



July 11, 2022

TO: Board Members, Madera County Transportation Commission
FROM: Gus Khouri, President
Khouri Consulting LLC

RE: STATE LEGISLATIVE UPDATE – JULY

General Update

The Legislature recently concluded policy committee hearings for bills in the second house. Fiscal committees must reconcile items by August 12, and all business on the floor of each house must be acted upon by August 31, to be considered for signature by the Governor by September 30. The legislature is currently on Summer Recess, which runs from July 1 to August 1.

State Budget Package Enacted

On June 30, 2022, Governor Newsom signed a package of bills revising the current state budget (FY 21-22) in addition to the FY 222-23 State Budget and several trailer bills. Below is a summary of the package.

Inflation Relief Agreement

There have been various proposals related to how to provide relief to Californians due to inflationary impacts. While the agreement does not contain a pause on the gas tax annual inflationary adjustment as proposed by Governor Newsom (3 cents which would have been a \$523 million loss of revenue), it does suspend the General Fund portion of the sales tax on diesel fuel. This is expected to reduce costs by about 23 cents per gallon, which primarily benefits businesses who consume a large proportion of diesel sales tax. It should be noted that this does not impact the funding portion of diesel fuel tax that goes to the Public Transportation Account to primarily fund the State Transit Assistance Program.

The revised budget also includes a \$17 billion relief package, including \$9.5 billion in direct payments (AB 192) to Californians to help offset inflationary impacts. The framework for these direct payments falls within three tiers. The first tier includes tax filers with incomes up to \$75,000 for single filers and \$150,000 for joint filers. Under this tier, \$350 will be provided for each tax filer, plus an additional \$350 if the tax filer has at least one dependent. The second tier includes tax filers with incomes above the first tier, but below \$125,000 for single filers and \$250,000 for joint filers. Under this tier, each tax filer will receive \$250, plus an additional \$250 if the tax filer has a least one dependent. The third tier includes tax filers with incomes above the second tier, but below \$250,000 for single filers and \$500,000 for joint

filers. These refunds are anticipated to be provided to 17.4 million California tax filers, 23 million residents when factoring in dependents.

Transportation Funding

Per AB 180 (Committee on Budget), Chapter 44, Statutes of 2022, revises the current state budget (FY 21-22) agreement includes significant new resources for transportation programs, particularly those focused on capital transit and rail improvements and active transportation. No new funding, however, is provided for transit operations purposes. The following is included:

- \$4.2 billion of remaining Proposition 1A (2008) funding for the California High-Speed Rail project.
- \$4 billion over the next two years for priority capital transit and rail purposes, distributed via a population-based formula. This is speculative funding as the appropriation is expressed in intent language and contingent upon the availability of funds for FY 23-24 and FY 24-25.
- \$3.63 billion for transit capital projects to be allocated via the Transit and Intercity Rail Capital Program (TIRCP), a competitive program administered by the California State Transportation Agency (CalSTA).
 - \$300 million off the top for a metropolitan planning organization to conduct project development activities related to rail realignment capital projects for high-priority intercity rail corridors located primarily in the coastal zone to protect against sea level rise, identified in the State Rail Plan as being at risk of sea-level rise, and designated as a Strategic Rail Corridor Network by the United States Department of Defense and Federal Railroad Administration.
 - \$1.8 billion off the top for existing projects that have previously been awarded TIRCP funding and can demonstrate a supplemental state grant would leverage or maintain an identified source of significant local or federal investment, including through the federal Capital Investment Grant program.
 - Up to \$150 million of the overall total is to be used for project development purposes for projects that have entered or applied to enter federal project development processes and expect to receive federal funding in the future once project development is complete.
 - \$1.8315 billion is to be dedicated to projects in Southern California, including the counties of Orange, Imperial, Los Angeles, Riverside, San Bernardino, San Diego, and Ventura (\$900M must be for previously awarded projects).
 - \$1.4985 billion to the remainder of the state (\$900M must be for previously awarded projects).
- \$1.2 billion to be administered by CalSTA for port-specific high priority projects that increase goods movement capacity on rail and roadways serving ports and at port terminals. 70 percent of allocated funds are to be used for infrastructure projects at the Port of Los Angeles and the Port of Long Beach, with the remaining 30 percent of funds to be used for other high-priority projects supporting ports and goods movement infrastructure in the rest of the State, including inland ports.
- \$1.049 billion for the Active Transportation Program.
 - Of this amount, \$250 million is dedicated to grade separations and \$149 million to the Highways to Boulevards program.
- \$198 million for local climate adaptation projects. Of this amount, \$148 million is to be allocated through the Local Transportation Infrastructure Climate Adaptation program administered by the California Transportation Commission (CTC). The remaining \$50 million is to be available as competitive grants awarded and administered by the Caltrans to local agencies to identify

climate vulnerabilities through the development of climate adaptation plans and incorporation of transportation climate adaptation needs into existing transportation plans.

- \$100 million for deployment of zero-emission bus deployment and associated infrastructure.

SB 198 Transportation Trailer Bill

SB 198 contains several substantive policy changes, including the parameters for new grant funding programs, were provided for in the transportation trailer bill including the following:

- New oversight requirements for the California High-Speed Rail Authority (CHSRA), including:
- Prioritizing funding for the completion of planning and construction of the Merced to Bakersfield segment. There are limited exceptions, with significant oversight from the Legislature and the newly created High-Speed Rail Authority Office of the Inspector General (OIG), for funding to be used outside of the Merced to Bakersfield segment.
- Providing supplemental information in the CHSRA's next update, and each subsequent update, to the Legislature to include the development of schedules related to the delivery of several specified tasks. The CHSRA also needs to provide additional cost information to demonstrate the reasonable likelihood of adequate funding to complete the Merced to Bakersfield segment, including related to civil work, right-of-way, contingencies, and capital.
- Creating new oversight requirements to notify, as specified, the chairpersons of the relevant committees of both houses of the Legislature of the CHSRA's intent of applying for federal grant opportunities or releasing requests for proposals.
- Creating the OIG with specified responsibilities to ensure that information is available to make fiscally responsible decisions about the project is accurate, current, and impartial.
- The ability for Caltrans to advance funds for a transit or passenger rail project or project component for certain publicly led projects funded by various funding sources, including TIRCP.
- The creation of the Transportation Infrastructure Climate Adaptation Strategy Grant Program, a competitive program to be administered by Caltrans to identify climate vulnerabilities through the development of various planning documents or identify ways to incorporate transportation-related climate adaptation needs into existing transportation plans. Caltrans is to create guidelines in consultation with various other state agencies, including CalSTA and the CTC.
- The creation of a State Transportation Infrastructure Climate Adaptation Program, to be administered by Caltrans for the purposes of planning, developing, and implementing projects adaptation state transportation infrastructure to climate change. Caltrans will be required to prepare a resilience improvement plan for the State and a program of its top priority climate adaptation projects through its Adaptation Priorities Report process. Caltrans is to submit projects via this program to the CTC for adoption. The program of projects is to be developed in consultation with CalSTA, the CTC, the Office of Planning and Research, the California Natural Resources Agency, the Integrated Climate Adaptation and Resiliency Program Technical Advisory Council, and any other relevant state or local agencies that have adopted climate adaptation plans or strategies.
- The creation of the Local Transportation Infrastructure Climate Adaptation Project Program to be administered by the CTC for purposes of developing and implementing projects adaptation local transportation infrastructure to climate change. The CTC is to develop guidelines and administer the program in consultation with the same agencies consulted in development of the State Transportation Infrastructure Climate Adaptation Program.
- The \$1.2 billion in funding for port improvements allows for public agencies to partner with private operators of projects, such as freight railroads, to implement an eligible project,

including port-specific high priority projects, intermodal railyard expansion and electrification, goods movement railway corridor capacity projects, high-priority grade separations, and zero-emission goods movement demonstration projects. Funding may not be used that include automated cargo handling equipment.

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

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 40th percentile on the housing and environmental variables analyzed through the index, as provided. MCTC has an oppose position. This bill failed passage in Senate Transportation Committee.

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. This bill was not pursued further in lieu of AB 2449, which contains similar contents. AB 2449 is currently in Senate Appropriations Committee.

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. This bill was held in the Assembly Appropriations Committee.

AB 2237 (Friedman) Accelerating Climate Goals in Sustainable Communities Strategies

This bill would prohibit funds collected from any local transportation tax measure passed on or after January 1, 2023, from being spent until the transportation projects or programs to be funded by the tax measure are included in the most recently adopted sustainable communities strategy of the applicable regional transportation planning agency or county transportation commission or, if applicable, the alternative planning strategy. The bill would also prohibit the expenditure of funds from local tax measures that passed before January 1, 2023, but that exclusively provide for the collection and expenditure of funds on or after January 1, 2023, until the transportation projects or programs to be funded by the tax measure are included in the most recently adopted sustainable communities strategy, or, if applicable, the alternative planning strategy. MCTC has an oppose position. This bill was not pursued by the author in the Senate Transportation Committee and is therefore dead for the year.

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 the 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.

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. This bill is awaiting a hearing in the Senate Appropriations Committee.