

Bay Area Regional Collaborative

September 15, 2023

Agenda Item 8.a

2023 Legislative Update

Subject:

Overview of the 2023 state legislative session.

Overview:

The 2023 state legislative session is drawing to a close, with the California legislature adjourning on September 14 (it's also the last day for the Legislature to pass bills) and an October 14 deadline for Governor Newsom to sign or veto bills. The state budget was a particularly large focus area in Sacramento this year, with MTC/ABAG heavily involved in the uphill battle of securing transit funding the face of a very tight budget. The Legislature also acted on a range of other important transportation, housing, climate and local government bills which are categorized by topic below. Staff will provide a verbal update at your meeting.

Transit Funding

MTC/ABAG's top legislative priority this year was securing funding to stave off a transit operating fiscal cliff while retaining the state's 2022 commitment of \$4 billion in transit capital resources (via the Transit and Intercity Rail Program, or TIRCP) over two years. According to the California Transit Association, the statewide operating need is roughly \$6 billion over five years; the Bay Area's share of that need is approximately \$2.5 billion. The Fiscal Year (FY) 2023-24 State Budget (AB 102) and transportation budget trailer bill (SB 125) provided \$1.1 billion over four years in flexible transit funds (the Bay Area's share is approximately \$400 million) and retaining the \$4 billion TIRCP commitment from the 2022 budget deal (the Bay Area's share is roughly \$800 million). SB 125 requires regional transportation planning agencies (RTPAs) like MTC to submit to the state reports related to the financial condition of each region's transit operators and establishes a statewide Transit Transformation Task Force modeled on AB 761 (which MTC endorsed), among other provisions. However, several efforts have extended past the July timeframe, which are bulleted here:

- SB 532 (Wiener): In late July, Senator Wiener amended SB 532 to raise tolls on the Bay Area's seven state-owned bridges by \$1.50 to help address the transit operating deficit. On August 21, Senator Wiener announced he is making SB 532 a two-year bill, with the

intent to pursue additional conversations regarding options to address the remaining transit operating shortfall with Bay Area legislators and regional stakeholders over the fall. See Attachment A for the press release.

- AB 1377 (Friedman): AB 1377 supports improved coordination between local homeless service providers and transit agencies by requiring local agencies applying for state Homeless Housing, Assistance and Prevention funding to report on how they are coordinating with transit agencies. As of the writing of this memo, the bill has passed both houses and now awaits final concurrence in the Assembly with the Senate amendments. MTC and ABAG supported this modest measure as a first step the state can take to both help transit agencies reduce the extent to which persons experiencing homelessness rely upon transit stations and transit vehicles as a form of shelter and better address the needs of people experiencing homelessness in transit public spaces.

Climate and Adaptation Funding and Legislation

By contrast, the FY 2023-24 budget did not fund climate adaptation and resilience programs anywhere close to the levels called for in the previous year's climate packages. Further, the final budget deal rescinded hundreds of millions of dollars in resilience funds appropriated in FY 2022-23, including \$125 million that had been allocated for the MTC/ABAG-supported Regional Resilience Adaptation Planning and Implementation program (Attachment B compares the final FY 2023-24 budget with prior year climate commitments). Instead, the Legislature and Administration considered passing legislation to place a general obligation bond on the 2024 statewide ballot to cover some or all the climate commitments but ultimately did not do so. A more detailed update on bond negotiations is provided in the "State Ballot Measures" section below.

On a more positive note, the legislature has advanced SB 272 (Laird) to the Assembly Floor. SB 272 would require local governments located in the coastal zone or within the jurisdiction of the San Francisco Bay Conservation and Development Commission (BCDC) to develop a sea level rise plan consistent with state and regional adaptation guidelines. Projects consistent with approved plans would be prioritized for future state sea level rise resilience funding. This will

help ensure local, regional and statewide sea level rise adaptation efforts are appropriately integrated.

State Ballot Measures

With California projected to face years of tight budgets limiting annual discretionary capital outlay expenditures, the Legislature and Governor this session proposed several high-profile infrastructure bonds on the 2024 ballot. Governor Newsom's top priority was placing a roughly \$5 billion bond to provide shelter for Californians facing severe mental health and addiction challenges on the March 2024 ballot. Additional measures include several school bonds (SB 28 (Glazer) and AB 247 (Muratsuchi)), a \$10 billion housing bond (AB 1657 (Wicks)) – which MTC/ABAG support – and two roughly \$16 billion climate bonds (SB 867 (Allen) and AB 1567 (Garcia)). Notably, the climate bonds are intended to replace prior-year state General Fund commitments to climate programs that were clawed back due to this year's budget deficit. Earlier this month, Sacramento leaders struck a deal to make all except the Governor's mental health measure two-year bills, clearing the March 2024 statewide ballot for the mental health bond. The legislature's intent is to propose additional bond measures for the November ballot. Negotiations related to which measures proceed and how much might be authorized for each measure are expected to resume in 2024.

Local Revenue Measures

The Legislature has also been advancing two important bills that can help empower Bay Area voters to raise local and regional revenues for key Bay Area priorities. AB 1319 (Wicks) – MTC/ABAG's sponsored Bay Area Housing Finance Authority (BAHFA) "clean-up" bill – was approved by the Legislature on September 7 and awaits action by the Governor. The bill will make important clarifications to BAHFA's authorizing statute in advance of a planned Bay Area regional housing bond under development for the November 2024 ballot. Additionally, Assemblymember Aguiar-Curry – the new Assembly Speaker pro Tempore – is championing ACA 1 to lower the vote threshold for housing, transportation, climate resilience and other infrastructure-related local bond measures and special taxes to 55 percent from two-thirds, in line with the threshold for school bonds. The Assembly approved ACA 1 on September 7 and it must advance through the Senate to the floor by this Thursday, September 14. **Notably, ACA 1 has**

advanced further this legislative session than any previous known measure; similar bills have been proposed every two-year session for at least the last decade and have never made it even to the floor of the first house.

Additional Housing Bills

Senator Wiener’s SB 423 to extend the multifamily housing construction California Environmental Quality Act (CEQA) streamlining provisions of his original bill, SB 35 (2017) continues to move forward, having been approved by the Assembly on September 7 and sent back to the Senate for concurrence. The bill strengthens labor provisions to require “skilled and trained” workforce requirements in high-rise projects (projects over 85 feet) utilizing SB 35 streamlining. Recent amendments address some of the opposition’s concerns by sunseting the statute in 2036, limiting its applicability in the coastal zone and clarifying when the skilled and trained workforce requirements apply. The latter amendment removed the opposition of the State Building and Construction Trades Council.

SB 406, authored by Senator Dave Cortese, would similarly streamline housing production by clarifying that local decisions to award funding to housing developments are not subject to independent and duplicative CEQA determinations. The bill, which the Governor signed on September 1, extends to local jurisdictions an existing law that exempts State financial assistance – but not the projects themselves – from CEQA. SB 4 (Wiener) would make it easier for faith-based organizations and colleges to build housing on their land by creating a streamlined approval process and baseline development standards for affordable housing on properties owned by religious institutions and nonprofit colleges.

AB 1085 (Maienschein) would provide federal funding, through Medi-Cal, to cover 90 percent of the cost of services that assist people in maintaining their housing. This funding could fill a critical gap for services that make supportive housing effective at ending and preventing homelessness among people living with severe disabilities. MTC/ABAG are supporting this measure, which as of the writing of this memo, is on the Senate Appropriations suspense file. As of the writing of this memo, the bill is on the Senate floor.

Lastly, legislation to create a statewide affordable housing preservation program for which BAHFA would be an eligible administrator, SB 225 (Caballero), is in the Assembly

Appropriations Committee and has become a two-year bill. MTC/ABAG support the measure and Assemblymember Wicks' housing bond (AB 1657) proposes up to \$1.5 billion to fund it.

Attachments:

- Attachment A: Press release from the Office of Senator Scott Wiener on decision to defer SB 532 to 2024.
- Attachment B: Climate & Adaptation Funding in FY 2023-24 State Budget (copy of Attachment C of Agenda Item 3a from the July 14, 2023 Joint MTC ABAG Legislation Committee).