

# PLATINUM | ADVISORS

**Legislative Update**  
**AC Transit Board of Directors**  
**May 24, 2023**

# Governor's Budget May Revise

SR 23-272  
Att. 1

***“While we consider the May Revision revenues plausible, adopting them would present considerable downside risk.”***

– State Legislative Analyst's Office (LAO)

- ▶ Deficit has grown by \$9.3 billion for a total deficit of \$31.5 billion.
- ▶ The administration points out that there is elevated uncertainty in this year's revenue outlook, due to delayed tax payment deadline, interest rate hikes, and federal debt ceiling standoff.
- ▶ The LAO estimates the “Big Three” revenue sources will be \$11 billion lower than the May Revise estimate.

# Governor's Budget May Revise

- ▶ The May Revise increases the use funding delays, pullbacks, shifts and trigger reductions.
- ▶ May Revise also proposes to shift funding for several programs to bond proposals under development that would appear on the ballot next year.
- ▶ Budget Reserves total \$37.25 billion.
- ▶ May Revise does not dip into the main reserves, but does propose to spend about \$450 million in Safety Net Reserves.

## Budget Delays, Triggers, & Shifts

- ▶ ***\$8.1 billion in Delays.*** The Revise increases funding delays by \$695 million. Funding for multiple items is spread it across multiple years.
- ▶ ***\$7.5 billion in Shifts.*** The Revise shift an additional \$3.3 billion from the General Fund to other funds. This includes shifting certain Zero Emission Vehicle commitments to the Greenhouse Gas Reduction Fund, and \$1.1 billion to proposed bonds.
- ▶ ***\$3.9 billion in Triggers.*** The Revise maintains the amount of funds subject to a trigger. If funds are available in January 2024, the “trigger” would restore the reductions. This primarily consists of placing triggers on \$3.1 billion in transportation funding.

# Transportation Budget

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The May Revise maintains the following:

- **Heavy-Duty Zero-Emission Vehicles and Supporting Infrastructure**— \$1.5 billion reduction that is partially offset with \$839 million in auction funds
- **Transit Intercity Rail Capital Program**—A reduction of planned funding in 2023 and 2024 from \$2 billion each year to \$1 billion in 2023-24 and \$500 million in each of 2024-25 and 2025-26. Restoration of these funds is subject to the trigger.
- **Active Transportation Program**—A reduction of \$500 million General Fund, with \$300 million of the reduction being restored from a shift in State Highway Account funds.
- **State Transit Assistance** – The Revise updates the STA funding projection to increase it by \$30 million for a total allocation of \$1.095 billion in 2023-24.

# Transit Outlook

- ▶ Budget deficit compounds the difficulty in addressing the fiscal cliff, and the Revise does not provide any resources to address operating shortfalls.
- ▶ However, the Revise states, *“The Administration welcomes discussion with the Legislature on potential near- and long-term solutions to support the viability of transit across the state.”*
- ▶ Senate Democrat’s budget priorities includes a commitment to increase local flexibility with various transportation funding streams to assist transit agencies with operations expenses.
- ▶ Any relief package adopted this year will include reforms and accountability measures and will serve as a bridge until additional long-term operations funding can be established.

# The Great Filter in the Legislation Industrial Complex

- ▶ Suspense File hearings: Both houses will filter out legislation on May 18<sup>th</sup>.
- ▶ Budget deficits (usually) = fewer bills.
- ▶ At the Reviser's unveiling Governor Newsom stated when asked about vetoing legislation:

*“... I'm the backstop. I want a little expression of a deeper understanding of budgetary constraints. We just, we have to be more disciplined in that.”*

**Thank You!**