



November 17, 2022

TO: Members of the AC Transit Board of Directors
Michael Hursh, General Manager
Beverly Greene, Executive Director, External Affairs, Marketing & Communications

FR: Steve Wallauch
Platinum Advisors

RE: **Legislative Update**

Back to Reality: After a few years of record surpluses, the LAO now projects a “budget problem” as inflation pushes costs higher. While the press has fixated on the LAO’s forecast for a \$25 billion deficit at the end of the 2023-24 fiscal year, the state’s reserves and resiliency built into the budget during good times makes this drop more manageable, as long as a recession does not develop. The LAO states the problem is not insignificant, but it is also manageable.

While revenues are currently down by about \$4.7 billion, the LAO estimates that the state will finish the 2022-23 fiscal year with a \$2.4 billion deficit which would grow by \$20.7 billion at the end of the 2023-24 fiscal year if spending is unchanged. The LAO points to inflation as the source of this budget problem. Inflation will impact both revenues and increase the cost of for programs and projects. The LAO warns that if a recession develops revenue loss could grow to \$30 to \$50 billion. Given the possibility of a recession, the LAO strongly encourages the legislature to not use existing Rainey Day reserves to address the current budget problem.

While this sour outlook may be manageable, it does raise concerns. Since the current budget includes significant one-time appropriations due to the large surplus, the LAO urges the legislature to review early in 2023 all augmentation that have not been distributed yet. The legislature has an opportunity to pause or delay this spending or reassess the need for the funding. This could potentially impact funds appropriated to the Transit and Intercity Rail Program, which was augmented by nearly \$4 billion in the 2022-23 budget. This outlook will also make efforts to identify and secure additional transit operating funds much more difficult.

Election Update: With votes still being counted, the following is where we currently are at with state races. As of today, the Senate Democratic Caucus will continue to have 31 members to the Republican Caucus’ 9. This is the same as last year. While the Senate Dems picked up a seat in SD 4, with the election of Marie Alvarado-Gill, SD 16 is poised to flip from Democrat Senator Melissa Hurtado to her Republican challenger David Shepard.

In the Assembly, the Democrat Caucus will likely increase from 60 members to 63, and the Republican Caucus will shrink to 17. However, there remain a few races that are too close to call.

Even with this supermajority, the Democrat Caucus is rife with intrigue. The fight over who will be Speaker of the Assembly was settled, or not. When the legislature convenes on December 5th, Assembly Speaker Anthony Rendon, who is termed out in 2024, will remain in charge through the end of June 2023, when Assemblyman Robert Rivas is expected to take control of the Assembly. There remains a lot of time from now until July 1st for things to go awry.

We also look forward to working with two new members of AC Transit legislative delegation: Senator-elect Aisha Wahab and Assemblymember-elect Liz Ortega.

The Count: Updates yesterday added **729,750** votes to the total, with **9.33** million votes now tallied. Approximately **1.68 million** uncounted ballots remain, and the final count is expected to come in at right around **11 million** votes.

CA Legislature – most diverse in History:

- Record numbers of women and LGBTQ people to the state Assembly and Senate — a milestone that could also translate to different policies coming out of Sacramento.
- California is heading toward at least 43 female lawmakers out of 120 — a record — and could elect as many as 52.
- **8** openly LGBTQ candidates are winning their races — putting CA on track to be the first state to achieve proportional LGBTQ — and as many as **14** could be elected.

CA Legislature Close Calls:

SD 10: Aisha Wahab continues to extend her lead over Lily Mei in the Democrat vs Democrat race. Wahab now leads 52.5%/47.5% with a 9,015-vote margin.

SD 16: Yesterday's Tulare County update boosted Republican David Shepard's lead over incumbent Democrat Melissa Hurtado, Shepard netting another **464** votes to build his lead to **3,392** votes. If Shepard continues to gain votes in the remaining Fresno and Tulare batches, Hurtado will need to win over **60%** of Kern's remaining ballots to overtake him.

SD 38: The writing on the wall has been clear for some time, and Republican Matt Gunderson conceded to Encinitas Mayor Catherine Blakespear yesterday.

AD 40: Yesterday's update from Los Angeles County provided some welcome news for incumbent Republican Suzette Valladares, who netted 348 votes after the 6,299 votes in the update broke 52.7%/47.3% in her favor, bringing her lead up to 2,452 votes. With likely around 31,000 votes left in the AD40 portion of L.A. County, Valladares can hang on if she can continue to win at least 46% of the remaining vote.

AD 47: Updates yesterday from San Bernardino County and Riverside County ping-ponged the lead in the AD47 race back and forth between Republican Greg Wallis and Democrat Christy Holstege. San Bernardino County's update came in nearly 70%/30% for Wallis, netting him 1,176 votes and temporarily vaulting him into a 53-vote lead over Holstege. Riverside County's update came in 54.9%/45.1% for Holstege, netting her 1,292 votes to put her back into a 1,239-vote lead.

The exact number of uncounted ballots in Riverside County remains somewhat confusing, with anywhere between 53,000 and 77,000 votes remaining. Depending on which estimate you use, Riverside County likely has between 12,000 and 18,000 AD47 ballots remaining, and the San Bernardino County portion likely has around 7,700. With the San Bernardino County updates going for Wallis by huge margins, he is expected to net a not-insubstantial number of votes, and Holstege needs the remaining Riverside County votes to come in at rates a bit better than what she has been seeing so far.