



May Revise & Legislative Update

May Revise

- Administration has projected increased revenues of \$3.2 billion over three years - 2017-18 through 2019-20 – in comparison to January's budget proposal.
- The LAO believes that revenues will be \$774 million higher than the Administration's over the same time period.
- The Revise pursuant to statutory requirements utilizes the \$3.2 billion bump by paying down debts and building reserves.
- This budget marks the first time in over 10 years that all budgetary debts are paid off.

May Revise

- An additional \$1.2 billion is placed in the Rainy-Day Fund, which brings the reserve to \$16.5 billion in 2019-20 fiscal year. In addition, \$389 million in Prop 98 funds is placed in the School System Stabilization Account as required by Proposition 2.
- Personal income tax revenues are increased by \$1.9 billion due to the strong stock market, and personal income tax withholdings are increased by \$500 million due to the expected number of IPOs for large California companies.
- Sales and use tax revenues are reduced by \$360 million because of an expected reduction in business investments due to lower than anticipated boost from federal tax cuts.
- Corporate tax revenues are also revised upward by \$1.7 billion.

May Revise Program Changes

- **Transportation** -- The Revise does not propose any changes to transportation funding. The Governor's budget continues to rely on the existing funding programs and the SB 1 allocations.
- ***State Transit Assistance (STA)***: The formula allocation of the funds to transit operators through the STA formula was reduced in the May Revise by \$50 million from \$1.042 billion to \$991.7 million in 2019-20. STA reduction is based on updated forecasting on diesel fuel prices.

“Housing and transportation are inextricably linked.”

- The Governor reiterates that the long-term housing production strategy continues to tie the receipt of SB 1 local street and road funds, and potentially other funds, to meeting housing goals.
- May Revise continues the commitment made in January of providing \$750 million in onetime general fund review to assist local governments in increasing housing production by dedicating \$250 million for technical assistance and \$500 million for infill grants.
 - \$250 million dedicated to assisting cities and counties with planning and zoning for housing. The May Revise proposes to expand eligible recipients for these funds to include school districts and county offices of education.
 - \$500 million is allocated to the Infill Infrastructure Grant Program. Combined with \$300 million in Proposition 3 funds, there will be \$800 million available for Infill Infrastructure Grant projects. The January budget proposed allocating the \$500 million to cities and counties for general purpose projects if the local government took action on increasing housing production.

Cap & Trade Funding

May Revise

- Total auction revenue will be \$3.1 billion in 2018-19, and \$2.4 billion in 2019-20
- Revises upward the amount of cap & trade auction revenue that will be available by \$750 million above the January estimate. This is in line with LAO's estimate, and provides an additional \$300 million for discretionary allocations.
- The May Revise proposes spending an additional \$251 million of the \$300 million
- The workforce training funding is increased from \$27 million to \$35 million annually.
- \$50 million increase for Clean Truck, Bus, and Off-Road Freight Equipment programs, for a total of \$182 million.

Cap & Trade Funding

Legislative Actions

- Senate Budget Subcommittee #2, provides the same funding for the Clean Truck and Bus Program (\$182 million).
- Senate Budget Subcommittee #2 eliminated funding for the workforce training programs.
- Assembly Budget Subcommittee #3 approved a lump sum for CARB of \$660 million. Placeholder trailer bill language was adopted allowing these funds to be spent on a range of pilot and demonstration programs.
- Assembly Budget Subcommittee #2 directs workforce training programs to be funded through the Alternative and Renewable Fuel and Vehicle Technology Program, not cap & trade funds.

Legislation

- SB 328 (Portantino): This bill would impose significant costs on schools and transit operators. It was approved by the Senate Appropriations Committee and the full Senate. SB 328 would require all middle schools to start no earlier than 8:00, and all high schools to start no earlier than 8:30.
- SB 152 (Beall): SB 152 was sponsored by MTC and proposed to make significant changes to the relatively new Active Transportation Program (ATP). However, growing opposition from the CTC and bicycle and pedestrian advocates resulted in SB 152 being held on the Senate Appropriations Committee's Suspense File, making it a dead bill for this year.
- SB 50 (Wiener): Senate Appropriations Chair, Senator Portantino announced that SB 50 was being held in Committee making it a two-year bill. The bill is not dead, and Senator Wiener has promised to press forward.