OCTA

July 17, 2025

To: Legislative and Communications Committee

From: Darrell E. Johnson, Chief Executive Officer

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 an update on the approval of the budget reconciliation bill, a summary of a letter from Orange County elected officials related to restoring the formula suballocation process for the State Transportation Block Grant program and the Congestion Mitigation and Air Quality program, and an overview on a report submitted to Congress examining commuter rail in the United States post-pandemic. Additionally, a summary of two letters from United States Transportation Secretary Sean Duffy to the Los Angeles County Metropolitan Transportation Authority and the City of Los Angeles.

Recommendation

Receive and file as an information item.

Discussion

Update on Approval of Budget Reconciliation Agreement

On July 1, 2025, the United States (US) Senate passed HR 1 (Arrington, R-TX), or colloquially known as the One Big Beautiful Bill Act, by a 51-50 vote, with Vice President JD Vance casting the tie-breaking ballot. The House of Representatives followed by approving HR 1 on July 3, 2025, with a vote of 218-214. The President signed the legislation into law on July 4, 2025.

As background, the legislation advanced under the budget reconciliation process, which is a legislative tool that allows certain budget-related bills to pass the Senate with a simple majority, bypassing the 60-vote threshold usually required to overcome a filibuster. Reconciliation is limited to provisions that directly affect federal spending, revenues, or debt, and is subject to strict procedural rules, including the Byrd Rule, which bars non-budgetary items from inclusion. The primary goal of this reconciliation effort was to extend key elements of the 2017 Tax Cuts and Jobs Act, revise federal budget priorities, and advance several longstanding policy objectives.

Among the bill's central features is a multi-year extension of the 2017 tax cuts, including reduced individual and corporate income tax rates. The Senate version also incorporates modified versions of other tax-related initiatives, such as eliminating taxes on tipped income, while introducing broader structural changes to the federal budget. These include a $5 trillion increase in the federal debt ceiling, significant increases in military and border security spending, and reductions to certain social safety net programs. The healthcare provisions in the legislation make several adjustments to federal health programs, such as updating eligibility requirements for Medicaid and imposing work requirements and cost-sharing. In the area of taxation, the bill introduces a modified State and Local Tax deduction framework, raising the cap from $10,000 to $40,000 initially, with a one percent increase annually over five years. Several other proposals were struck from the bill by the Senate Parliamentarian for violating the Byrd Rule. This included elements of labor policy and broader healthcare reforms that were deemed not primarily budget-related.

While not the centerpiece of the legislation, the Senate's version of the bill includes notable transportation-related provisions that carry implications for infrastructure investment and system improvements. Several key provisions are worth highlighting. One important inclusion is the preservation of the tax-exempt status of municipal bonds, a key surface transportation reauthorization principle for the Orange County Transportation Authority (OCTA). Another significant provision is the $2.5 billion allocation to the State Homeland Security Grant Program to enhance state and local preparedness and event security. This includes $625 million for planning and securing the 2026 Fédération Internationale de Football Association (FIFA) World Cup and $1 billion for the 2028 Olympic and Paralympic Games in Los Angeles (LA28).

The legislation also allocates $12.5 billion for air traffic control modernization, including $7.75 billion to upgrade or replace outdated telecommunications and radar infrastructure, $1.1 billion for the consolidation of air traffic control centers managing high-altitude and terminal airspace, and $500 million for runway safety improvements. The Senate did not include the new fees on electric and hybrid vehicles that had been part of the House bill. However, it is expected this may be revisited as part of reauthorizing surface transportation legislation. In other policy areas, the bill preserves new fees on commercial space launches and eliminates civil penalties for automakers that fail to meet Corporate Average Fuel Economy standards.

The legislation further rescinds unspent portions of the 2022 Inflation Reduction Act, reversing several climate and infrastructure-related investments. Among the rescinded programs is the Federal Highway Administration's Neighborhood

Access and Equity Grant Program, which was designed to support projects that reconnect communities divided by past transportation decisions and promote inclusive planning. It also accelerates the expiration of the $7,500 federal tax credit for new electric vehicles (EV) and the $4,000 credit for used EVs, setting their termination date to September 30, 2025.

The Congressional Budget Office (CBO) preliminarily estimated that HR 1 would reduce the deficit by $400 billion compared to the Senate's budget enforcement baseline. However, when measured against CBO's January 2025 baseline, which assumes current laws stay in place, HR 1 would increase the deficit by $3.4 trillion over the federal fiscal year 2025–2034 period.

Letter on Restoring Local Control of Surface Transportation Block Grant and Congestion Mitigation and Air Quality Funds

On June 26, 2025, Representatives J. Luis Correa (D-Santa Ana) led a sign-on letter that included Young Kim (R-Anaheim Hills), Dave Min (D-Costa Mesa), and Derek T. Tran (D-Cypress) submitted a bipartisan letter to Senators Alex Padilla (D-CA) and Adam Schiff (D-CA), urging their support for a targeted legislative amendment to restore local suballocation authority for federal Surface Transportation Block Grant (STBG) and Congestion Mitigation and Air Quality (CMAQ) program funds in the Southern California Association of Governments (SCAG) region. This effort aligns with one of the OCTA Board of Directors-approved federal reauthorization principles. It is also important to note that this proposal was previously submitted as a priority to the House Transportation and Infrastructure Committee for surface transportation reauthorization by Representatives Correa, Kim, and Min. The letter is included as Attachment A.

For over three decades, California operated under a locally driven, population-based distribution framework, where county transportation commissions were directly suballocated STBG and CMAQ funds. This structure, established under state law, allowed local agencies to plan and deliver transportation projects that met the unique needs of their communities while ensuring accountability and efficient use of federal funds. However, in 2021, a federal corrective action prohibited metropolitan planning organizations (MPO) from delegating project selection authority. This change centralized project selection at the regional level, disrupting long-range planning, delaying project delivery, and reducing local responsiveness in regions like the SCAG, which serves over 18.8 million residents across six counties and nearly 200 cities.

The letter advocates for a narrowly tailored amendment to be included in the next surface transportation reauthorization bill. This amendment would reinstate suballocation authority specifically in metropolitan planning areas with populations over ten million where a state statute already supports population-based distribution. The proposal would maintain MPO oversight of the overall transportation improvement program while allowing county commissions to once again manage project selection and delivery directly. The Congressional

Members emphasize that this fix is essential to restoring efficiency, responsiveness, and local accountability in transportation planning and urge the Senators to champion the amendment and help build a bicameral coalition in support of this effort.

Summary of the Government Accountability Office’s Commuter Rail Report to Congress

On May 7, 2025, the US Government Accountability Office (GAO) released a report to Congress titled “Commuter Rail: Most Systems Struggling to Recover Ridership Following the COVID-19 Pandemic.” The report examines how commuter rail systems across the country have evolved since 2021. The report highlights an industry still grappling with the long-term impacts of the COVID-19 pandemic, with notable challenges in financial recovery, service delivery, and ridership patterns. A key finding was that fare revenues remain significantly depressed, averaging 31 percent below pre-pandemic levels, prompting increased reliance on federal, state, and local funding sources. While pandemic-era federal relief funds provided temporary operating support, these emergency allocations have expired, creating structural funding gaps that agencies must now address. Between 2019 and 2023, the share of funding from fare revenues dropped from 43 percent to 24 percent, while local contributions grew from 9.7 percent to 14 percent and state support from 18.2 percent to 18.6 percent. However, funding formulas and state involvement vary widely by region, with some systems such as TEXRail receiving no state operating support, and others like Virginia Railway Express covering 50 percent of their budgets with state funds. Compounding financial pressures, operating costs have surged 28 percent above pre-pandemic levels, with inflation, rising labor costs, and material prices cited as key drivers.

Despite these challenges, most commuter rail agencies have restored or expanded their service offerings. As of the report’s publication, 19 of the 31 systems surveyed were operating at 95 percent or more of their 2019 service levels. The Southern California Regional Rail Authority, also known as Metrolink, is operating at approximately 96 percent of its pre-pandemic service, placing it among the agencies that have most closely returned to full service. A few systems, such as Denver Regional Transportation District, have even expanded service significantly beyond 2019 levels, while others remain well below full recovery. Agencies are also pursuing new strategies to attract riders, including weekend, mid-day, and special event service expansions, youth pass programs aimed at cultivating future transit users, and flat-rate weekend fares to encourage non-commute travel. Some systems are addressing connectivity gaps by adding stations or launching on-demand shuttles. However, agencies that do not control the tracks they operate on report challenges negotiating with host railroads to provide more flexible or frequent service, an issue that limits their ability to respond to changing travel demand.

The report underscores that while service levels have largely returned, ridership recovery remains uneven. Twenty-five out of the 31 systems still fall below 2019 ridership, with eight reporting that fewer than half as many riders are using their systems today compared to pre-pandemic figures. Nevertheless, six agencies, including Sonoma-Marin Area Rail Transit and TEXRail, exceeded their pre-pandemic ridership levels, in some cases by over 35 percent. The GAO notes that systems that have aligned their service offerings with new travel behaviors, such as hybrid work schedules and increased weekend travel, are faring better in terms of ridership. The overall findings suggest that sustained recovery will depend on agencies' ability to adapt service models, secure long-term operating funding, and modernize agreements with host railroads to provide more responsive and flexible transit options.

Letter to the Los Angeles County Metropolitan Transportation Authority Regarding Transit System Safety and Security

On June 26, 2025, US Secretary of Transportation Sean Duffy issued a formal letter to Los Angeles County Metropolitan Transportation Authority (LA Metro) Chief Executive Officer Stephanie Wiggins requesting detailed information regarding the agency's safety and security practices. The letter requests documentation of LA Metro's current and planned actions to reduce crime and fare evasion, as well as steps being taken to maintain a clean and secure operating environment. The letter is included as Attachment B.

As part of the Federal Transit Administration's (FTA) review, LA Metro has been asked to provide data on fare evasion trends, details of prior mitigation measures, and all fiscal year 2025 budgeted and fiscal year 2026 planned funds directed towards improving security. This includes a breakdown of expenditures related to capital security projects, safety set-aside requirements under the Urbanized Area Formula Grants program, and other federal funding sources such as those provided through the Department of Homeland Security. Secretary Duffy's letter also references relevant federal statutes that permit the use of capital funds for crime prevention and safety efforts and encourages LA Metro to use these resources expediently for eligible activities. LA Metro's response is due to the FTA Region 9 Administrator, Ray Tellis, by July 10, 2025.

In relation to the letter to LA Metro, Secretary Duffy also sent a letter to City of Los Angeles Mayor Karen Bass following recent service disruptions related to public demonstrations, which is included as Attachment C. The letter cites concerns about the impact of protests on transit service availability, noting that commuter access to rail and bus service was interrupted. Secretary Duffy requested that the City of Los Angeles submit a report within 30 days addressing several key items: a status update on all transit services that experienced closures or delays due to the recent unrest, an outline of coordination between the Los Angeles Police Department, transit police, and federal law enforcement, a description of safety protocols intended to manage future disturbances, and a summary of resources that will be mobilized to ensure safe and timely transportation access for the upcoming 2026 FIFA World Cup and LA28.

These letters follow earlier communications from Secretary Duffy to the Washington Metropolitan Area Transit Authority and the New York Metropolitan Transportation Authority. While the focus of the most recent letters is on the City of Los Angeles, the letters reflect a broader shift in federal oversight priorities toward safety performance, public confidence, and accountability across major transit systems. As regional coordination becomes increasingly important, particularly in preparation for high-profile international events, OCTA staff will monitor developments closely and consider how related best practices or federal guidance may apply within OCTA's own service area.

Summary

An update is provided on the approval of the budget reconciliation bill. Summaries are provided on letters including one from Orange County congressional members urges restoring suballocation formulas for certain programs and another letter from United States Transportation Secretary Sean Duffy is addressed to the Los Angeles County Metropolitan Transportation Authority and the City of Los Angeles. An overview is also given on a report to Congress examining commuter rail in the United States after the pandemic.

Attachments

A. Letter from J. Luis Correa, Representative, House of Representatives, Young Kim, Representative, House of Representatives, Derek T. Tran, Representative, House of Representatives, and Dave Min, Representative, House of Representatives to Alex Padilla, Senator, United States Senate and Adam Schiff, Senator, United States Senate, dated June 26, 2025
B. Letter from U.S. Department of Transportation Secretary Sean P. Duffy to Stephanie Wiggins, Chief Executive Officer, Los Angeles County Metropolitan Transportation Authority, dated June 26, 2025
C. Letter from U.S. Department of Transportation Secretary Sean P. Duffy to Karen Bass, Mayor, City of Los Angeles, dated June 26, 2025
D. Potomac Partners DC, Monthly Legislative Report – June 2025

Prepared by:

Alexis Carter

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

Approved by:

Kristin Jacinto

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