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Consulting and Governmental Relations

October 6, 2020

TO: Transportation, Water, and Infrastructure Committee

FROM: Mark Watts

SUBJECT: Sacramento Report – October TWIC Meeting

This report provides a status update on activities undertaken by the Newsom Administration and key legislative or state budget activities.

Newsom Administration

COVID-19 Related Impacts on Transportation Funding

While the transportation funding projections released with the May Revision to the Governor's 2020-21 State Budget were not welcome news, the estimated reduction in anticipated revenues compared to that of prior revenue estimates was better than expected. These more recent estimates continue to reflect that gas tax receipts will be reduced by \$1.8 billion in total over the next five years (budget year through 2024-25) and that most of the decrease (\$1.1 billion) will occur through the end of FY 2020-21.

In terms of programmatic impacts, the State Highway Operations and Protection Program (SHOPP) will see a reduction of \$556 million, cities and counties continue to expect to see a reduction of \$282 million in local streets and roads revenues, and the State Transportation Improvement Program (STIP) which funds state highway improvements, intercity rail, and regional highway and transit improvements will see a reduction of \$91 million through FY 2020-21.

Interestingly, at the time of this writing, Caltrans, in its most recent report to the CTC indicates that FY 2020-21 is shaping up to be the biggest overall construction program year in the Department's history. Supporting this is the immediate past CTC Allocation summary of \$1.85 billion for highway allocations and another \$126 million in Mass Transit allocations, all made at the August 2020 Commission meeting.

While the updated current year projections aren't likely to impact Caltrans work this year, Caltrans and the CTC have suggested that the funding eroded due to the state's response to the pandemic may have impacts for future year programs, such as not being able to add new projects to the 2022 SHOPP.

At the regional and local level, self-help counties are monitoring their revenues closely and have developed an assessment of pandemic response impacts for 16 of the 25 sales-tax measures. However, unlike Caltrans who has access to larger amounts of cash on hand, local projects are more likely to be impacted in the current year.

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SB 743 Implementation / Executive Order N-19-19 Implementation / California Transportation Plan 2050

Over the course of the year, the executive branch has been busy implementing or preparing to implement several administrative matters in the transportation policy arena, including:

SB 743 Implementation.

In 2013 SB 743 was enacted which essentially eliminated traffic congestion as a potentially significant environmental impact under CEQA.

In its place, the amount of driving, measured by vehicle miles traveled (VMT), is now the metric for assessing transportation impacts on the environment and reducing the amount of driving is the way in which these impacts are mitigated.

The Newsom Administration, CalSTA, and Caltrans are fully committed to implementing SB 743. Therefore, it is highly suggested that agencies participate in stakeholder implementation opportunities and work closely with lead agencies in understanding how SB 743 implementation is impacting transportation at the project level across the state.

Executive Order N-19-19 Implementation.

In September 2019, Governor Newsom signed Executive Order N-19-19 which calls for actions from multiple state agencies to reduce GHG emissions and mitigate the impacts of climate change, including the transportation sector.

Immediately following the release of the EO, the Governor's Office and CalSTA clarified that nothing in the order calls for or otherwise requires a redirection or repurposing of SB 1 transportation funding and that a working group would be formed to guide its implementation.

Over this immediate past summer, CalSTA and Caltrans staff has initiated a series of outreach efforts, including an implementation survey conducted by CalSTA. Their planning horizon calls for release of an implementation plan in the coming weeks.

California Transportation Plan 2050.

Caltrans released its Draft California Transportation Plan 2050, the State's long-range transportation plan prepared under statutory requirements. It is intended to set forth a vision for mobility in California, complete with strategic goals, policies, and recommendations to improve multimodal mobility and accessibility while reducing GHG emissions. One local transportation entity has already identified at least one major concern with the Draft Plan – the recommendation to use potential road pricing revenues to fund affordable housing and non-auto modes of travel.

There is an active public comment period which ends on October 22, 2020.

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Legislature

August represented the final opportunity for a comparatively smaller slate of bills than has been typical for the end of a legislative session to reach their final approvals in policy and fiscal committees. Bills that were still under consideration at that point in the legislative cycle were measures previously passed by their original house and that were facing the final parliamentary deadline to be acted upon and approved by the Legislature of August 31. Those successful bills are presently available for gubernatorial review and approval through the end of September. Two bills of interest to this region are:

SB 1349 (Glazer) – This bill is supported by the Authority and by Contra Costa County, among others, and would permit the County, and cities within the County, additional legal flexibility to impose local transactions and use taxes.

The bill passed the legislature and was approved by the governor. However, late changes to the bill related to CCTA tax authority did not include a modification to the current sunset date on CCTA tax authority and therefore, the amended chapter will sunset before the recent changes to the bill would otherwise become enacted.

SB 1291 (Beall) – This measure emerged as a collaboration with the California Association of Councils of Government (CalCOG), the statewide entity that monitors transportation planning agency interests. The specific language provides some much-needed flexibility to regional agencies that otherwise face developing the Federal Statewide Transportation Improvement Program (FSTIP) in the face of uncertainties related to federal changes under the SAFE Vehicles Rule. Together, TC and CalCOG worked with the Senate Transportation Committee staff to establish the provision as the basis for a committee bill, SB 1291.

The Governor approved the measure.

Other Transportation Legislation

Over the course of the legislative session a number of other measures were amended to deal with transportation related policies of interest to the industry.

SB 1351 (Beall) – the author's stated intent for the measure is to provide economic activity and stimulus to address the COVID-19 pandemic by accelerating SHOPP projects through revenue bonds backed by SB 1. The bill was amended to include major policy improvements: (1) correction of a potential threat to local road repair funds, (2) providing that the selection of projects be delegated to Caltrans and (3) the requirement that eligible projects would have previously been listed within the 2020 CTC - approved SHOPP program. In addition, the measure was amended in the Assembly to include a cap on the allowable revenue bond at \$5 billion; this will permit the state to seek acceleration of SHOPP projects while retaining adequate annual revenues to fund projects on an ongoing basis.

SB 1351 was vetoed by the governor.

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SB 288 (Wiener) – would provide statutory CEQA exemptions for many transit, bicycle program, and pedestrian projects. If enacted, the new statutory provisions will sunset on January 1, 2023.

The bill was approved by the Governor.

SB 757 (Allen) – would expedite administrative and judicial review procedures for major transit projects. Although the bill was passed by the Legislature, it was tied to another bill, SB 995, which would have provided similar expedited CEQA judicial process for housing.

SB 757 was vetoed by the governor as SB 995 did not pass the Legislature.

STATE BUDGET - August Budget Trailer Bill

This year, AB 90 became the initial state government trailer bill for the 2020-21 budget, and it contained numerous necessary changes to implement the 2020 Budget Act. Several beneficial provisions related to transportation programs were enacted:

National Environmental Policy Act of 1969 (NEPA)

Current law allows the California State Transportation Secretary to assume responsibilities under the National Environmental Policy Act (NEPA) and other federal environmental laws for any railroad, public transportation, or multimodal project until January 1, 2021. This bill would extend that authority one additional year, until January 1, 2022.

Transit Agency Relief

Additionally, AB 90 included a “hold harmless” provision designed to ensure that the share of state allocations to local transit agencies is unchanged for three transit programs for 2020-21 and 2021-22. Specifically, the provision applies to the State Transit Assistance Program, the State of Good Repair Program, and the Low Carbon Transit Operations Program.

In addition, AB 90 also temporarily suspends the financial penalties for noncompliance with certain requirements of the State Transit Assistance Program. Specifically, transit operators are not required to maintain a specified ratio of fare revenues to operating costs for 2019-20 and 2020-21. In addition, transit providers are no longer required to keep hourly operating costs lower than costs in prior years for 2020-21 and 2021-22.

Finally, a later trailer bill grants transit agencies greater flexibility on the use of funds received through the State of Good Repair Program. Normally, these funds are restricted to be used for capital expenses. However, for the 2019-20 through 2021-22 fiscal years, transit agencies are allowed to use these funds for any operating or capital expenses to maintain transit service levels.