

PLATINUM | ADVISORS

January 31, 2023

TO: Joel Young, President, AC Transit Board of Directors
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

LAO's Take: Following the release of the Governor's proposed budget, the LAO released its overview of the proposal. The LAO will follow-up with additional reports providing a more in-depth analysis of various aspects of the budget. These detailed reports will be the basis of the budget subcommittee agendas.

While the LAO feels the Governor's proposal is prudent in how it addresses the deficit, the LAO expresses concerns that there is a high likelihood that revenues will be lower than forecast in the budget proposal, which means the budget problem will grow. To address the likely larger deficit, the LAO recommends the legislature to consider reducing more one-time and temporary spending. The historic surplus from last year was allocated to numerous one-time purposes. The Governor's budget proposed various funding delays and swaps that were outlined in our prior report, but the LAO notes the legislature can choose its own list of funding programs to delay, cut, or swap funding sources, and urges them to identify more solutions than those proposed by the Governor.

LAO also notes that the Governor's budget proposal is balanced for the 2023-24 fiscal year, but the spending plan would result in deficits ranging from \$4 to \$9 billion in future fiscal years. The LAO urges the legislature to make the difficult choices now to avoid out year deficits, or include out year funding triggers if revenues do not improve.

New CARB Members: Governor Newsom announced several appointments to the California Air Resources Board (CARB). The Governor reappointed current members John Eisenhut and Diane Takvorkian.

Governor Newsom also appointed former-Assemblyman Dr. Bill Quirk to the Board. Dr. Quirk has been a strong proponent of zero emission vehicle technologies, in particular hydrogen fuel cell technology. He is also very familiar with AC Transit's zero emission bus fleet and when he

served in the Assembly, he was a strong advocate for AC Transit. His science background and pragmatic approach will be a great addition to the Board.

In addition, the Governor appointed former Assemblyman and current Riverside County Supervisor V. Manuel to the Board and Sacramento City Councilman Eric Guerra. Councilman Guerra worked for several years in the Capitol in various staff positions where he was trusted source and look forward to working with him on CARB.

The final new appointment to the Board is Susan Shaheen. Susan Shaheen has served as Professor In-Residence in the Department of Civil and Environmental Engineering at the University of California, Berkeley since 2019 and Co-Director of the Transportation Sustainability Research Center of the Institute of Transportation Studies since 2008.

SB 1121 Implementation: The CTC has submitted a budget change letter request for \$500,000 to implement SB 1121. SB 1121 (Gonzalez) was signed into law last year directing the CTC to develop a needs assessment of the cost to operate, maintain, and provide for the future growth and resiliency of the state and local transportation system, including an assessment on public transit funding needs.

In developing the assessment, the CTC must coordinate with the Transportation Agency, Caltrans, community-based organizations, environmental justice and equity-based organizations, organized labor, the transportation industry, metropolitan planning organizations, county transportation commissions, regional transportation planning agencies, local governments, and transit operators. The CTC must submit an interim assessment to the Legislature by January 1, 2024, and a completed Assessment by January 1, 2025, and every five years thereafter.

While the deficit restricts the ability to fund these studies, the CTC proposes to utilize funds from the State Highway Account and the Public Transportation Account to complete this task. The data generated from this assessment will be critical to ongoing efforts to secure funding for transit operations and capital. Consideration of the budget change will be heard before the Senate and Assembly Budget Subcommittees sometime this spring.

Legislation: The avalanche of new legislation is around the corner on February 17th. So far bills continue to trickle in, with not much to consider at this point. However, Assemblyman Ash Kalra recently introduced AB 96, which is the reintroduction of AB 2441 (Kalra) that was vetoed last year. Governor Newsom vetoed AB 2441 due to the use of ambiguous terms.

AB 96 starts where AB 2441 ended by proposing a process that would require a transit operator to inform labor representatives of the transit operators' intent to use autonomous vehicle technology. The notice is just the first step of a negotiating process on addressing any impacts the use of autonomous vehicles may have. Our office will continue to watch this bill closely; however, the first hearing is not expected until March at the earliest.