



April 6, 2026

To: Regional Transportation Planning Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Funding Updates for Capital Projects and Creation of a Policy to Guide Redistribution of Savings for Federal Funds

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", is written over the "To:" and "From:" lines of the memo.

Overview

The Southern California Association of Governments approved the project selection list for the federal fiscal year 2026-27 and 2027-28 Surface Transportation Block Grant/Congestion Mitigation and Air Quality Improvement Program at their Regional Council on December 4, 2025. Orange County local agencies, the Orange County Transportation Authority, and the Southern California Regional Rail Authority were awarded \$215.569 million through this call for projects nominations. A policy for the use of additional funding and programming adjustments to some projects is presented for the Orange County Transportation Authority Board of Directors' review and approval.

Recommendations

- A. Approve the programming of \$128.668 million in federal Surface Transportation Block Grant Program and Congestion Mitigation and Air Quality Improvement Program funding to seven regional projects.
- B. Approve the Surface Transportation Block Grant Program and Congestion Mitigation and Air Quality Improvement Program Savings Policy.
- C. Authorize the reallocation of \$40.486 million in previously programmed SB 125 (Chapter 54, Statutes of 2023) Transit Program funds from Construction Critical Rail Infrastructure: Rail Track and Structures to Stabilize Rail and Bus Operations: Metrolink Fare Revenue Loss Project.
- D. Authorize the use of \$27.866 million in Measure M2 funds for Construction Critical Rail Infrastructure: Rail Track and Structures to replace SB 125 Transit Program funds previously programmed to Construction Critical Rail Infrastructure: Rail Track and Structures for the rehabilitation budget in fiscal year 2024-25 and fiscal year 2025-26.

- E. Authorize staff to process all necessary amendments to the Federal Transportation Improvement Program to facilitate the above actions.

Background

The Southern California Association of Governments (SCAG), as the Metropolitan Planning Organization, is responsible for the selection of Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality Improvement (CMAQ) Program-funded projects in the SCAG region. As part of SCAG's selection process, the Orange County Transportation Authority (OCTA), as the Regional Transportation Planning Agency (RTPA) for Orange County, evaluated each project submitted for consideration and assigned the project recommendations based on the project prioritization guidance that was approved by the OCTA Board of Directors (Board) on March 10, 2025. Prioritization of projects is based on a combination of project and agency eligibility, OCTA priorities, clear demonstration of community/stakeholder engagement, and project deliverability and readiness.

On July 14, 2025, the OCTA Board approved project recommendations for the federal fiscal year (FFY) 2026-27 and 2027-28 STBG/CMAQ call for project nominations (call). A total of 66 projects were submitted to SCAG, requesting a total of \$420.661 million. Following Board approval, OCTA provided the project recommendations to SCAG for its final selection process prior to the August 1, 2025, deadline.

SB 125 amended the Budget Act of 2023, creating a formula funding program using a combination of state general fund, greenhouse gas reduction fund, and public transportation account revenues to support transit operations and capital needs through two funding programs: the Transit and Intercity Rail Capital Program (TIRCP), which has a very broad use, and the Zero-Emission Transit Capital Program (ZETCP), which was developed specifically to support zero-emission bus needs. The funds are distributed to RTPA by the California State Transportation Agency (CalSTA) and are referred to as the SB 125 Transit Program. Designated as an RTPA for this purpose, OCTA is responsible for using or further distributing these funds to qualifying transit operators. CalSTA subsequently approved OCTA's submittal for \$380.916 million for three broad categories of projects: Stabilize Rail and Bus Operations, Construction of Critical Rail Infrastructure, and Deployment of Zero Emission Bus and Clean Energy.

At the OCTA Board meeting on February 23, 2026, staff presented the State Legislative Status Report which summarized Governor Gavin Newsom's proposed fiscal year (FY) 2026-27 state budget. The ZETCP funding for FY 2026-27 and 2027-28 was not included in the Governor's budget proposal. The recommended funding changes to SB 125 Transit Program TIRCP-funded projects proposed in this item are not funded through the ZETCP and therefore are not impacted by the Governor's proposed budget. Further, OCTA has already received the SB 125

Transit Program TIRCP funding proposed for amendment in this item. Staff will continue to monitor the FY 2026-27 state budget development process and evaluate potential impacts to OCTA’s SB 125 Transit Program projects and the ZETCP as additional details become available.

Discussion

STBG and CMAQ

The SCAG Regional Council approved the project selection list and contingency list for STBG and CMAQ funding on December 4, 2025. This action included \$212.569 million for 35 Orange County regional and local transportation projects. Local agencies were awarded \$86.901 million for 28 projects, and the Southern California Regional Rail Authority (SCRRA) and OCTA received a combined \$128.668 million for seven regional projects.

To maximize funding throughout the County, OCTA voluntarily reduced the funding request for several of the awarded regional projects as noted in the table below. These projects are good candidates for competitive grants and OCTA will seek to fully fund them through competitive programs. The commuter rail/fixed-guideway projects are also Measure (M2) projects and could be supported using M2 Project R or Project S funds. Staff will return to the Board with an updated funding plan for the projects that still need funding as future grants are awarded.

Several local agency projects were only partially funded by SCAG, even with the voluntary reductions made by OCTA. Staff is working with SCAG and the local agencies to modify the scope of these projects or adjust as necessary. The project award list is provided in Attachment A.

Board approval is necessary to accept the final funding recommendations for the following selected regional projects (OCTA project descriptions are included as Attachment B):

Project Name	Total Funding Request (000’s)	Total Funding Awarded (000’s)
Interstate 5 Improvements from the San Diego County Line to Avenida Pico	40,000	40,000
Alternate Fuel Replacement Buses (18)	30,000	30,000
Metrolink Rehabilitation (Two Years)	30,000	22,000
OC Streetcar Operations	25,500	14,704
OC Connect	25,000	14,420
PCH Bridge Replacement (Mile Post 200.2)	5,544	5,544
First Street Complete Streets and Transit Signal Priority	12,000	2,000
Total (000’s)	\$ 168,044	\$ 128,668

OC – Orange County
PCH – Pacific Coast Highway

Nineteen additional projects, one from OCTA and 18 from local agencies, have been placed on SCAG's contingency list. SCAG's contingency projects are considered SCAG-selected and eligible to receive STBG/CMAQ funds if additional funding becomes available. Twelve local projects were not recommended for funding. The SCAG contingency list and projects that were not recommended for funding are provided in Attachment C.

SCAG adopted Programming Procedures for Federal Highway Administration Administered federal funding on February 5, 2026, that provide programming procedures for post-award activities. The procedures delegate the authority to OCTA to redirect project savings from projects within Orange County to SCAG-selected projects (projects recommended for funding and contingency list projects that were not fully funded). A draft OCTA policy to direct the use of STBG/CMAQ funding, should it become available due to savings, is proposed for Board approval.

Recommended STBG/CMAQ Savings Policy

Per SCAG guidelines, only projects that have been SCAG-selected through the call nomination process can be considered for STBG/CMAQ savings. Every six months, staff will evaluate available savings and recommend for Board approval distribution of the funding as follows:

- First priority for any savings from an OCTA or local agency project will be to projects that have a regional benefit sponsored by OCTA as the highest priority and with a lower priority for regional projects that are sponsored by SCRRRA or another agency. These projects are important to both local and regional transportation, and this priority also recognizes OCTA's willingness to decrease the funding share to some regional projects to help fund local agency projects.
- Second priority for savings from either an OCTA or local agency project is to program the funds to a local agency project in the following order:
 - Tier 1 - Projects that were highly recommended by both OCTA and SCAG but were not funded or were only partially funded and that are ready to obligate the funds within the timeframe of the associated call cycle.
 - Tier 2 - Projects that were highly recommended by OCTA and recommended by SCAG but were not funded or were only partially funded and can obligate the funds within the timeframe of the associated call cycle.
 - Tier 3 - Projects that were recommended by both OCTA and SCAG but were not funded or were only partially funded and can obligate the funds within the timeframe of the associated call cycle.

- Tier 4 - Projects that were recommended by OCTA and are SCAG-selected but were not funded or were only partially funded and can obligate the funds within the timeframe of the associated call cycle.

OCTA’s contingency list for the use of additional STBG/CMAQ funds is included as Attachment C.

SB 125

In August of 2024, OCTA programmed approximately \$109 million of the \$380.916 million in SB 125 Transit Program funding to a project titled Construction of Critical Rail Infrastructure. The overall project included \$50 million for coastal rail contingency needs, most of which is still available, \$42.304 million for Metrolink Rehabilitation, of which \$1.818 million has been used, leaving a balance of \$40.486 million, and \$17 million for the San Juan Creek Bridge, most of which has been expended.

However, OCTA has encountered an accounting and reporting issue that prevents the use of the remaining \$40.486 million in SB 125 Transit Program funds for Metrolink rehabilitation. The most viable option is to reallocate these funds to another project within OCTA’s approved SB 125 Transit Program. Therefore, staff recommends reallocating \$40.486 million currently programmed for the Construction Critical Rail Infrastructure: Rail Track and Structures (Metrolink Rehabilitation) Project to the Stabilize Rail and Bus Operations Metrolink Fare Revenue Loss project for Metrolink Operations Project.

Once reallocated, these SB 125 Transit Program funds will be used in the future to offset the need for M2 funding. The table below presents a simplified summary of the proposed reallocation.

Project	Existing SB 125	Reallocation of SB 125
Metrolink Rehabilitation	\$40,486	
Metrolink Operations		\$40,486
Total (000's)	\$40,486	\$40,486

Reallocating these SB 125 Transit Program funds from Metrolink rehabilitation to Metrolink operations creates a funding gap of \$40.486 million for Metrolink rehabilitation. Of this amount, \$27.866 million has already been committed to SCRRRA through the FY 2024-25 and FY 2025-26 cooperative agreements. Staff is recommending approval to use M2 funds to backfill the SB 125 funds that would

have supported Metrolink rehabilitation during these FYs. Local M2 funds are necessary because state and federal funds cannot be applied retroactively.

Fortunately, as noted in the STBG and CMAQ section above, Metrolink rehabilitation was also awarded an additional \$22 million in federal STBG funds through the STBG/CMAQ call. This funding helps offset the remaining unfunded balance of \$12.620 million related to the SB 125 Transit Program reallocation and then some. The specific timing for the use of the \$22 million in STBG funds will be presented with the annual Metrolink budget.

Every state and federal dollar that OCTA brings into its programs that are otherwise funded through M2 helps offset the future need for M2 funding.

All of the uses of funding programs described in this section and in the prior sections are consistent with OCTA's Capital Programming Policies.

The Capital Funding Program is included as Attachment E. It is a report that provides a summary of how OCTA's capital projects are currently funded and is updated with every funding action for capital projects, including the proposed changes in this item.

Next Steps

The SCAG Regional Council approved the project selection list for the FFY 2026-27 and 2027-28 STBG/CMAQ Improvement Program on December 4, 2025, and SCAG has announced the awards to the recipients. To be consistent with SCAG's Federal Transportation Improvement Program (FTIP) guidelines, all federally funded or regionally significant projects must be included in the FTIP. Staff is working with SCAG, the California Department of Transportation, and local agencies to add or amend awarded projects in the FTIP and will evaluate any savings as they become available. Additionally, staff will submit an amendment to CalSTA requesting adjustments to the SB 125 Transit Program funding allocations as discussed above.

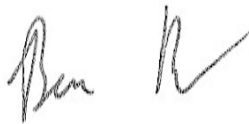
Summary

Orange County agencies and SCRRA were awarded \$215.569 million in STBG/CMAQ funding for 35 local and regional transportation projects on December 4, 2025, at SCAG's Regional Council. Programming these funds to regional projects, identifying a policy for how to use savings, and funding adjustments related to SB 125 Transit Program funding for Metrolink rehabilitation and operations are recommended for Board approval.

Attachments

- A. Federal Fiscal Year 2026-2027 and 2027-2028 STBG/CMAQ Program Project Award List
- B. Federal Fiscal Year 2026-2027 and 2027-2028 STBG/CMAQ Program Project Descriptions
- C. Federal Fiscal Year 2026-2027 and 2027-2028 STBG/CMAQ Program Project Contingency and Not Recommended List
- D. OCTA Contingency List
- E. Capital Funding Program Report

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