

PLATINUM | ADVISORS

March 5, 2026

TO: Diane Shaw, President, AC Transit Board of Directors
Members of the AC Transit Board of Directors
Salvador Llamas, General Manager
Claudia Burgos, Executive Director of External Affairs & Customer Experience

FR: Steve Wallauch
Platinum Advisors

RE: Legislative Update

Fiscal Outlook: Revenue is exceeding the Governor's rosy January projections. Revenues for December and January beat the January forecast by \$6 billion. Even the LAO has revised its forecast by increasing its outlook for 2025-26 by \$8 billion. However, others are even more optimistic. The Assembly's budget guru, Jason Sisney, predicts revenues for the two-year budget window, 2025-26 and 2026-27, will exceed the Governor's January 9th projections by \$15-\$40 billion. This bright outlook falls within the LAO's realm of possibility. First dibs on these higher revenues go to funding education and Rainy-Day reserve set asides.

Leave it to the LAO to rain on this parade. The LAO points out that history may repeat itself. In past years when the LAO has upgraded its outlook, revenues then flattened and then dropped several billion dollars. The LAO sees a lot of similarities with those years and where we are now. According to the LAO, the stock market is overheated and due for a correction, so don't breathe a sigh of relief, yet.

Auction Slump: The February auction failed to meet projections, generating only \$919 million in auction revenue. The price for credits dropped to the minimum level allowed at \$27.94 per ton of carbon emissions. That is less than the settlement price reached at the November auction.

CARB is in the process of updating the auction regulations as directed in legislation adopted last year. The Board is scheduled to adopt the new rules in early May, and the new rules would take effect in September. The auction is scheduled for May 20th. If the lackluster interest continues, this will further reduce the amount of funds allocated to LCTOP and TIRCP.

Legislation: The introduction deadline was February 20th. This year over 1,800 new measures were introduced, but nearly 600 of those measures are spot or intent bills that do not contain substantive changes. In order to be referred to a committee for hearing all spot bills must be

amended by mid-March. On the plus side, the number of new bills introduced is 550 fewer than prior years, or about 23% fewer bills – the lowest number of new bills in over 20 years.

Once we review the list of bills of interest to AC Transit, we will bring measures to the Board for consideration. For this month, recommendations for the Board’s consideration include AB 1944 (Lee), AB 1599 (Ahrens), SB 1166 (Arreguin), and SB 1408 (Arreguin)

The California Transit Association (CTA) sponsors AB 1944 (Lee). This measure would reinstate a phased reduction on the axle weight for zero emission buses. Based on when a bus is purchased, AB 1944 would set the axle weight limit at 25,000 pounds and decline to 22,000 pounds over five years. The other measures are currently recommended for a “Watch” positions.