OCTA

*February 19, 2026*

***To:*** Legislative and Communications Committee

***From:*** Darrell E. Johnson, Chief Executive Officer

For

***Subject:*** State Legislative Status Report

## *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 a recommended position on legislation that would clean up definitions related to previous transit-oriented development legislation. An update is also provided on potential sponsor legislation related to charter bus service during special events. A summary is also provided on the Governor's proposed fiscal year 2027 state budget proposal.

## *Recommendation*

Adopt an OPPOSE UNLESS AMENDED position on SB 677 (Wiener, D-San Francisco), which would clean up definitions related to previous transit-oriented development legislation, SB 79 (Chapter 512, Statutes of 2025).

## *Discussion*

SB 677 (Wiener, D-San Francisco): Housing development: transit-oriented development.

SB 677 is a clean-up bill related to the implementation of SB 79 (Chapter 512, Statutes of 2025), the Abundant and Affordable Homes Near Transit Act, which significantly altered California land-use law by authorizing increased housing density near Transit Oriented Development (TOD) in urban transit counties. SB 79 was enacted to increase housing development near transit by establishing statewide minimum development standards for housing near qualifying transit facilities by making housing a permitted use and limiting local land-use controls in these areas. While SB 79 has not been implemented, the majority of its provisions take effect on July 1, 2026, with further enforcement provisions to follow on January 1, 2027. Prior to those dates, metropolitan planning organizations, including the Southern California Association of Governments

(SCAG), must create maps delineating the TOD stops, and the California Department of Housing and Community Development (HCD) is to develop guidance. As written, both SB 79 and SB 677 lack sufficient clarity regarding critical definitions and implementation standards.

Rather than addressing the concerns in the policy framework adopted in SB 79, SB 677 expands on technical definitions that result in additional impacts on local jurisdictions and transit agencies. Under SB 79, in order to meet the definition of an urban transit county, a county must have at least 15 passenger rail stations. Passenger rail remains undefined in the bill. Once a county is defined as an urban transit county, TOD stops would be subject to the provisions of the bill. The bill does not clearly resolve whether Orange County will meet the definition of an urban transit county because the statute requires a minimum number of passenger rail stations but does not define what constitutes a passenger rail station.

Two categories of TOD stops are included:

- “Tier 1 TOD Stop” is a stop served by heavy rail transit or very high-frequency commuter rail, defined as commuter rail service (excluding Amtrak) operating at least 72 passenger trains per day in each direction.
- “Tier 2 TOD Stop” is a stop served by light rail transit, including streetcar service, high-frequency commuter rail, defined as public commuter or intercity rail service averaging at least 48 passenger trains per weekday in both directions at the station, or bus rapid transit service.

The changes and clarifications in SB 677 do not address the key concerns related to the implementation of the legislation. Key issues with SB 79 include unclear and evolving definitions related to urban transit counties, commuter and intercity rail service frequency, the potential over-application of Tier 1 TOD standards to Metrolink and Amtrak stations, increased litigation risk for local jurisdictions, and substantial reliance on forthcoming guidance from HCD and SCAG.

More broadly, this framework poses significant risks to existing transit service and future transit projects by overriding local decision-making around transit corridors, potentially incentivizing agencies to reduce service levels or forgo transit development to preserve local land-use authority. As a result, the bills create a more challenging environment to deliver current and future high-quality transit in Orange County. Alternative interpretations of urban transit county classifications and commuter rail frequency could result in inconsistent application of state law, expose local jurisdictions and transit agencies to legal challenges, and complicate long-term planning decisions. This framework complicates coordination with corridor cities and community stakeholders and risks undermining the collaborative partnerships necessary for successful project delivery.

Recommended amendments to SB 677 include:

- Delaying SB 79's effective dates set for implementation and enforcement to allow for additional stakeholder discussion and definition refinement.
- Clarifying a narrow application limited to the Bay Area rather than a uniform statewide mandate.
- Explicit exemption of Orange County as an urban transit county.
- Basing participation and related implementation and enforcement provisions on a voluntary basis, by allowing local jurisdictions to "opt-in" to the mandate.

SB 907 (Wiener, D-San Francisco) has been introduced as a related spot bill, which has been referred to committee and remains in early development pending continued stakeholder discussions and potential amendments.

Due to SB 677 not adequately resolving ambiguities or implementation challenges associated with SB 79, an OPPOSE UNLESS AMENDED position is consistent with the Orange County Transportation Authority's (OCTA) fiscal year (FY) 2027 State Legislative Platform (Platform) principles to "Support legislation to amend the implementation of SB 79 by updating definitions and making other changes as needed to ensure continued community support for transit projects." A thorough analysis and copy of the text of this legislation is included as Attachment A. Other transportation agencies have taken similar positions, including Los Angeles County Metropolitan Transportation Agency (LA Metro) and the San Diego Association of Governments.

Update on Sponsor Bill Related to Charter Service

As part of the Platform, the OCTA Board of Directors (Board) approved a potential sponsor bill to revise its governing statute to allow the operation of a charter bus service to support major regional events, including the 2026 Fédération Internationale de Football Association (FIFA) World Cup and the 2028 Olympic and Paralympic Games in the City of Los Angeles. This legislation would allow OCTA to have similar statutory authorization to LA Metro. Since the Platform was adopted, however, OCTA staff has continued to work with the Federal Transit Administration and LA Metro to discuss the operating plans for the FIFA World Cup, and the requirements associated with federal restrictions on transit agencies operating charter service. At this time, OCTA believes the services it will operate out of Orange County will not violate federal prohibitions on charter bus service, specifically when the service is open to the general public and the fare charged is consistent with OCTA's normal fares.

OCTA is maintaining communication with state delegation members as the parameters of the service are negotiated with LA Metro, and as any federal direction is provided. If circumstances change, OCTA staff will request the Board revisit the potential for sponsor bill to clarify any state statutory hurdles that may exist.

Summary of the Governor's January Budget

On January 9, 2026, Governor Gavin Newsom released his proposed state budget for FY 2027. A memo detailing the budget proposal was sent to the Board on January 9, 2026 (Attachment B). The Governor's proposal estimates general fund revenues at approximately $227.4 billion, with expenditures of approximately $248.3 billion, and includes total reserves of about $23 billion. The budget assumptions reflect a projected deficit of approximately $2.9 billion in FY 2027, which the Administration attributes to ongoing economic uncertainty, revenue volatility, and the cumulative impact of prior year commitments despite stronger-than-anticipated late-year tax receipts. While the Administration characterizes the budget as balanced on a budgetary basis, it signals that additional adjustments and refinements are expected as part of the May Revision.

The Governor's budget generally maintains existing funding commitments for transportation programs and projects but does not propose significant new resources for public transit. Overall transportation funding reflects constrained discretionary capacity, with reduced projections for Cap-and-Invest revenues and declining State Transit Assistance (STA) estimates, contributing to increased uncertainty for transit capital and operational planning.

The proposed budget reflects lower funding assumptions for transit programs that rely on cap-and-invest revenues and statewide formulas. Projected cap-and-invest funding levels are below amounts anticipated in recent legislation and previously identified Zero-Emission Transit Capital Program (ZETCP) funding for FYs 2027 and 2028 is not included, $690 million statewide, creating uncertainty for zero-emission bus and infrastructure investments. STA funding is also estimated to decline year-over-year, with final allocations subject to revenue performance.

The Governor's budget includes numerous Budget Change Proposals (BCP); however, staff highlights only two that are most directly relevant to Orange County. One BCP proposes increased reimbursement authority for the California Department of Transportation to support maintenance of toll facilities in Orange County, including the Interstate 405 Express Lanes, State Route 91 (SR-91) Express Lanes and related SR-91 and State Route 241 connections. A second, administrative BCP provides one-time resources to implement SB 364 (Chapter 313, Statutes of 2026), updating Outdoor Advertising Act regulations to allow permit processing adjacent to completed highway realignment projects.

In addition, since the release of the Governor's January budget proposal, proposed trailer bill language has been released which authorizes the Metropolitan Transportation Commission (MTC) to provide loans to transit agencies in their area facing cash flow challenges. The proposed trailer bill would authorize the MTC to use funds from previously awarded but not yet allocated Transit and Intercity Rail Capital program funds to the area as loans for operational costs. This loan is intended to bridge the gap to sustain service until a regional sales tax measure is voted on later this year. The loans would be backed by regional share STA funding, and repayment would be for a 12-year period, with the first two years being interest only.

Overall, the FY 2027 budget provides limited clarity on future transit funding. Reduced cap-and-invest revenue projections, the absence of ZETCP funding, and declining or uncertain STA levels underscore continued funding uncertainty for Orange County transit programs as the budget advances through the May Revision and legislative process.

***Summary***

A recommended position on transit-oriented development legislation is provided along with a summary of the Governor's FY 2027 proposed state budget.

***Attachments***

A. SB 677 (Wiener, D-San Francisco) Bill Analysis with Bill Language
B. Orange County Transportation Authority Memo to Members of the Board of Directors, re: Governor's Fiscal Year 2027 State Budget Proposal, dated January 9, 2026
C. Orange County Transportation Authority Legislative Matrix

**Prepared by:**

Sofia Perez
Senior Government Relations Representative,
Government Relations
(714) 560-5819

**Approved by:**

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