



March 25, 2019

TO: TAMC Board of Directors

FROM: Gus Khouri, Principal, Khouri Consulting

RE: STATE LEGISLATIVE UPDATE – APRIL

On March 20, TAMC Chair Robert Huitt, Executive Director Debbie Hale, and Principal Transportation Planner Christina Watson participated in the Central Coast Coalition's 10th Annual Legislative Day. Khouri Consulting arranged meetings with Governor Newsom, his cabinet, the California State Transportation Agency, California Transportation Commission, and the Central Coast's seven legislative delegation members (Assembly Members Cunningham, Limón, Rivas, Stone, and Senators Caballero, Jackson, and Monning).

The day's events primarily focused on discussing Governor Newsom's budget proposal to tie affordable housing production to the receipt of local streets and roads funding, the influence of the California Air Resources Board on transportation funding decisions, advocating for endorsements of prospective applications for Senate Bill 1 (SB 1) funds, and funding for passenger rail along the Central Coast.

Tightening the Nexus Between Affordable Housing and Transportation Funding

On March 11, Governor Newsom released draft budget trailer bill strongly encouraging local jurisdictions to make zoning changes to increase the availability of affordable housing, proposing \$750 million in support, and withholding local streets and roads funding for failure to take action.

This proposal, which is essentially draft language without a bill number, sets higher short-term housing production goals for cities and counties and provides \$750 million in support and incentives to help jurisdictions plan and zone for more ambitious housing targets. The proposal would update and modernize the state's long-term housing goals, known as Regional Housing Needs Allocations (RHNA), to better reflect regional housing and transportation needs. Under this proposal, the Department of Housing and Community Development must propose an improved RHNA process and methodology that promotes and streamlines housing development. The language authorizes the state to withhold SB 1 local streets and roads funds from any jurisdiction that does not have a compliant housing

element and has not zoned and entitled for its updated annual housing goals, beginning July 1, 2023.

Of the \$750 million in support and incentives in this proposal, the five-county Central Coast is projected to receive about \$6.7 million from the \$250 million statewide planning pot, and roughly \$13.25 million from the \$500 million statewide set-aside based on a proportionate share of annual housing targets.

In our discussion with Governor Newsom, he emphasized that he respects the will of the voters as it pertains to SB 1 funding, and that funding would only be withheld in the most egregious circumstances as demonstrated by the City of Huntington Beach. Legislators we talked to were all staunchly opposed to withholding SB 1 funding.

CTC and CARB Collaboration to Reduce Greenhouse Gas Emissions

Per Assembly Bill (AB) 179 of 2017, the CTC and CARB are required to convene a meeting twice a year to coordinate transportation policies, with a focus on reducing vehicle miles traveled and greenhouse gas emissions. A tension exists with transportation planning agencies who are being asked to go above and beyond to meet future emission reduction targets, despite not having purview over housing production or job creation location, while implementing voter-approved expenditure plans, such as Measure X. At the state level, there is also concern about the ability to implement SB 1 programs, which voters have overwhelmingly supported for purposes of maintaining highway and local streets and roads infrastructure, easing congestion, and providing multimodal solutions.

The Central Coast Coalition discussed SB 526 (Allen), which would prioritize greenhouse gas emission reducing projects over safety and congestion management projects, with Governor Newsom and legislators. The Governor was interested in the Coalition's suggestion to provide more funding for passenger rail as the most impactful way to reduce greenhouse gas emissions and build momentum for implementing the State Rail Plan.

SB 1 Competitive Program Allocations- ATP and LPP

The Active Transportation Program (ATP) is a \$400 million/ year grant program to encourage increased use of active modes of transportation such as biking and walking. Under current rules, 50% of ATP funds are awarded on a statewide competitive basis by the CTC, 10% are set aside for competitive projects in small urban and rural regions, and 40% go to projects selected by metropolitan planning organizations (MPOs) in urban areas with populations greater than 200,000. Senator Beall has introduced SB 152 to modify ATP to have 75% of all funding to go to MPOs (up from 40%), 15% to be allocated on a competitive basis to small urban and rural areas (up from 10%), and 10% to be allocated on a competitive basis statewide (down from 50%). If this change were enacted, TAMC's eligibility would be limited to the 15% for small and rural areas and the 10% statewide pot. Under current rules, TAMC can apply for 60% of ATP funds. TAMC has been successful recently, winning \$10.3 million for the Fort Ord Regional Trail and Greenway (FORTAG) and \$2.1 million for a Safe Routes to School Education Program in the most recent round.

The Local Partnership Program (LPP) provides \$200 million annually for jurisdictions that have secured a voter-approved tax or fee dedicated for transportation purposes. It is split 50/50 between a formulaic share and a competitive program administered by the CTC. TAMC receives roughly \$700,000 annually from the formulaic share, but also succeeded in receiving \$19 million from the competitive program in May 2018 to fund the Imjin Parkway project. Some Southern California regional transportation planning agencies have expressed a desire to pursue legislation to change program allocations to be distributed on a 95/5 split favoring a formulaic share, or some hybrid that provides a higher floor of guaranteed funding. The result would limit the CTC's flexibility to mix and match funding to fully fund projects. Under a best-case scenario of an increased formulaic share, TAMC would virtually double its formulaic share to roughly \$1.4 million annually, which could provide funding for a minor active transportation project at the expense of competing for prospective resources to address safety or congestion relief initiatives on US 101 and State Route 156. We will continue to monitor any prospective legislative effort on this issue. Senator Beall may amend SB 277 (currently "Road Maintenance and Rehabilitation Program: guidelines") to make changes to LPP. We were pleased to hear that Governor Newsom and legislators are reluctant to make any changes to either the ATP or LPP.