Budget, with the same amount in bond funds for the state match.

Department of Housing and Community Development

The Department of Housing and Community Development has a budget of approximately $256 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. Approximately 37 percent of the support budget is derived from special funds, such as the Mobilehome Park Revolving Fund and the Mobilehome-Manufactured Home Revolving Fund. These funds are supported by fees from manufactured home owners for registration and titling services and building permits, as well as mobilehome park operators to support health and safety standards. Of the remainder, 33 percent is derived from nongovernmental cost funds and 17 percent is derived from federal funds. The local assistance program is almost 90 percent federal funds.

Generally, housing that is affordable to low-income families is developed using a package of financing that includes state loans funded from bonds, tax credits, financing and other incentives from local governments or redevelopment agencies, and market rate commercial loans. Housing needs vary considerably from community to community, as does the availability of financing and other incentives from local governments based on the availability of local funds and the other programs that need to be prioritized for available funding. The state's share of total funding is relatively small.

The significant Non-General Fund workload adjustments are as follows:

- Housing Bonds—A decrease of $99 million in 2011-12 to reflect a one-time pause in the issuance of state bonds for new loans and grants for housing projects. This does not affect projects that are already underway.
- One-Time Local Assistance—A decrease of $106.8 million in 2011-12 due to one-time funding for loans and grants, including a one-time $38.3 million federal grant for Community Development Block Grant Disaster Assistance.

- Community Development Block Grant Funding—A shift of $1.1 million from state operations to local assistance in the federal Community Development Block Grant program to reflect a finding by federal regulators that the department was not fully matching the federal funds to support the program. While the funds will be available for local assistance, the state will not be able to provide the same level of service to local government grantees, which may result in providing grants to fewer jurisdictions in order to align state costs to the federal funding available for state operations.

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 film tax credits.

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. In 2007-08, 1,358 guarantees were able to leverage $169 million in loans. Chapter 731, Statutes of 2010 appropriated $32.4 million General Fund, of which $20 million was for this program, enabling it to guarantee an additional 700 loans over two years. The remaining $12.4 million was appropriated for three other related programs. In addition, the federal government has awarded California $168.6 million for programs that will help businesses access private capital from commercial lenders over the next two years. This large infusion of funding, however, cannot all be spent within this time period.

The significant Non-General Fund workload adjustment is:

- Federal Augmentation of Small Business Loan Guarantee Program—An increase of $84.4 million as a result of allocation of federal funds under the Small Business Jobs and Credit Act of 2010. The expansion of the program is expected to result in $840 million in new loans for California small businesses.

The significant General Fund solution is:

- Small Business Loan Guarantee Program—A decrease of $20 million in 2010-11. The Governor's Budget proposes to revert $20 million General Fund from this program given the large infusion of new federal funds and the need for General Fund savings.