



March 4, 2021

TO: Board Members, Transportation Agency for Monterey County

FROM: Gus Khouri, President, Khouri Consulting LLC

RE: **STATE LEGISLATIVE UPDATE – FEBRUARY**

State Budget

Last month, a summary was provided on Governor Newsom's proposed FY 2021-22 State Budget, which stated that there would be an estimated \$1.5 billion reduction of gas tax receipts through FY 2024-25 attributable to the drop in fuel consumption from the Governor's COVID-19 shelter in place order (N-29-20). This will undoubtedly have an impact funding for local streets and roads, the State Highway Operations and Protection Program (SHOPP), which focuses on maintaining our state highway system, and the State Transportation Improvement Program (STIP), which provides funding to local transportation agencies for multi-modal transportation improvements. For FY 2020-21 through FY 2023-24, \$17.4 billion is programmed for the SHOPP and \$2.4 billion for the STIP.

The federal stimulus package, through HR 133, will provide some much-needed relief for public transportation operations (\$2 billion) and highway projects (\$912 million). The state has received over \$500 million in the redistribution of unused funding from other states. This is in addition to the \$3.7 billion that was received last year through the CARES Act to help transit agencies.

Federal Stimulus Funding Allocation

The California Transportation Commission (CTC) is in the process of hosting workshops to determine the distribution of the \$912 million in federal stimulus funds for highway projects.

The purpose of the money is to backfill lost revenue from the pandemic-induced recession. Traditionally, these funds have been split 60/40 between the state and local transportation agencies, respectively. If that formula is maintained, this would result in roughly \$365 million being transferred to local agencies, and \$547 million going to the state. The State's share will most likely go towards the SHOPP to help maintain the state highway system and provide active transportation linkages. Several regions have expressed a preference that the local share be distributed through the Surface Transportation Block Grant formula, which provides a direct, flexible allocation to help expedite project delivery. The CTC has suggested that distributions go through the STIP process in order to help with the construction of the 2022 STIP, which is expected to have a shortfall of \$100 million for the cycle. TAMC staff is in the process of assessing the most advantageous distribution method. The CTC is expected to address the item at its March 24 meeting.

Governor's Climate Action Plan for Transportation Infrastructure

The California State Transportation Agency, in collaboration with Caltrans, the Governor's Office of Planning and Research (OPR) and California Air Resources Board (CARB) is in the process of adding guidance to implement Governor Newsom's Executive Order, N-19-19. That Executive Order aims to reduce greenhouse gas emissions and vehicle miles traveled through limiting capacity projects along the state highway system, discouraging the use of single-occupant, gas-powered vehicles, while encouraging mode shift through accelerated investments into public transportation, bicycle and pedestrian programs, and electric vehicle infrastructure. The implementation plan being developed is named the Climate Action Plan for Transportation Infrastructure (CAPTI).

The draft CAPTI encourages investments in improvements for disadvantaged communities, safety improvements that reduce fatalities on roadways and transit systems, projects that respond to climate risk for transportation infrastructure projects, projects that reduce vehicle miles traveled reduction, and investments into passenger rail prioritized over highways, particularly capacity projects. While the adopted TAMC 2021 State Legislative Platform is supportive of many of these objectives, it may be problematic for many small urban/rural areas to refrain from making highway capacity project improvements, particularly where reductions in vehicle miles traveled may not be possible due to the lack of rail infrastructure or density to support those systems, or the inability of certain populations, such as farmworkers or construction labor, to pragmatically utilize the service. This results in a need to plan, fund, and deliver projects that may increase passenger vehicle travel that addresses safety, congestion, and freight movement, particularly along lifeline routes, where there is no alternative solution for passenger rail service or transit service. Many regions are asking the state to consider geographic areas where capacity expansion is necessary to address climate adaptation and

resiliency or completing gap closures on evacuation or parallel routes, and east-west connectors, in case of natural disasters or other climate events.

The draft CAPTI policy could require TAMC to reassess its ability to leverage voter-approved investments as articulated in the expenditure plans for Measure X since CAPTI implies there will be less state investment made on the state highway system. While the state cannot make adjustments to locally approved sales tax expenditure plans, as the owner/operator of the state highway system, it reserves the right to place local funds on a state-owned asset and authorize the availability of state resources, which could call into the question the leveraging power of local sales tax revenues to deliver certain projects.

TAMC supports multi-modal options such as bike and pedestrian projects, bus and rail service. TAMC's adopted 2021 State Legislative Platform articulates several solutions to improve air quality, reduce congestion, and provide greater mobility options. Suggested strategies include the increase of broadband access to encourage telecommuting, enabling transit agencies to provide more frequent and cost-effective service, shipment of more freight via rail to ease congestion and enhance safety, creation of greater incentives for businesses to expand or relocate to help reduce vehicle miles traveled, accelerating the installation of zero-emission charging stations, and providing incentives for zero-emission vehicle purchases. The California State Transportation Agency will be holding a workshop on March 18 to discuss further with the hope of adoption of the CAPTI in June.