Colorado Representative Polly Lawrence, Chair  
California Assemblymember Ken Cooley, Vice Chair

This year the Westrends Board discussed state budget trends in the West and the intersection between technology and transportation.

**State Budget Trends in the West**

Brian Sigritz, Director of State Fiscal Studies at the National Association of State Budget Officers (NASBO), and Lindsey Browning, Program Director for the National Association of Medicaid Directors (NAMD), participated as panelists in the session on state budget trends in the West.

Mr. Sigritz provided the Board with a comprehensive overview of states’ current fiscal outlook, long-term spending pressures and trends, fiscal indicators, and projected 2018 budget themes. He stated that 35 states had proposed budgets with increases for FY 2018, constituting below-average growth that will cause increased competition for general funds. Overall, the revenue growth in FY 18 is projected to remain slow, which will make it difficult for states to address infrastructure and long-term liabilities. However, in the Western region, general fund growth is expected to be higher (3.3%) based on increases in personal income tax, sales tax and corporate income.

Medicaid and health care, K-12 education and higher education, demographic changes, corrections, infrastructure, pensions and retiree health care will continue to create long term spending pressures for states. In reviewing proposed FY 18 budgets, Mr. Sigritz stated that many states have used a variety of strategies to manage their budgets. This includes making targeted cuts, making across-the-board cuts, reorganizing agencies, reducing local aid, making layoffs and/or cuts to employee benefits, and instituting higher education fees and/or other user fees. In FY 17, at least 23 states made mid-year budget cuts, totaling $4.9 billion.

Mr. Sigritz stated that states have continued to strengthen their reserves, with 27 states increasing their rainy day funds in FY 17, and that 28 states will increase them in FY 18. He also talked about the federal budget impacts on states and the major challenges in the coming years. These challenges are the following:

- Modest economic growth = modest revenue growth;
- Medicaid spending growing at a higher rate than revenues;
- Pensions and retiree health liabilities;
- Maintaining infrastructure and new transportation demands;
- Certain states are impacted by energy prices, demographic changes, tax related issues, long-term liabilities and slow economic growth; and
- Federal uncertainty surrounding future funding levels, tax code, healthcare, infrastructure, municipal debt, etc.

To view Mr. Sigritz’s presentation, please click [HERE](#).

Ms. Browning focused her presentation on the federal health policy landscape. She commenced her presentation by providing an overview of NAMD, which represents 56 Medicaid directors across the country, and whose mission is to be the consensus voice of Medicaid Directors in
federal policymaking, and to support the sharing of best practices around key state priorities.

Ms. Browning gave an update and an overview on three “front-burner” issues that have the potential for sizable impacts on state budgets. These issues are the possible repeal and replacement of the Affordable Care Act and Medicaid reform by Congress; new leadership at the U.S. Department of Health and Human Services that has promised state flexibility; and reauthorization of the Children’s Health Insurance Program (CHIP).

Some of the key takeaways from Ms. Browning’s presentation were the following:

- The federal health policy landscape is fluid;
- Potential activity on Medicaid and CHIP could have significant state budget impacts;
- There is an opportunity for the Administration to strengthen the federal – state partnership that underpins Medicaid; and
- In spite of federal uncertainty, Medicaid directors continue to drive innovations and deliver high quality care.

To view Ms. Browning’s presentation, click HERE.

**The Intersection Between Technology and Transportation**

Members of the Board next heard from Reema Griffith, Executive Director of the Washington State Transportation Commission; William Covington, Director of Technology Law & Public Policy Clinic at the University of Washington School of Law; and Sean Slone, Director of Transportation and Infrastructure Policy for the Council of State Governments on the intersection between technology and transportation.

Ms. Griffith commenced her presentation by talking about transportation options that were once considered fantasy, including traffic information available on demand, cars and bicycles sharing the road, self-driving cars, and smart phones that enable an array of mobility options. She stated that just around the corner are same-hour delivery service via drones, and electric vehicles charging over the air via charging infrastructure integrated into the road.

Ms. Griffith provided an overview of the national landscape of legislation related to autonomous vehicles (AVs). As of July of this year, 22 states had passed legislation regulating AVs, while four have issued executive orders. No state prohibits AV testing or operations. Ms. Griffith highlighted Washington State’s challenges and its approach to regulating AVs. According to Ms. Griffith, cars of the future will need roads for the future. This will require a significant amount of investment by states and the federal government.

The fuel efficiency bar continues to rise as auto manufacturers continue producing more fuel-efficient vehicles. However, according to Ms. Griffith, funding challenges threaten future transportation investments. The gas tax, she argued, is not sustainable in the long term due to growing vehicle fuel efficiency. As such, states will need to consider other funding alternatives such as road usage charges.

Ms. Griffith provided Board members with an overview of Washington’s near-term, mid-term and long-term policy considerations. She stated that “While AVs bring great promise to solving many of our transportation challenges, the complexity and impact of policies and regulations will be far-reaching. Collaboration and partnerships will be the key to a successful transition into the future.”

Mr. Covington focused on the policy implications of AVs, including the need to establish consistent definitions of AVs and having a better understanding of how they work. He also discussed the ongoing evolution of AVs in the commercial sector, stating that California-based Starsky Robotics has already used a self-driving truck to haul freight for 120 miles on a
highway, and that Peloton, a trucking startup backed by Volvo and UPS, plans to use truck platoons to save on fuel.

Mr. Covington provided a legislative snapshot of activities to regulate AVs around the nation. He also outlined some of the questions legislators are attempting to address, including:

- Definitions: What are AVs? What is the impact of assistive technology?
- Review and oversight: What agency or agencies should have oversight responsibility for AVs?
- Standards: What standards should be employed in determining if AVs should be permitted to use public roads and highways?
- Operator qualifications: What should be the qualifications for AV operators?
- Information gathering and privacy: What information should be gathered and for what purpose?
- Liability: Who should be liable in the event of an accident?

Mr. Covington also discussed the infrastructure issues that come with AVs, including the need for effective lane markings, carrying capacity and sunlight on traffic signals. He also discussed job displacement concerns, as there are currently 3.5 million professional truck drivers and 650,000 bus drivers who could potentially lose their jobs to automated commercial vehicles and robots.

Finally, Sean Slone highlighted some of the key takeaways from a recent CSG Policy Academy on Autonomous Vehicles. Mr. Slone stated that automakers believe that automated vehicles have the potential to save lives and provide greater mobility; that testing of these vehicles is a means to an end; and that full automation will not occur overnight. When asked how state policy-makers should engage on this issue, automakers suggested that states allow testing and foster a supportive ecosystem; promote interstate cooperation; adhere to consistent definitions; form advisory committees; assist with consumer awareness; keep roads in good repair; and create testing grounds.

Mr. Sloan provided an overview of the key elements of the National Highway Transportation Safety Administration’s Federal Automated Vehicle Policy. He also discussed the need for the law enforcement community to be an essential part of the process of establishing vehicle inspections. Another factor is determining insurance and liability issues for AVs, including rates; whether liability should shift to manufacturers; the use of event data recorders in vehicles; whether insurance risks will be different in different parts of the country; and whether software updates would make an entire fleet of AVs better.

Mr. Sloan concluded his presentation by highlighting some of the impacts of AVs on the economy and pointing out considerations for state policymakers when envisioning the autonomous vehicle future.

For a copy of Ms. Reema Griffith’s presentation, click HERE.

For a copy of Mr. William Covington’s presentation, click HERE.

For a copy of Mr. Sean Slone’s presentation, click HERE.