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TO: Board Members, Transportation Agency for Monterey County
FROM: Gus Khouri, Principal
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RE: STATE LEGISLATIVE UPDATE – AUGUST

On June 27, Governor Newsom signed AB 74, the Budget of 2019, and several trailer bills. The \$147.8 billion spends plan contains a reserve of \$19.2 billion. The package includes an extra payment of \$9 billion over the next four years to pay down unfunded pension liabilities.

The Budget invests \$1.75 billion in the production and planning of new housing. It includes support to local governments to increase housing production (including \$1 billion to combat homelessness and \$250 million to general purpose incentive payments for the Infill Infrastructure Grant Program administered by the Department of Housing and Community Development (HCD). The Infill Infrastructure Grant Program provides gap funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the augmented Infill Infrastructure Grant Program, developers and local governments can partner to apply for infrastructure funding. At the same time, certain areas designated as infill may also qualify as federal Opportunity Zones and provide additional tax benefits to investors to spur development of economically distressed communities by guiding investment toward mixed-income housing.

- Previous provisions linking affordable housing targets to the receipt of SB 1 local streets and roads funding were struck from the package. The Governor will instead take measures to hold local jurisdictions accountable to meet housing demand by authorizing local jurisdictions to be fined for non-compliance.
- To assist renters, the Budget includes \$20 million to provide legal aid for renters and assist with landlord-tenant disputes, including legal assistance for counseling, renter education programs, and preventing evictions.

Cap-and-Trade Program

In recognition of the continued strength of the cap-and-trade program, the budget includes \$485 million for the Low Carbon Transportation program (a reduction of \$52 million from the May Revise) in the proposed cap-and-trade expenditure plan, an increase of \$130 million compared to the January Budget proposal. This program provides incentives for the purchase of zero-emission vehicle technology and replacement of older diesel buses with renewable-fuel alternatives. Of this amount, the budget proposes to allocate \$182 million for the Clean Truck, Bus, and Off-Road Freight Equipment Program.

Bills of Interest

1. **SB 277 (Beall)** was amended on July 1 to convert allocation method for the Local Partnership Program (LPP). The LPP provides \$200 million annually for jurisdictions that have secured a voter-approved tax or fee dedicated for transportation purposes. Currently, per the guidelines established by the California Transportation Commission (CTC), proceeds are split 50/50 between a formulaic share and a competitive program administered by the CTC. The most recent amendments would statutorily specify that 85% of all proceeds (\$170 million annually) be distributed on a formulaic basis, and 15% be made available for distribution on a competitive basis by the CTC to local jurisdictions with a population of 750,000 residents or less that have a sales tax or developer fee.

TAMC receives roughly \$700,000 annually from the formulaic share as a result of the passage of Measure in 2016, but also succeeded in receiving \$19 million from the competitive program in May 2018 to the Imjin Parkway. If enacted, TAMC would realize at least a 70% increase in their formulaic share, which would roughly generate an additional \$490,000 annually. TAMC would also qualify to bid in the 15% competitive pot. The bill also allows for program recipients to bank their formulaic shares for a period of up to 5 years before funds are required to be drawn.

Some Southern California regional transportation planning agencies had originally expressed a desire to pursue legislation to change program allocations to be distributed on a 95/5 split favoring a formulaic share in order to carry over the allocation method from the 2009 State and Local Partnership Program established by Proposition 1B.

As amended, SB 277 would limit the CTC's flexibility to mix and match funding to fully fund projects, particularly for other project nominations in Solutions for Congested Corridors Program or the Trade Corridor Enhancement Program. Despite the proposed reduction in competitive funds, TAMC may benefit from an increased formulaic share, however, by having certainty of funding.