



June 20, 2019

To: Legislative and Communications Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: State Legislative Status Report

Overview

An overview is provided of a bill related to sales tax exemptions for zero-emission transit buses, as well as a bill related to construction manager/general contractor authority for transportation projects, where support positions have been taken pursuant to the 2019-20 Orange County Transportation Authority State Legislative Platform. An update is provided on actions related to the high-speed rail project. A calendar of the remaining legislative deadlines for the 2019 session is included.

Recommendation

Receive and file as an information item.

Discussion

AB 784 (Mullin, D-San Mateo): Sales and Use Taxes: Exemption: California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project: Transit Bus Vehicles

AB 784 would provide a sales tax exemption for the purchase of zero-emission transit buses until January 1, 2024. The exemption is only from sales tax liability and does not extend to use taxes, property taxes, or other dedicated revenue sources. The bill would also require that the Legislative Analyst's Office work with the California Department of Tax and Fee Administration to assess the effectiveness of the sales tax exemption in incentivizing the adoption of zero-emission buses. Based on current cost estimates, the Orange County Transportation Authority (OCTA) projects that it will cost an additional \$442 million to convert its current bus fleet to zero-emission technology, nearly double what it would cost to replace its fleet with traditional fuel vehicles. As such, AB 784 would provide much-needed financial assistance to facilitate the

adoption of this new technology, saving OCTA as much as \$80,000 on each zero-emission bus purchase.

AB 784 would provide a significant benefit for transit agencies like OCTA that are working to comply with the recently enacted Innovative Clean Transit (ICT) regulation. The ICT regulation requires that transit agencies begin purchasing zero-emission buses in 2023, and the purchase mandate escalates such that, starting in 2029, all transit bus purchases must be zero-emission. The ICT regulation did not identify how agencies will finance zero-emission bus technology, making AB 784 a critical economic incentive for agencies trying to stretch taxpayer dollars in order to both fund transit operations and adopt this new technology. With the purchase mandate being phased in through 2029, the tax exemption would continue to be a useful financial tool for transit agencies well beyond the 2024 sunset date, and OCTA looks forward to continuing to find ways to make the transition to zero-emission buses as seamless as possible.

A SUPPORT position is consistent with the OCTA 2019-20 State Legislative Platform's principle to "support efforts to ensure the availability of proven technology and adequate funding prior to the implementation of any mandated purchase requirements for zero-emission bus technology." OCTA's support letter for AB 784, and the text of the bill, has been included under Attachment A.

AB 1475 (Bauer-Kahan, D-San Ramon): Construction Manager/General Contractor Method: Transportation Projects

AB 1475 would allow regional transportation agencies to utilize the construction manager/general contractor (CM/GC) project delivery tool on any transportation project that is not on the state highway system. The CM/GC project delivery tool can be a valuable alternative contracting method as it allows project sponsors to engage with a construction firm early in the design phase to provide input on scheduling, pricing, phasing, and other construction-related recommendations that help design a more constructible project. Expanding the authority to use CM/GC, as proposed by AB 1475, would allow multimodal regional transportation agencies, including OCTA, to take advantage of the cost and time saving benefits that this tool can offer for projects not on the state highway system, such as local streets and roads improvements, rail fixed-guideways, and bus-rapid transit. The use of CM/GC authority will provide immediate mobility, safety, and air quality benefits to commuters within Orange County and across California.

A SUPPORT position is consistent with the principle in OCTA's 2019-20 State Legislative Platform to "Support efforts to expand, extend, and preserve new and existing alternative project delivery methods such as design-build, public-private

partnership authority, and construction manager/general contractor authority, including expanding mode and funding eligibility, while allowing the appropriate balance of partnership between the state and local agencies.” OCTA’s support letter for AB 1475, and the bill text, is included in Attachment B.

California High-Speed Rail Authority Project Update

On May 21, 2019, the Assembly Transportation Committee Hearing held an oversight hearing to review the California High-Speed Authority’s (CHSRA) 2019 Project Update Report (PUR). The CHSRA is required to submit a PUR every odd-numbered year to the budget and policy committees of the Legislature. During the hearing, Brian C. Annis, Secretary, California State Transportation Agency, and Members of the California High-Speed Rail Authority Board of Directors, spoke about the shift in California’s approach to the project, which is now focused on constructing the initial segment between Merced and Bakersfield.

At the hearing, Assembly Member Tom Daly (D-Anaheim) requested that the CHSRA conduct a parallel analysis of alternatives to the initial segment, including a study of the Los Angeles/Anaheim region. The request is consistent with a CHSRA motion to now provide a side-by-side comparison analysis of the Central Valley, Bay Area, and the Los Angeles/Anaheim high-speed rail corridors. The letter detailing this request from Assembly Member Daly to the CHSRA has been included as Attachment C. At the hearing, the Legislative Analyst’s Office also highlighted key issues for the Legislature to consider, including, but not limited to, funding plan uncertainties and how the project should move forward. Furthermore, there was a discussion about bookend projects, where Phillip A. Washington, Chief Executive Officer of the Los Angeles County Metropolitan Transportation Authority, spoke about regional mobility benefits of the Link Union Station project and the Rosecrans/Marquardt grade separation.

Prior to the hearing, on May 16, 2019, the Federal Railroad Administration (FRA) formalized its plan to terminate the \$929 million federal grant appropriated in 2009 for the project. The letter from the FRA specifying its reasoning behind the de-obligation of these funds is included as Attachment D. In the letter, the FRA argues that the CHSRA violated the terms of the cooperative agreement entered with the FRA when the grant was executed, including failing to make reasonable progress on the project. In response, on May 21, 2019, California’s Attorney General filed a complaint against the FRA, challenging the decision to terminate the grant, as well as future efforts to re-obligate the funds.

While the FRA has agreed not to re-obligate the \$929 million in federal funding for the time being, it is expected that the FRA will continue to consider legal

options regarding the return of a \$2.5 billion federal grant that the CHSRA has already spent on the project. As such, it is also anticipated that the Legislature and Congress will continue to analyze and evaluate the project's next steps. Staff will provide additional updates as the situation progresses.

Legislative Calendar

Highlighted below are key legislative deadlines for the remainder of the 2019 legislative session:

- July 10: Last day for policy committees to pass fiscal bills to fiscal committees.
- July 12: Last day for policy committees to pass non-fiscal bills. Summer Recess begins upon adjournment.
- August 12: Legislature reconvenes from Summer Recess.
- August 30: Last day for fiscal committees to pass bills.
- September 6: Last day to amend a bill on the floor.
- September 13: Last day for any bill to be passed. Interim Recess begins upon adjournment.
- October 13: Last day for the Governor to sign or veto bills.

Summary

Overviews are provided for two bills on which OCTA is taking a position pursuant to the 2019 State Legislative Platform. Updates are also provided on the high-speed project and upcoming legislative deadlines.

Attachments

- A. AB 784 (Mullin) Support Letter with Bill Language
- B. AB 1475 (Bauer-Kahan) Support Letter with Bill Language
- C. Letter from Assembly Member Tom Daly (D-Anaheim) to Brian Kelly, Chief Executive Officer, California High-Speed Rail Authority, dated June 3, 2019, re: High Speed Rail Study for Southern California
- D. Letter from Ronald L. Batory, Administrator, Federal Railroad Administration, to Brian Kelly, Chief Executive Officer, California High-Speed Rail Authority, dated May 16, 2019, re: Termination of Cooperative Agreement No. FR-HSR-0118-12-01-01
- E. Orange County Transportation Authority Legislative Matrix

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