



February 16, 2022

TO: Board Members, Transportation Agency for Monterey County

FROM: Gus Khouri, President, Khouri Consulting LLC

RE: STATE LEGISLATIVE UPDATE – MARCH

General Update

Khouri Consulting is actively working with TAMC staff to monitor all bills in advance of the February 18 bill introduction deadline, as well as any two-year bills. Policy bill hearings will begin in mid to late March for new bills. These bills must progress to the Appropriations Committee of each house by April 29, if keyed fiscal, meaning a cost is associated from enactment, and May 6, if keyed non-fiscal, to move to the Floor. Bills that make it to fiscal committees must be heard by May 20 and be approved by May 27 off the floor of each house. Two-year bills, which are bills that have previously made it to the second house or are proposed constitutional amendments, are considered after May 31. Policy committees must complete their business by July 1, fiscal committees by August 12, and all business by the floor of each house by August 31, to be considered for signature by the Governor by September 30.

Fiscal Year 2022-23 State Budget Summary

On January 10, Governor Newsom released his proposed FY 2022-23 State Budget. The 2022-23 Budget, which contains \$213.1 billion in General Fund spending (\$286.4 billion with special funds) is projected to have a healthy one-time surplus of \$45.7 billion (\$28.7 billion higher than projected from FY 20-21 through FY 22-23), leaving roughly \$20 billion in unencumbered resources after obligations to education and the Rainy-Day Fund (Propositions 98 and 2, respectively, are fulfilled). For transportation, a budget package deal hinges upon exhaustion of the \$4.2 billion remaining in appropriation authority from Proposition 1A, the High-speed Rail

Bond Act of 2008, to allow for the Governor's proposed FY 22-23 investments transit and rail projects (\$3.25 billion, \$2 billion available statewide), grade separations (\$500 million), climate resiliency on the state highway system (\$400m), active transportation projects (\$500 million) and zero-emission vehicle infrastructure and incentives (\$3.9 billion, total of \$10 billion over six years). With the Congressional passage of the Infrastructure Investment and Jobs Act last November, California will receive more than \$40 billion of new formula-based transportation funding over the next five years and billions of dollars in additional funding from new competitive grants.

The Governor proposes to "pause" the annual inflation adjustment to the per gallon fuel excise tax rate, scheduled for July 1, 2022. This mechanism was approved as part of SB 1 in 2017 to protect against inflation and has an impact on funding made available to fund maintenance and congestion management on highways and repairing local streets and roads. Former California State Transportation Agency David Kim, who stepped down on January 14, stated that this is only a pause and not a repeal, and that the purpose is to provide a relief to consumers at the pump with gas prices that have exceeded \$5 per gallon. If enacted, this action would decrease fuel tax revenues by \$523 million in FY 2022-23, but the amount would be backfilled by the State Highway Account. There is no mechanism to regulate price adjustments by the petroleum industry.

The legislature will commence the budget subcommittee process in the coming weeks to discuss the Governor's proposed FY 22-23 budget, leaving items open and delaying action until the release of the May Revision. Per the Constitution, the legislature must send a balanced budget to the Governor by June 15. The budget must be signed by the Governor by June 30 and goes into effect on July 1, the start of the 2022-23 fiscal year.