February 25, 2013

TO: Jacklyn Montgomery, Executive Director  
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FR: Steve Wallauch  
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RE: Legislative Update

More and More Bills: Friday, January 22, was the deadline to introduce new bills for the session. Over 780 bills were introduced on Friday alone, with total bills introduced to date totaling 2,189. All new bills must be “in print” for 30 days before they can be heard or amended, however, this waiting period does not apply to bills with an urgency clause. Attached is a matrix of bills uncovered so far that may be of interest to CalACT members. As we read each bill, and as the numerous spot bills are amended to show their true intent, this list will undoubtedly grow.

Supermajority on Hold: Last week everyone was surprised when Senator Michael Rubio abruptly resigned. He stated that time demands at the Capitol has interfered with the demands of a young family. His resignation was effective Friday February 22. With two vacancies created in January when democrat members left for Congress, the departure of Senator Rubio brings the total of democrats down to 26 – one below the supermajority threshold. Senator Rubio’s district now leans republican, so that seat might be lost, but the two vacancies in Southern California are considered safe democrat seats, so it is a matter of time before the supermajority is regained in the Senate. Senator Rubio also announced he has accepted a position with Chevron Corporation to serve as manager of California government affairs.

Budget: Budget Committees are slowly beginning to meet to discuss the Governor’s proposal. Hearings held to date have been informational hearings that have taken a general overview of the Governor’s proposal. With the LAO’s release of its more in depth analysis of the Governor’s budget, the budget subcommittees are scheduled to begin taking action on budget items in the coming weeks.

Revenue Spike: January was a big month for personal income tax payments. According to the Department of Finance actual income tax receipts exceeded the forecast by $4.95 billion. Based on the DOF numbers this brings total revenue to date to $5 billion over projections. However, following the words of caution from the
LAO and the State Controller, the DOF agrees that this spike in revenue is the result of the income tax changes at the state and federal level. Due on the tax increases on upper income levels, more taxpayers paid a larger share in January rather than waiting until April. In addition, it is assumed many accelerated income in 2012 because federal tax rates were expected to rise in 2013. Shifting income from 2013 to 2012 was greater than expected, which would account for the larger January payments.

**Cap & Trade Workshops:** The California Air Resources Board has commenced its series of workshops on developing an expenditure plan for Cap & Trade auction revenue. The first workshop was held in Fresno last week and the Sacramento workshop will be held today (February 25) at 3:00. While testimony in support of funding transit and transportation investments was rather light in Fresno, a much larger and coordinated group is anticipated at the workshop in Sacramento today, and at the LA workshop on February 27th. While most CARB workshops are presented by staff, the Cap & Trade workshops have included senior Administration officials. At the Fresno workshop the panel consisted of Secretary Brian Kelly, CARB Chair Mary Nichols, and representatives from Finance, the Energy Commission, CalTrans, and the Strategic Growth Council.

Each of the workshops will begin with an overview of the process, identification of investment priorities, identification of disadvantaged community investments, as well as a discussion of existing funding programs where auction revenue can be invested. Investments in existing programs include funding for mass transit, sustainable communities, clean transportation, and energy efficiency programs.

The workshops will also provide an opportunity for the public to express their support for specific programs. In addition, to testifying at the workshops, written comments will also be accepted. The deadline to submit comments is March 8. CARB encourages written comments to be submitted electronically. Once the draft investment plan is released, it will be reviewed at a regular Air Board meeting, which is tentatively scheduled for April 25-26.

Additional information can be found at the auction proceeds website at: [http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/auctionproceeds.htm](http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/auctionproceeds.htm)

**LAO’s take on Cap & Trade Budget:** Last week the Legislative Analyst’s Office (LAO) released its review of the Governor’s budget proposal for Cap & Trade auction revenue. While the Governor’s budget substantially lowers the projected income from the auction (The estimates have been lowered from $1 billion in 2012-13 to $200 million in 2012-13 and $400 million in 2013-14.), the LAO still believes that those estimates are optimistic. The second auction was held last week, and the results should be released this week. The outcome will provide a clearer picture of what to expect in the coming year.

The LAO also expresses concerns about the Governor’s proposed use of these revenues. In the current fiscal year, the Governor plans to use $200 million in cap & trade revenue to reimburse general fund expenses associated with reducing greenhouse gas emissions, and the Governor plans to use $300 million to offset general fund expenses in 2013-14. However, the state programs that will receive the $300 million have not been identified. While the LAO supports the use of cap & trade revenue to offset general fund costs, the LAO expresses concerns whether the use of auction revenue will meet the legal nexus for the use of these funds. The LAO specifically points out the use of $39 million in auction revenue for activities at the Department of Housing & Community Development.

**State Transit Assistance** – The budget estimates STA funds will be $391 million in 2013-14, and the estimate for the current year is now at $415 million. The original estimate for 2012-13 was $469 million. However, regardless of the estimate the amount of funds allocated through STA will depend on the amount collected
each quarter. Based on diesel prices and consumption the amounts can vary from quarter to quarter. The LAO’s analysis did not express any concerns or raise questions about the STA program.

**ZEV Plan:** The Governor’s Office of Planning and Research (OPR) released the 2013 Zero Emission Vehicle Action Plan. While the report highlights the success to date in expanding the use of ZEVs in California, the plan outlines a wide range of goals to further expand the use of ZEVs. The plan expresses support for developing financial incentives to purchase ZEVs to streamlining the permitting process for charging stations and hydrogen fueling stations. In addition, the plan promotes expanding the use of hydrogen fuel cell buses and integrating ZEVs into freight planning.

**Constitutional Amendments:** Adding to the mix of Constitutional amendments to lower the voter approval threshold, Senator Loni Hancock has introduced SCA 11. This measure is an umbrella proposal that would lower the vote threshold to 55% for any parcel tax or sales tax. Unlike the other measures, SCA 11 does not tie use of the lower threshold to a specific purpose.

**Active Transportation Account:** The Department of Finance released its draft language for creating the Active Transportation Account as mentioned in the Governor’s budget summary. This proposal consolidates the funds from the Bicycle Transportation Account, Safe Routes to School, the Environmental Enhancement & Mitigation Account, as well as federal Transportation Alternative Program funds and federal Recreational Trails Program funds.

The draft language directs the CTC to develop guidelines and project selection criteria for these funds. The CTC is directed to work with various state agencies as well as metropolitan planning organizations and regional transportation agencies. The funds deposited into the Active Transportation Account would be divided as follows: 40% to metropolitan planning organizations, 10% to small urban and rural regions, 50% to projects competitively awarded by the state on a statewide basis.

The LAO finds that this consolidation is a step in the right direction, but the LAO does urge the legislature to consider making changes to the proposal. The most significant change recommended by the LAO is to require the 50% earmarked for a statewide competitive program be used for large community wide projects. Further, the LAO recommends that the language specify that the funds be used for projects that improve bicycle and pedestrian safety and increase the number of trips taken by bicycle or walking.