



## Senate Bill 125 Transit Funding Initial Allocation Plan Approval

Action

**Prepared by:** Chris Dougherty

**Attachments:** No

**Approved by:** James Corless

**Referring Committee:** Transportation

### 1. Issue:

To approve the initial allocation plan for Senate Bill 125 Transit Funding plan due December 31, 2023.

### 2. Recommendation:

At the time of this writing, the Transportation Committee has not met and reviewed this item. Staff recommends that the board act to: approve staff's recommendations for the SB 125 initial allocation project list.

### 3. Background/Analysis:

In July 2023, California passed Senate Bill 125 (SB 125), which created a new one-time source of transit funding to address operating and capital needs that have been growing in recent years for the state's transit operators/agencies. Through SB 125, approximately \$5.1 billion in funding statewide was included in the State's Fiscal Year 2023-2024 Budget, which will be distributed through two programs: The Transit and Intercity Rail Capital Program (TIRCP) and the new Zero Emission Transit Capital Program (ZETCP).

The TIRCP program will distribute \$4 billion over two fiscal years for capital and transit operations, and the ZETCP program will distribute \$1.1 billion over four fiscal years for vehicle purchase and charging infrastructure. These programs are being administered by the California State Transportation Agency (CalSTA). The funding will be coming directly to the states Regional Transportation Planning Agencies (RTPAs) with SACOG expected to receive a total of \$238,207,703 across the two programs - \$200.9 million in TIRCP and \$37.3 million in ZETCP. Funding will be made available to public agencies that are eligible to receive TIRCP capital funding that operate or plan for existing or planned rail service (including intercity, commuter, and urban rail) and bus service (including commuter bus, vanpool, and microtransit). The final guidelines for these programs was released on September 30, 2023.

#### *TIRCP Funding*

SB 125 authorizes RTPAs, like SACOG, to utilize funding for capital projects that both increase ridership and reduce greenhouse gas emissions. This includes high priority capital projects such as existing projects seeking to maintain or obtain federal or local funding commitments, project development for major projects that are seeking to enter or have already entered project development with federal partners, or new TIRCP-eligible projects. Additionally, funds can be used to offset or mitigate operating expenses that prevent service cuts and increase ridership for operators.

### *ZETCP Funding*

The bill also authorizes RTPAs to utilize ZETCP funding for zero-emission infrastructure, including transit equipment, transit facility and network improvement projects, zero emission vehicles to replace aging fleets, and associated fueling or charging infrastructure or facility modifications. Funding from this program can also be used to fund transit operating expenditures that would prevent service reduction or elimination in order to maintain or increase ridership, as well as for planning efforts to implement ridership recovery and retention strategies.

#### **4. Discussion/Analysis:**

To obtain this new funding, RTPAs are required to submit an initial allocation plan to CalSTA by December 31, which outlines any capital projects and/or operating funds that we anticipate expending in the first year. That initial allocation plan is not required to allocate the total amount of funding in the first fiscal year. After December 31, RTPAs are allowed to update their allocation plans on a rolling basis. SB 125 includes an accountability program to govern the distribution of the funds. RTPAs will be required to conduct financial and transit service quality analysis, which will be a new requirement for the RTPAs. The short-term financial analysis will be required to be completed with the initial allocation package if the RTPA believes there will be a need for transit operating support between Fiscal Year 2023-2024 and FY 2026-2027.

In preparation for the December deadline, SACOG worked with transit operators across the region to identify needs. Staff presented to the Transit Coordinating Committee in September and has conducted one-on-one meetings with the operators to begin the initial allocation plan. The one-on-one meetings that were conducted shed light on both capital and operating regional needs, and focusing the first plan on capital needs will give SACOG staff adequate time to conduct the required financial analysis associated with operating funds. Staff anticipates enlisting the assistance of a consultant to conduct the financial analysis in the first quarter of 2024, and will submit an updated allocation plan upon completion. The SB 125 guidelines do provide administrative funding for RTPAs to conduct the necessary analyses and monitoring activities.

Given the relatively expedited timeline to draft and submit an initial allocation plan by December 31, staff has proposed a strategy that focuses on capital projects only for the first iteration due the immediate need of these funds. Staff recommends identifying and allocating TIRCP funding to:

- Existing transit capital projects that are at risk of losing their grant funding due to a cost overrun or other unforeseen financial issue;
- Capital projects that plan to apply for the upcoming cycle 7 of the TIRCP Competitive Program; and
- Near-term planning efforts that address pandemic ridership losses.

SACOG staff's recommended projects that fit this criteria are listed in the table below. It is important to note that all projects that are pursuing grant funds are contingent on the grant award. If the projects are not successful in securing the grant identified the funds will not go to the agency but will be eligible for future allocations decisions.

Agency	Project	Cost
<b>Cost Overrun Projects</b>		
Sacramento Regional Transit	Dos Rios LRT Station	\$10,000,000*
<b>TIRCP Cycle 7 Leverage Funding</b>		
Sacramento Regional Transit	Blue Line Station Conversions	\$8,000,000*
Sacramento Regional Transit	Stockton BRT (PS&E Only)	\$6,000,000*
Sacramento Regional Transit	Bus Maintenance Facility	\$10,000,000*
Sacramento Regional Transit	Low-Floor Fleet - NTP #5	\$10,000,000*
<b>Planning</b>		
Yolo Transportation District	Short-Range Transit Plan	\$200,000
Sacramento Regional Transit	COA/ Long Range Plan	\$1,000,000
<b>Program Management</b>		
SACOG	Financial Analysis, Monitoring & Administration	\$400,000

\*Contingent on grant award

The proposed list of projects equals \$45.2 million in funding from the first fiscal year of TIRCP funding. \$44 million of that funding is contingent on grant award, while the remaining \$1.2 million will go to near term planning efforts. An additional \$400,000 is recommended for allocating to SACOG for financial analysis, monitoring of the first allocations, and program administration.

In January 2024, SACOG staff will continue to coordinate with regional transit operators and partners to develop a more comprehensive strategy for the funding. There are no plans for purely formulaic awards to agencies, rather SACOG intends to utilize existing board-adopted policies and discretionary procedures that are used for other transit funding currently received and awarded to partners. Capital requests will be awarded through a discretionary process to projects that achieve the goals of the SB 125 program, as well as advance existing SACOG policy and plans, such as the Metropolitan Transportation Plan/Sustainable Communities Strategy, SACOG's Strategic Plan, NextGen Transit Strategy, and the Regional Transit Network Plan. Operating funding will be evaluated and allocated based on needs related to maintenance of existing service or reinstatement of service that was recently cut but critical to communities, with a goal of increasing ridership and minimizing future service cuts. The goal is to balance both capital and operational funding to ensure stability of transit service into the future and addressing the large capital needs of our region.

As this is state funding, the recent structural funding changes made from the corrective action that require six- county funding processes are not applicable. However, SACOG continues to prioritize regional collaboration and has coordinated with our partner RTPAs, Placer County Transportation Planning Agency (PCTPA) and El Dorado County Transportation Commission (EDCTC), while developing this initial strategy. Those RTPAs are taking separate actions to award funds to transit agencies in their counties.

##### **5. Fiscal Impact/Grant Information:**

The additional staff work required by SB 125 in financial analysis, monitoring, reporting and planning is an eligible expense for the SB 125 programs. A maximum of 1 percent of the total funding is allowed to be used cover the administration of the programs. Staff is recommending an initial allocation of \$400,000 in this allocation. Future allocations may vary based on the work that SACOG anticipates completing at that time.