OCTA

August 20, 2026

To: Legislative 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 Committee on policy issues directly impacting its programs, projects, and operations. This report provides an overview of Governor Newsom's Executive Order N-7-26 to accelerate transit and passenger rail project delivery, an update on the fiscal year 2026-27 State Budget Agreement, including transportation and policy actions affecting the Orange County Transportation Authority, and on the SB 1098 (Chapter 777, Statutes of 2024) Final Report outlining recommendations to improve the Los Angeles – San Diego – San Luis Obispo Rail Corridor.

Recommendation

Receive and file as an information item.

Discussion

Governor's Executive Order to Accelerate Transit and Rail Delivery

On June 26, 2026, Governor Newsom signed Executive Order N-7-26 (Attachment A). This executive order seeks to establish a statewide policy framework to accelerate the delivery of public transit and passenger rail projects while improving coordination among state and local transportation agencies. The executive order directs the California State Transportation Agency (CalSTA), the California Department of Transportation (Caltrans), and other state agencies to modernize California's transit network by reducing administrative barriers, standardizing project delivery practices, improving access to funding, and expanding technologies that make transit easier and more convenient to use. The executive order builds on the recommendations issued earlier this year from the SB 125 (Chapter 54, Statutes of 2023) Transit Transformation Task Force but does not provide any new funding resources or identify possible paths to funding the recommendations included in the executive order.

A key component of the executive order is a series of actions that must begin within the first 120 days, which are intended to strengthen the state's role in coordinating transit planning and decision-making. During that time, Caltrans is directed to develop, in coordination with local and regional partners, a statewide list of priority transit projects that is consistent with local and regional transportation plans. The order establishes Caltrans as a statewide "Mobility Manager" to improve coordination of trip planning, scheduling, fare payment, and other transit services across agencies. It directs Caltrans, in consultation with the California Transportation Commission, to develop guidance encouraging toll operators to prioritize excess toll revenues for unmet transit operating and capital needs and to consider using surplus revenue from future managed lane facilities to support transit within the same corridor where feasible, consistent with state and federal law.

Other actions directed by the executive order include pursuing federal National Environmental Policy Act assignment authority to streamline environmental review and accelerate project delivery where feasible, establishing a statewide Active Transportation Coordinator, integrating transportation investments with the state's Pro-Housing Designation Program to encourage transit-oriented development, improving statewide transit data standards and performance reporting, strengthening interagency coordination, and identifying administrative changes to simplify funding and project delivery. Several recommendations may be difficult to implement within the remaining time of the current Administration, meaning their ultimate advancement will likely depend on the priorities of the next Administration.

Update on Fiscal Year (FY) 2026-27 State Budget Agreement

On June 29, 2026, the California Legislature approved the FY 2026-27 state budget and several accompanying trailer bills following negotiations with the Administration. The revised budget follows the budget framework adopted on June 15, 2026, and provides approximately $351 billion in total expenditures, including roughly $247 billion from the General Fund. The package closes the projected budget deficit through higher-than-anticipated revenues, tax policy changes that increase state revenues, reserve withdrawals, fund shifts and spending reductions, while setting aside approximately $6.4 billion for future shortfalls and maintaining total state reserves of approximately $28.8 billion. Among the budget-related measures, SB 122 (Chapter 23, Statutes of 2026) expands California's sales and use tax to many digital products, including prewritten software and Software as a Service, beginning January 1, 2027, broadening the state and local sales tax base and increasing projected revenues.

However, the budget defers action on a comprehensive Greenhouse Gas Reduction Fund (GGRF) expenditure plan until later this summer as negotiations continue over the state's cap-and-invest expenditure framework. The delay is significant because the Cap-and-Invest Program remains one of California's primary funding sources for transit and rail investments. Under the funding structure established by SB 840 (Chapter 121, Statutes of 2025), the Transit and Intercity Rail Capital Program (TIRCP) and the Low Carbon Transit Operations Program (LCTOP) are categorized as Tier 3 GGRF programs. Under this structure, Tier 1 funding is reserved for statutory commitments and required expenditures, while Tier 2 funding supports other state priorities, including high-speed rail. Tier 3 programs receive funding only after Tier 1 and Tier 2 commitments are met, with the goal of reaching specified statutory target funding levels. As a result, TIRCP and LCTOP are particularly vulnerable to fluctuations in annual GGRF revenues. Earlier this year, the California Air Resources Board adopted amendments to the Cap-and-Invest Program that are expected to reduce annual GGRF revenues beginning in FY 2026-27. The anticipated decline in revenues is expected to significantly reduce the funding available for Tier 3 programs and, depending on revenue levels, could result in little or no funding being available for TIRCP and LCTOP. These programs support a number of Orange County Transportation Authority (OCTA) priorities, including the OC Streetcar, coastal rail corridor improvements, hydrogen fueling infrastructure, bus purchases, and the Youth Ride Free Program.

While the Legislature has not yet finalized a long-term Cap-and-Invest expenditure framework, preliminary revenue projections indicate that funding available for continuous appropriations may be substantially lower than previously anticipated. Based on current estimates, annual auction proceeds are currently projected at approximately $2.73 billion, compared to the $3.39 billion assumed in the Governor’s May Revision. Under these estimates, funding for LCTOP would decline from the $105 million May Revision estimate to $38 million, while TIRCP would decrease from an estimate of $209 million to $75 million. These figures are preliminary and may change following the August auction. In response to these projected funding reductions, OCTA, along with the California Transit Association (CTA) and other coalition partners, has urged the Governor and Legislature to preserve funding commitments for TIRCP and LCTOP under the Cap-and-Invest Program. A copy of CTA’s coalition letter is included as Attachment B, and OCTA’s letter is included as Attachment C.

In addition to the primary budget bill, the Legislature approved several budget adjustments and trailer bills containing transportation and policy provisions. The package includes:

- $15 million set aside from the Trade Corridor Enhancement Program for road improvements on freight corridors connecting the Ports of Los Angeles and Long Beach between Interstates 105, 110, and 710.

- $4 billion in funding for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project to support the purchase of zero-emission cars, trucks, and buses.
- $150 million for the AB 617 (Chapter 136, Statutes of 2017) Community Air Protection Program from General Fund dollars. This program has traditionally been funded by GGRF.
- Extends the liquidation period for $300 million appropriated in the Budget Act of 2021 for the Los Angeles – San Diego – San Luis Obispo (LOSSAN) Rail Corridor to 2032. Originally appropriated in the Budget Act of 2021, the reappropriation extends the availability of these funds, which were otherwise scheduled to expire, allowing the funds to remain available for future allocation and expenditure on LOSSAN Rail Corridor improvements. This is earmarked funding intended specifically for the San Diego Association of Governments (SANDAG) for planning and project development for rail relocation activities.

On the policy side, trailer bill language does the following:

- Authorizes Caltrans to implement a temporary automated enforcement for designated Games Route Network lanes during the 2028 Olympic and Paralympic Games.
- Extends the suspension of Transportation Development Act farebox recovery penalties and State Transit Assistance efficiency standards through FY 2026-27.
- Restructures the Affordable Housing and Sustainable Communities (AHSC) Program by creating the Affordable Housing and Sustainable Communities Housing Allocation, which moves the AHSC housing capital fund into the new Housing Development and Finance Committee to better combine subsidies and reduce administrative steps. The AHSC Sustainable Communities Allocation will continue to be administered by the Strategic Growth Council for transportation and community infrastructure investments.
- Expands the State Clearinghouse's online environmental review database to improve planning and coordination of permits.

SB 1098 Final Report: LOSSAN Rail Corridor Revitalization

SB 1098, authored by Senator Blakespear (D-Encinitas), directed CalSTA to convene a LOSSAN Rail Corridor Working Group (Working Group) to develop recommendations for improving coordination, governance, resiliency, and long-term performance along the 351-mile LOSSAN Rail Corridor. The Working Group was to include representatives from corridor owners, passenger and freight rail operators, regional transportation agencies, state agencies, and other stakeholders and was charged with developing consensus recommendations for submission to the Legislature addressing rail service coordination, governance, statutory and funding changes, and implementation of the Federal Corridor

Identification and Development Program. The Working Group included representation from both OCTA and the LOSSAN Rail Corridor Agency, in addition to other transportation agencies such as Metrolink, North Corridor Transit District, SANDAG, and Los Angeles County Metropolitan Transportation Authority.

Under SB 1098, CalSTA was required to submit its final report to the Legislature by February 1, 2026. Although the statutory deadline was not met, CalSTA released a Public Comment Draft Report on June 10, 2026, for stakeholder review and comment. OCTA submitted comments on the draft report (Attachment D), recommending that the report further clarify the respective roles and responsibilities of the State, corridor owners, passenger rail operators, and freight railroads. OCTA also recommended strengthening recommendations to streamline permitting and environmental review for projects that preserve and enhance existing rail infrastructure, particularly coastal resiliency and emergency stabilization projects. In addition, OCTA encouraged the report to leverage existing governance structures before pursuing significant institutional restructuring and to recognize funding limitations as the primary obstacle to advancing corridor priorities and capital improvements.

On August 5, 2026, CalSTA released the final SB 1098 LOSSAN Rail Corridor Working Group Report to the Legislature following consideration of public comments. The final report presents consensus recommendations intended to improve the reliability, resiliency, governance, and long-term performance of the LOSSAN Rail Corridor. Key recommendations include advancing coastal resiliency projects, improving emergency preparedness and response through standardized protocols, strengthening coordination with the California Coastal Commission and other permitting agencies, implementing a corridor-wide asset management framework, enhancing data sharing and performance monitoring, clarifying the respective roles of state agencies, corridor owners, passenger rail operators, and freight railroads, and continuing to build upon existing governance structures to improve corridor coordination. The report also emphasizes that sustained funding and coordinated investment are essential to preserving and enhancing the corridor over the long term.

Staff will monitor for any subsequent legislative or administrative actions that are considered and will provide updates to the OCTA Board of Directors as information becomes available.

Summary

Information is provided on several recent state actions affecting OCTA. The report includes an overview of Governor Newsom's Executive Order N-7-26, a summary of the FY 2026-27 State Budget Agreement, including transportation funding, GGRF negotiations, and other budget and policy actions relevant to OCTA's programs and projects, and an update on the SB 1098 Final Report for the LOSSAN Rail Corridor.

Attachments

A. Executive Department, State of California, Executive Order N-7-26
B. Letter from Michael Pimentel, Executive Director, California Transit Association, and others, to the Honorable Gavin Newsom, Governor, State of California, and others, re: Honor SB 840 Commitments to AHSC, TIRCP, LCTOP, AB 617, and SAFER for FY 2026/27, dated August 4, 2026
C. Letter from Jamey M. Federico, OCTA Chair, to the Honorable Gavin Newsom, Governor, State of California, and others, re: Preserve Transit Funding Commitments Under California's Cap-and-Invest Program, dated July 8, 2026
D. Letter from Dan Phu, Director, Transportation Planning and Analysis, OCTA, to CalSTA, LOSSAN Rail Corridor Working Group Team, re: OCTA Comments on the SB 1098 LOSSAN Rail Corridor Working Group Report (June 2026), dated July 2, 2026
E. Orange County Transportation Authority Legislative Matrix

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