

PLATINUM | ADVISORS

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

Members of the AC Transit Board of Directors

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RE: Legislative Update

Fiscal Outlook: The Department of Finance released its monthly Finance Bulletin for the month of February showing revenues were \$2.3 billion (24.9%) above levels assumed for the month in the January 10 Governor's budget estimates. However, this good news is slightly off set with state sales taxes continuing to be below estimates in February. For the 2024-25 fiscal year to date, through February 28, total General Fund revenues are now \$4.6 billion (3.8%) above the monthly estimates in the January 10 Governor's budget estimates.

Cap & Trade: Earlier this month the Assembly Budget Subcommittee 4 held its initial hearing on cap & trade funding. This first hearing focused on the discretionary funding outlined in the Governor's budget proposal.

With the Motor Vehicle Account (MVA) chronically underfunded, the committee discussion focused mainly on the Governor's proposal to shift \$81 million from cap-and-trade revenues and \$86 million from the Air Pollution Control Fund to backfill the state's Motor Vehicle Account, which is the primary funding source for CHP and the DMV. The MVA is facing an \$87 million deficit in 2025-26, which could grow to \$1.9 billion by 2029-30. This is not a new problem for the MVA, which receives most of its funding through vehicle registration fees, which annually fall short of meeting the needs for CHP and DMV salaries and the added cost of the REAL ID program. However, using cap & trade funds to backfill this account cuts into the limited discretionary cap & trade funds used for legislative priorities.

In addition, the legislature plans to extend the January 2030, sunset date on the cap & trade program, and with this extension there is interest in reexamining how the programmatic and discretionary auction revenues are allocated. The Assembly Subcommittee 4 has scheduled a hearing on April 30th to discuss cap & trade funds as it relates to future discussions regarding reauthorizing the cap & trade program. The

hearing will focus heavily on continuous appropriations, which include funding for transit programs, such as the Low Carbon Transit Operations Program (LCTOP) and the Transit and Intercity Rail Capital Program (TIRCP).

Permit Reform: Last year Assemblymember Buffy Wicks chaired the Select Committee on Permitting Reform, which held a series of hearings across the state to examine how state and local permitting processes cause delays and increase costs for a variety of projects including transit and transportation projects and housing developments. The Select Committee issued a report on its findings which included the following recommendations for transportation projects:

- *Increase consistency across local permitting entities:* Transportation projects, by their nature, often span multiple local jurisdictions. This necessitates transportation agencies negotiating design and mitigation requirements with each jurisdiction, leading to potentially conflicting or impairing conditions. The report recommends greater standardization of design standards and permitting processes across local jurisdictions for transportation projects.
- *Remove inefficiencies in repeat engagements:* In larger cities, transit agencies frequently need permits from the local jurisdiction for similar types of projects, such as bus shelters. The report suggests that these repeat engagements could benefit from increased standardization in the process and desired outcomes.
- *Create distinct permitting pathways for important transit projects:* Large-scale transit projects, aimed at reducing greenhouse gas emissions and creating economic opportunity, often face the same permitting scrutiny as private development at both local and state levels. The report suggests that onerous permitting processes limit the state's ability to invest in sustainable transportation networks. The report recommends creating streamlined permitting pathways specifically for critical transit projects to accelerate their development.

Housing Approval: While no legislation has been introduced to implement the findings of the Select Committee on Permitting Reform for transportation projects, a package of 20 Senate and Assembly bills has been introduced to address the permitting delays facing housing projects. Tagged as the Fast Track Housing package, these proposals include establishing a statewide uniform application for housing projects, creating a CEQA exemption for certain projects, and numerous measures aimed at accelerating the entitlement and post entitlement process. Please let us know if you would like more details on the Fast Track Housing package.

Legislation: Last week was the deadline for all spot bills to be amended. The following are a few notable measures that made it in print last week.

Domain Names: Existing law requires all cities and counties to transition to using a “.gov” or “.ca.gov” domain name for all websites and email addresses by January 1, 2029. AB 810 (Irwin) was amended to expand this requirement to include special

districts, school districts, joint powers authorities, or other political subdivisions to also comply with this requirement by January 1, 2029.

Special Events: As introduced AB 1237 (McKinnor) would allow LAMTA to include a \$5 fee within the price of a ticket to attend a 2026 World Cup game, or a 2028 Olympic Games event. The fee would allow the ticket holder fee transit service on the day of the event and the revenue would be used for transit operations.

AB 1237 was amended to remove the authority to include the fee for the 2028 Olympics, and the amendments add to the bill the authority for Santa Clara VTA to impose a \$5 fee on tickets for the 2026 World Cup games that will be held at Levi Stadium, and tickets to the NCAA Basketball Championship games in 2026.

Mitigation Payments: AB 1244 (Wicks) was amended to allow a development project that must mitigate vehicle miles traveled impacts identified in the environmental review to pay an unspecified fee into the Transit Oriented Development Implementation Fund. The revenue generated would be used by the Department of Housing and Community Development to fund housing projects in the same city or county where the funds were generated.

Transit Funding: Senator Scott Wiener and Senator Jesse Arreguin have amended SB 63 to contain the outline for a regional measure to fund transit operations. SB 63 would authorize a 10- to 15-year regional public transportation operations sales tax measure to be placed on the November 2026 ballot in the Counties of Alameda, Contra Costa, and San Francisco, with the option for the Counties of San Mateo and Santa Clara to be added. The bill includes the following provisions:

- To allow for this tax measure to be placed on the ballot through an initiative process, SB 63 would create a special district comprised of the participating counties. The special district would be governed by MTC.
- While the sales tax rate is not set in the bill, yet, the default rate is ½ cent and allows the rate in San Francisco to be up to 1 cent.
- The allocation of the revenue would be specified in the bill. SB 63 would allow MTC to retain 1% of the tax revenue for administrative costs. In addition, 10% of the revenue is allocated to MTC for transit transformation initiatives.

The bill will be amended to specify the amount of tax revenue that would be allocated to AC Transit, BART, SFMTA, and Caltrain. Any remaining revenue would be subvented to each participating county. The counties of Alameda and Contra Costa could then allocate that revenue to other transit operators within the county.

To help determine the amount of the tax proceeds allocated to the specified operators, SB 63 requires the completion of the Transit Operations Financial

Responsibility and Implementation Plan (T-FRIP). This process generally envisions having the transportation authorities playing a role in helping identify the operating deficits for the transit operators and how much tax revenue would be allocated to each operator, as well as transit transformation initiatives.

- Includes financial efficiency provisions that ensure transit operators receiving any of this sales tax revenue to participate in a comprehensive financial efficiency review. Upon passage of the tax measure, a consultant would be hired to conduct an independent third party financial efficiency review of BART, Muni, Caltrain, and AC Transit to identify a menu of cost-saving efficiencies that, if implemented, would reduce one-time and ongoing fixed and variable costs for the operators subject to the review. This review would be done in cooperation with a committee specified in SB 63 that includes representatives from each operator, the MTC governing board, and representatives from labor, business, and transit advocates. Upon completion of the review, the operators in the review shall develop and implement an implementation plan.
- SB 63 states it is the intent of the legislature that MTC continue to act as the Regional Network Manager. The operators receiving sales tax money directly from MTC shall comply with the policies and programs adopted by MTC through the Regional Network Management framework. However, SB 63 does include some restrictions on what MTC can require the operators to do.
- SB 63 states that the transit operators are responsible for completing federal Title 6 reviews regarding service or fare changes. However, the bill does not specify how the findings in the review would be implemented.