OCTA

February 19, 2026

To: Legislative and Communications Committee

From: Darrell E. Johnson, Chief Executive Officer

For

Subject: Federal Legislative Status Report

Overview

The Orange County Transportation Authority regularly updates the Legislative and Communications Committee on policy and regulatory issues directly impacting the agency's programs, projects, and operations. This report includes a number of updates and information including an overview of the funding deal reached as it pertains to programs included in the Transportation, Housing and Urban Development appropriations bill and an update on the litigation between the State of California and the federal government regarding the California High-Speed Rail Project. Information is also provided on advocacy related to restoring the formula suballocation process for the State Transportation Block Grant Program and the Congestion Mitigation and Air Quality Program, as well as a summary on a federal determination of noncompliance for the State of California, which could result in withholding of transportation funds.

Recommendation

Receive and file as an information item.

Discussion

Overview of H.R. 7148, the Consolidated Appropriations Act of 2026

On February 3, 2026, the President signed H.R. 7148 (Cole, R-OK), the Consolidated Appropriations Act of 2026. A part of this appropriations bill is a five-bill "minibus" appropriations package, which includes funding for Transportation, Housing and Urban Development (THUD). The bill passed with the Senate voting 71-29, and the House of Representatives voting 217-214. The THUD bill provides discretionary funding for federal transportation and housing programs and establishes annual policy direction for the U.S. Department of Transportation (DOT) and the U.S. Department of Housing and Urban Development.

While the Infrastructure Investment and Jobs Act (IIJA) authorized multi-year funding and contract authority for many surface transportation programs, annual appropriations bills remain necessary to fund discretionary programs, administrative expenses, and certain supplemental initiatives. The fiscal year (FY) 2026 THUD bill provides approximately $108 billion in new budget authority for the DOT when accounting for discretionary appropriations, mandatory spending for trust fund programs and transfers, representing an overall increase of approximately $1.6 billion over FY 2025. When combined with advance appropriations and transfers, total budget authority for the DOT exceeds $140 billion for FY 2026.

Specifically, this includes approximately $64.3 billion for Federal Highway Administration (FHWA) programs, an increase of $1.9 billion, supported in part by the repurposing of more than $1 billion IIJA advance appropriations, including funding previously designated for the National Electric Vehicle Infrastructure Formula Program. The bill provides approximately $16.5 billion for the Federal Transit Administration programs, a $165 million decrease from FY 2025 enacted levels. The Federal Railroad Administration (FRA) would receive approximately $1.8 billion in new budget authority, reflecting a reduction of $1.1 billion year over year, alongside transfers and rescissions, including the formal repeal of previously awarded but unobligated high-speed rail funding.

The FY 2026 THUD bill also includes several policy provisions, including preventing the application of the Rostenkowski Test, thereby avoiding a potential across-the-board reduction to FY 2026 transit formula funding for public transit agencies. Additionally, the bill also restricts the DOT from delaying or hindering the advancement or approval of projects seeking a Capital Investment Grant federal share exceeding 40 percent.

The FY 2026 THUD bill includes congressionally directed spending and community project funding. These provisions direct funding to specific transportation projects identified by members of Congress and approved through the appropriations process, subject to federal eligibility requirements and agency oversight. For FY 2026, OCTA-related earmarks included in the THUD bill would provide funding for the following projects:

- $3 million for the State Route 55 Improvement Project (Interstate 5 to State Route 91), submitted by Representative Young Kim (R-Anaheim). The Project will reduce congestion and improve traffic by adding one general purpose lane in each direction and providing operational improvements at various locations throughout the project.

- $1.7 million for the Interstate 5 (Interstate 405 to State Route 55) Improvement Project, also submitted by Representative Young Kim (R-Anaheim). The project will improve traffic operations and enhance safety on the mainline, on- and off-ramps, and in merge areas by adding one general purpose lane in each direction, adding new auxiliary lanes, and modifying ramp configurations at certain interchanges to improve traffic flow and safety.

- $850,000 for the Interstate 5 Improvement Project (San Diego County Line to Avenida Pico), submitted by Representative Mike Levin (D-Dana Point). The proposed build alternative for this project will maximize efficiency of the freeway mainline by increasing person and vehicle throughput on the I-5 corridor, by adding a high-occupancy vehicle lane within the project limits, implementing ramp improvements, widening existing bridges, and replacing two existing overhead crossings.

- $250,000 for the Technology and Signal Upgrades Project, submitted by Representative Dave Min (D-Costa Mesa). The project will enhance operations through the deployment of advanced signal controllers countywide, which will improve operations, travel time, and reduce congestion and vehicular conflicts, improving safety for all users.

In addition to core transportation funding, the FY 2026 THUD bill includes targeted funding related to major international events. The bill provides $100 million in FY 2026 discretionary funding for transit agencies to support planning activities, capital projects, and operating activities associated with the 2026 Fédération Internationale de Football Association (FIFA) World Cup. Bill language directs the DOT to apportion funds to eligible recipients based on stadium capacity relative to other host cities and the number of FIFA matches hosted at each venue. Eligible expenses are not required to be programmed in a State Transportation Improvement Program or Federal Transportation Improvement Program, and the federal share for grants under this provision may be up to 100 percent, subject to DOT guidance.

Based on this formula, it is estimated that the City of Los Angeles will receive about $9.2 million. Clarity is still needed on how the funding will flow, and whether it will go directly to the Los Angeles County Metropolitan Transportation Agency (LA Metro). Staff continues to work with LA Metro on specifics, including planned funding for services operating out of Orange County.

The bill also provides $94 million for transportation needs related to the 2028 Olympic and Paralympic Games, including transit planning, capital improvements, and operating assistance. Assistance may be provided to any eligible entity serving or supporting service to an Olympic or Paralympic venue through direct grants or cooperative agreements. This funding would be administered by the DOT through direct grants or cooperative agreements, rather than formula apportionments. Funds must be obligated no later than two FYs following the official close of the 2028 Olympic and Paralympic Games.

California High-Speed Rail Federal Funding Litigation Update

In prior updates, OCTA reported on the FRA's rescission and subsequent proposed redistribution of federal grant funding previously awarded to the California High-Speed Rail Authority (CHSRA), as well as the State of California's legal challenge to that action. As previously noted, following the rescission, the federal government took multiple actions to address unobligated high-speed rail funds. A portion of the rescinded funding was made available through the Federal-State Partnership for Intercity Passenger Rail Program–National (FSP-National), reflecting a shift toward a broader, competitive framework for intercity passenger rail investment.

Since that update, the State of California has elected to dismiss its lawsuit challenging the FRA's decision to terminate the federal grant funding for the high-speed rail project. By withdrawing the litigation, the State has forgone pursuit of reinstatement of the rescinded federal funds. As a result, the federal funding determination remains in effect, and the previously withdrawn funds will not be restored to the project.

The State's decision to dismiss the lawsuit also enabled Congress to formally address long-standing unobligated high-speed rail funding as part of the FY 2026 appropriations process. The FY 2026 appropriations bill repeals $928.6 million in federal high-speed rail funding that was originally appropriated approximately 17 years ago and formally awarded in November 2011 but never expended. Congressional materials identify this repeal as one of the primary budgetary offsets included in the final bill, made possible by the resolution of the litigation and the absence of a pending legal challenge to the federal funding determination.

Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality (CMAQ) Suballocation Authority Outreach Efforts

As has previously been reported to this Committee, OCTA and regional transportation partners have been pursuing a targeted legislative fix to restore local project selection authority for STBG and CMAQ program funds within the Southern California Association of Governments (SCAG) region. For more than three decades, California operated under a population-based suballocation framework established in state law, under which county transportation commissions selected STBG and CMAQ projects, while metropolitan planning organizations (MPO) retained responsibility for approving the regional transportation improvement program.

In 2021, a corrective action issued by FHWA prohibited MPOs from delegating project selection authority, centralizing STBG and CMAQ project selection at the regional level. In large and complex metropolitan planning areas such as SCAG, which encompasses six counties, nearly 200 cities, and more than 19 million residents, this shift has disrupted long-range planning, delayed project delivery, and reduced local responsiveness.

Consistent with OCTA Board of Directors-approved federal surface transportation reauthorization principles, regional transportation agencies have continued coordinated congressional outreach to advance a legislative solution. On February 2, 2026, a coalition of county transportation commissions from the SCAG region, including OCTA, transmitted bipartisan sign-on letters to the leadership of the Senate Committee on Environment and Public Works and the House Committee on Transportation and Infrastructure, urging inclusion of legislative language in the upcoming surface transportation reauthorization bill to restore local STBG and CMAQ project selection authority.

The letters, which are included as Attachment A and Attachment B, support reinstating the prior population-based distribution framework, limited to metropolitan planning areas with populations exceeding ten million in states that have codified distribution processes in statute. Under the proposed approach, county transportation commissions would resume responsibility for project selection, while MPOs would retain oversight and final approval of the transportation improvement program. The signatories emphasize that this structure would improve efficiency, reduce administrative layering, and accelerate delivery of shovel-ready projects, while preserving regional coordination and accountability.

Status of Federal Highway Funding Related to State Compliance Review

On January 7, 2026, the U.S. Department of Transportation’s Federal Motor Carrier Safety Administration (FMCSA) issued a Final Determination of Substantial Noncompliance to the State of California following a federal audit of the State’s commercial driver’s licensing program, which is included as Attachment C. According to the FMCSA, the audit identified deficiencies in State’s administration of non-domiciled California driver’s licenses that did not meet federal regulatory standards. The FMCSA and the California Department of Motor Vehicles agreed to a corrective action plan, which included rescinding licenses identified as noncompliant by a specified deadline. The FMCSA determined that the State did not complete the agreed-upon corrective actions within the required timeframe, resulting in a finding of substantial noncompliance.

As a result, the FMCSA is proposing to withhold approximately four percent of California’s federal highway formula funding beginning in FY 2027. The withholding applies to funds apportioned through the National Highway Performance Program and the STBG Program, which support state and local transportation infrastructure projects. Under federal law, funds withheld due to a substantial noncompliance determination are not available for later apportionment unless the State achieves compliance. The FMCSA also indicated that continued noncompliance could result in increased withholding, up to eight percent of applicable federal funds, in future fiscal years.

At this time, the State has not announced how it may address the funding reduction or whether corrective actions will be completed to restore eligibility. OCTA will continue to monitor federal and state actions and evaluate potential impacts to regional transportation funding programs as more information becomes available.

Summary

Information is provided on the fiscal year 2026 appropriations package. An update on litigation between the State of California and the federal government regarding the California High-Speed Rail project is provided. A summary is provided on letters from SCAG-region transportation commissions to congressional committee leaders urging restoration of suballocation formulas for certain programs. A summary is also provided on a federal determination of noncompliance for the State of California, which could result in withholding of transportation funds.

Attachments

A. Letter from Darrell Johnson, Chief Executive Officer, Orange County Transportation Authority, and others, to The Honorable Sam Graves, Chair, House Committee on Transportation and Infrastructure, and the Honorable Rick Larsen, Ranking Member, House Committee on Transportation and Infrastructure, re: Restore Certainty of STBG and CMAQ Formula Distribution for Large MPOs, dated February 2, 2026
B. Letter from Darrell Johnson, Chief Executive Officer, Orange County Transportation Authority, and others, to The Honorable Shelley Moore Capito, Chair, Senate Committee on Environment and Public Works, and the Honorable Sheldon Whitehouse, Ranking Member, Senate Committee on Environment and Public Works, re: Restore Certainty of STBG and CMAQ Formula Distribution for Large MPOs, dated February 2, 2026
C. Notice from Derek D. Barrs, Administrator, U.S. Department of Transportation Federal Motor Carrier Safety Administration, to the Honorable Gavin Newsom, Governor of California, and Mr. Steve Gordon, Director, California Department of Motor Vehicles, re: Notice of Final Determination of Substantial Noncompliance, dated January 7, 2026
D. Potomac Partners DC, Monthly Legislative Report – December 2025
E. Potomac Partners DC, Monthly Legislative Report – January 2026

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