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TO: Transportation, Water, and Infrastructure Committee

FROM: Mark Watts

SUBJECT: Sacramento Report – September TWIC Meeting

The Legislature returned from the annual Summer Recess and resumed session work on Monday, August 16th.

This report summarizes the present state of somewhat contentious transportation negotiations surrounding the recently enacted state budget and also provides a reminder of the Transportation Secretary's new clean transportation initiative and expected activities that are likely to be addressed during last four weeks of the 2021 Legislative year which is scheduled to conclude on Friday September 10th.

As reported previously, when Governor Newsom released the [May Revise](#), he proposed to fund a massive economic recovery leaning on the substantial increase in state General Fund Revenue. This year's May Revise budget proposal includes a historic investment of \$100 billion in new economic stimulus - "*California Comeback Plan*" - bolstered by the state's improved state budget revenues.

Transportation Element. The *California Comeback Plan* proposed the following new investments in transportation, totaling \$11 billion:

- *Zero-Emission Buses and Trucks* - \$1.4 billion to demonstrate and purchase or lease "green" buses and trucks. (*Funding Source: \$1.3 billion - General Fund, \$87 billion - Air Pollution Control Fund*)
- *Priority Transit and Rail Projects* - \$1 billion for transit and rail projects statewide that improve rail and transit connectivity between state and regional/local services. (*Funding Source: \$1 billion - General Fund*)
- *Zero-Emission Rail and Transit Equipment Purchase and Infrastructure* - \$407 million to demonstrate and purchase or lease state-of-the-art clean bus and rail equipment and infrastructure that eliminate fossil fuel emissions and intercity rail and intercity bus frequencies. (*Funding Source: \$100 million - General Fund, \$280 million - Public Transportation Account, and \$27 million - federal funds*)
- *Los Angeles Olympics* - \$1 billion to deliver critical projects in time for the 2028 Olympic Games. (*Funding Source: \$1 billion - General Fund*)

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- *High Priority Grade Separations and Grade Crossing Improvements* - \$500 million to support critical safety improvements throughout the state. (*Funding Source: \$500 million - General Fund*)
- *High-Speed Rail* - \$4.2 billion to complete high-speed rail construction in the Central Valley, advance work to launch service between Merced and Bakersfield, advance planning and project design for the entire project, and leverage potential federal funds. (*Funding Source: \$4.2 billion - Proposition 1A*)
- *State Highway Rehabilitation and Local Roads and Bridges* - \$2 billion to support the advancement of priority State Highway Operation and Protection Program (*SHOPP*) projects, Interregional Transportation Improvement Program (*ITIP*) projects, and local road and bridge investments. (*Funding Source: \$1.1 billion - special funds, \$968 million - federal funds*)
- *Active Transportation* - \$500 million to advance projects that increase the proportion of trips accomplished by walking and biking, increase the safety and mobility of non-motorized users, advance efforts to regional agencies to achieve GHG goals. (*Funding Source: \$500 million - General Fund*)
- *Climate Adaptation* - \$400 million for state transportation projects and local grants to begin to undertake the identified effort needed to ensure our transportation systems and infrastructure is safe from climate threat.

Transportation Discussions Break down. Governor Newsom's Administration sought a broad, holistic, adoption of these proposals for a total of \$8 billion in transportation investments, including \$4.2 in Prop 1A for High speed Rail along with nearly \$4 billion in new General Fund spending for ATP, Climate Adaptation, and 3 appropriations that would supplement the Transit and Intercity Rail Program (TIRCP) competitive grant program.

However, this massive new investment was not to be – On September 3, the state's leaders announced that the discussions on how much funding would be available for High Speed Rail broke down and the leadership announced they would put over ALL of the new transportation General Fund spending for later action.

This leaves a modest, "keep the lights on", appropriation for the High Speed Rail Authority and its contractors, as well as withdrawal of \$2.5 billion from the upcoming competitive TIRCP grant program about to commence this fall.

Other programs caught up in the include Active Transportation (-\$500 million); Climate Adaptation grants (-\$400 million)

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Transit. The revised budget represented a significant turn-around in revenue support for core transit programs. Initially, the Governor's January Budget Proposal estimated the State Transit Assistance (STA) program would receive approximately \$667 million in FY 2021-22. The STA program is now projected to see revenues of approximately \$786 million, an increase of about \$119 million. Intercity and Commuter Rail would receive an estimated \$259 million in FY 2021-22 (an increase of approximately \$45 million).

Cap and Trade funding has Remained Stable. The Low Carbon Transit Operations Program (LCTOP) is expected to provide \$106 million, distributed to eligible transit operators using the STA formula. Lastly, the Transit and Intercity Rail Capital Program (TIRCP) is expected to receive approximately \$487 million in FY 2021-22, as Transportation Improvement Fee (TIF) revenues also remain steady.

Clean California Initiative. The Governor's budget proposes to help transportation agencies tackle homelessness and litter on public property through the new *Clean California Initiative* in which Caltrans will partner with local governments (including transit agencies) in a statewide beautification effort. The budget includes an appropriation commitment of \$1.5 billion from the State General Fund for this purpose over three-years for statewide litter and debris cleanup across the state, with expressed goals to beautify the state's transportation network, educate the public about the harms of litter, and create long-lasting litter deterrents. This initiative is designed to rely on partnerships with local entities, with a focus on increasing resources dedicated to eliminating trash and implementing measures to reduce future litter. The initiative will also provide resources to beautify the state highways and local roads with regional art and other projects that will serve as community gateways.

Infill Housing. Finally, the budget proposed \$500 million in one-time federal *American Rescue Plan Act* funds for the State Housing and Community Development Department (HCD) to provide additional planning and implementation grants to regional entities for infill housing developments, targeted towards the state's climate goals and reducing vehicle miles traveled. This funding would be available to transit agencies for advancing innovative transit projects.

Climate Action Plan for Transportation Infrastructure (CAPTI). In July, the California State Transportation Agency (CalSTA) released the final version of their [Climate Action Plan for Transportation Infrastructure](#). The plan outlines steps that the state can implement to invest transportation funds for more effective mitigation against climate change. The plan also seeks to support public health, safety and equity. CAPTI builds on Executive Orders [N-19-19](#) and [N-79-20](#), which were signed by Governor Gavin Newsom in 2019 and 2020. CalSTA developed the draft CAPTI document after input from various state agencies and stakeholder groups.