



**March 20, 2025**

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

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**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. A recommendation is made to approve a set of principles to guide the Orange County Transportation Authority's advocacy efforts related to reauthorization of the surface transportation bill. An update is provided on budget reconciliation, negotiations, spending and a summary is given on the President's recent address to Congress.

**Recommendation**

Adopt the proposed Principles for Surface Transportation Reauthorization Legislation and direct staff to take necessary and appropriate actions in furtherance of these goals in Washington, D.C.

**Discussion**

Principles for Surface Transportation Reauthorization Legislation

The Infrastructure Investment and Jobs Act (IIJA), enacted in November 2021, marked a historic investment in the nation's transportation infrastructure, providing approximately \$1.2 trillion over five years to improve roads, bridges, public transit, and other critical mobility systems. As the IIJA approaches its expiration on September 30, 2026, discussions are beginning in Congress on the development of the next surface transportation bill. This legislation will shape federal transportation policy and funding for years to come, with debates likely centering on priorities such as increasing investment in highway and freight infrastructure, reducing federal regulations to expedite project approvals and supporting critical economic corridors. To ensure that the Orange County Transportation Authority (OCTA) is well-positioned to advocate for policies that align with the region's mobility needs, staff has developed a set of guiding

principles to inform and support OCTA's engagement in the legislative process, detailed in Attachment A. Board of Directors' (Board) approval of these principles will provide a framework for OCTA's federal advocacy efforts as Congress considers the future of national transportation policy. These principles include:

- Sustainable Highway Trust Fund: Support a fiscally sound, user-pays approach to stabilize the Highway Trust Fund, ensuring sustainable highway and transit funding.
- Protecting the Los Angeles – San Diego – San Luis Obispo Rail Corridor: Secure dedicated federal funding and streamlined permitting processes to address infrastructure vulnerabilities and maintain uninterrupted passenger and freight service along this critical corridor. As an essential transportation asset for Southern California, timely investments will help OCTA mitigate climate-related risks while preserving regional mobility, economic stability, and national security interests.
- Flexible formula funding: Ensure that federal transportation funding prioritizes formula-based distribution while allowing for flexibility that respects the unique needs of regional agencies like OCTA. A predictable and stable funding structure allows for effective planning and delivery of essential transportation projects that improve mobility.
- Reinstating suballocation for federal funds: Restore the suballocation process to allow county transportation commissions, like OCTA, to directly manage federal formula funds, including Surface Transportation Block Grants and Congestion Mitigation and Air Quality funds. Returning direct control of these funds to local agencies would reduce bureaucratic delays, improve efficiency, and ensure that transportation investments align with regional priorities.
- Protecting existing transportation funding: Ensure that the introduction of new infrastructure programs does not divert or reduce long-standing transportation funding sources that OCTA relies on for critical projects and programs. Maintaining these resources is essential for completing planned and ongoing improvements that enhance mobility and reduce congestion.
- Maintaining funding for transit: Preserve the historic 80-20 highway-transit funding split through the Highway Trust Fund to ensure continued federal support for public transit systems. Maintaining this federal commitment is vital for ensuring stable funding, reducing competition for limited transit dollars, and supporting future service expansion.

- **Regulatory stability for infrastructure investments:** Support policies that ensure transportation funding is not jeopardized due to factors beyond a local agency's control, such as shifting regulations, external environmental conditions, or unforeseen compliance challenges. This includes opposition to funding penalties tied to air quality attainment when non-compliance results from factors outside agency control, ensuring agencies like OCTA can continue investing in critical infrastructure and mobility improvements.
- **Streamlining environmental reviews:** Support efforts to improve the efficiency of environmental reviews for transportation infrastructure projects by reducing administrative redundancies and preventing unnecessary federal oversight of smaller projects will accelerate project delivery.
- **Improve the federal grant process:** Support efforts to simplify and standardize the grant process, streamline application requirements, and enhance predictability to reduce administrative burdens on agencies seeking federal funding. Promote a federal discretionary grant process that prioritizes local control, ensures balanced regional distribution, and eliminates arbitrary limits, excessive matching requirements, or other restrictive policies that could discourage federal funding from being directed to Orange County.
- **Secure stable funding for rail:** Support long-term, dedicated federal funding and policy support for rail to enhance investment in key corridors. Ensuring stable rail funding will streamline project delivery, improve safety, and strengthen rail's role in national defense and goods movement.
- **Support federal investment in transportation for the 2028 Olympic and Paralympic Games:** Advocate for strategic federal investment and streamlined project delivery to ensure regional transportation infrastructure is prepared for the 2028 Olympic and Paralympic Games in Los Angeles. Federal policies should facilitate permitting efficiency, workforce readiness, and interagency partnerships.
- **Promote fair and flexible tolling policies:** Support federal policies that respect regional decision-making and recognize the unique transportation needs of different regions. Any federal oversight should allow for toll revenues to be prioritized for debt service, private investment returns, and maintenance and operations costs, while also authorizing excess revenues for additional transportation investments in compliance with state law.

- Preserve tax-exempt financing for transportation projects: Advocate for maintaining public agencies' ability to issue and refinance tax-exempt debt to support cost-effective infrastructure financing. Protecting tax-exempt status ensures that agencies like OCTA can borrow funds at lower interest rates, reducing overall project costs and maximizing available funding for transportation improvements.

By adopting these guiding principles, OCTA positions itself as a strong advocate for federal policies that promote sustainable transportation funding, efficient project delivery, and local decision-making authority. As discussions continue, the Board may revisit these priorities as needed, recognizing this as a living document that may evolve throughout the process.

#### Update of Budget Resolution Negotiations

To expedite the passage of budgetary and tax-related measures, lawmakers are using the budget reconciliation process, which allows fiscal measures to pass with a simple majority in the Senate, bypassing the 60-vote filibuster threshold. However, reconciliation is subject to specific rules, including the Byrd Rule, which restricts the inclusion of provisions that do not have a direct impact on the federal budget. This ensures that reconciliation remains focused on fiscal policy rather than broader legislative priorities.

On February 25, 2025, the House of Representatives (House) narrowly approved a budget resolution in a 217-215 vote. This resolution proposes \$4.5 trillion in tax cuts through extending the Tax Cuts and Jobs Act of 2017, and \$2 trillion in spending reductions over the next decade. Specifically, the House budget blueprint includes deficit reduction targets for congressional committees. For example, the House Transportation and Infrastructure (T&I) Committee must reduce deficits by at least \$10 billion over ten years. Additionally, the resolution seeks to raise the national debt ceiling by \$4 trillion to prevent a default in government spending. For background, the debt limit expired earlier this year, forcing the United States Treasury to use extraordinary measures to avoid default. Raising the ceiling does not approve new spending but allows the government to meet existing obligations. The proposed \$4 trillion increase aims to prevent a default and provide borrowing capacity beyond 2026.

Despite passing in the House, the budget resolution faces hurdles in the Senate, where leaders have expressed the need for substantial revisions. Key areas of debate include the extension of the 2017 tax cuts, particularly for corporations and high-income earners, the scope of Medicaid and social program reductions, and the debt ceiling increase, which some lawmakers argue should be coupled with additional spending controls or fiscal reforms. These differences signal an intense period of negotiations as lawmakers seek to reconcile competing fiscal priorities.

Before the House vote, the Senate advanced its own budget blueprint, proposing a two-step reconciliation strategy—first addressing defense, border security, and infrastructure funding, with a second bill focused on extending the 2017 tax cuts. Unlike the House plan, the Senate's version included \$520 billion in new spending but did not immediately extend the tax cuts. It assumed \$3.7 trillion in tax reductions over a decade, offset only partially by spending cuts, leading to a projected \$12.6 trillion increase in public debt by 2034. The blueprint also signaled transportation funding cuts beginning in 2027.

While there are not specifics yet on what kind of cuts may be expected for transportation, House T&I Chairman Sam Graves (R-MO) has indicated support for implementing a fee of \$150 on electric vehicles. Therefore, the Senate must now amend the resolution, include its own reconciliation instructions, and pass it back to the House for another vote. As of this report, these negotiations remain ongoing.

Concurrently, discussions continue on passing the fiscal year (FY) 2025 appropriations bill, which is currently operating under a continuing resolution set to expire on March 14, 2025. While some lawmakers are considering a full-year continuing resolution, as of the writing of this staff report, no action has been taken on that or the development of topline numbers for an annual appropriations bill. Without agreement on the approach, the government faces the risk of a shutdown. Staff will provide a verbal update at the Legislative & Communications Committee meeting regarding the status of a funding bill for FY 2025.

#### Summary of the President's Address to Congress

Addressing Congress on March 4, 2025, in his first joint session speech since returning to office, President Donald Trump outlined his administration's priorities, with a strong emphasis on infrastructure, economic growth, and government efficiency. He also announced the creation of the Department of Government Efficiency to reduce waste, streamline operations, and potentially fast-track infrastructure projects by cutting bureaucratic hurdles.

The President proposed tax incentives for purchasing American-made vehicles, including making interest payments on car loans tax-deductible if the vehicle is manufactured in the United States, aiming to boost domestic automobile production. He also emphasized an "America-first" trade policy, announcing extensive tariffs on foreign goods to protect domestic industries and stimulate the economy. Additionally, he introduced a major automated intelligence infrastructure investment through a partnership with private companies, planning to invest up to \$500 billion in data centers and energy facilities. He reiterated the importance of domestic energy production, tying it to economic growth and infrastructure expansion. These initiatives reflect the Administration's broader strategy to strengthen American industries, enhance technological innovation, and secure long-term economic stability.

**Summary**

Staff recommends the Board approve principles guiding the Orange County Transportation Authority's advocacy for the next surface transportation bill, along with updates on budget resolution negotiations and the President's address to Congress.

**Attachments**

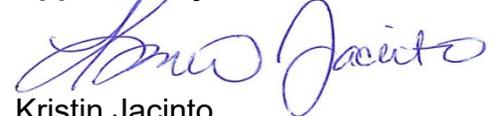
- A. Principles for Surface Transportation Reauthorization Legislation
- B. Potomac Partners DC, Monthly Legislative Report – February 2025

**Prepared by:**



Alexis Carter  
Senior Government Relations Representative,  
Government Relations  
(714) 560-5475

**Approved by**



Kristin Jacinto  
Executive Director,  
Government Relations  
(714) 560-5754