



May 4, 2022

TO: Board Members, Madera County Transportation Commission
FROM: Gus Khouri, President
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RE: STATE LEGISLATIVE UPDATE – MAY

General Update

The second year of the 2021-22 Legislative Session is underway. Lately, the Legislature has been focused on budget committee meetings to hear the Governor’s Fiscal Year 2022-23 budget proposals. 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. The May Revision is expected to be released on May 13 and update figures on available revenues. Early estimates are that the state may have a \$68 billion surplus. In parallel to the budget review, Legislators have been busy introducing legislation, with over 4,500 combined being introduced during the 2021-22 Legislative Session. The legislature is operating in a hybrid environment with some committee hearings being conducted in person, and others allowing for virtual testimony.

The California Emergency Services Act (ESA) empowers the Governor to proclaim a state of emergency in an area affected, or likely to be affected when specified conditions of disaster or extreme peril to the safety of persons and property exist, and either when requested to do so by a local governing authority or the Governor finds that local authority is inadequate to cope with the emergency. The Governor, during a state of emergency, may suspend any regulatory statute, or statute prescribing the procedure for conduct of state business, or the orders, rules, or regulations of any state agency, as specified, where the Governor determines and declares that strict compliance with any statute, order, rule, or regulation would in any way prevent, hinder, or delay the mitigation of the effects of the emergency. On March 15, SCR 5 (Melendez), which would have ended the Governor’s state of emergency declaration pertaining to COVID-19, was defeated in the Senate Governmental Organization Committee, continuing the state of emergency indefinitely.

Gas Tax Proposal – Inflationary Adjustment Suspension

As part of his budget proposal, Governor Newsom is proposing to pause the automatic inflation adjustment for the gas tax, which was incorporated into SB 1 in 2017. This pause will have an impact on funding made available to fund maintenance and congestion management on highways and repairing local streets and roads. Though the purpose of the pause is to provide a relief to consumers at the

pump, the proposal does not include any guarantee the savings would go to consumers, and the transportation impacts could be significant. If enacted, this action is expected to decrease fuel tax revenues by \$523 million in FY 2022-23. The legislature has been reluctant to move the item considering that the purchasing power of the gas tax would be diminished. This is the exact problem that SB 1 attempted to address.

Governor's Gas Tax Rebate Proposal

On March 23, Governor Newsom unveiled an \$11 billion package intended to provide relief for rising gas tax prices. The Governor's proposal calls for \$9 billion in tax refunds to Californians in the form of two \$400 direct payments per vehicle (exclusion for electric vehicles is not specified meaning they are eligible), capped at two vehicles. Eligibility will be based on vehicle registration, not income or tax records, to include seniors that receive Social Security Disability income and low-income non-tax filers. This package also provides \$2 billion in broader relief including:

- \$750 million in incentive grants to transit and rail agencies to provide free transit for Californians for 3 months, which is expected to help roughly 3 million Californians per day who take the bus, subway, or light rail.
- Up to \$600 million to pause a part of the sales tax rate on diesel for one year. This is the main funding source for the State Transit Assistance Program
- \$523 million to pause the inflationary adjustment to gas and diesel excise tax rates, which is a 3-cent increase for 2022, and an average savings of \$15 per person annually.

The package also reiterates the Governor's January proposal for \$500 million in active transportation for projects to promote biking and walking throughout the state. Additionally, this proposal fast-tracks a \$1.75 billion portion of the Governor's historic \$10 billion ZEV package to further reduce the state's dependence on oil and save Californians money, including the investments in more zero-emission vehicles and building more charging infrastructure throughout the state – especially in low-income communities. If enacted, the rebates could be made available as early as July. This proposal has met resistance from the Assembly and Senate however and is not expected to progress.

On April 28, Speaker Rendon and Senate President pro Tempore Toni Atkins have instead proposed a broader \$8 billion tax relief package that would distribute \$200 per taxpayer, plus \$200 for dependents for those making less than \$125,000/ \$250,000 for single and joint filers, respectively. With the surplus reaching \$68 billion (near \$23 billion more than the January estimates), and the need to adhere to the Gann limit, which is the state's budget appropriation limit, infrastructure investments are an exception. The state was projected to be \$2.4 billion over the Gann limit in January. The Senate is proposing a \$20 billion transportation package over the next four years, with \$10 billion upfront, and \$10 billion subject to appropriation for the third and fourth years. The Assembly had proposed a \$10 billion package in December of 2021 prior to the release of the Governor's FY 22-23 State Budget

AB 285 Report

Pursuant to AB 285 (Friedman), Chapter 605, Statutes of 2019, Caltrans is required to detail how it plans to achieve maximizing emissions reductions in its California Transportation Plan to achieve the state's goal reduction of greenhouse gas emissions of 40% below 1990 levels by the end of 2030. The legislature required the Strategic Growth Council (SGC) to complete a report by January 31, 2022, with recommendations. SGC commissioned the UC Berkley Institute of Transportation Studies to conduct the report. On February 18, the report was posted with the following findings:

- Too much money is spent on highway widening and projects that increase vehicle travel, reliance on cars
- Projects, which take decades to plan, do not adjust and consider multimodal options
- Too many layers of decision makers (State, regional, and local)
- MPOs have no land use authority, and their priorities do not sync with the state, sales tax measures are to blame.
- State wants to restructure MPO and local government responsibilities, centralize things with state perspective.

There are several items to consider in the applicability of the findings. While Madera County resides in a non-attainment air district, certain factors such as the county's population density, geography and demographics are being discounted to the extent that there is an emphasis being placed on adherence to vehicle miles traveled reduction, which is not always feasible, particularly when the threshold is intended to address urban areas. From a regional perspective, the Bay Area has a population of 6.8 million over 7,300 square miles, Los Angeles County has 10 million people living over 4,700 square miles, and the San Joaquin Valley has 4.3 million people spread out over 27,000 square miles. The Bay Area has nearly 60% more people living in an area a quarter the size of the Valley. Los Angeles County has more than 2.5 times the population over one-sixth of the area. MCTC has been working on multiple fronts for years to deliver more frequent transit and passenger rail service, complete bike trails and projects to enhance safety and throughput on Highway 99 and is working with Caltrans and regional partners on the deployment of charging stations to help facilitate electric vehicles. Assembly Member Laura Friedman, Chair of Assembly Transportation Committee, has also introduced legislation however, AB 2237 and AB 2438, to provide the state with a more assertive and prescriptive role in meeting state climate goals. There is an ongoing dialogue with statewide stakeholders, which MCTC is a part of, with hopes calibrating what is feasible in addressing climate change per region. MCTC has also submitted comments to the Strategic Growth Council.

BILLS OF INTEREST

MCTC is currently monitoring all bills in advance of the house of origin deadline on May 27.

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.

AB 1778 (Garcia) State Funding for Highway Capacity Projects, Healthy Communities

This bill would require Caltrans to consult the California Healthy Places Index, as defined, as a condition of using state funds or personnel time to fund or permit freeway projects, as provided. The bill would require Caltrans to analyze housing and environmental variables through the index, as provided, and would prohibit any state funds or personnel time from being used to fund or permit freeway projects in areas that fall within the zero to 50th percentile on the housing and environmental variables analyzed through the index, as provided. MCTC has an oppose position.

AB 1944 (Lee) – Brown Act Virtual Meetings This bill provides a Brown Act exemption from the requirement for publicly posting the location of remote participation by a member of the local agency. It would also require all open and public meetings of a legislative body that elects to use teleconferencing to provide a video stream accessible to members of the public and an option for members of the public to address the body remotely during the public comment period through an audio-visual or call-in option. Unlike AB 361, this bill would allow for virtual meetings to occur regardless of whether a state of

emergency has been declared. MCTC has a support position.

AB 2120 (Ward) Federal Funding in Local Bridges- would apply California’s historic formula from the prior federal Highway Bridge Replacement and Rehabilitation Program to the distribution of bridge formula funds from the Infrastructure Investment and Jobs Act (IIJA), allocating 55% to local projects. AB 2120 would also require the state to maintain its current commitment of flexible federal highway funding to local bridges. These changes would increase federal funding available to local bridges from approximately \$300 million annually to approximately \$800 million annually. MCTC has a support position.

AB 2237 (Friedman) Accelerating Climate Goals in Sustainable Communities Strategies This bill allows the Strategic Growth Council (SGC), in consultation with the California Air Resources Board (CARB), the Department of Housing and Community Development, and the California State Transportation Agency, to review the duties and responsibilities of metropolitan planning organizations and to define what constitutes a “sustainable community.” The bill would also require for the SGC, in consultation with the Governor’s Office of Planning and Research, and CARB, redirection of funds from projects in a regional transportation improvement plan if they are not Climate Action Plan for Transportation Infrastructure (CAPTI) compliant. While the bill aims to promote accelerated delivery of multi-modal projects, which could lead to additional investments for active transportation, passenger rail, and transit, it may also influence delivery the completion of some Measure T projects, particularly completion of work on Highway 41 and 99. The bill also undermines local control by giving the Governor absolute decision-making authority, through CARB and the California Transportation Commission (CTC), over what types of local sales tax measure projects are funded. MCTC has an oppose position.

AB 2438 (Friedman) – CAPTI and California Transportation Plan Compliance- Project Eligibility for State Funding This bill requires that all state funding, including maintenance programs such as Local Streets and Roads and State Highway Operation Protection Program, the SB 1 competitive grant programs (Local Partnership Program, Solutions for Congested Corridors Program, and Trade Corridor Enhancement Program), and State Transportation Improvement Program align with the California Transportation Plan and Climate Action Plan for Transportation Infrastructure.

The California State Transportation Agency, Caltrans, CTC, CARB, and SGC are required to jointly prepare and submit a report to the Legislature on or before January 1, 2025, that comprehensively reevaluates transportation program funding levels, projects, and eligibility criteria with the objective of aligning the largest funding programs with the goals set forth in the above-described plans and away from projects that increase vehicle capacity.

This bill could impact the ability to complete leverage state funds or dedicate local sales tax revenues towards completing projects on the state highway system if they are deemed to increase vehicle capacity. MCTC has an oppose position.