



March 20, 2025

To: Legislative and Communications 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 and Communications Committee on policy issues directly impacting its overall programs, projects, and operations. Staff recommend supporting two legislative proposals, one addressing emergency permitting in the coastal zone and the other extending the sales tax exemption for zero-emission transit bus purchases. An update is provided on the renewal of the Senate Transportation Committee Subcommittee on Los Angeles – San Diego – San Luis Obispo Rail Corridor Resiliency. Finally, this report includes a summary of a hearing discussing transportation funding sustainability in California.

Recommendations

- A. Adopt a SUPPORT position on SB 741 (Blakespear, D-Encinitas), which would clarify that a local emergency declared by a municipality, county, or special district qualifies as an emergency for coastal development permits.
- B. Adopt a SUPPORT position on SB 752 (Richardson, D-Inglewood), which would extend the sunset date on the sales tax exemption for the purchase of zero-emission transit buses.

Discussion

SB 741 (Blakespear, D-Encinitas): Coastal resources: coastal development permit: local emergency declaration.

The Orange County Transportation Authority (OCTA) owns and maintains over 40 miles of the Los Angeles-San Diego-San Luis Obispo (LOSSAN) Rail Corridor within Orange County, including seven miles along the coast. The rail line serves intercity, commuter, and freight rail operations. Since 2021, repeated landslides, bluff failures, and coastal erosion in the City of San Clemente have impacted rail operations, requiring emergency stabilization efforts which cumulatively have resulted in 12 months of closure.

Each time work is required along the corridor, it impacts the eight million annual passengers on Amtrak Pacific Surfliner, Metrolink, and COASTER trains, \$1 billion in freight crucial to the region's economy, and the United States Department of Defense strategic rail operations. For the LOSSAN Rail Corridor Agency, the closures have resulted in a net loss of \$14 million in revenue, which includes emergency bus bridges costing up to \$100,000 per day. OCTA has spent more than \$37 million so far on emergency repairs in the known ancient landslide area. Freight shipments crucial to the regional economy and military logistics have also faced significant delays. The biggest untold cost may be the loss of rail passengers who may never return due to the lack of rail service reliability.

While there has been substantial emergency work already done, a significant threat remains to both property and public infrastructure, with the real potential for loss of life if a catastrophic bluff failure coincides with a passing train. Recognizing the ongoing state of emergency caused by continued weather impacts, OCTA conducted a Coastal Rail Resiliency Study in 2023, identifying four high-risk areas in the City of San Clemente that require urgent reinforcement. Proposed solutions include emergency armoring, sand nourishment, a catchment wall, and other slope reinforcements. In 2024, OCTA secured \$305 million in state and federal funding for these stabilization projects. However, due to lengthy environmental analysis and permitting processes, immediate action is not possible.

In May 2024, OCTA pursued an emergency coastal development permit from the California Coastal Commission (CCC) but was informed by the CCC this was not the appropriate mechanism because rail service remained operational therefore no emergency exists. Without an emergency designation, OCTA must pursue a traditional coastal development permit, requiring extensive studies and environmental reviews under the California Environmental Quality Act. Under this process, construction on the high-risk areas is not expected to begin until 2028, delaying critical safety improvements. An alternative approach may be to afford an opportunity to clarify a process where a locality can declare an emergency for a situation where there is an imminent threat of emergency, as is the case in the hot spot area, and ensure that this is sufficient for purposes of the CCC emergency coastal development permit eligibility.

It is critical to emphasize that the pursuit of emergency permitting is not an attempt to circumvent environmental regulations, but rather a response to a demonstrable and persistent escalating threat. Between January 2024 and January 2025, a series of new landslides have occurred near previous emergency project areas. While these slides have not yet directly impacted rail service, the resulting debris is steadily moving toward the tracks, signaling ongoing hillside instability at multiple locations. Over the past year, mud and debris have continued to accumulate behind the 12-foot-high temporary catchment wall designed to protect rail operations. In some areas, the debris has

reached nearly 11 feet, posing an imminent risk of spilling over and obstructing the corridor. These conditions underscore the urgent need for proactive stabilization measures to prevent further disruptions, rather than waiting for a catastrophic failure to justify emergency intervention.

SB 741 clarifies that a local emergency declared by a municipality, county, or special district qualifies as an emergency under the California Coastal Act, allowing agencies like OCTA to respond more quickly to threats. By recognizing local emergency declarations, this bill provides a proactive tool to prevent catastrophic disruptions rather than waiting for prolonged regulatory approvals. This would ensure stabilization projects can be implemented before service suspensions occur, protecting rail operations, regional mobility, and economic activity.

With secured funding in place, the primary obstacle to implementing critical reinforcement measures remains the permitting process. Delays in obtaining approvals could result in escalating costs, increased safety risks, and further degradation of the rail corridor. By streamlining emergency permitting authority, SB 741 removes a significant barrier to timely project delivery, allowing essential stabilization work to move forward as soon as risks are identified, and a local emergency declaration is made. This would enhance long-term rail resilience and reduce the likelihood of future service interruptions caused by coastal erosion and extreme weather events.

A copy of SB 741 and associated staff analysis is included as Attachment A. A SUPPORT position is consistent with OCTA's 2025-26 State Legislative Platform principles to sponsor legislation related to "expedited permitting and project delivery for critical public transportation projects located within the coastal zone."

SB 752 (Richardson, D-Inglewood): Sales and use taxes: exemptions: California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project: transit buses.

SB 752 extends the sales tax exemption for zero-emission buses (ZEB) from January 1, 2026, to January 1, 2028. This exemption is allowing OCTA to save nearly \$2.8 million on the purchase of 50 ZEBs this year. Previous legislation, including AB 2622 (Chapter 353, Statutes of 2022) and AB 784 (Chapter 684, Statutes of 2019), established and extended the exemption, benefiting about 25 percent of ZEBs statewide. The extension provides continued cost relief as agencies work to meet the California Air Resources Board's Innovative Clean Transit (ICT) regulation, which mandates a fully zero-emission fleet by 2040. Under the ICT regulation, large transit agencies like OCTA are required to have a certain percentage of their new bus purchases be ZEBs as follows:

- 2023-2025: 25 percent of new bus purchases must be ZEBs
- 2026-2028: 50 percent of new bus purchases must be ZEBs
- 2029 and beyond: 100 percent of new bus purchases must be ZEBs

This phased approach provides a gradual transition to zero-emission technologies, allowing agencies to adapt their operations and infrastructure accordingly. By reducing upfront costs, the sales tax exemption supports OCTA's compliance efforts while enabling the agency with greater financial flexibility to allocate resources toward improving service frequency, expanding routes, and enhancing overall transit accessibility for riders. This comes at a pivotal moment, as the cost of zero-emission transit buses continues to climb, placing additional financial strain on transit agencies.

SB 752 is sponsored by the California Transit Association. A copy of SB 752 and associated staff analysis is included as Attachment B. A SUPPORT position is consistent with OCTA's 2025-26 State Legislative Platform principles to "support efforts to mitigate costs associated with the development, testing, purchase, and operation of zero-emission transit buses, including an alternative electricity rate structure, tax incentives, and other forms of financial assistance."

State Renews Senate Transportation Subcommittee on LOSSAN Resiliency

The Senate has reauthorized the Senate Transportation Committee Subcommittee on LOSSAN Rail Corridor Resiliency, reaffirming its commitment to addressing infrastructure and service challenges along the 351-mile corridor from San Diego to San Luis Obispo. Chaired by Senator Catherine Blakespear (D-Encinitas), the Subcommittee will continue providing oversight and policy guidance to enhance the corridor's resiliency, reliability, and efficiency. The Subcommittee also includes Senators Bob Archuleta (D-Pico Rivera), Sabrina Cervantes (D-Riverside), Monique Limón (D-Santa Barbara), and Tom Umberg (D-Santa Ana). A position on the Subcommittee remains vacant and is expected to be filled by whomever takes the Committee's Vice Chair position.

For OCTA, this renewal is particularly important as the agency manages the Orange County segment of the LOSSAN Rail Corridor, including operations for Metrolink's Orange County and Inland Empire-Orange County lines. The Subcommittee's work will help expand funding opportunities, legislative support, and policy coordination for rail infrastructure projects that impact the region. OCTA will continue to collaborate with the Subcommittee and other stakeholders to advocate for funding, infrastructure investments, and long-term solutions to protect and enhance rail service through the County.

Summary of Joint Informational Hearing on Declining Gas Tax Revenues

On March 3, 2025, the California Assembly and Senate Transportation Committees held a Joint Informational Hearing titled “Declining Gas Tax Revenues”, examining the financial challenges posed by zero-emission vehicle (ZEV) adoption and the future of transportation funding. According to background information provided by the Legislature for the hearing, the Mineta Transportation Institute warned that gas tax revenue could decline by up to \$75.1 billion by 2040, threatening the state’s ability to maintain roads and infrastructure.

This potential decline could lead to reductions in State Highway Operation and Protection Program, State Transportation Improvement Program and local street and road formula funding, putting further strain on local governments, limiting resources for highway maintenance, road repairs, and transit projects across Orange County and throughout the State. Without new revenue solutions, key infrastructure projects could face delays or cancellations, increasing long-term maintenance costs and congestion.

The severity of this issue was underscored by the Legislative Analyst’s Office, which projects that gas tax revenues will decline by approximately \$5 billion from the current year to 2033. However, as the deadline to convert to ZEVs approaches, this projection is likely to dramatically increase closer to 2040, as cited previously by the Mineta Transportation Institute. This growing funding gap adds to the urgency of finding alternative solutions to ensure the long-term stability of California’s transportation system.

Stakeholders, including Margot Yapp, Chief Executive Officer of North Coast Engineering, and Tanisha Taylor, Executive Director of the California Transportation Commission, emphasized the pressing need for stable transportation funding, particularly for local roads, bridges, and corridors impacted by climate change. Ms. Taylor explained that as gas tax revenues decline, the demand for transportation funding continues to rise, citing climate-related disruptions such as the unstable slopes along the LOSSAN Rail Corridor as a key example of why consistent and reliable funding is essential.

To address these funding challenges, lawmakers and stakeholders discussed potential alternative revenue sources, including a road usage charge or vehicle miles traveled charge. While these alternatives could provide a more sustainable funding model, concerns remain regarding privacy, equity impacts on low-income drivers, and high implementation costs. Ultimately, the hearing reinforced the need for legislative action, with policymakers considering expanding ZEV fees, implementing a vehicle ownership fee, adopting a mileage-based charge, and exploring congestion pricing as potential solutions to maintain and improve the state’s transportation infrastructure.

While no definitive solution was reached, these discussions mark an important step toward addressing California's growing transportation funding crisis. Continued stakeholder engagement, legislative analysis, and pilot programs will be necessary to develop a viable long-term solution that ensures the sustainability of the state's roads, highways, and transit systems.

Summary

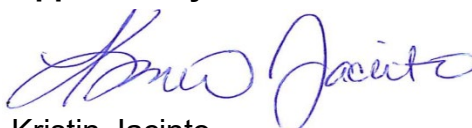
A support position is recommended on legislation related to emergency permitting in the coastal zone and extending the sales tax exemption for the purchase of zero-emission transit buses. An update is provided on the Senate Transportation Committee Subcommittee on LOSSAN Rail Corridor Resiliency. Additionally, a summary is provided on a hearing regarding gas tax revenues in California.

Attachments

- A. SB 741 (Blakespear, D-Encinitas) Bill Analysis with Bill Language
- B. SB 752 (Richardson, D-Inglewood) Bill Analysis with Bill Language
- C. Orange County Transportation Authority Legislative Matrix

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