

PLATINUM | ADVISORS

April 1, 2024

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

Fiscal Hope: Every grain of sand will count this year with the state facing a potential \$70 billion deficit. With that, revenues for February provided some hope with income tax revenues exceeding projections by \$579 million for the month. The LAO notes that income surged at the end of February and this jump appears to be from withholdings for equity compensation packages from several large technology companies in the state. While this may be a onetime bump while we await the March numbers, optimism is all we have until the official May Revision is released.

Early Action: On March 14th, Senate leadership unveiled a plan of early action budget items totaling \$17 billion in budget solutions that they plan to adopt this month. This announcement was praised by Governor Newsom, but it was not embraced by the Assembly. However, on March 20th, a press release was issued by the Governor that included statements from the Governor, Senate President Pro Tempore, Mike McGuire, and Assembly Speaker Robert Rivas expressing support for a package of budget items that would reduce spending by \$12-\$18 billion. But, the announcement did not outline the early actions items that will be adopted, so negotiations continue.

The Senate's "[Shrink the Shortfall](#)" plan did outline \$17 billion in spending reductions, barrowing, fund shifts, delays, and deferrals. All these adjustments were included in the Governor's January Budget Proposal, and if adopted now would reduce the deficit that must be addressed in the June budget to a \$9-\$24 billion deficit depending on the May Revision outlook. The early actions include the following changes:

- Approves Governor's proposal to delay \$1 billion of the funding for the Formula Transit and Intercity Rail Program.
- Approves Governor's proposal to delay \$100 million of the Ports and Freight Infrastructure Program

- Approves Governor's proposal to reduce Port of Oakland funding by \$96 million, but maintains \$184 million for access improvements at the Port.
- Approves Governor's level of fund shifts from General Fund to the Greenhouse Gas Reduction Fund. The specific programs to backfill will be determined through continued discussions with the Governor and Assembly.

Cycle 7: CalSTA released the draft guidelines for [Cycle 7](#) of the Transit and Intercity Rail Capital Program (TIRCP). While the LAO has highlighted that these funds could be used to reduce the budget deficit by using Cycle 7 funds to supplant awards from prior cycles that received general fund dollars, CalSTA is moving forward with the next round of funding.

CalSTA has scheduled two virtual workshops on April 16th, with the Northern California workshop starting at 9:30 a.m. The call for projects is anticipated to be released on April 23rd, with the application deadline on July 23rd, and awards will be announced in October.