

PLATINUM | ADVISORS

April 26, 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

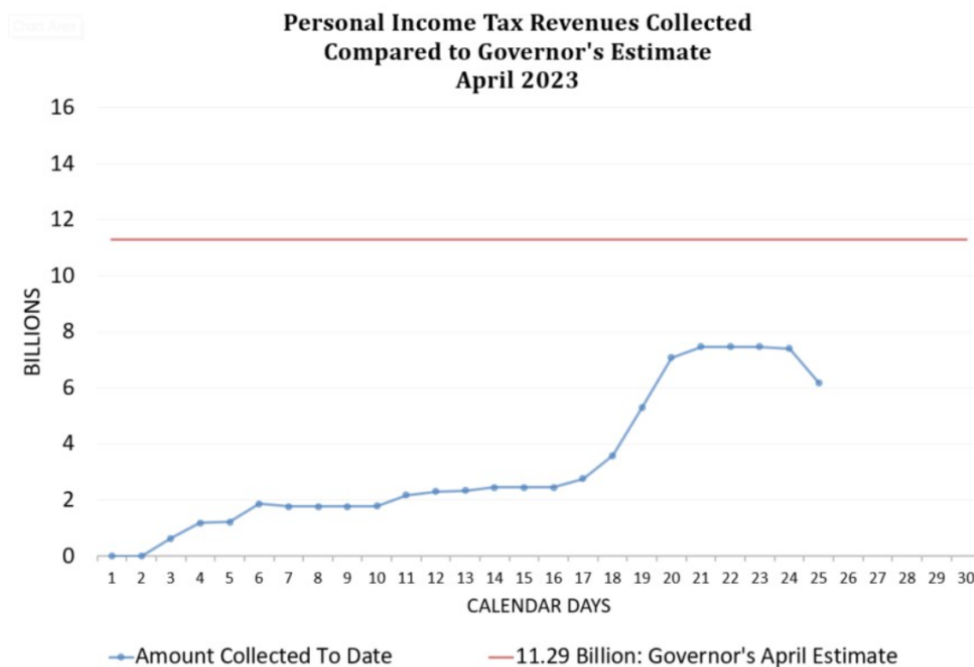
FR: Steve Wallauch
Platinum Advisors

RE: **Legislative Update**

Finance Bulletin: The Department of Finance's Monthly Cash Report covering the month of March show that the general fund cash balance for the first 9 months of the fiscal year is down \$4.68 billion. The shortfall is mainly from lower personal income tax receipts and corporate tax receipts. Personal income tax receipts for the month of March were \$828 million below projections. The only fiscal bright spot were sales and use tax receipts. For the fiscal year, sales and use tax receipts are \$215 million above projections, and the month of March experienced a significant jump of \$696 million above projections.

The focus for the state's fiscal outlook is the month of April, which is normally the largest revenue month. This monthly report is usually released as part of the May Revise. However, due to the numerous disaster declarations over the winter, the personal income tax filing deadline was pushed to October for most of the state. This means the May Revise and the DOF report covering April will not provide a reliable outlook on the state's fiscal health. While a budget will technically be adopted in June, the final budget items will not be approved until the end of session when the fiscal outlook becomes a little clearer.

To underscore the poor performance seen so far for April, the State Controller's office provides a daily tracker of revenue for the month of April. Below is a graph tracking the daily receipts. This shortfall is largely due to the delayed filing deadline, but it shows April revenue falling over \$3 billion short of the \$11 billion projection.



Transit Relief: The dire fiscal outlook, however, will not deter efforts to secure funding for transit operations. Senator Scott Wiener will lead the charge to advance the California Transit Association's (CTA) effort to secure \$5.15 billion over the next 5 years. The source, outlined below, would come from mainly existing sources used for transit capital and operations, greenhouse gas auction revenue, and some general fund revenue.

- \$1.35 billion – Direct all diesel sales tax revenue to transit operations starting in 2023-24 through 2027-28. This would result in an increase of \$213 million in 2023-24, and about \$284 million each year thereafter. Transit operators currently receive about 80% of diesel sales tax revenue, the remaining 20% is allocated to cities and counties.
- \$2.5 billion – Direct discretionary greenhouse gas auction revenue to public transit operations. For the coming fiscal year, the LAO estimates that auction will exceed projections by \$800 million. This proposal would direct \$500 million annually starting in 2023-24 to 2027-28 to public transit.
- \$300 million – In the 2026-27 and 2027-28 fiscal years convert a total of \$300 million in Transit & Intercity Rail Capital funds to operating funds.
- Maintain Existing Funding Commitments – The proposal urges the Governor and Legislature to maintain the \$4 billion in funding pledged in the current budget. The Governor's January budget proposal would reduce this commitment by \$2 billion and make restoration subject to specified triggers.

CTA's proposal also includes several policy changes for the legislature to consider.

- Enact legislation to address safety and homelessness on transit systems. This includes passage of SB 434 (Min) regarding street harassment, and AB 1377 (Friedman) to include to require local entities to include transit properties in their homeless outreach plans.
- Continue discussions on transit reform and performance metrics: This includes the passage of AB 761 (Friedman) that would create a Transit Recovery Task Force, and this proposal urges extending through 2024-25 fiscal year the existing statutory relief granted transit operators from the requirements specified in the Transit Development Act.
- Maintain flexibility on the use of SB 1 – State of Good Repair funds: CTA urges the legislature to extend through the 2027-28 fiscal year the ability for operators to use SB 1-State of Good Repair funds on capital or operating needs. As created this funding program was limited to funding capital needs or new transit service. In 2020 and 2021 the legislature amended this program to allow the use of these funds for operations, but that flexibility ends on June 30, 2023.

TIRCP Cycle 6 Awards: The Governor and CalSTA announce the award of \$690 million in Transit & Intercity Rail Capital Program funds. These funds were awarded to 28 projects. The projects range from a rail bridge replacement in San Diego to improvements to Capitol Corridor service. The funds will also leverage the purchase of 277 zero emission vehicles. A complete list of the awards can be found here:

https://calsta.ca.gov/-/media/calsta-media/documents/2023-cycle-6-new-tircp-award-list_042423-a11y.pdf