

# PLATINUM | ADVISORS

June 5, 2025

TO: Diane Shaw, President, AC Transit Board of Directors

Members of the AC Transit Board of Directors

Salvador Llamas, General Manager

Claudia Burgos, Acting Executive Director, External Affairs, Marketing & Communications

FR: Steve Wallauch  
Platinum Advisors

**RE: Legislative Update**

---

**State Budget:** Governor Newsom released his May Revision to the January budget on May 14<sup>th</sup>. As expected, the state's fiscal outlook has deteriorated, and the state is currently facing a \$12 billion deficit. However, budget analysts warn it could swell to \$20 billion-plus once federal funding decisions and sluggish 2025-26 revenues are booked.

The shortfall reflects a mix of federal tariff impacts, an unanticipated \$6.2 billion Medi-Cal overrun, and delayed income-tax payments from Los Angeles wildfire victims; together have reversed a \$7 billion surplus. The Legislative Analyst's Office concurs on the direction of travel, flagging "muted expectations" for 2025-26 revenue growth. However, the administration has *embedded* the tariff impact in its multiyear forecast, meaning any easing of federal trade tensions would convert directly into upside revenue revisions.

Following the release of the May Revise, the budget subcommittees held informational hearing on the proposed changes, but none of the proposed items were adopted, keeping the items "open." With the June 15<sup>th</sup> deadline to adopt a budget looming, the focus of negotiations is on reaching a budget agreement between the Senate and the Assembly. These negotiations will lead to the June 15<sup>th</sup> budget, and once approved negotiations will shift to reaching an agreement between the legislature and the Governor in order to enact the first round of budget amendments before the end of the fiscal year on June 30<sup>th</sup>.

**Cap & Trade:** A focal point in the Governor's May Revision is his proposal to extend and rebrand the cap & trade program to now be called cap & invest. The Governor's proposal would extend the cap & invest program 15 years from 2030 to 2045. The May Revision also proposed to allocate a fixed \$1 billion annually in auction revenue to the high-speed rail project, and more controversially directs \$1.5 billion annually to cover Cal Fire operations. The Cal Fire amount would grow to \$1.9 billion over the next few years. Adding pressure to negotiate on overhauling the cap & invest allocations, the May Revision proposes to eliminate funding for the formula and discretionary allocations. This includes funding for programs such as the Low Carbon Transit Operations Program, Transit & Intercity Rail Capital Program, and funding for zero emission drayage trucks.

While the Governor's Office has stated its intent to fund transit, it is clear the Administration wants a significant overhaul on how cap & invest funds are allocated, and they are leaving it to the legislature to fight for transit funding. The May Revision marks the beginning of a long summer of negotiations on a new cap & invest allocation plan.

### **State Legislation**

On May 23<sup>rd</sup> both the Senate and Assembly Appropriations Committees acted on the hundreds of bills pending on their respective Suspense Files. A bill lands in the file when fiscal analysts estimate it will cost the state at least \$150,000 in the Assembly or \$50,000 in the Senate. In short, the Appropriations Suspense File remains the Capitol's most consequential—and opaque—checkpoint, blending fiscal discipline with political strategy to determine which ideas become California law. A casualty of this process was SB 752 (Richardson), which would have extended by two years the existing sales tax exemption for zero emission transit buses. The current exemption is set to expire at the end of this year.

With the state grappling with at least a \$12 billion deficit, the Appropriations Committees did hold back a record number of bills on Suspense. The absolute number of suspense-file casualties has risen 58 % since 2021. Even though legislators introduced 334 fewer fiscal bills this year than in 2023, a larger share was nevertheless held. That points to committee behavior—not bill volume—being the dominant driver.

In addition, June 6 is the House of Origin deadline. This means all bills must be moved to their second house, or they become a two-year bill. It has been a long week of long floor sessions. The attached matrix provides an update on the status of our priority measures, and those that were held on the Suspense File.

**AB 1237 (McKinnor):** As introduced, AB 1237 proposed to require tickets sold to attend a FIFA World Cup game or an event during the 2028 Olympic Games to incorporate a transit pass for the day of the event. AB 1237 was recently amended to propose a broader application.

As amended, the bill would require a ticket seller for an event at a venue with a capacity of 1,000 or more people to offer the consumer the option to purchase an all-day transit pass for the day of the event. The bill includes broadly written language that allows the ticket seller or the transit operator to charge a fee to cover the cost of implementing this service. While the intentions of this bill are good, it is unclear how the funds would flow, or how the transit pass would be redeemed, or used if the customer must transfer between transit operators.

**SB 79 (Wiener):** SB 79 was moved off the Suspense File and narrowly approved on the Senate Floor with a vote of 21-13. As approved by the Senate Appropriations Committee the bill was amended to delete the proposed changes to Surplus Lands Act, and to limit the scope of the bill.

The intent of SB 79 is to promote housing and mixed-use development projects near transit services, particularly on parcels owned or controlled by a transit operator. As amended the provisions in the development and density enhancements are limited to projects near rail stations as defined, with a reduced enhancement for projects along a dedicated bus rapid transit corridor. These projects must also be in an “urban transit county,” which means there are at least 15 rail transit stations in the county. However, some Transit Oriented Development projects not in an urban transit county are allowed but are limited to locally imposed height limits.

SB 79 now moves to the Assembly where it will likely be double referred to the Assembly Local Government Committee and the Assembly Housing Committee.