OCTA

May 21, 2026

To: Legislative 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 Committee on policy issues directly impacting its programs, projects, and operations. This report recommends a support if amended position on a bill related to regional transportation planning and sustainable communities strategies. The report also includes informational updates on proposed amendments to the California Air Resources Board's Cap-and-Invest Program and the potential implications for transit funding, as well as an update on the Governor's Fiscal Year 2026–27 State Budget May Revision.

Recommendation

Adopt a SUPPORT IF AMENDED position on SB 1087 (Cabaldon, D-Napa), which would reform the state's implementation of SB 375 (Chapter 728, Statutes of 2008) by modifying requirements related to regional transportation planning, sustainable communities strategies, and state transportation funding programs.

Discussion

SB 1087 (Cabaldon, D-Napa): Transportation planning: sustainable communities strategies: transportation funding programs.

SB 1087 proposes a series of reforms to the state's implementation of SB 375 (Chapter 728, Statutes of 2008), which governs regional transportation planning through regional transportation plans (RTP) and sustainable communities strategies (SCS). The bill is intended to modernize the development and approval process for RTP/SCS documents, including extending planning timelines, modifying greenhouse gas target-setting processes, and clarifying that

RTP, SCS, and alternative planning strategies (APS), if required, are not subject to the California Environmental Quality Act.

SB 1087 includes several provisions intended to improve the regional transportation planning process, including clarifying the California Air Resources Board’s review process for SCS, establishing an eight-year planning cycle aligned with RTPs, and allowing regions that have adopted an APS to be eligible for state transportation funding programs, including SB 1 (Chapter 5, Statutes of 2017) programs. These changes may provide greater predictability and alignment between planning and funding processes.

The bill also includes provisions that would more closely link state transportation funding programs, including SB 1 and the State Highway Operations and Performance Program, to RTP consistency requirements. Specifically, projects would be required to demonstrate consistency with the timing, phasing, and scope of projects included in an adopted RTP, and metropolitan planning organizations may be required to make determinations regarding project consistency. These provisions may affect project evaluation criteria and prioritization for competitive funding programs, including the Solutions for Congested Corridors Program.

In addition, the bill includes language requiring greenhouse gas emission reduction targets to consider “all on-road transportation sectors.” This represents a shift from the current focus on automobiles and light trucks to a broader set of transportation sources, including transit and goods movement. Expanding the scope of these targets may have implications for how regional plans are developed and evaluated, particularly for sectors that serve essential mobility and economic functions. While the intent may be to allow regions to account for a broader range of emissions reduction strategies, additional clarity may be needed to ensure that this approach does not create unintended disincentives for transit use or goods movement.

OCTA is generally supportive of efforts to improve regional planning processes and provide greater clarity and predictability in the development of RTP/SCS documents. However, concerns remain regarding potential unintended consequences of the bill’s funding-related provisions, including requirements tying project eligibility and competitiveness to RTP consistency determinations.

To address these concerns, the bill should:

- Preserve California Transportation Commission discretion in administering competitive funding programs, including the Solutions for Congested Corridors Program, without additional review or new requirements.

- Include regional transportation agency representation in any newly constituted Regional Targets Advisory Committee.

- Provide additional clarity regarding the application of greenhouse gas emission reduction targets across different transportation sectors.

This legislation is sponsored by the Metropolitan Transportation Commission-Association of Bay Area Governments, the Sacramento Area Council of Governments, the San Diego Association of Governments, and the Southern California Association of Governments. A SUPPORT IF AMENDED position is consistent with OCTA's 2025–26 State Legislative Platform principle to "Support efforts to reform SB 375 (Chapter 728, Statutes of 2008) to improve the technical processes underpinning target setting and plan development, while also ensuring the reforms do not impact existing transportation funding distribution or eligibilities, or restrict the ability for transportation agencies to implement their projects or programs." A thorough analysis and copy of the text of this legislation is included as Attachment A.

California Air Resources Board Cap-and-Invest Program Update

The California Air Resources Board is currently considering proposed amendments to the state's Cap-and-Invest Program, which generates revenue for the Greenhouse Gas Reduction Fund (GGRF) that supports a range of climate and transportation programs. These include key transit funding programs such as the Transit and Intercity Rail Capital Program (TIRCP) and the Low Carbon Transit Operations Program (LCTOP), which provide funding for capital improvements, service operations, and zero-emission transit investments.

Under the current expenditure plan, Cap-and-Invest Program revenues are distributed through a tiered structure. Certain programs receive funding commitments first, followed by additional set-asides, including high-speed rail and discretionary allocations. Transit programs such as TIRCP and LCTOP are categorized as "Tier 3" programs, meaning they receive funding only after higher-priority funding commitments are met. As a result, these programs are more sensitive to fluctuations in overall program revenue and may be subject to reductions when revenues fall below projections.

Proposed regulatory changes released in April 2026 would increase the number of allowances provided to utilities and other entities, in part to support additional consumer cost relief through programs such as the California Climate Credit. However, these changes could significantly reduce overall auction revenues deposited into the GGRF. Under lower-revenue scenarios, available funding may not be sufficient to meet higher-tier funding commitments, which could result in reduced or no funding for Tier 3 programs. Stakeholders have raised concerns that, in a worst-case scenario, programs such as LCTOP and GGRF for TIRCP could be effectively eliminated, along with substantial reductions to other transit, housing, and air quality programs.

These concerns are consistent with recent budget projections and stakeholder analyses, which indicate that funding for Tier 3 programs may fall below previously established funding levels of approximately $400 million annually for TIRCP and $200 million for LCTOP. Reduced revenue scenarios could result in significantly lower allocations to these programs, raising concerns regarding funding reliability and long-term program sustainability.

These issues have prompted growing attention from the Legislature, including members of key policy and budget committees, regarding the potential impacts of the proposed amendments on transit funding and the state's ability to meet its climate and mobility goals. Recent correspondence from legislative leadership has also raised concerns that reduced revenues could undermine funding commitments established in prior legislation and limit funding availability for key transit programs. This relevant correspondence, including letters from legislative leadership and a broad coalition of stakeholders, is included as Attachments B, C, and D.

For OCTA, LCTOP is an important source of funding used to support programs such as the Youth Ride Free Program, as well as other transit services and transportation projects. TIRCP is also a critical funding source that supports major capital investments, including coastal rail projects along the Los Angeles – San Diego – San Luis Obispo Rail Corridor. Reductions in GGRF revenues could impact the availability and reliability of these funding sources, affecting OCTA's ability to sustain these programs, advance critical rail improvements, and compete for future funding opportunities.

Staff will continue to closely monitor the development of the Cap-and-Invest Program amendments, which are expected to be considered by the California Air Resources Board at its May 28-29, 2026, Board of Directors meeting, including potential revisions in response to legislative and stakeholder feedback. The timing of this action may also have implications for ongoing state budget discussions. Staff will provide updates as additional information becomes available.

Update on the Governor's Fiscal Year 2026–27 State Budget

The Governor's fiscal year 2026–27 budget proposal, otherwise known as the May Revision, is anticipated to be released by May 14, 2026. Due to the closeness of the release date to the submittal date of this staff report, staff was unable to conduct a full written analysis of the May Revision for inclusion in this report. Accordingly, staff will provide a verbal update on the May Revision to the Legislative Committee, scheduled for May 21, 2026, summarizing key provisions and assessing potential impacts on transportation funding, programs, and related policy areas relevant to OCTA.

Summary

A support if amended position is recommended on a bill related to regional transportation planning and sustainable communities strategies. Information is also provided on proposed amendments to the California Air Resources Board's Cap-and-Invest Program and on the Governor's Fiscal Year 2026–27 State Budget May Revision.

Attachments

A. SB 1087 (Cabaldon, D-Napa) Bill Analysis with Bill Language
B. Letter from Dave Cortese, Senator, California State Senate, to Lauren Sanchez, Chair, California Air Resources Board, dated May 5, 2026, re: Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms – Significant Concern
C. Letter from stakeholder coalition organizations to Lauren Sanchez, Chair, California Air Resources Board, dated April 30, 2026, re: Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms – Significant Concerns
D. Letter from members of the California State Legislature to Lauren Sanchez, Chair, California Air Resources Board, dated April 27, 2026, re: 15-Day Amendments to the Cap-and-Invest Program
E. Orange County Transportation Authority Legislative Matrix

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