

PLATINUM | ADVISORS

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TO: Joel Young, President, AC Transit Board of Directors
Members of the AC Transit Board of Directors
Michael Hursh, General Manager
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FR: Steve Wallauch
Platinum Advisors

RE: Legislative Update

Session Status: With the 30 day in print rule complete and the deadline to amend spot bills having passed, policy committees are in full swing. The Legislature will adjourn for its weeklong Spring Recess on March 31st . When they return on April 10th the hearing madness will begin in a rush to meet the first major deadline on April 28th which requires all “fiscal” bills to be moved out of policy committees. The deadline for policy committees to meet quickly follows on May 5th.

Transit is Important,...but: On March 15th, the Assembly Budget Subcommittee #3 held a hearing to review the Governor’s proposed spending plan for transportation. The hearing also included a lengthy discussion of the need for public transit operating funds. Michael Pimentel, Executive Director of the California Transit Association, was invited to outline the fiscal cliff facing California’s transit operators and answer questions from the committee. Overall, all the legislators that spoke at the hearing expressed support for public transit and the need to maintain service levels, but any relief plan needs to include addressing longer term solutions and performance measures.

Assembly Budget Committee Chair, Assemblyman Phil Ting, attended the Subcommittee hearing to ask questions and express his frustration on how to meet the challenges facing transit operators. Summing up his position Assemblyman Ting stated, “If you come to us with a proposal to give (transit) money and then tell us what to do, I will not support your proposal.” Assemblyman Ting continued that any plan to sustain operations must include a specific request and a plan that avoids simply pushing the fiscal cliff back. The plan he is looking for would include steps transit operators will take to transform service to attract riders and result in longer term fiscal stability. Given the state’s fiscal outlook and pressing demands in funding health and social services, he wants to avoid having transit operators returning in a couple years for additional resources.

Assemblywoman Laura Friedman suggested tying the receipt of any new state funding to increasing ridership levels. Assemblywoman Friedman commented, “I do think (transit) deserves the budget you are asking for, but I don’t yet see the coordination in terms of getting people into the transit system.”

While the hearing did highlight the challenges facing CTA and transit operators in securing fiscal assistance, the interest of legislators in exploring options and developing a proposal was evident, and we are early in the budget process. Subcommittee #3 chair, Assemblyman Steve Bennet, stated there are a list of challenges to consider and directed the LAO to work with CTA and the Governor’s office on identifying a list of issues facing transit operators and options the legislature can consider when crafting a short and long term solutions for public transit.

Fast track: The end is near for the special session on fuel prices. In December Governor Newsom called a special session to address price gouging by the petroleum industry. Senator Nancy Skinner introduced SBX 2, which implemented the Governor’s original plan to impose a penalty on petroleum companies when margins were found to be excessive. While that original proposal languished, SBX 2 was amended and quickly approved by the Senate late last week. Today, the Assembly took similar swift action, hearing the bill in policy committee in the morning and immediately moving the bill to a floor vote in the afternoon. SBX 2 is now with the Governor to sign. Expect the special session to be closed shortly after the Governor signs the bill into law.

The content of SBX 2 is complex and extensive. In summary, SBX 2 mandates extensive data reporting to the California Energy Commission (CEC) from various entities that participate in California’s oil and gasoline supply chain. The CEC is authorized to establish a maximum gross gasoline refining margin (max margin) and create a penalty on gasoline sold by refiners in the state that exceed the max margin. The bill also establishes a new division and advisory committee at the CEC, and requires various reports and assessments by the CEC to be submitted to the Legislature regarding the current status and future supply of transportation fuels. SBX 2 does not specify how any penalty revenue is used, but leaves that decision to the Legislature on how to allocate any revenue.