KHOURI CONSULTING

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

**GENERAL UPDATE**

The Legislature adjourned the first year of the 2021-22 Session on September 10. The Governor has until October 10 to act on bills sent to him in the final weeks of the session. Majority vote bills go into effect January 1, 2022, urgency items become effective immediately upon enactment.

On September 14, more than 9.1 million votes were cast in the recall election of Governor Newsom. The recall effort failed by a resounding margin of 63.9% to 39.1% per unofficial results reported on the Secretary of State's website. County elections officials must report final official results to the Secretary of State by October 15, 2021. The Secretary of State will summarize and certify the county reports in the official Statement of Vote (Official Results) on October 22, 2021.

**FY 2021-22 State Budget Summary**

Governor Newsom has signed AB 128 (Ting), the main FY 2021-22 budget bill, and SB 129 (Skinner), the supplemental budget bill, authorizing $262.6 billion in spending, including revenue for transportation infrastructure as follows:

- **Transit and Intercity Rail Capital Program (TIRCP) - $2.6 billion** in funding to augment the annual $500 million, for a total of $3.1 billion divided as follows: $1 billion for rail in preparation for the 2028 Los Angeles Olympics, $1 billion for rail infrastructure statewide, $500 million for grade separations, and $100 million for zero-emission rail and transit equipment purchases.
- **Road Infrastructure - $2 billion** ($1.1 billion special funds through 2028, and $968 million federal funds) to support the advancement of priority State Highway Operation and Protection Program (SHOPP) projects, Interregional Transportation Improvement Program (ITIP) projects, and local road and bridge investments.
- **Regional SCS Implementation - $600 million** ($100 million from the General Fund and $500 million federal funds) for Housing and Community Development Department to provide additional planning and implementation grants to regional entities for Sustainable Communities Strategies (SCS) implementation, infill developments, targeted towards the state's climate goals and reducing vehicle miles traveled.

- **Active Transportation Program - $500 million** (General Fund) to help clear the backlog for Cycle 5 for active transportation projects and projects identified for completion prior to 2028.
- **Zero-Emission Rail and Transit Equipment Purchases and Infrastructure** - **$407 million** ($100 million General Fund, $280 million Public Transportation Account, and $27 million federal funds) to demonstrate and purchase or lease state-of-the-art, clean bus and rail equipment and infrastructure that eliminate fossil fuel emissions and increase intercity rail and intercity bus frequencies.
- **Zero-Emission Buses and Trucks - $1.4 billion** ($1.3 billion General Fund, $87 million Air Pollution Control Fund) to demonstrate and purchase or lease green buses and trucks.
- **Zero-Emission Vehicle (ZEV) Infrastructure** - $3.2 billion over three-years for ZEV infrastructure.
- **State and Local Climate Adaption - $400 million** from the General Fund for state and local grants to begin addressing climate change impacts to transportation. Caltrans reports that increasing temperatures, larger wildfires, heavier rainstorms, and rising sea levels and storm surges associated with climate change are posing a significant risk to the State's transportation infrastructure.
- **Clean California Program - $1.1 billion** (General Fund) to be appropriated as follows:
  - **$296 million** for local projects on local streets and roads, tribal land, parks, pathways, and at rail and transit centers.
  - **$335 million** for statewide litter cleanup on the state highway system.
  - **$287 million** for beautification projects.

SB 129 also includes language, specifically pertaining to ATP ($500 million), TIRCP ($2.5 billion), and the State and Local Climate Adaption funding ($400 million), stating that money shall not be available for encumbrance or expenditure unless additional legislation is enacted by October 10, 2021. This language is directly related to the stalemate on exhausting the remaining $4.2 billion Proposition 1A appropriation for high-speed rail. Governor Newsom is requesting the funds to complete high-speed rail construction in the San Joaquin Valley, advance work to launch service between Merced and Bakersfield, advance planning and project design for the entire project, and leverage potential federal funds. The legislature has been reluctant to grant the funding, citing those investments into existing rail systems would be more beneficial. There has also been a difference of opinion on electrifying the high-speed rail system versus examining the usage of alternative fuel sources, such as hydrogen to propel the system. Hydrogen technology however is not advanced enough to allow for travel at high speeds, which is a requirement of Proposition 1A.

Given that the legislature and Governor were unable to come to an agreement on exhausting the $4.2 billion appropriation of Proposition 1A funds for high-speed rail, the $3.4 billion in General Fund money proposed for the Transit and Intercity Rail Capital Program (TIRCP) ($2.5 billion), Active Transportation Program ($500 million), and State and Local Climate Adaption ($400 million), are no longer available. Conversations are expected to be renewed in January with the release of the 2022-23 State Budget and funds may be reconsidered.

**Farebox Recovery Relief**

On July 16, Governor Newsom signed AB 149 (Committee on Budget). This bill extends statutory relief in meeting farebox ratio recovery (FRR) requirements for receiving State Transit Assistance (STA), Low Carbon Transit Operations Program, and State of Good Repair funds, through FY 22-23. It also suspends Transportation Development Act and STA penalties for this duration. The bill also adds a list of new exemptions from the FRR calculation including on-demand service and micro transit service beyond fixed-route service, costs for security, ticketing services, pensions, planning for improvements in transit operations, integration with other operators and agencies, transitioning to zero-emission operations, and for compliance with state and federal mandates.

**Governor's Climate Action Plan for Transportation Infrastructure**

On July 12, the California State Transportation Agency announced its adoption of the Governor's Climate Action Plan for Transportation Infrastructure (CAPTI). The purpose of the plan is to implement Governor Newsom's Executive Order, N-19-19. That Executive Order aims to reduce greenhouse gas emissions and vehicle miles traveled through limiting capacity projects along the state highway system, discouraging the use of single-occupant, gas-powered vehicles, while encouraging mode shift through accelerated investments into public transportation, bicycle and pedestrian programs, and electric vehicle infrastructure.

CAPTI encourages investments in improvements for disadvantaged communities, safety improvements that reduce fatalities on roadways and transit systems, projects that respond to climate risk for transportation infrastructure projects, projects that reduce vehicle miles traveled reduction, and investments into passenger rail prioritized over highways, particularly capacity projects. Impacted funding programs include the Highway Safety Improvement Program, State Transportation Improvement Program, Local Partnership Program, Solutions for Congested Corridors Program, State Highway Operations and Protection Program, Trade Corridor Enhancement Program, and TIRCP.

CAPTI policy could require MCTC to reassess its ability to leverage Measure T funds against state grant investments. The policy could also preclude MCTC from making investments on the state highway system. While MCTC, through the San Joaquin Valley Policy Council's (SJVPC) adopted S2021 State Legislative Platform, is supportive of many of these objectives, it may be problematic for many small urban/rural areas to refrain from making highway capacity project improvements, particularly where reductions in vehicle miles traveled may not be possible due to the lack of rail infrastructure, frequency of service, density to support those systems, or the inability of certain populations, such as farmworkers or labor to pragmatically utilize the service. This results in a need to plan, fund, and deliver projects that may increase passenger vehicle travel that addresses safety, congestion, and freight movement, particularly along lifeline routes, such as Highway 99 or freight corridors such as SR 41 and 152. Many regions (Central Coast, Inland Empire, San Joaquin Valley, and Super North – the 16 counties north of Sacramento, which is at least 31 counties) are asking the state to consider geographic areas where capacity expansion is necessary to address climate adaptation and resiliency or completing gap closures on evacuation or parallel routes, and east-west connectors, in case of natural disasters or other climate events.

Despite not having the population density of the Bay Area or Los Angeles, MCTC (also through the SJVPC), has historically advocated for the creation of programs to support multi-modal options such as rail (TIRCP and the State Rail Assistance Program), bike and pedestrian projects, and additional bus service. It is expensive however to build and operate a transit system and may not always serve as a pragmatic or efficient solution for a constituency's daily mobility needs. Pre-pandemic, ridership levels declined in 31 metropolitan areas nationally. The widespread impact of the COVID-19 has exacerbated this predicament due to the shelter in place order and social distancing protocols. Choice riders often utilize transportation network companies, leaving society's most vulnerable, such as seniors, school kids, those on a fixed income and the physically challenged, to cover the cost of operating expenses. Therefore, maintaining flexibility to balance mobility needs on highways and public transportation systems may be most beneficial to MCTC.

The focus on vehicle miles traveled may not provide the most constructive metric to address air quality concerns. In 2017, SJVPC advocated for utilizing the vehicle registration fee as a carbon-neutral, prospective state funding source to address congestion and mobility. A full conversion from the gas tax should be considered. The SJVPC's adopted 2021 State Legislative Platform articulates several solutions to consider that are designed to improve air quality, reduce congestion, and provide greater mobility options. Suggested strategies include operational investments such as the increase of broadband access to encourage telecommuting, ability of transit agencies to utilize vanpools and high-occupancy vehicle lanes to provide more frequent and cost-effective service, shipment of more freight via rail to ease congestion and enhance safety, creation of greater incentives for businesses to expand or relocate to help reduce vehicle miles traveled, and accelerating the installation of zero-emission charging stations and providing incentives for zero-emission vehicle purchases. The investments provide the most pragmatic approach for the region to reduce its carbon footprint.

**SB 1 Cycle 3 Competitive Programs**

SB 1 Cycle 3 guidelines will be discussed later this Fall through December with guideline adoption and the calls for projects in the various programs occurring in summer of 2022, and applications being due summer of 2023.

*Active Transportation Program (ATP)*

The ATP was created in 2013 to consolidate five programs (Transportation Alternatives Program, Safe Routes to School Program, Bicycle Transportation Account Program, Recreational Trails Program, and Environmental Enhancement and Mitigation Program) to better leverage resources to provide multi-modal options. The CTC awarded $450 million this March for Cycle 5.

*Solutions for Congested Corridors Program (SCCP)*

The SCCP provides funding to achieve a balanced set of transportation, environmental, and community access improvements to reduce congestion throughout the state. The program makes $250 million available annually (programmed in 2-year increments) for projects that implement specific transportation performance improvements.

*Local Partnership Program (LPP)*

The LPP is intended to provide local and regional transportation agencies that have passed sales tax measures, developer fees, or other imposed transportation fees with a continuous appropriation of $200 million annually from the Road Maintenance and Rehabilitation Account to fund road maintenance and rehabilitation, sound walls, and other transportation improvement projects. The Competitive program is funded at $100 million annually.

*Trade Corridor Enhancement Program (TCEP)*

The TCEP provides funding for infrastructure improvements on federally designated Trade Corridors of National and Regional Significance, on the Primary Freight Network as identified in California Freight Mobility Plan, and along other corridors that have a high volume of freight movement. There is approximately $300 million provided per year (programmed in 2-year increments) for the competitive program.