



July 24, 2023

To: James Corless, Executive Director, Sacramento Area Council of Governments

From: Chris Lee, Partner, Politico Group
Kiana Valentine, Partner, Politico Group

Re: State Advocacy Report for July 2023

Politico Group is pleased to provide the following report to the Sacramento Area Council of Governments (SACOG) on recent state advocacy efforts in the month of July, as well as updates on state legislation, the final 2023-24 state budget, and approval of the majority of the Governor's proposed infrastructure streamlining package.

AB 350 (Aguilar-Curry) Approved by Senate Policy Committees

The Senate Environmental Quality Committee approved AB 350 on consent with a 7-0 vote. The bill is referred to the Senate Appropriations Committee, where, similar to the Assembly Appropriations Committee's prior action, it may be eligible to advance to the floor without referral to the suspense file.

Politico Group and SACOG staff have reached agreement with the California Air Resources Board (CARB) on amendments to the bill to incorporate SACOG's planned work under the federal Rebuilding America's Infrastructure with Sustainability and Equity (RAISE) grant within the RTP/SCS update under AB 350's revised schedule. We continue to negotiate with CARB on transparency and reporting language, as well as funding eligibility for programs that require a compliant sustainable communities strategy during AB 350's extension period for the current SACOG RTP/SCS.

Legislative Update

The deadline for policy committees to approve bills was Friday, July 14. The Legislature is now on summer recess until Monday, August 14. Bills that are referred to the Appropriations Committees must be approved by Friday, September 1. Brief updates on several bills tracked by SACOG are below:

Regional Planning and Transportation

AB 6 (Friedman) – would make changes to CARB's review process for sustainable communities strategies (SCSs), establish additional greenhouse gas emissions reduction targets for 2035 and 2045, and require project nominations for the Solutions for Congested Corridors Program to demonstrate how projects would contribute to achieving greenhouse gas emissions reductions. AB 6 is currently in the Senate Transportation Committee after the author elected to make it a two-year bill.

AB 7 (Friedman) – would require the California State Transportation Agency (CalSTA), Caltrans, and the California Transportation Commission (CTC) to include in their existing program funding guidelines and planning process the ten guiding principles from the Governor's Climate Action Plan for Transportation Infrastructure (CAPTI). The bill would also require the California Transportation Plan (CTP) to include a financial element summarizing the costs of implementation, as compared to realistically available

revenues, and require CalSTA, Caltrans, and the CTC to report on how their projects and programs are achieving CAPTA principles, as well as principles outlined in the Federal Infrastructure Investment and Jobs Act and the Biden Administration's Justice40 initiative. AB 7 is currently in the Senate Appropriations Committee.

AB 1335 (Zbur) - would require regions to ensure that the population and housing development projections in their SCS can accommodate population growth over the course of the regional transportation plan, as well as the total number of housing units necessary to accommodate the eight-year Regional Housing Needs Determination. The bill also expands local government housing element annual report requirements to include new and detailed housing development information as related to the SCS.

Brown Act

AB 557 (Hart): Sponsored by the California Special Districts Association, the League of California Cities, and the California State Association of Counties, AB 557 would eliminate the sunset provisions included in AB 361 (R. Rivas, 2021), which authorized remote meetings during a state-declared emergency where social distancing is recommended, and extend the local agency renewal period for this authority from every 30 days to every 45 days. AB 557 is on the Senate Floor.

SB 537 (Becker) – would authorize a multijurisdictional, cross-county agency to use alternative remote meeting procedure if specified requirements are met, including that a quorum of members are participating in person and members participating remotely are located in a publicly-accessible building at least 40 miles from the in-person meeting. SB 537 was passed by the Assembly Local Government Committee on July 12 with amendments, including a shortened sunset period of 2026 and a requirement that members compensated for their service participate in person. The bill is referred to the Senate Appropriations Committee.

Governor Signs Budget, Trailer Bills, and Infrastructure Streamlining Package

Following the June 26 announcement of a three-way deal on the 2023-24 state budget between Governor Gavin Newsom, former Assembly Speaker Anthony Rendon, and Senate President pro Tempore Toni Atkins, the Legislature quickly approved, AB 102 (Committee on Budget), which made changes to the previously approved Budget Act of 2023 (SB 101, Committee on Budget), as well as a series of 19 budget trailer bills.

The "Big Three" were able to reach agreement by removing acceleration of the controversial Delta tunnels project from the Governor's infrastructure streamlining package and the Legislature subsequently approved five policy bills that include the majority of the Governor's proposals, as well as Legislative proposals related to equity in infrastructure delivery.

Notably, the overall 2023-24 spending package provides funding to help avert transit agencies from toppling off a "fiscal cliff" attributed to flagging ridership and the exhaustion of federal aid related to the COVID-19 pandemic. The accompanying trailer bill, SB 125, includes significant new roles for SACOG in its RTPA capacity. Several provisions of SB 125 have proven controversial, and Politico Group expects there may be opportunities to enact changes to the bill in future trailer bill clean-up later this summer.

Key budget items related to transportation and housing include the following:

Public Transit Operations and Capital

The Budget restores the Governor's proposed \$2 billion reduction and \$500 million deferral to the Transit and Intercity Rail Capital Program (TIRCP), authorizing the full \$4 billion supplement included in the 2022 transportation infrastructure package in two installments of \$2 billion in 2023-24 and 2024-25. The funding will be allocated to regions on a population-based formula through the TIRCP, but with flexibility to use up to 100% of the funding for operations purposes, rather than capital, contingent on compliance with regional-level reporting and accountability measures included in SB 125, the transportation budget trailer bill.

The budget also provides \$1.1 billion over four years from the Greenhouse Gas Reduction Fund (GGRF) to support transit operational and capital needs through the new Zero-Emission Transit Capital Program (ZETCP). This includes \$410 million in 2023-24 and \$230 million annually from 2024-25 to 2026-27. Funds will be allocated to regional transportation planning agencies through the State Transit Assistance formula.

To use the flexible TIRCP funding and the new ZETCP funding for operational needs, transit agencies would be required to meet new accountability measures included in the transportation trailer bill, including the following:

- **Accountability and Regional Transportation Planning Agency Role:** Provides that a regional transportation planning agency (RTPA) may receive an allocation of funds from the TIRCP or the ZETCP in 2023-24 and use the funds for operations for any of its transit operators in the 2023–24 fiscal year or forecasts operational need between the 2023–24 and 2026–27 fiscal years if both of the following conditions are met:
 - The RTPA submits, and CalSTA approves, a regional short-term financial plan for immediate service retention consistent with the adopted guidelines.
 - The RTPA submits to CalSTA regionally compiled transit operator data that is consistent with the requirements included in the adopted guidelines and is compiled in coordination with transit operators providing services within the jurisdiction of the regional transportation planning agency.
- Provides that an RTPA shall not be required to submit a regional short-term financial plan if it declares that it does not have an operational need between 2023-24 and 2026-27 for any of its transit operators and will not use funding for operations for any of its transit operators.
- Provides that an RTPA may receive an allocation of funds in 2024-25 if it submits, and the agency approves, an updated regional short-term financial plan, and updated transit operator data by December 31, 2025. Requires all RTPAs receiving funding to submit this plan.
- Requires an RTPA to submit a long-term financial plan to CalSTA by June 30, 2026. Provides that an RTPA is ineligible to receive a grant under the TIRCP in the 2026–27 fiscal year, or any subsequent fiscal years, unless CalSTA approves the long-term financial plan.

Other transit-related trailer bill language includes the following:

- **Transit Transportation Task Force:** Requires CalSTA, on or before January 1, 2024, to establish the task force, which will include transit operators, MPOs, and other groups interested in transportation. The task force will develop policy recommendations to grow transit ridership

and improve the transit experience for all users of those services. CalSTA, in consultation with the task force, is required to prepare and submit a report of findings and policy recommendations to the Legislature by October 31, 2025.

- **TIRCP Formula:** Requires that funds appropriated from the General Fund to CalSTA for purposes of the TIRCP be distributed through a population-based formula to RTPAs. Provides that funding may be used for capital and/or operating expenses, subject to specified requirements.
- **Zero-Emission Transit Capital Program:** Establishes the program under CalSTA and requires funds appropriated under the program to be allocated to regional transportation planning agencies through the STA formula. Provides that funding may be used for zero-emission transit equipment and/or transit operating expenditures.
- **Accountability and Guidelines:** Requires CalSTA to develop and administer an accountability program to govern the distribution of funds made available to CalSTA for the ZETCP and the General Fund component of the TIRCP. Requires CalSTA to adopt guidelines governing the distribution of these funding sources in consultation with specified local agencies.
- **Ongoing Statutory Relief for Transit Operators:**
 - Extends the suspension of the financial penalties associated with the Transportation Development Act's requirements that transit agencies obtain specified fixed percentages of their operating budgets from passenger fares.
 - Extends flexibility in the use of STA-State of Good Repair dollars to support all operating and capital expenses.
 - Extends the suspension of the financial penalties associated with the STA Program's requirement that transit agencies' operating cost per revenue vehicle hour may not exceed operating cost per revenue vehicle hour adjusted by regional CPI, year over year.
 - Extends hold harmless provision for calculation and allocation of STA Program, STA-State of Good Repair and Low Carbon Transit Operations Program allocations (Local Revenue Basis Only).

Active Transportation, Climate Adaptation and Other Transportation Investments

The Budget includes a total of \$650 million shifts of funding from the State Highway Account (SHA) to support transportation programs that were funded with excess General Fund in the 2022 Budget Act, specifically:

- \$300 million for the Active Transportation Program (ATP), thereby providing the full \$500 million supplement included in the 2022 Transportation Infrastructure Package.
- \$200 million to the Local Climate Adaptation Program, maintaining the \$200 million allocated to local agency grants under that program in the 2022 Budget Act
- \$150 million from the SHA to support freight and goods movement from the 2022 Budget Act.

Finally, the Budget approves the Governor's proposal to delay \$150 million in funding to the Grade Separations Program.

Other Transportation Trailer Bill Provisions

In addition to the transit-related items discussed above, the following provisions are included in SB 125, the transportation budget trailer bill:

- Prohibits Caltrans from charging self-help counties with countywide sales tax measures dedicated to transportation improvements more than 10% for the administration of the Indirect

Cost Rate Proposal (ICRP) and requires the department to charge those self-help counties for functional overhead.

- Expands the percentage of licensed drivers who can participate in the pilot programs to evaluate the use of optional mobile or digital alternatives to driver's licenses and identification cards from 0.5 % to 5% of licensed drivers.
- Appropriates \$5,802,000 to Caltrans to support statewide efforts addressing homelessness within the state highway system right-of-way and require the department, on or before January 1, 2026, to submit a report to the fiscal committees of the Legislature and the Legislative Analyst's Office summarizing the outcomes associated with the activities undertaken by its encampment coordinators.

Housing Funding

The Budget includes a new \$100 million allocation to the Housing and Community Development Department's (HCD) Multi-Family Housing Program, which subsidizes affordable apartments, \$50 million that the Governor had proposed to cut from the Accessory Dwelling Unit Grant Program, \$50 million to the CalHome affordable housing retention and rehabilitation program, and \$82.5 million in 2023-24 for the Foreclosure Intervention and Housing Preservation Program.

The Legislature's Budget also includes \$225 million in 2023-24 for the Infill Infrastructure Grant Program of 2019, which was previously included in the Budget Act of 2022. This includes a \$38.8 million set-aside for counties under 250,000 population and the cities within those counties.

Finally, the Budget also retained \$200 million the Governor proposed cutting from the California Dream for All shared-equity down payment assistance program for first-time homebuyers. While not included in the AB/SB 129 trailer bill, the Legislature plans to require the California Housing Finance Agency (CalHFA) to make eligibility changes to ensure that the program benefits historically-excluded programs and to partner with charities and other private entities.

Housing & Homelessness Trailer Bill:

The Budget provides \$1 billion for a fifth round of funding under the Homeless Housing, Assistance, and Prevention (HHAP) in 2023-24, consistent with the Governor's May Revision. The appropriation comes with the following provisions and related trailer bill language from AB 129:

- \$1 billion one-time funding in 2023-24 with no more than 80% available for basic program allocations, as follows:
 - 42% to large cities
 - 30% to Continuums of Care
 - 28% to counties
- Requires regionally coordinated homelessness action plans with roles and responsibilities to each party participating in the plan.
- Requires progress in meeting goals to receive a portion of funding and receipt of technical assistance for those not making progress.
- Establishes a process to encourage prioritization of permanent housing solutions over interim housing solutions.
- Requires housing element compliance to receive additional Homekey grant funding made available: \$100 million in 2023-24 and \$260 million in 2024-25.

- Advances allocation of bonus funds from prior rounds of HHAP.
- Includes legislative intent language to continue the HHAP program in 2024-25.

Other provisions included in the Housing and Homelessness trailer bill include:

- Removes the CalHFA from HCD and keeps it under the Business, Consumer Services, and Housing Agency.
- Requires any parcel that replaces a parcel exempted by a local agency from eligibility for the streamlined, by-right housing development provisions of AB 2011 (Wicks, 2022) and SB 6 (Caballero, 2022) to allow for by-right housing development of at least as many units as the exempted site would have provided.
- Makes the following technical changes to various housing programs: changes to the Excess Sites Local Government Matching Program, modifies the definition of rural areas for the Low Income Housing Tax Credit Program, corrects technical errors in the Infill Infrastructure Grant Program of 2019, shifts reporting on pro-housing incentives and grant programs that require a compliant housing element from the Department of Finance to HCD, establishes the Employee Housing Regulation Fund for implementation of the Employee Housing Act, and includes an exemption from the Surplus Lands Act for a project in Chula Vista.

Governor's Infrastructure Streamlining Package

The Governor signed the following bills, which include the majority of his proposed infrastructure streamlining package, after they were approved by the Legislature and presented to him on July 5:

Bill No.	Topic
AB 124 (Committee on Budget)	Green Bank and Energy
AB 126 (Reyes)	Clean Transportation
SB 145 (Newman)	Caltrans Advanced Mitigation and I-15 Wildlife Crossings
SB 146 (Gonzalez & Friedman)	Progressive Design Build, Job Order Contracting & NEPA Assignment
SB 147 (Ashby)	Fully Protected Species
SB 149 (Caballero & Becker)	Expedited Judicial Review & Administrative Record Reform
SB 150 (Durazo, Small Cuevas, Gonzalez, Cortese, and Rivas)	Equity: Construction Workforce Development and Public Contracts

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