



Legislative Update  
AC Transit Board of Directors  
June 10, 2020

# Governor's May Revise to the 2020-21 Budget



*"The world has changed dramatically since I proposed my budget in January. A global health crisis has triggered a global financial crisis—threatening both lives and livelihoods across the nation and world. " Governor Newsom*



California's unemployment claims have increased by 4.4 million, the unemployment rate for 2020 is forecast at 18%.



Revenues have declined by a projected \$41 billion.



The State fiscal outlook has gone from a \$6 billion surplus to a deficit of \$54 billion

## May Revision Proposes Balanced Solution

(dollars in billions)

Cancelled Expansions & Other Reductions	\$8.4
Reserves	8.8
Borrowing/Transfers/Deferrals	10.4
New Revenues	4.4
Federal Funds	8.3
Triggers	14.0
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	<b>\$54.3</b>

*Addressing the  
Deficit*

# How's It Balanced?

- Cancel \$6.1 billion in program expansions and spending increases, including canceling or reducing a number of one-time expenditures included in the 2019 Budget Act. This includes a \$1 million allocation to AC Transit for supplemental school service
- Draw down \$16.2 billion in the Budget Stabilization Account (Rainy Day Fund) over three years
- Borrow and transfer \$4.1 billion from special funds. This includes sweeping some transportation interest income and unencumbered Traffic Congestion Relief Fund revenue into the general fund.
- Suspend net operating loss carry over and temporarily limit to \$5 million the amount of credits a taxpayer can use in any given tax year.
- Includes \$14 billion in cuts that would be triggered if federal funds are not received.

# Transportation

- Over the next 5 years gasoline excise tax revenue is expected to drop by \$1.8 billion, with \$1.2 billion of the hit being to the current 19-20 and 20-21 fiscal years.
- May Revise adjusts downward the funds allocated to public transit operators via the State Transit Assistance formula from \$806 million in January to \$528 million in May.
- Low Carbon Transit Operations Program funds remain at \$115 million.
- May Revise includes shifting three pots of funds from transportation accounts to the general fund for a total of \$184 million.

# Cap & Trade

- The May Revise maintains the January estimate of \$965 million being available for the discretionary expenditure plan. However, the Revise cautions that auction proceeds are uncertain given the current economy.
- The Administration is calling for a pay-as-you-go approach in allocating auction proceeds, and to prioritize funding for specified programs.
- Proposed budget bill language would restrict allocation of auction revenue to the discretionary funding programs adopted by the legislature until after the priority programs are fully funded.

# Legislative Action

- What has the Legislature done since the release of the May Revise?



Thank You