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## MEMORANDUM

TO: TC Board, Executive Committee, Contributing & Affiliate Members

FROM: Mark Watts, Interim Executive Director 

DATE: June 17, 2015

SUBJECT: Legislative Update / State Budget Update

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### State Budget Update

On June 15, the Legislature approved AB 93, the 2015 State Budget Act. The overall state General Fund expenditure plan for 2015-16 reflected in the bill amounts to \$117 billion. But, in a disagreement with the Governor, the legislative General Fund budget is based on a higher level of revenue estimates for the fiscal year than the Governor’s Department of Finance has estimated and dedicated the additional revenues to additional program funding.

Although it was anticipated that negotiations between the Governor and legislative leadership would take more than a week to conclude an agreement on modifications to the core budget, yesterday, they announced that they had negotiated significant changes to the budget act to be addressed this week in additional budget trailer bills.

### Special Session on Transportation and Infrastructure

In addition to announcing the budget agreement, the Governor also announced that he intends to call two Special Sessions to address: (1) How California pays for roads, highways and other infrastructure; and (2) Medi-Cal.

The Governor’s proclamation will propose that the Legislature enact permanent and sustainable funding to maintain and repair the state’s transportation and critical infrastructure, improve the state’s key trade corridors and complement local infrastructure efforts. The official proclamation should be offered shortly, and the Legislature will need to organize committees and set the timing for the Special Session.

### Transportation Budget Items

In addition to the Budget Act, the Legislature approved four trailer bills on June 15, as well, including AB 95 (related to transportation). AB 95 includes several items of interest to the transportation community:



*Development of CT Highway Preservation “Shelf” of Projects.* The budget includes 25 positions to create a \$500 million project shelf for the State Highway Operations and Preservation Program (SHOPP).

*AMTRAK Funding for Intercity Rail.* The budget fully funds Amtrak contract changes, pursuant to federal government requirements for intercity rail services.

*Intercity Rail Reporting.* Caltrans is required to report, by April 1, 2016, to the Legislature on potential benefits to safety, greenhouse gas reduction, service levels, and operating costs by improving grade separations at key intersections, as defined by the Federal Railroad Administration, along the state's intercity rail system.

*State Transit Assistance Eligibility Funding.* A one-year extension of an exemption to allow transit operators whose cost increases have exceeded the Consumer Price Index to continue using State Transit Assistance funding for both operating and capital expenditures is included in the budget trailer bill.

*Cap on Clean Air Vehicle Program.* Increases the cap on the "green sticker" Clean Air Vehicle program from 70,000 to 85,000. This program allows low-emission and energy-efficient vehicles with a single occupant to use high-occupancy vehicle lanes.

## **Cap-and-Trade Funding**

The Budget Conference Committee final spending plan incorporated into the final budget sent to the Governor includes staff resources necessary to continue existing workload related to cap-and-trade expenditures, but rejects all of the discretionary expenditure proposals. This conforms to the announced legislative intent that discussions will continue to further refine the state's expenditure plan for the 40 percent of the cap-and-trade revenues that are not continuously appropriated according to statute enacted last year.

However, the existing statutory continuous appropriations remain, so sixty percent of revenue in 2015-16 will be allocated to High Speed Rail, Affordable Housing and Sustainable Communities, Low Carbon Transit Operations, and the Transit and Intercity Rail Capital Program, pursuant to current law.

## **Transportation Loan Repayments**

The Budget Conference Committee previously added language into their version of the budget related to Pre-Prop 42 loans. These loans have not been characterized by the Governor as part of the state's "Wall of Debt" and had remained withheld over the past decade due to state budget pressures.

The final budget agreement identifies \$842 million in Pre-Prop 42 borrowing from 2000-01 as "General Fund borrowing" which would qualify the loans for repayment from the Proposition 2 "Rainy Day" funds in a future legislative action.

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## **Assembly Transportation Funding Plan**

Assembly Transportation Committee chair, Jim Frazier, is expected to disclose the Assembly plans for legislation to address the state and local road systems repair needs. This follows the release of an initial legislative concept by the Speaker last February.

While the Senate has moved SB 16 (Beall) through the committee process and the bill, which generates about \$3.5 billion annually for 5 years, is pending consideration on the Senate floor, the Assembly Democratic leadership has worked together and with their caucus to develop their version to provide funding for roads.