



August 15, 2019

To: Legislative and Communications Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: State Legislative Status Report

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Overview

An overview is provided of a bill related to Local Partnership Program funding for self-help counties, for which a support position has been taken pursuant to the 2019-20 State Legislative Platform. An update is also provided on the state budget process.

Recommendation

Receive and file as an information item.

Discussion

SB 277 (Beall, D-Campbell): Road Maintenance and Rehabilitation Program: Local Partnership Program

SB 277 amends the Local Partnership Program (LPP) funding distribution to better align the program with its original intent of rewarding self-help counties for passing sales tax measures providing dedicated transportation funding, similar to Proposition 1B's (2006) State-Local Partnership Program. Under a compromise reached after the passage of SB 1 (Chapter 5, Statutes of 2017), half of the \$200 million in annual LPP funding has been distributed on a formula basis, with the other half awarded by the California Transportation Commission (CTC) via a competitive process. This short-term arrangement was the result of negotiations between the CTC and the Self-Help Counties Coalition (SHCC) in order to allow LPP funding to immediately begin flowing to self-help counties across the state awaiting much-needed funding. While SB 1 included multiple competitive funding programs, LPP was not intended by the authors to be one of them. The LPP was intended to provide funding certainty to jurisdictions that have been entrusted by a supermajority of voters to locally impose dedicated transportation revenues. After SB 1 was signed into law, Assembly Transportation Committee Chair Jim Frazier (D-Oakley) and Senate

Transportation Committee Chair Jim Beall (D-Campbell) sent a letter reaffirming this intent, and SB 277 is meant to realize this goal in statute.

As amended, SB 277 would distribute 85 percent of LPP funding by formula and 15 percent on a competitive basis. This funding structure was developed in close coordination with the SHCC and is agreed to by transportation agencies representing more than 96 percent of the population of California's self-help counties. Whereas the bill previously lacked a funding distribution, the bill now provides a clear, consensus-based funding structure. Under the bill, formula funding would flow to regional transportation agencies administering sales tax measures dedicated to transportation improvements. To facilitate the distribution of formula funding, the bill would require that the CTC establish a north-south split, similar to both Proposition 1B's State-Local Partnership Program and the way in which LPP formula funds have been allocated by the CTC since the passage of SB 1. This north-south split would be based on the proportionate share of voter-approved revenues dedicated to transportation in each region. Of the southern California share, 75 percent would be allocated based on the county's population, with the other 25 percent distributed based on the county's share of transportation sales tax revenue in comparison to the total amount of transportation sales tax revenue in southern California. The competitive funding in SB 277 will be awarded through a CTC grant program available to counties with less than 750,000 and entities with developer fees that fund transportation improvements.

Similar to other SB 1 programs, SB 277 would clarify that LPP funding can be used on road maintenance and rehabilitation, and the eligibility provisions are drafted broadly enough to respect the intent of the program, which is to give local agencies flexibility in the use of funds. The bill would require that the CTC develop guidelines to carry out the new funding structure by April 1, 2020. The latest amendments also include a reporting mechanism, consistent with other state transportation programs, to ensure accountability and transparency in the delivery of transportation improvements using LPP funding. The Orange County Transportation Authority (OCTA) and other self-help counties continue to monitor the bill to ensure that it most closely aligns with its intended purpose.

A SUPPORT position on SB 277 is consistent with the 2019-2020 State Legislative Platform principle to "Support efforts to maximize OCTA's share of transportation and transit funding, especially through distribution formulas." The bill is also supported by the SHCC, the Riverside County Transportation Commission, the San Bernardino County Transportation Authority, and the San Diego Association of Governments. OCTA's support letter for SB 277 and the text of the bill have been included under Attachment A.

Governor Signs State Budget

On June 27, 2019, Governor Gavin Newsom signed the fiscal year 2019-20 State Budget, which provides \$147.8 billion in total General Fund expenditures to support additional funding for homelessness, infrastructure, higher education, K-14 education, health and human services, and other programs. The State Budget provides \$16.5 billion for the Budget Stabilization Account/Rainy Day Fund in order to meet the constitutional target, as well as \$1.4 billion in a special fund for economic uncertainties. Altogether, the State Budget will end the year with total reserves of \$19.2 billion.

For transportation purposes, the State Budget will provide full funding authorized by SB 1, including:

- \$1.2 billion to cities and counties for local streets and road maintenance projects.
- \$200 million for the LPP.
- \$100 million to the Active Transportation Program for bicycle and pedestrian facility projects, with at least 50 percent of funding directed to benefit disadvantaged communities.
- \$25 million for local planning grants to encourage local and regional planning agencies to further state goals and best practices outlined in the Regional Transportation Plan guidelines adopted by CTC.
- \$1.2 billion to the California Department of Transportation (Caltrans) for the State Highway Operation Protection Program to continue addressing the state's highest repair and maintenance needs.
- \$400 million to Caltrans to fund repairs and maintenance on the state's bridge and culvert infrastructure.
- \$250 million for Solutions for Congested Corridors Program that provides funding for the state's most congested corridors for multimodal improvements, including managed lanes, improved on-ramp and off-ramp construction, and transit improvements.
- \$307 million to the Trade Corridor Enhancement Program for projects that address bottlenecks and improve mobility on the state's most economically significant trade corridors.
- \$25 million to the Freeway Service Patrol to help clear incidents that cause temporary congestion.

The State Budget provides \$801.5 million in State Transit Assistance (STA), including the \$350 million provided by SB 1. Orange County is estimated to receive about \$42.5 million in STA funding, including \$18.6 million from SB 1. In addition, the State Budget provides \$105 million for the SB 1 State of Good Repair (SGR) Program and an estimated \$113 million for the cap-and-trade Low Carbon Transit Operations Program (LCTOP). Orange County is expected to

receive about \$5.7 million in SGR funding and approximately \$6 million in LCTOP funding. As is the case in previous years, these projections are subject to change since STA funding levels are based on actual revenue receipts.

That same day, the Governor also signed the transportation trailer bill into law, which includes the following notable provisions:

- Clarifies the oversight authority of the Caltrans Inspector General to ensure its office has access to documents necessary to conduct adequate oversight activities.
- Provides \$7.2 million in Trade Corridors Improvement Fund (TCIF) savings for short-line rail projects, if those funds are available as of May 1, 2020. This proposal was influenced by SB 498 (Hurtado, D-Fresno), a bill originally opposed by OCTA. OCTA and other regional agencies provided input on the trailer bill language to ensure that agencies with TCIF savings had until May 1, 2020, to reprogram the funds. This safeguard provision gives agencies relying on the continued availability of TCIF savings the ability to use the funds as intended rather than immediately reallocating the funds for another, unrelated use, thereby disrupting projects.
- Expands authorization to use weight fee revenues for future year debt service. Under current law, weight fee revenues in excess of debt service go into the General Fund, and these revenues can only be used to repay debt service in the current fiscal year. The trailer bill allows excess weight fee revenues, which have been stored up over multiple years, to be used for debt service in both the current or future fiscal years. OCTA is working with Caltrans and its regional partners to fully understand the impacts of this provision to determine if further clarification is necessary.

On July 31, 2019, the Governor signed into law a housing trailer bill that provides \$2.5 billion to help address California's housing and homeless crisis. The housing trailer bill provides more than \$250 million for planning activities to local governments. Of the \$250 million, \$125 million would be provided to councils of governments to develop regional housing needs assessment (RHNA) methodologies. This funding will be allocated between the regions on a population basis, with an estimated \$50 million going to the Southern California Association of Governments (SCAG). SCAG will have the discretion to suballocate to other entities within the region if it so chooses. As for the remainder of the \$250 million, \$125 million would go to localities on a formula basis to enact zoning changes to meet RHNA targets. The housing trailer bill also creates a new \$500 million program for infill infrastructure improvements, available to cities, local governments, and developers that meet the conditions of the new program. Finally, the bill increases the state low income housing tax

credit to \$500 million for the 2020 calendar year, which will help developers finance housing projects to meet statewide housing goals.

The housing trailer also includes a comprehensive set of enforcement provisions to ensure compliance with state housing law. The bill requires that the Department of Housing and Community Development (HCD) create an annual list of cities that have failed to adopt a housing element. Once HCD puts a city on the list, the city has an opportunity for two meetings with HCD to discuss its housing element. Cities may also request a formal review by HCD of its last housing element, and HCD must issue written findings in response to such a request. If a city fails to comply with this appeal process, in addition to being subject to a lawsuit from the Attorney General, that city may face fines ranging from \$10,000 to \$100,000 per month. If a city shows continued lack of compliance with a court order, the court may accelerate the fines by as much as a factor of six. The court is, however, required to consider any mitigating circumstances in the assessment of remedies to enforce compliance, specifically whether the locality is making a good faith effort to comply with housing law or if there are substantial undue hardships facing the city or county.

In addition, localities deemed by HCD to be in substantial compliance with a housing element and deemed to have adopted “pro-housing” policies, defined in the bill as policies facilitating the planning, approval, or construction of housing, will receive additional points in the scoring of applications for specific state funding programs, including the Affordable Housing and Sustainable Communities Program and the Infill Incentive Grant Program. There is also a provision broadly allowing other state programs to award additional bonus points for pro-housing policies. Incentivizing jurisdictions that meet certain statewide policy goals could be a model for other funding sources in the future, including transportation programs. Staff will continue to monitor the implementation of these provisions and provide further updates as necessary.

Summary

An overview is provided on a bill on which OCTA is taking a position pursuant to OCTA's 2019-20 State Legislative Platform. An update is also provided on the state budget process.

Attachments

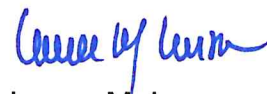
- A. SB 277 (Beall) Support Letter with Bill Language
- B. Orange County Transportation Authority Legislative Matrix

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