

**Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee**

March 8, 2024

Agenda Item 3a

Fiscal Year 2024-25 State Budget Update

Subject:

Update on budget deficit projections and MTC and ABAG advocacy strategy related to restoring proposed housing cuts, including cuts to the Regional Early Action Program 2.0.

Background:

On February 20, 2024, the Legislative Analyst's Office (LAO) released an updated budget forecast projecting California will face a \$73 billion budget deficit in FY 2024-25. This projection is \$15 billion more than the LAO previously forecast – and significantly more than the \$38 billion gap Governor Newsom had estimated when presenting his initial January budget proposal of \$292 billion. The new estimate, which is informed by recent revenue collection data, increases pressure on legislators and Governor Newsom to find savings.

The LAO projection highlights the importance of MTC and ABAG's advocacy efforts to protect the \$600 million appropriated for the Regional Early Action Planning (REAP) 2.0 program in the FY 2021-22 budget. Governor Newsom's January budget proposed cutting it in half. The Bay Area's \$100 million spending plan for REAP 2.0 – which MTC is responsible for distributing – was recently approved by the Department of Housing and Community Development (HCD) and included funding for housing preservation, priority sites as well as transit transformation priorities like fare integration and mapping and wayfinding. The Administration has indicated each region would be reimbursed for only half of their approved spending plans.

MTC and ABAG are partnering with a strong coalition of regional agencies, housing advocates, equity organizations and others to make the case for maintaining REAP 2.0 as a cornerstone of regional initiatives to combat climate change, improve mobility and increase the supply of affordable homes. The coalition is also mobilizing against the Administration's proposed cuts to the Multifamily Housing Program, Infill Infrastructure Grant Program, and other core housing programs.

Staff will provide a verbal update on these activities at the committee meeting.

Recommendation:

Information

Attachments:

- Attachment A: MTC and ABAG's Budget Letter
- Attachment B: California Housing Advocates' Budget Statement
- Attachment C: Southern California Association of Governments' Budget Letter
- Attachment D: Sacramento Area Council of Governments' Budget Letter



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