



May 20, 2021

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. A position is recommended on legislation that would allow cities or counties eligible for local streets and roads funding to jointly propose projects for funding. An update is provided on fiscal year 2021-22 state budget discussions and the priorities being pursued by the Orange County Transportation Authority and its transportation partners.

Recommendation

Adopt a SUPPORT position on SB 640 (Becker, D-San Mateo), which would allow cities or counties eligible for local streets and roads funding to jointly propose projects for funding.

Discussion

SB 640 (Becker): Transportation Financing: Jointly Proposed Projects

SB 1 (Chapter 5, Statutes of 2017) created the Road Maintenance and Rehabilitation Account, a percentage of which continuously appropriates funding to cities and counties on a formula basis under the Local Streets and Roads Program (LSR), for use on road rehabilitation, safety, and maintenance projects. To receive LSR funding each year, eligible entities must provide a list of projects proposed for funding to the California Transportation Commission (CTC). Each LSR recipient must also annually report to the CTC regarding LSR expenditures. SB 640 (Becker, D-San Mateo) would allow two or more eligible cities, or one or more cities and a county, to jointly propose a project to be funded with their respective LSR apportionments. Pursuant to SB 640, a jointly proposed project must designate a lead agency responsible for reporting to the CTC, and there also must be a memorandum of understanding between the localities jointly proposing the project.

SB 640 allows cities to pool their LSR resources expediently, specifically through one streamlined proposal and reporting process for joint projects. While current law does not explicitly prohibit eligible entities from pooling LSR resources, the CTC allocates funding to each individual entity, and each LSR recipient separately reports to the CTC on how the LSR funds are spent. SB 640 provides additional flexibility for cities and counties to collaborate more effectively to deliver LSR improvements for the benefit of their communities via one consolidated process. In short, SB 640 provides additional flexibility without creating new mandates, essentially treating jointly proposed LSR projects like LSR projects proposed by one entity.

While the Orange County Transportation Authority (OCTA) does not receive LSR funding directly, OCTA works closely with the cities and the County of Orange on LSR improvements. OCTA staff provided an overview of SB 640 at the April 28, 2021, meeting of OCTA's Technical Advisory Committee, and a number of Orange County city staff voiced their support for the flexibility provided in the bill, with no opposition or concerns being raised. In this discussion, OCTA staff reiterated that SB 640 provides additional flexibility for eligible LSR recipients to collaborate without any overly burdensome new requirements, allowing for expanded local decision-making in the delivery of LSR projects in Orange County.

A comprehensive analysis of SB 640, along with the text of the bill, is included as Attachment A. A SUPPORT position on SB 640 is consistent with OCTA's 2021-2022 State Legislative Platform principle to "Support protecting or expanding local decision-making in programming transportation funds." The League of California Cities also has communicated its support of SB 640.

State Budget Update

Last year, in concert with its transit agency partners and the California Transit Association (CTA), OCTA was successful in advocating for statutory relief measures related to the Transportation Development Act (TDA). With the continued need to support transit agencies, Governor Gavin Newsom released proposed budget trailer bill language earlier this year to extend and expand these regulatory relief measures. On February 22, 2021, the OCTA Board of Directors approved a position supporting the intent of these proposals and directed staff to continue to work with the Administration and transportation stakeholders to ensure these are effective in helping transit agencies maintain service and recover from the coronavirus pandemic.

After discussions and input from transit agencies across the state, CTA sent a letter to the Governor and legislative leaders on March 22, 2021, detailing proposed revisions to the statutory relief measures, building on, and enhancing the Administration's original proposal. This letter is included as Attachment B. While, as of writing this staff report, these provisions have yet to be formulated

into legislative bill language, it is anticipated that they are forthcoming. Specifically, OCTA supports CTA's pursuit of securing the following statutory relief measures:

- Prevent any financial penalty to be imposed on a transit operator that is unable to meet its farebox recovery requirement through fiscal year (FY) 2023-24.
- Institute a hold harmless provision for calculation and allocation of the State Transit Assistance (STA) Program, State of Good Repair Program, and Low Carbon Transit Operations Program through FY 2023-24. Such formula programs are based on 50 percent of the revenues for each transit agency.
- Exempt a transit operator from meeting STA efficiency standards, with each agency able to utilize funding for either operating or capital purposes through FY 2023-24.
- Postpone the TDA audit requirements scheduled for calendar years 2022 and 2023. Review the current performance audit requirements to identify opportunities for streamlining.
- Suspend the TDA farebox recovery and STA efficiency criteria requirements for transit agencies through FY 2023-24.
- Revise the definition of operating cost in calculating farebox recovery and STA efficiency criteria requirements to exclude costs related to paratransit, demand-response and microtransit services, payment and ticketing systems, planning for improvements in transit operations, security services and public safety contracts, and specified post-employment benefits.

In addition to the above, other budget requests are also being submitted related to transportation. This includes a budgetary request from Assembly Member Laura Friedman (D-Glendale), the Chair of the Assembly Transportation Committee. Specifically, this request is in conjunction with her bill AB 1147 (Friedman, D-Glendale) that seeks to make changes to SB 375 (Chapter 728, Statutes of 2008), and create more reporting and tracking requirements related to the reduction of regional greenhouse gas emissions through the creation of sustainable communities strategies. Assembly Member Friedman is requesting \$250 million to create a Sustainable Communities Strategy Block Grant Program, which will support planning and implementing projects that will reduce vehicle miles traveled. The program would be administered by the Strategic Growth Council, and funding would be allocated directly to metropolitan planning organizations. The budget request letter is included as Attachment C. Beyond the request by Assembly Member Friedman, other priorities being pursued by transportation stakeholders include seeking additional funding for active transportation and SB 1 programs.

To also help inform the preparation of the state budget, legislative leaders in both the California State Assembly and State Senate have released their budget priorities. Although transportation is not a focal point in these current proposals, both note there will be a significant surplus, and seek to prioritize green investments in order to rebuild the economy and create meaningful jobs. Specifically, leaders call for the need to invest in clean transportation, zero-emission vehicles and charging infrastructure, climate adaptation, and wildfire prevention. On May 14, 2021, the Governor is expected to release his proposed May Revision for the FY 2021-22 state budget (May Revise). Staff will provide a verbal update on the proposal at the Legislative and Communications Committee meeting.

Summary

A support position is requested regarding a legislative proposal to allow cities or counties eligible for local streets and roads funding to jointly propose projects for funding. An overview is provided of the state's budget process and the Orange County Transportation Authority's advocacy for statutory relief priority measures. A verbal update is provided on the May Revise.

Attachments

- A. SB 640 (Becker, D-San Mateo) Bill Analysis with Bill Language
- B. Letter from Michael Pimentel, Executive Director, California Transit Association, to the Honorable Gavin Newsom, Governor, State of California, the Honorable Toni Atkins, President Pro Tempore, California State Senate, and the Honorable Anthony Rendon, Speaker, California State Assembly, dated March 22, 2021, re: Statutory Relief Measures to Support Transit Agencies
- C. Letter from the Honorable Laura Friedman, Chair, Assembly Committee on Transportation, to the Honorable Phil Ting, Chair, Assembly Budget Committee and the Honorable Richard Bloom, Chair, Assembly Budget Subcommittee on Resources & Transportation, dated March 30, 2021, re: Improving California's Sustainable Community Strategies
- D. Orange County Transportation Authority Legislative Matrix

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