



September 18, 2025

To: Legislative and Communications Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: State Legislative Status Report

Overview

The Orange County Transportation Authority provides regular updates to the Legislative and Communications Committee on policy issues directly impacting its overall programs, projects, and operations. This report provides an update on actions related to the end of session for the State Legislature. This includes status updates and summaries on bills the Orange County Transportation Authority has taken positions on, and an overview of negotiations related to Cap-and-Trade reauthorization and the formation of a task force related to implementation of SB 375 (Chapter 728, Statutes of 2008) is provided. A summary of a hearing related to gas tax revenues, and another related to the Senate Transportation Subcommittee on Los-Angeles-San Diego-San Luis Obispo Rail Corridor Resiliency are also included.

Recommendation

Receive and file as an information item.

Discussion

The Legislature has until September 12, 2025, to approve legislation to be submitted to Governor Newsom. The Governor will have until October 12, 2025, to sign or veto bills that the Legislature passed. At the time of writing this staff report, several bills on which the Orange County Transportation Authority (OCTA) has taken a position remain active. Below is the status of those bills:

AB 394 (Wilson, D-Suisun City): Public Transportation Providers

Position: Support

Status: Pending on Senate Floor

AB 394 clarifies and expands protections for public transit employees by affirming that transit agencies and their unions may seek workplace violence restraining orders on behalf of employees who experience threats, harassment, or assault while on the job. The bill ensures that public transit agencies, including

those operating through contractors, are clearly recognized as eligible petitioners under the existing workplace violence restraining order statute. It also expands the definition of protected transit workers to include a broader range of employees and contractors, such as station agents, fare collectors, and janitorial staff.

While the bill's initial language expressly authorized courts to issue prohibition orders that could bar individuals from the entire public transit system following a battery against a transit worker, this provision was subsequently removed amid concerns about its overly broad reach.

AB 394 strengthens the tools available to protect frontline employees from workplace violence.

AB 986 (Muratsuchi, D-Torrance): State of Emergency and Local Emergency: Landslides and Climate Change

Position: Support

Status: Pending on Senate Floor

AB 986 expands the definition of emergencies under California's emergency management laws to include landslides. Under current law, the California Emergency Services Act outlines conditions under which state or local emergencies may be declared but does not explicitly identify landslides.

This clarification could help address disruptions to transportation and infrastructure systems caused by landslides. In Orange County, repeated landslides along the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor – particularly in the City of San Clemente (City) – have forced extended rail closures, required emergency construction, and led to rising costs. Since 2021, landslides along the LOSSAN corridor in the City have triggered more than a year of suspended service, \$14 million in lost passenger revenue, and over \$37 million in emergency response costs.

For OCTA, AB 986 provides a critical legal foundation to respond more swiftly to these incidents. OCTA owns and maintains over 40 miles of the LOSSAN Rail Corridor in Orange County, including vulnerable segments that have required repeated stabilization efforts.

By formally recognizing landslides as emergencies, AB 986 enables faster mobilization of resources, supports timely permitting, and strengthens the state's ability to protect essential transportation infrastructure. This means improved resilience, reduced service disruptions, and better protection for millions of passengers, freight operations, and military logistics that rely on the LOSSAN Rail Corridor.

AB 1085 (Stefani, D-San Francisco): License Plates: Obstruction or Alteration**Position: Support****Status: Pending with Governor**

AB 1085 strengthens enforcement against license plate obstruction by explicitly banning the use, sale, and manufacture of devices such as tints, shades, or coatings that interfere with visual or electronic plate readability. This includes interference with toll systems, law enforcement tools, and emissions monitoring technologies. The bill also prohibits manufacturing these devices in California and increases the penalty for selling or manufacturing them from \$250 to \$1,000 per item. The bill also institutes a \$250 fine for using these devices. For OCTA, AB 1085 would help reduce toll evasion by targeting products designed to obscure license plates, which result in lost revenue and higher enforcement costs. OCTA's 91 Express Lanes alone lose an estimated \$204,000 annually due to obstructed plates, with further losses expected with the implementation of the 405 Express Lanes. These devices not only impact tolling systems but also impede criminal investigations and public safety efforts by hiding vehicle identities.

SB 71 (Wiener, D-San Francisco): California Environmental Quality Act: Exemptions: Environmental Leadership Transit Projects**Position: Support****Status: Pending concurrence in Senate**

SB 71 would extend and clarify exemptions under the California Environmental Quality Act (CEQA) for transit and active transportation projects, offering long-term certainty and expanded eligibility for transportation agencies like OCTA. Through 2030, the bill exempts pedestrian and bicycle facilities, transit prioritization projects, bus, bus rapid transit, and light rail service (including related stations and operations facilities), as well as infrastructure for zero-emission buses, trains, and ferries. Through 2032, exemptions also apply to projects expanding microtransit, paratransit, shuttle, ferry, passenger rail, and other transit services when they primarily use near-zero-emission, low-nitrogen oxide, compressed natural gas, or hybrid technologies. Through 2040, exemptions are extended to facilities used primarily by Tier 4 (or cleaner) locomotives and rolling stock that are not zero-emission.

To qualify for these exemptions, agencies must meet specific requirements. The project cannot create new automobile capacity and must be located within an existing public right-of-way. For projects that exceed \$50 million, agencies must conduct specific analyses and hold public meetings. Additionally, projects cannot demolish affordable housing units and must meet labor requirements. SB 71 also reinforces the legal framework for such projects by clarifying that cost thresholds triggering additional review are based on the engineer's estimate at the time the exemption is sought. It also allows these thresholds to adjust with inflation, preventing unexpected disqualifications as costs rise over time.

For OCTA, SB 71 would help streamline future efforts similar to the OC Connect project, which is creating a four-mile active transportation trail linking the cities of Santa Ana and Garden Grove. Projects like OC Connect benefit from CEQA streamlining because they are built within existing public rights-of-way, do not increase vehicle capacity, and support regional goals for clean, multimodal travel.

SB 364 (Strickland, R-Huntington Beach): Outdoor Advertising Displays: Permits: New Alignments

Position: Support

Status: Pending on Assembly Floor

SB 364 streamlines the state's outdoor advertising permit process by allowing applications to be submitted for displays along highway segments once those segments are open for public use, even if the overall highway project has not yet been formally accepted as complete. Under current law, the California Department of Transportation (Caltrans) is not obligated to process advertising display permit applications until a highway project reaches official completion. This can result in unnecessary delays, even when portions of a project are already open and operational.

SB 364 directs Caltrans to begin processing outdoor advertising permits as soon as a highway segment is open to vehicular traffic, provided the proposed display location is within 1,000 feet of the open segment. Caltrans is only required to process, not specifically approve, permit applications under these conditions. For OCTA and its local government partners, SB 364 supports more efficient alignment between infrastructure delivery and permitting, helping to prevent bottlenecks that delay signage placement along newly opened roads. Several Orange County cities have encountered setbacks under current practice when trying to place displays near highway segments that are in use but not officially completed. This bill addresses this concern while preserving all applicable safety, operational, and regulatory requirements.

Cap-and-Trade and State Budget Negotiations Update

California's Cap-and-Trade Program currently provides funding via ongoing appropriations for public transportation through key programs: the Low Carbon Transit Operations Program (LCTOP) and the Transit and Intercity Rail Capital Program (TIRCP). LCTOP distributes formula-based funding annually to support projects that reduce greenhouse gas emissions, while TIRCP awards competitive funding for major transit and rail improvements. LCTOP receives five percent of annual revenues each year and TIRCP receives ten percent. OCTA has received funding from both programs. The OC Streetcar and Coastal Rail Resiliency Improvements have been supported by TIRCP, and Youth Ride Free and the College Pass Program have been funded through LCTOP.

The Legislature and Governor have both indicated an intention to reauthorize California's Cap-and-Trade Program this year as it expires in 2030. At the time of the writing of this staff report, bill language for the reauthorization was released as AB 1207 (Irwin, D-Thousand Oaks) renaming the program the "Cap-and-Invest Program" and extends the program through 2045, in conjunction with a new expenditure plan structure outlined under SB 840 (Limon, D-Santa Barbara). The new expenditure plan language dedicates \$1 billion annually to high-speed rail and \$1 billion to legislative discretionary programs, beginning in FY 2026–27, and sets baseline annual funding levels of \$800 million for the Affordable Housing and Sustainable Communities Program, \$400 million for TIRCP, \$200 million for LCTOP, \$200 million for forestry and fire protection, and \$130 million for safe drinking water. This is in addition to about \$200 million taken off the top for areas such as green manufacturing. Revenues above these amounts could be redirected at legislative discretion. As the bill was only just introduced, not all details are available. Negotiations remain fluid and will continue to evolve in the near term.

Recent letters sent prior to the release of the Cap-and-Trade reauthorization bill highlight perspectives from Southern California stakeholders. The first letter is from a coalition of Southern California transit agencies, including OCTA, the Los Angeles County Metropolitan Transportation Authority, Metrolink, the Riverside County Transportation Commission, the San Bernardino County Transportation Authority, the Southern California Association of Governments (SCAG), and the Ventura County Transportation Commission. Addressed to pro Tem McGuire, Speaker Rivas, Senator Scott Wiener (D-San Francisco), and Assembly Member Jesse Gabriel (D-Encino), the letter outlines regional priorities for reauthorization. These include ensuring proportional investment in Southern California, maintaining or increasing funding for the TIRCP and the LCTOP, and establishing a dedicated funding source for regional rail operations. The letter emphasizes that stable, long-term investment is critical to supporting California's climate and mobility goals. The priorities expressed are consistent with OCTA's Board-approved Cap-and-Trade principles. This letter is included as Attachment A.

A second letter was submitted by the Los Angeles County Legislative Delegation, led by Senator Henry Stern (D-Calabasas), to Governor Newsom, Senate President pro Tempore Mike McGuire (D-Healdsburg), and Assembly Speaker Robert Rivas (D-Hollister) urging that \$3.3 billion annually from Cap-and-Trade revenues be invested in Los Angeles County regional transit. Their letter notes the region's high travel demand, ongoing air quality challenges, and the need for equity in funding distribution. It calls for investments to increase bus and rail service frequency, support for capital improvements such as electrification and grade separations, and prioritize projects benefiting disadvantaged communities. This letter is included as Attachment B. Similarly, a letter was submitted by the Bay Area Legislative Delegation, led by Senator Dave Cortese, Chair of the Senate Transportation Committee,

requesting \$2.2 billion annually from Cap-and-Trade revenues for key Bay Area bookend projects. This letter is included as Attachment C.

Together, these letters reflect the ongoing discussions about how Cap-and-Trade revenues should be allocated. While legislative negotiations continue, both elected officials and transit agencies have emphasized the importance of ensuring that funding commitments are structured to provide long-term benefits across regions, including Southern California.

In addition to the ongoing negotiations around Cap-and-Trade reauthorization, the Legislature moved forward on a Budget Bill Jr. before session ended, appropriating \$368 million for the Greenhouse Gas Reduction Fund, the primary revenue account of Cap-and-Trade. This includes \$180 million for TIRCP Cycle 6 and \$188 million for the SB 125 (Chapter 54, Statutes of 2023) formula-based TIRCP, following through on commitments in the 2025 Budget Act that had been previously flagged as at risk. The bill also postponed consideration of General Fund loans for Bay Area transit agencies and the Los Angeles region until the fiscal year 2026-27 state budget, noting additional analysis to be done by the Department of Finance on the framework of any potential loan. Finally, the bill begins the appropriations of funding from the Climate Bond, including \$62 million for coastal resilience projects.

Negotiations are quickly evolving; staff will provide a verbal update of where things stand at the September 18, 2025, Legislative and Communications Committee meeting.

Formation of California Sustainable Communities Task Force

On August 25, 2025, California Transportation Secretary Toks Omishakin announced the establishment of the California Sustainable Communities Task Force (Task Force), a 30-member body formed to coordinate work on the state's climate, housing, equity, and transportation goals. The Task Force builds on existing state climate initiatives, including SB 375 (Chapter 375, Statutes of 2008) and the California Air Resources Board's (CARB) 2022 Scoping Plan, which outlines a pathway to carbon neutrality by 2045. The Task Force will also coordinate with Caltrans, the California Transportation Commission, CARB, the Department of Housing and Community Development, the Governor's Office of Land Use and Climate Innovation, and the Strategic Growth Council.

The Task Force includes representatives from state and regional agencies, local governments, transit providers, community-based organizations, housing and environmental groups, academic institutions, and rural and underserved communities. Notably, SCAG, the Riverside County Transportation Commission, and Los Angeles County Metropolitan Transportation Authority are represented, along with statewide advocacy organizations such as the California Transit Association and the California Association of Councils of Governments. OCTA

is not included as a member of the Task Force. The press release with the full list of participants is included as Attachment D.

The Task Force will develop policy recommendations intended to assist regions in reducing greenhouse gas emissions, aligning land-use and transportation planning, and advancing implementation of sustainable communities strategies. Focus areas identified for the Task Force include sustainable transportation and land-use planning, system management and pricing strategies, climate resilience and adaptation, funding and governance for regional implementation, and updated metrics and modeling approaches. The Task Force is expected to produce a final report in November 2026 with recommendations for legislative, regulatory, and budgetary actions to support regional implementation of sustainable communities strategies, statewide greenhouse gas emissions, and vehicle miles traveled reduction goals.

Summary of Assembly Transportation Committee Informational Hearing on Alternatives to the Gas Tax

On August 25, 2025, the Assembly Committee on Transportation, chaired by Assembly Member Lori Wilson (D-Suisun City), held an informational hearing titled *"Other States' Alternatives to the Gas Tax."* The discussion focused on the challenge California faces as gas tax revenues decline, with projections showing a \$31 billion shortfall in the next decade. Lawmakers heard from researchers and state transportation officials about options for sustainable and equitable funding mechanisms that other states have begun to implement.

Douglas Shinkle of the National Conference of State Legislatures explained that gas taxes have fallen from 41 percent of state transportation revenue in 2016 to 36 percent in 2024. He outlined approaches such as electric vehicle (EV) registration fees, delivery surcharges, and road usage charges (RUC). Dr. Alan Jenn of the UC Institute for Transportation Studies assessed alternatives, concluding that while RUCs best reflect a user-pays system, they present higher administrative costs. Trish Hendren of the Eastern Transportation Coalition stressed the importance of public outreach and pilot programs, noting that concerns over privacy, fairness, and cost can be addressed through careful program design.

Committee members raised concerns about equity and affordability. Assembly Member Rhodesia Ransom (D-Stockton) questioned how commuters who must drive long distances would fare under a mileage-based system, while Assembly Member Tom Lackey (R-Palmdale) cautioned against imposing a new tax without repealing the gas tax, arguing that California's high fuel costs are already burdening working families. Chair Wilson emphasized that no proposal has yet been introduced and that affordability will remain a central consideration as the Legislature develops options.

Officials from Hawaii, Oregon, Utah, and Virginia described their programs. Hawaii launched its RUC program in July 2025, requiring EV owners to choose between a per-mile fee or a \$50 flat fee, with mandatory participation beginning in 2028 and expansion to all light-duty vehicles by 2033. Utah has offered EV drivers a choice between a per-mile fee and a \$143 annual fee since 2020, with nearly 10,000 participants and costs declining as the program scales. Oregon, the first state to operate an RUC, is now considering mandatory enrollment for EVs by 2027 and hybrids by 2028. Virginia pairs a Highway Use Fee on fuel-efficient vehicles with an optional Mileage Choice Program that lets drivers pay per mile instead, with about 23,000 enrollees to date.

The hearing underscored the urgency of replacing or supplementing the gas tax with sustainable revenue streams. While RUCs and other mechanisms show promise, California lawmakers must weigh funding needs against affordability, fairness, and climate policy goals as they chart a path forward.

Senate Transportation Subcommittee on Los Angeles – San Diego – San Luis Obispo Rail Corridor Resiliency Hearing

On August 28, 2025, the Senate Transportation Subcommittee on LOSSAN Rail Corridor Resiliency, chaired by Senator Catherine Blakespear (D-Encinitas), held an informational hearing entitled *“Getting it Right – Advancing Rail Reforms in Southern California.”* The hearing examined strategies to increase ridership, deliver projects more effectively, and improve governance for the state’s second busiest passenger rail corridor. In her opening remarks, Chair Blakespear emphasized the state’s goal of boosting rail ridership by 20 percent and announced her intent to advance governance reforms through SB 1098 (Chapter 777, Statutes of 2024). The first panel featured Chad Edison, Chief Deputy Secretary for Rail and Transit at the California State Transportation Agency, and Kyle Gradinger, Chief of the Division of Rail at Caltrans. Both discussed preparations for the 2028 Olympics, the status of implementing SB 1098, and the corridor identification process, stressing that reliability and frequency must guide investments. The second panel included Philip Mark Plotch, Principal Researcher and Senior Fellow at the Eno Center for Transportation, Gillian Gillett, Manager of the California Integrated Mobility Program at Caltrans, Darbi Berry, Director of the San Diego Regional Climate Collaborative at the University of San Diego, and Professor Kari Edison Watkins of the University of California, Davis. Testimony addressed high project delivery costs, adoption of General Transit Feed Specification real-time data standards, expansion of statewide payment options, and strategies to reverse ridership declines. The third panel featured Juan Matute, Deputy Director of the University of California, Los Angeles Institute of Transportation Studies, Professor Genevieve Giuliano of the University of Southern California, and Frank Jimenez, Senior Fiscal and Policy Analyst at the Legislative Analyst’s Office. They encouraged updates to the Transportation Development Act, consideration of state ownership of rail assets, exploration of open-loop fare systems and road

user charges, and reevaluation of governance structures and funding mechanisms.

During discussion, Chair Blakespear raised concerns about the ability of regional agencies such as the San Diego Association of Governments to deliver major projects, citing delays despite significant state funding allocations. Witnesses cited environmental review processes and the dominance of local perspectives as barriers to progress.

Summary

An update is provided on legislation that the Orange County Transportation Authority has taken a position on. An update on Cap-and-Trade and the formation of a new task force on sustainable communities is provided. Two summaries of informational hearings related to transportation are given.

Attachments

- A. Letter from Stephanie Wiggins, Chief Executive Officer, Los Angeles County Metropolitan Transportation Authority, and others, to the Honorable Mike McGuire, President pro Tempore, California State Senate, and others, dated August 21, 2025, re: Cap-and-Trade Reauthorization Priorities
- B. Letter from the Honorable Henry Stern, Member, California State Senate, and others, to the Honorable Gavin Newsom, Governor, State of California, and others, dated August 26, 2025
- C. Letter from the Honorable Dave Cortese, Chair, California State Senate Transportation Committee, and others, to the Honorable Gavin Newsom, Governor, State of California, and others, dated September 2, 2025
- D. List of Sustainable Communities Task Force Participants, California State Transportation Agency

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