

Smith, Watts & Hartmann, LLC.

Consulting and Governmental Relations

February 13, 2024

To: Lindy Johnson

From: Mark Watts, Legislative Advocate

Re: State Advocacy Activities – January 2024

I am pleased to provide the following memo to the Contra Costa Transportation Authority (CCTA) on recent developments on state legislation, budget matters, and administrative activities of interest to the statewide transportation planning, programming and development industry.

Senate President *pro tem*

On February 5, 2024, Senator Mike McGuire was installed as the Senate president, consistent with the senate agreement made in the fall of 2023. He more recently made appointments to key legislative committee assignments. With previous Transportation Committee Chair, Lena Gonzalez, moving on to serve as the Senate Majority Leader, her Chair position was filled by Senator Cortese (D-San Jose).

Overview – Schedule

February typically sees a couple of major schedule dates. This year January 31, 2024, will be the last date for bills carried over from 2023, yet still in their first house, to move to the second house, or be “dead” for the 2-year session.

In addition, February 16, 2024, is the last date by which bills may be introduced for consideration in 2024. While a large number of bills are being introduced, a matrix of high interest measures will be provided to staff shortly after the deadline date.

State Budget

With the Governor’s January Budget released on January 10 amid significant funding shortfalls it will be likely that a series of mid-year adjustments as leadership begins to contemplate the 2024-25 state budget. The Governor’s January Budget estimated a \$38 billion budget shortfall while the Legislative Analyst’s Office in December 2023 projected the shortfall could be as high as \$68 billion.

Transportation agencies across the state are heavily focused on maintaining state support (via the General Fund) for transit resources committed through last year’s \$5.1 billion transit

funding deal as well as ongoing state investment in housing and climate programs, both of which the Governor's January budget proposed to cut.

The state could also reduce spending on schools and community colleges and reduce one-time spending for about \$27 billion in solutions. While the state has nearly \$24 billion in reserves available to address the budget problem, the state is facing a multiyear budget issue, and the reserves are insufficient to cover the longer-term deficits. These options and others would allow the Legislature to solve most of the deficit largely without impacting the state's core ongoing service level but again, those solutions do not solve the longer-term fiscal picture. More to come on January 10 after the release of the January Budget.

In the meantime, the Department of Finance recently sent a letter to state departments directing them to limit current year spending given the state's projected budget deficit for 2024-25. The letter directs state entities under the Governor's control "to take immediate actions to reduce current-year General Fund expenditures." Departments also are directed to "ensure more prudent spending from other state funds given the fiscal outlook." Such letters are typical for California and other governments during budget downturns.

ACA 1

Rumors still persist that Assemblymember Aguiar-Curry may be developing with clean-up legislation to last year's Assembly Constitutional Amendment 1. As a reminder, ACA 1 would reduce to 55 percent the threshold for voter approval for local infrastructure bonds and special taxes and is set for voter consideration in the November 2024 elections.

Climate action policies may be reducing transportation Resources.

The Legislative Analyst's Office released a report raising concern about the impending impacts of the state's efforts to reduce the carbon footprint from the transportation sector on transportation revenue sources. The key finding of the report was not unexpected: the adoption of zero-emission vehicles (ZEVs) will decrease the consumption of gasoline and diesel fuels, and consequently reduce the associated state tax revenues that currently provide about one-third of the revenue for the state and local multimodal transportation system.

Specifically, the LAO's analysis found, compared to current levels, that over the next decade the state's gasoline excise tax revenue will decline by \$5 billion (or 64 percent), the diesel excise tax will decline by \$290 million (or 20 percent), and diesel sales tax by \$420 million (or 20 percent). The \$100 annual ZEV registration fee established by SB 1 – the Road Repair and Accountability Act of 2017 – will offset some of the revenue losses, but only minimally. The LAO projects a net reduction in state transportation revenues of \$4.4 billion (31 percent) over the next decade as compared to current levels.

Transit Transformation Task Force

Following the December 19, 2023, formative session for the task force the Secretary's Office recently announced the second session to be conducted on February 29, then every two months after that. In the meantime, CalSTA is hiring a firm for technical assistance and we will be notified then that occurs.

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