

June 26, 2023

Governor Newsom and Legislative Leaders Reach Three-Party Agreement on Transportation Investments and Policy

On Saturday, June 24, the Legislature introduced two identical bills - [SB 102 \(Skinner\)](#) and [AB 102 \(Ting\)](#) - reflecting a three-party agreement with Governor Newsom on the Budget Act of 2023-24's transportation investments and policy.

These bills, which respond to the advocacy efforts of the California Transit Association, our regional partners, and allies, would restore **\$2 billion** in General Fund support to the Transit and Intercity Rail Capital Program (TIRCP), returning General Fund investment in the program to **\$4 billion** total for Fiscal Year (FY) 2023-24 and FY 2024-25. As specified in the FY 2022-23 budget, this funding would flow to regional transportation planning agencies (RTPAs) on a population-based formula (PUC 99313) for investment in transit and rail capital projects; however, regions would receive new flexibility to direct up to 100% of this funding to meet the operational needs of agencies in their jurisdiction.

These bills would commit **\$1.1 billion** in new and previously appropriated transit funding for the newly created Zero-Emission Transit Capital Program. This funding would flow to RTPAs on a population- and revenue-based formula (PUC 99313 and 99314). While the funds allocated for the Zero-Emission Transit Capital Program are proposed for zero-emission vehicles and refueling infrastructure, regions would receive new flexibility to direct up to 100% of this funding to meet the operational needs of agencies in their jurisdiction.

Please see the following funding breakdown for Zero-Emission Transit Capital Program funding:

- FY 2023-24: \$410 million
 - Greenhouse Gas Reduction Fund: \$220 million
 - Public Transportation Account: \$190 million
- FY 2024-25: \$230 million
 - Greenhouse Gas Reduction Fund: \$230 million
- FY 2025-26: \$230 million
 - Greenhouse Gas Reduction Fund: \$230 million
- FY 2026-27: \$230 million
 - Greenhouse Gas Reduction Fund: \$230 million

The bills would preserve funding for the CARB's HVIP-Transit and CEC's Clean Transportation Programs for FYs 2021-22 and 2022-23.

To further the state's interests for the expenditures identified above, the Legislature also introduced two identical bills - [SB 125 \(Committee on Budget and Fiscal Review\)](#) and [AB 125 \(Committee on Budget\)](#) - representing the transportation trailer bills. These bills would institute accountability and reform requirements on regions and their transit agencies to access the funding included in SB 102 and AB 102, extend the statutory relief measures the Association secured in 2020 and 2021 for transit agencies, and create a new state-level Transit Transformation Task Force at the California State Transportation Agency (CalSTA).

The accountability and reform requirements included in these bills would apply to all RTPAs receiving funding under SB 102 and AB 102 - irrespective of whether a RTPA proposes to direct the funding it receives to transit capital or operations - and would be phased as follows.

To receive an allocation of FY 2023-24 funding:

- The bills would require that a RTPA submit, and CalSTA approve by December 31, 2023, a regional short-term financial plan for immediate service retention that is consistent with guidelines developed and adopted by CalSTA.
 - The regional short-term financial plan would be required to include:
 - A demonstration of how the region will address any operational deficit, using all available funds through the 2025-26 fiscal year, based on a 2022 service baseline;
 - Justification for how the region's funding is proposed to be allocated to capital and operational expenses;
 - A detailed breakdown and justification for how the funding is proposed to be distributed between transit operators and among projects, consistent with the legislative intent;
 - A demonstration of how the plan will mitigate service cuts, fare increases, or layoffs relative to a 2022 service baseline to achieve short-term financial sustainability; and
 - A summary of how the plan will support ridership improvement strategies that focus on riders, such as coordinating schedules and ease of payment and improving cleanliness and safety, to improve the ridership experience.
 - **EXEMPTION:** The bills provide an exemption to the requirements above, if a RTPA declares that it does not have an operational need between the 2023-24 and 2026-27 fiscal years, inclusive, for any of its transit operators and will not use the funding it receives from SB 102 and AB 102 for operations for any of its transit operators.
- The bills would require that a RTPA compile and submit by December 31, 2023, regionally representative transit operator data to CalSTA.
 - The regionally representative transit operator data would be required to include:
 - Existing fleet and asset management plans by transit operator;
 - Revenue collection methods and annual costs involved in collecting revenue for each transit operator and regional transportation planning agency involved;
 - A statement of existing service plan and planned service changes;
 - Expenditures on security and safety measures;
 - Opportunities for service restructuring, eliminating service redundancies, and improving coordination amongst transit operators, including, but not limited to, consolidation of agencies or reevaluation of network management and governance structure; and
 - Schedule data in General Transit Feed Specification (GTFS) format to enable full visibility of service and service changes where feasible.

To receive an allocation of FY 2024-25 funding:

- The bills would require that a RTPA submit by December 31, 2025 an updated regional short-term financial plan and regionally representative transit operator data to CalSTA.
 - **NOTE:** The requirement to submit a regional short-term financial plan to receive FY 2024-25 applies to all RTPA regardless of whether they were exempt from the FY 2023-24 requirement.

To receive continued access to TIRCP funding in FY 2026-27 and beyond:

- The bills would require that a regional entity submit, and CalSTA approve, by June 26, 2026, a long-term financial plan that addresses the approach to sustain its transit operations absent additional discretionary or nonformula state funding.
 - The long-term financial plan would be required to include:
 - A demonstration of the implementation of ridership retention and recovery strategies, including, but not limited to, policies that prioritize safety and cleanliness and streamlined coordination between transit operators, such as schedule coordination, operational management, and site sharing, to improve rider experience; and,
 - A five-year forecast of operating funding requirements with detail on all sources of funding proposed for operations, including any new local and regional funding sources being pursued and the progress and improvements implemented since the last submitted regional short-term financial plan.

The accountability and reform requirements would further require that, as a condition of receiving the funding in SB 102 and AB 102, a RTPA post on its internet website a summary of monthly ridership data, consistent with the data submitted to the National Transit Database, from all its transit operators during the period of time for which it receives those moneys.

The accountability and reform requirements would also require a RTPA that received Zero-Emission Transit Capital Program to submit a report to CalSTA on the use of those funds during the previous fiscal year. The report shall include:

- How much funding was used for operating costs.
- The number, type, date, and location of zero-emission buses, trains, or other vehicles purchased.
- The number, type, data, and location of electric charging stations or hydrogen fueling stations installed.
- The nameplate capacity of installed equipment in kilowatts for electric charging stations and kilograms per day for hydrogen fueling stations.
- The total costs and the source of funding for vehicles and equipment purchased using these funds.

The statutory relief provisions included in the bills would extend the statutory relief measures the Association secured in 2020 and 2021 for transit agencies through FY 2025-26.

In particular, the statutory relief measures would:

- Extend the hold harmless provision for the calculation and allocation of State Transit Assistance Program, Low Carbon Transit Operations Program, and STA-State of Good Repair allocations (Local Revenue Basis Only) through fiscal year 2025-2026;
- Extend 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 (TDA farebox recovery requirements) through fiscal year 2025-2026;
- Extend the suspension of the financial penalties associated with the State Transit Assistance 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, (STA efficiency criteria) included through fiscal year 2025-26; and,
- Extend the flexibility for the use of State Transit Assistance - State of Good Repair funds through fiscal year 2025-26.

The bills would require the CalSTA Secretary on or before January 1, 2024, to establish and convene the Transit Transformation Task Force to include representatives from transit operators, both small and large operating in urban and rural jurisdictions, the Department of Transportation, local governments, metropolitan planning organizations, regional transportation planning organizations, transportation advocacy organizations with expertise in public transit, labor organizations, academic institutions, the Senate Committee on Transportation, the Assembly Committee on Transportation, and other stakeholders, as appropriate, at the discretion of the agency. The bill would require the task force to solicit and develop a structured, coordinated process for engagement of all parties to develop policy recommendations to grow transit ridership and improve the transit experience for all users of those services. The bill would require the agency, in consultation with the task force, to prepare and submit a report of findings and policy recommendations based on the task force's efforts to the appropriate policy and fiscal committees of the Legislature on or before October 31, 2025.

For questions about this Funding Update, please contact Executive Director Michael Pimentel (michael@caltransit.org).