

Smith, Watts & Hartmann, LLC.

Consulting and Governmental Relations

April 28, 2023

To: Transportation, Water, and Infrastructure Committee (TWIC)
c/o John Cunningham, TWIC Staff

From: Mark Watts

Re: April 2023 State Advocacy Report

The following is a report on state legislation, budget matters, and administrative activities of interest to Contra Costa TWIC.

2023 Legislative, Budget & Administrative Updates

The remainder of April has been busy with policy committee hearings to meet the first legislative deadline of April 28, the date by which fiscal bills must pass their first policy committee hearing if they want to keep moving in the first year of the new two-year session. The next major deadline is for fiscal bills in Appropriations committees to move to the respective house Floors by May 19.

Transit Budget-Related Activities

California Transit Association. This past week the California Transit Association (CTA) released a five-year \$5.15 billion [budget request](#) to address public transit operational funding shortfalls that will be exacerbated by the exhaustion of federal COVID-relief funding for transit agencies. The proposal was discussed at a hearing of Senate Budget Subcommittee No. 5, which has jurisdiction over transportation funding.

Senate Budget Subcommittee No. 5. The CTA proposal was discussed at a hearing of Senate Budget Subcommittee No. 5, which has jurisdiction over transportation funding on April 27.

During the hearing, CTA highlighted their two-pronged approach to the issue of fiscal sustainability, with fiscal relief and regulatory flexibility in the near-term and longer-term changes related to performance and accountability measures, adapting transit services to respond to evolving travel patterns following the COVID-19 pandemic, and addressing issues with safety and the presence of homelessness on transit systems.

The CTA longer range concern will include CTA's support of [AB 761 \(Friedman\)](#), which creates the Transit Transformation Task Force to examine structural changes to fund transit and increase ridership; [SB 434 \(Min\)](#), which requires harassment surveys by large transit agencies; and [AB 1377 \(Friedman\)](#), requiring coordination between local governments providing homeless services and transit agencies.

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CTA's budget request includes the following key elements:

- Additional revenue from diesel sales tax (\$1.35B from FYs 2023-24 to FY 2027-28)
- Additional unallocated cap and trade revenue (\$2.5B from FYs 2023-24 to FY 2027-28)
- Conversion of transit capital funding to transit operations funding (\$300M in FYs 2026-27, 2027-28)
- Flexibility to use transit capital funding for transit operations (Up to \$1B in FYs 2023-24, 2024-25)

They have also requested ongoing flexibility and relief from farebox recovery standards in the State Transit Assistance-State of Good Repair Program and additional flexibility in the Low Carbon Transit Operations Program through FY 2027-28.

Metropolitan Planning Commission (MTC). At their Board meeting this week, MTC staff presented for Commission review and approval a plan of funding sources and overall advocacy approach to addressing the transit fiscal cliff and supporting investment in rider-focused enhancements to attract new riders.

MTC estimates that Bay Area transit agencies face an approximately \$2.5 billion fiscal cliff over the next five years as they struggle to recover their ridership from before the COVID-19 pandemic and face costs that are far outpacing revenue. Since last fall, staff has been participating in a strong and growing coalition of stakeholders, including transit agencies, transit rider advocacy organizations, the business community, labor, environmental advocates, equity advocates and more to coordinate our advocacy and communications efforts in support of state funding to both address the fiscal cliff and fund transformative initiatives aimed at attracting new riders.

The MTC-led coalition has developed the following funding sources extracted from the [MTC Fiscal Cliff presentation](#) :

Menu of Potential Funding Sources Considered

Menu Item	NEW Transit Operating Source	CTA Committee Approved?	Five-Year Maximum Amount Statewide	Who Controls Now? / Percent of Fund Source
1	Cap and Trade Discretionary Funds	Yes	\$2.5 billion	Legislature/33%
2	Temporary Shift of SHOPP (federal highway) Funds	No	\$2.3 billion	Caltrans SHOPP/14%
3	Diesel Sales Tax Shift (2.5% portion)	Yes	\$1.3 billion	General Fund /100%
4	Increase TIF Vehicle Registration Charge	No	\$1.3 billion	NA –Tax Increase
	Subtotal		\$7.4 billion	
	FLEX Existing Transit Capital Funds			
5	LCTOP Redirection or make more flexible	Yes	\$1 billion *	STA Formula/100%
6	STA – State of Good Repair	Yes	\$0.6 billion *	STA Formula/100%
7	TIRCP General Fund Augmentation— pending budget appropriation	Yes	\$1 billion	MTC/ 25%
8	TIRCP (Future grant cycle)	Yes	\$0.3 billion	CalSTA/ 25%
	Subtotal		\$2.9 billion	