



May 15, 2025

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

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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. This report includes proposed principles for the reauthorization of the cap-and-trade program, a recommended position on legislation that would expand the definition of events qualifying for a state or local emergency, a summary on legislation supported by the Orange County Transportation Authority that would improve the state's permitting process for outdoor advertising displays along newly aligned highways, and a summary on a hearing pertaining to the Greenhouse Gas Reduction Fund. A verbal update on the fiscal year 2025–26 state budget proposal will be provided when this report is presented.

Recommendations

- A. Adopt the proposed Principles for Cap-and-Trade Revenue Distribution Legislation and direct staff to take necessary and appropriate actions to inform and respond to legislative proposals.
- B. Adopt a SUPPORT position on AB 986 (Muratsuchi, D-Torrance), which would expand the definition of events qualifying for a state or local emergency to include landslides and pre-existing climate conditions.

Discussion

Principles for Cap-and-Trade Reauthorization Legislation

The cap-and-trade program was established through state legislation as part of California's broader efforts to manage greenhouse gas emissions. The program originated with AB 32 (Chapter 488, Statutes of 2006), also known as the Global Warming Solutions Act of 2006. This law directed the California Air Resources Board (CARB) to implement strategies to reduce statewide emissions to 1990 levels, including the use of market-based mechanisms such as cap-and-trade.

Pursuant to AB 32, the program was initiated by CARB in 2012 through regulation but was scheduled to sunset in 2020. However, in 2017 the program was extended with AB 398 (Chapter 135, Statutes of 2017), which authorized CARB to continue operating cap-and-trade through 2030. This bill passed by a two-thirds vote of the Legislature.

Revenue generated through the sale of emissions allowances is deposited into the Greenhouse Gas Reduction Fund (GGRF), which supports a variety of programs throughout the State. While the primary purpose of the cap-and-trade program is to support emissions reductions, it also serves as a critical funding source for public transportation infrastructure and operations. The Orange County Transportation Authority (OCTA) has secured funding from the Transit and Intercity Rail Capital Program (TIRCP) to support major projects including the OC Streetcar and projects to protect the coastal rail corridor. Additionally, OCTA utilizes the Low Carbon Transit Operations Program (LCTOP) to implement the Youth Ride Free initiative, which expands access to transit for young residents across the county.

Given cap-and-trade is set to expire in 2030, the Governor and legislative leadership have recently signaled their intent to reach an agreement on the program's long-term structure during this legislative session. These discussions create an important opportunity for OCTA to help inform policy decisions that may impact how funding is distributed under the program, if it is reauthorized. To support this engagement, staff have developed a set of principles, included as Attachment A, to guide OCTA's participation in discussions surrounding the future of revenue distribution under any cap-and-trade program. These principles are intended to help inform legislative and administrative stakeholders while ensuring OCTA's priorities are clearly represented. They focus on protecting access to established transit funding sources, improving administrative efficiency, and promoting equitable distribution of funds across all regions through formula programs.

Specifically, the principles advocate for the continuation of key programs such as TIRCP and LCTOP. The recommended principles also support efforts to simplify program requirements and streamline funding processes to improve project delivery timelines and reduce administrative burden. In addition, the principles encourage the use of Cap-and-Trade revenues to help transit agencies comply with state zero-emission vehicle requirements, and recognize the importance of addressing local infrastructure needs, including climate adaptation projects along vulnerable segments of the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor impacted by coastal erosion and sea-level rise.

While these principles do not endorse specific legislation, they are intended to shape and support OCTA's engagement as proposals develop and to ensure the agency is positioned to advocate for continued investment in regionally significant transportation solutions. This action is consistent with OCTA's

2025-26 State Legislative Platform principle to “Monitor efforts related to extending the State’s cap-and-trade program while ensuring that funding for regional transportation projects and programs are maintained.”

AB 986 (Muratsuchi, D-Torrance): State of emergency and local emergency: landslides and climate change.

AB 986 would expand the circumstances under which a state or local emergency may be declared by explicitly including landslides and preexisting conditions exacerbated by climate change among qualifying events. Current law authorizes declarations of emergency when disasters or extreme perils threaten public safety, but the list of qualifying conditions does not specifically mention landslides or the worsening impacts of climate change. By formally recognizing these threats, AB 986 ensures that communities facing climate-related disasters, such as those triggered by unstable terrain or intensified coastal erosion, can more readily access emergency powers and assistance. The bill strengthens the ability of state and local governments to respond swiftly and decisively to emerging environmental hazards that require coordinated regional action.

AB 986 is particularly relevant to Orange County, where climate-driven landslides have repeatedly disrupted the LOSSAN Rail Corridor – an essential passenger and freight route along the coast. Since 2021, OCTA has been forced to respond to multiple emergencies that have closed the rail line for extended periods of time. These responses have included OCTA twice declaring an emergency and invest over \$37 million in stabilization efforts following landslides at Cyprus Shore, Casa Romantica, and Mariposa Point. These disruptions have suspended service for over a year cumulatively, impacted eight million annual passengers, resulting in \$14 million in losses for the LOSSAN Rail Corridor Agency. Despite securing \$305 million in state and federal funding for long-term resiliency, OCTA’s progress was delayed by regulatory challenges. AB 986 would clarify that landslides and worsening climate conditions qualify as emergencies, enabling agencies like OCTA to act more quickly to prevent future disruptions and safeguard public infrastructure.

This legislation is sponsored by the City of Rancho Palos Verdes. A SUPPORT position is consistent with OCTA’s 2025-26 State Legislative Platform principle to “Seek support for adaptation and resiliency efforts related to the environment for critical transportation infrastructure.” A thorough analysis and copy of the text of this legislation is included as Attachment B.

SB 364 (Strickland, R-Huntington Beach): Outdoor advertising displays: permits: new alignments.

SB 364 would streamline the permitting process for outdoor advertising displays by requiring the California Department of Transportation (Caltrans) to process permit applications once a highway segment is open for public use. Under current practice, Caltrans does not review advertising permit applications until an entire highway project is officially accepted as complete, even if portions of the highway

are already open and operational. This bill would prohibit Caltrans from delaying or denying permit applications for outdoor advertising displays along newly opened highway segments, regardless of whether the full project has reached formal acceptance.

This policy change is particularly relevant to Orange County, where cities have experienced challenges placing signage along newly opened highway segments due to delays in project acceptance. For example, segments of major transportation improvements like those along Interstate 405 have been open to traffic, but advertising permit applications have remained pending because the project had not yet reached formal completion.

These delays can hinder public awareness and commercial activity around new infrastructure and delay important revenue sources for local cities. SB 364 provides greater alignment between infrastructure delivery and regulatory procedures, ensuring that the placement of advertising displays does not fall behind public access to the roadway. Importantly, the bill maintains existing safety and operational requirements while reducing unnecessary procedural delays.

Consistent with the principle outlined in OCTA's 2025-26 State Legislative Platform principle to: "Support streamlined environmental review and permitting processes for transportation projects and programs to avoid potentially duplicative and unnecessary analysis, while still maintaining traditional environmental protections," a SUPPORT position has been taken on SB 364. OCTA's letter of support for SB 364 is included as Attachment C. The text of the bill is included as Attachment D.

Summary of Informational Hearing on the History and Future of the Greenhouse Gas Reduction Fund

On April 30, 2025, the Assembly Budget Subcommittee No. 4 on Climate Crisis, Resources, Energy, and Transportation held an informational hearing on the GGRF, supported by revenues from California's cap-and-trade program. The hearing focused on the fund's structure, effectiveness, and how it might be reshaped ahead of the program's potential reauthorization. Chair Bennett opened the hearing by reaffirming that GGRF should remain centered on reducing emissions and helping communities adapt to climate change. While acknowledging the Legislature's flexibility in spending these revenues, he cautioned against using the fund for purposes unrelated to climate and stressed the need to protect its core mission.

Testimony from the Legislative Analyst's Office (LAO) emphasized that two-thirds of GGRF revenues are continuously appropriated by statute, including for transit purposes, limiting annual budgetary oversight. The LAO recommended

that the Legislature revisit these ongoing commitments to ensure funding remains aligned with current policy goals. Testimony from Dr. Kyle Meng of UC Santa Barbara and Dr. Danny Cullenward of University of Pennsylvania echoed this call, urging lawmakers to reassess long-standing allocations, improve revenue predictability, and target investments toward under-supported technologies like carbon removal and grid storage.

Committee members expressed particular concern about the effectiveness and transparency of GGRF expenditures. Chair Bennett raised questions about whether programs like the TIRCP and the LCTOP should continue receiving automatic funding, emphasizing the need to prioritize operations and maintenance for existing transit systems. Assembly Member Petrie-Norris added that legacy allocations, such as the significant share currently directed to high-speed rail, should be re-evaluated, and stressed the importance of funding projects that are innovative, measurable, and capable of delivering scalable climate impact. Representatives from the California State Transportation Agency and Caltrans responded by outlining program safeguards and compliance requirements, while acknowledging the need for timely implementation and reporting.

The hearing highlighted broad agreement on the need to strengthen legislative oversight, revisit continuous appropriations, and ensure that GGRF remains responsive to California's evolving climate, infrastructure, and equity priorities. Further analysis and stakeholder engagement are expected as the Legislature considers future changes to the fund's structure and its role in supporting long-term climate goals.

Update on the Governor's Fiscal Year 2025-26 State Budget

The Governor's fiscal year (FY) 2025-26 budget proposal, otherwise known as the May Revision, is anticipated to be released by May 14, 2025. Due to the closeness of the release date to the submittal date of this staff report, staff were 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 and Communications Committee, scheduled for May 15, 2025, summarizing key provisions and assessing potential impacts on transportation funding, programs, and related policy areas relevant to OCTA.

Summary

An overview of OCTA’s cap-and-trade revenue principles is provided, along with a recommended position on emergency-related legislation and a summary of supported legislation about outdoor advertising permitting. Summaries are included on a Greenhouse Gas Reduction Fund hearing and the FY 2025–26 state budget proposal.

Attachments

- A. Orange County Transportation Authority Cap-and-Trade Principles
- B. AB 986 (Muratsuchi, D-Torrance) Bill Analysis with Bill Language
- C. Letter from Doug Chaffee, Chair, Orange County Transportation Authority, to the Honorable Tony Strickland, Senator, California State Senate, dated April 17, 2025, re: SB 364 (Strickland) – SUPPORT
- D. SB 364 (Strickland, R-Huntington Beach) Bill Language
- E. Orange County Transportation Authority Legislative Matrix

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