

2016 FEB -5 AM 9:02

MEMORANDUM

To: Mayor Libby Schaaf
Council President Lynette Gibson McElhaney and Members of the City Council

From: Townsend Public Affairs, Inc.

Date: February 3, 2016

Subject: State & Federal Legislative Update and Overview of 2016-2017 Budgets

Townsend Public Affairs, Inc. (TPA) has been providing the City of Oakland updates regarding Governor Brown's Proposed Budget for 2016-17 that was released on January 7, 2016 in addition to the upcoming release of the federal budget.

State

The Department of Finance has started releasing some draft trailer bill language that includes details of the Governor's various proposals. Of interest to the City is the Governor's transportation funding plan.

The Governor is continuing to push his transportation funding proposal from last year. As you recall this would provide \$3.6 billion annually. Half the funding goes to cities and counties. An additional \$100 million would be set aside for a complete streets competitive grant program. The funding mechanism for this includes adjusting the variable gas tax to reflect historical averages, indexing the entire gas tax for inflation and \$2 billion from a \$65 per-vehicle highway user fee. Additionally there would be \$500 million in Cap-and-Trade revenues, \$100 million in CalTrans efficiencies, and \$500 million from an 11-cent increase in the diesel tax indexed for inflation.

In addition, the Cap and Trade allocations continue to be a highly discussed topic. \$1.6 billion in Cap and Trade Funding currently remains in the state's Greenhouse Gas Reduction Fund (GGRF). Last year the Governor and legislators couldn't agree on how to spend the funds and they have remained untouched since.

State law requires the funds to be spent on programs to reduce greenhouse gas emissions in the state and several such programs are about to run out of funding unless reauthorized by the legislature – for example the state's electric vehicle rebate program will expire in April unless reauthorized.

Advocates in the legislature are currently divided on how to allocate the funds and how much to keep in reserve but Senate Pro Tem Kevin De Leon has suggested that the Senate Democrats are drafting a plan to allocate a bulk of the funding in the coming weeks.

The Assembly and Senate Budget Sub Committees have gradually begun scheduling hearings to review program-specific details of the Governor's proposal.

A breakdown of the Sub Committees include:

Assembly Sub Committees

Health and Human Services
Education Finance
Resources and Transportation
State Administration
Public Safety
Budget Process Oversight and Program Evaluation

Senate Sub Committees:

Resources, Environmental Protection, Energy and Transportation
Education
Health and Human Services
State Administration and General Government
Corrections, Public Safety and the Judiciary

The Governor's budget proposals, as well the Senate and Assembly proposals, will be fully vetted through the Budget Subcommittee process. Then in May the Governor will release his revised budget proposal for the coming fiscal year that must be passed by June 15 to take effect July 1, 2016. As more information becomes available we will provide immediately.

Federal

The White House will release its fiscal 2017 budget r on February 9th, narrowly missing the statutory deadline for sending the proposal to Congress. Under current budget law, the White House is supposed to submit its request to Congress by the first Monday in February, which fell on February 1, 2016 which was the same day as the Iowa caucuses.

The fiscal 2017 budget request will be the last of President Barack Obama's tenure. This final budget request will take a backseat to what will be another antagonistic presidential election year. However the scheduling of the legislative calendar will be challenging before the voters weigh in this November.