

Metropolitan Transportation Commission Policy Advisory Council

June 9, 2021

Agenda Item 8

Legislative Update

Subject: Update on state legislation of interest, Fiscal Year (FY) 2021-22 State Budget, and federal surface transportation reauthorization.

Background: *Update on Priority Bills* This year, MTC has taken a “support” or “support and seek amendments” position on 11 bills, as shown in Attachment A. A number of these have become what is known in Sacramento as a “two-year bill,” meaning it is on hold until the following year – the second year of the two-year legislative session. Unfortunately, this includes the following high-priority bills:

- AB 629 (Chiu) Seamless and Resilient Bay Area Transit Act
- SB 623 (Newman) Electronic Toll Collection: Clarification of Current Law Related to the Use of Toll Road User’s Information

Unfortunately, AB 550 (Chiu) which would have authorized automated speed enforcement in high-risk locations in the cities of Oakland, San Jose and San Francisco (plus Los Angeles and another city in southern California to be determined) was held in the Assembly Appropriations Committee, meaning it is no longer active. In more positive news, SB 7 (Atkins) has already been signed by the Governor. The bill renews an expired CEQA streamlining program that provides for expedited judicial review after CEQA analysis has been completed (and is challenged in court) for specified projects and expands it to include affordable housing projects that meet specified criteria.

State Budget At the time this memo was finalized, the Senate and Assembly budget committees were wrapping up their hearings and announced on June 1 a joint agreement in response to the Governor’s May Revision of the State Budget released in mid-May. A summary of key items in the May Revision that are relevant to the Final Blueprint of Plan Bay Area 2050 is included as Attachment B and the Legislative proposal summary is included as Attachment C. Notable highlights that MTC and ABAG have prioritized include the following:

- A new sustainable communities Block grant program to help implement the Sustainable Communities Strategies (SCS). The May Revision proposed \$500 million; the Legislature is proposing \$750 million.
- An increase of \$1 billion for the Transit and Intercity Rail Capital Program which has helped to fund many Bay Area transit and rail priorities
- The Legislature has proposed a new \$400 million climate adaptation planning and infrastructure program to be administered by Caltrans to fund local and regional adaptation needs. MTC/ABAG and other partners had been championing a \$500 million program.
- An increase of \$500 million for the Active Transportation Program – this was proposed in the May Revision and supported by the Legislature.
- Significant new funding for affordable housing including \$1.7 billion for housing production and \$300 million for housing preservation.

FAST Act Reauthorization The Fixing America's Surface Transportation (FAST) Act – the law that guides federal transportation policy and spending priorities – is set to expire on September 30, 2021. Last month, Congress jumpstarted FAST Act reauthorization discussions with the release of the Senate's highway proposal, which is summarized below and further in Attachment A. The House Transportation & Infrastructure Committee is expected to unveil their starting proposal this month, with committee action planned for the week of June 7th. Staff will provide an update at your committee meeting.

Senate Environment and Public Works (EPW) Committee Proposal On May 26, the EPW Committee passed the Surface Transportation Reauthorization Act of 2021 (STRA), a five-year, \$304 billion highway transportation reauthorization proposal. We are encouraged that the bill reflects many of MTC's federal transportation advocacy priorities. Importantly, STRA retains the pieces of the existing FAST Act program structure that we know work well and increases funding by more than 30 percent over five years. This funding growth reflects the large-scale state of good repair, safety, bridge, and active transportation needs in the Bay Area and throughout the country. As advocated by MTC, the bill includes a new focus on climate change, explicitly making resilience activities eligible within core highway programs and creating new resilience and carbon reduction programs. In addition, we are encouraged that the bill's proposed new bridge program would direct resources to those larger, nationally and regionally significant bridges with state of good repair and resilience needs.

STRA also takes steps to support regional funding, planning and decision-making, including through directing a modest amount of new funding to metros and for reducing congestion in major metropolitan areas and increasing metropolitan planning funding. With regards to active transportation and removing artificial barriers imposed by highways when they were first built, the bill significantly grows the federal bike/ped program and creates a new Reconnecting Communities grant program to remove or retrofit highways for the purpose of revitalizing communities.

Though we believe STRA is a great starting point overall, the bill could be improved by shifting more of the federal resources toward the Bay Area and other population and job centers. Specifically, we would like to see a more proportionate increase in funding for flexible, multimodal highway programs that come directly to MTC for programming, increased funding for the new metro-focused carbon reduction and congestion reduction programs, and increased suballocation of formula funding to large metro areas. These changes would support the Bay Area in making progress on the host of climate, resilience, and seamless transit, and equity-oriented investment priorities identified in Plan Bay Area 2050.

Attachments:

Attachment A: MTC Priority Bills with a Position
Attachment B: Summary of May Revision of the FY 2021-22 State Budget
Attachment C: Legislative Budget Proposal
Attachment D: Summary of Senate Environment and Public Works Committee Surface Transportation Reauthorization Act



METROPOLITAN
TRANSPORTATION
COMMISSION

LEGISLATIVE HISTORY
MTC Bills With Positions
6/2/2021

Bay Area Metro Center
375 Beale Street, Suite 800
San Francisco, CA 94105
415-778-6700
www.mtc.ca.gov

Bill Number	Current Text	Status	Summary	MTC Position
AB 43 Friedman	Amended 3/22/2021	Senate Transportation	Traffic safety. Current law establishes various default speed limits for vehicles upon highways, as specified. Current law authorizes state and local authorities to adjust these default speed limits, as specified, based upon certain findings determined by an engineering and traffic survey. Current law defines an engineering and traffic survey and prescribes specified factors that must be included in the survey, including prevailing speeds and road conditions. This bill would require local authorities to consider other factors, including pedestrian and bicycle safety, that are allowed but not required to be considered under existing law. The bill would also allow local authorities to consider additional factors, including the current or immediately prior speed limit, as specified.	Support
AB 476 Mullin	Amended 3/16/2021	Assembly 2 year	Department of Transportation: state highways: transit bus pilot program. Would authorize the Department of Transportation to establish a pilot program to authorize a transit operator or operators to operate transit buses on the shoulders of state highways, under a project selected under the program. The bill would authorize an operator or operators, in partnership with a regional transportation agency that meets specified requirements, to submit an application to the department to establish and operate a project under the program. The bill would authorize the department to select no more than 8 total projects under the program using guidelines developed with input from the Department of the California Highway Patrol and the public. The bill would require the department, the Department of the California Highway Patrol, and the operator or operators and regional transportation agency that submitted the application to jointly determine the state highways, or segment of state highways, that will be used in a project.	Support
AB 550 Chiu	Amended 4/29/2021	Assembly 2 year	Vehicles: Speed Safety System Pilot Program. Would authorize, until January 1, 2027, the Cities of Los Angeles, Oakland, San Jose, one city in southern California, and the City and County of San Francisco to establish the Speed Safety System Pilot Program for speed limit enforcement in certain areas, if the system meets specified requirements, including that the presence of a fixed or mobile system is clearly identified. The bill would require the participating cities or city and county to adopt a Speed Safety System Use Policy and a Speed Safety System Impact Report before implementing the program, and would require the city or city and county to engage in a public information campaign at least 30 days before implementation of the program, including information relating to when the systems would begin detecting violations and where the systems would be utilized.	Support

AB 629 Chiu	Amended 3/22/2021	Assembly 2 year	San Francisco Bay area: public transportation. Current law requires the Metropolitan Transportation Commission to develop regional transit service objectives, develop performance measures of efficiency and effectiveness, specify uniform data requirements to assess public transit service benefits and costs, and formulate procedures for establishing regional transportation priorities in the allocation of funds for transportation purposes. This bill would require the commission to consult with transit agencies, local jurisdictions, county transportation agencies, and the general public to establish and maintain a transit priority network for the San Francisco Bay area that designates corridors that will most benefit from interventions to support fast and reliable transit service.	Support and Seek Amendments
AB 897 Mullin	Amended 4/19/2021	Assembly Third Reading	Office of Planning and Research: regional climate networks: climate adaptation action plans. Current law requires, by July 1, 2017, and every 3 years thereafter, the Natural Resources Agency to update, as prescribed, the state's climate adaptation strategy, known as the Safeguarding California Plan. Current law establishes the Office of Planning and Research in state government in the Governor's office. Current law establishes the Integrated Climate Adaptation and Resiliency Program to be administered by the office to coordinate regional and local efforts with state climate adaptation strategies to adapt to the impacts of climate change, as prescribed. This bill would authorize eligible entities, as defined, to establish and participate in a regional climate network, as defined. The bill would require the office to encourage the inclusion of agencies with land use planning authority into regional climate networks. The bill would authorize a regional climate network to engage in activities to address climate change, as specified.	Support and Seek Amendments
AB 917 Bloom	Amended 4/27/2021	Assembly Third Reading	Vehicles: video imaging of parking violations. Current law requires a designated employee, who is qualified by San Francisco, or a contracted law enforcement agency for the Alameda-Contra Costa Transit District, who is qualified by the city and county or the district to issue parking citations, to review video image recordings for the purpose of determining whether a parking violation occurred in a transit-only traffic lane and to issue a notice of violation to the registered owner of a vehicle within 15 calendar days, as specified. Existing laws makes these video image records confidential, and provides that these records are available only to public agencies to enforce parking violations. Existing law provides that if the Alameda-Contra Costa Transit District implements an automated enforcement system as described above, the district is required to submit a report to specified committees of the Legislature by no later than January 1, 2021. This bill would extend the authorization described above to any public transit operator in the state indefinitely. The bill would expand the authorization to enforce parking violations to include violations occurring at transit stops. The bill would repeal the obsolete reporting requirement of the Alameda-Contra Costa Transit District.	Support

AB 1401 Friedman	Amended 4/19/2021	Senate Desk	Residential and commercial development: parking requirements. Would prohibit a local government from imposing a minimum automobile parking requirement, or enforcing a minimum automobile parking requirement, on residential, commercial, or other development if the development is located on a parcel that is within one-half mile walking distance of public transit, as defined. The bill would not preclude a local government from imposing requirements when a project provides parking voluntarily to require spaces for car share vehicles. The bill would prohibit these provisions from reducing, eliminating, or precluding the enforcement of any requirement imposed on a new multifamily or nonresidential development to provide electric vehicle parking spaces or parking spaces that are accessible to persons with disabilities, as specified.	Support and Seek Amendments
AB 1500 Garcia, Eduardo	Amended 5/11/2021	Assembly Rules	Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2022. Would enact the Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2022, which, if approved by the voters, would authorize the issuance of bonds in the amount of \$7,080,000,000 pursuant to the State General Obligation Bond Law to finance projects for safe drinking water, wildfire prevention, drought preparation, flood protection, extreme heat mitigation, and workforce development programs.	Support and Seek Amendments
SB 7 Atkins	Chaptered 5/20/2021	Senate Chaptered	Environmental quality: Jobs and Economic Improvement Through Environmental Leadership Act of 2021. Would enact the Jobs and Economic Improvement Through Environmental Leadership Act of 2021, which would reenact the former leadership act, with certain changes, and would authorize the Governor, until January 1, 2024, to certify projects that meet specified requirements for streamlining benefits related to CEQA. The bill would additionally include housing development projects, as defined, meeting certain conditions as projects eligible for certification. The bill would, except for those housing development projects, require the quantification and mitigation of the impacts of a project from the emissions of greenhouse gases, as provided. The bill would revise and recast the labor-related requirements for projects undertaken by both public agencies and private entities. The bill would provide that the Governor is authorized to certify a project before the lead agency certifies the final EIR for the project.	Support
SB 10 Wiener	Amended 5/26/2021	Senate Third Reading	Planning and zoning: housing development: density. Would, notwithstanding any local restrictions on adopting zoning ordinances, authorize a local government to adopt an ordinance to zone any parcel for up to 10 units of residential density per parcel, at a height specified in the ordinance, if the parcel is located in a transit-rich area or an urban infill site, as those terms are defined. The bill would specify that an ordinance adopted under these provisions, and any resolution to amend the jurisdiction's General Plan, ordinance, or other local regulation adopted to be consistent with that ordinance, is not a project for purposes of the California Environmental Quality Act. The bill would impose specified requirements on a zoning ordinance adopted under these provisions, including a requirement that the zoning ordinance clearly demarcate the areas that are subject to the ordinance and that the legislative body make a finding that the ordinance is consistent with the city or county's obligation to affirmatively further fair housing.	Support

<p>SB 623</p> <p>Newman</p>	<p>Introduced 2/18/2021</p>	<p>Senate 2 year</p>	<p>Electronic toll and transit fare collection systems. Current law requires the Department of Transportation, in cooperation with the Golden Gate Bridge, Highway and Transportation District and all known entities planning to implement a toll facility, to develop and adopt functional specifications and standards for an automatic vehicle identification system in compliance with specified objectives, and generally requires any automatic vehicle identification system purchased or installed after January 1, 1991, to comply with those specifications and standards. Current law authorizes operators of toll facilities on federal-aid highways engaged in an interoperability program to provide only specified information regarding a vehicle's use of the toll facility. This bill would authorize those operators to provide instead only the information specified in functional specifications and standards adopted by the department and operators of toll facilities in this state on federal-aid highways for purposes of interstate interoperability.</p>	<p>Support</p>
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Summary of May Revise of the Fiscal Year (FY) 2021-2022 State Budget

Historic Revenue Growth Triggers Surplus and State Appropriations Limit

California is forecast to have a \$76 billion surplus this year when excess revenue from the current budget year and next year are combined. However, the Legislative Analyst's Office notes that half that amount—\$38 billion—is actually discretionary given the state's various mandatory expenditures associated with incoming revenue for schools and community colleges, reserves, and debt payments. A new consideration in this year's budget is a limit on state appropriations, known as the Gann Limit. Passed in 1979 after Proposition 13, it sets a limit on per capita spending relative to 1979 and adjusted for inflation. It has only been triggered once before in 1987 when the state issued a \$1.1 billion tax rebate. This time around the excess revenue amount is \$16 billion and the Governor is proposing a \$12 billion tax rebate to expand access to stimulus checks of \$600 to all taxpayers who make up to \$75,000 a year and did not receive a state payment earlier this year. Households with dependents will receive an additional \$500. The proposal also includes \$500 in direct payments to undocumented families.

Plan Bay Area 2050 Priorities included in May Revise

Sustainable Communities Block Grants

The May Revise proposes \$500 million in federal American Recovery Plan Act (ARPA) funds for regional agencies like MTC to spend on planning and implementation to support infill developments targeted towards climate goals and reducing vehicle miles traveled. Grants would be administered by the Housing and Community Development similar to the Regional Early Action Program or REAP which was funded in the FY 2019 State Budget.

Housing: Protect and Preserve Affordable Housing

Rental Assistance –The May Revise highlights the \$5.2 billion that has been provided to date for rental assistance from SB 91, signed in January which provided \$2.6 billion in federal rental assistance in ARPA funds which provided an additional \$2.6 billion to state and local entitlement jurisdictions. The May Revise proposes \$60 million over three years for the Judicial Counsel to provide legal assistance grants for various legal aid organizations serving tenants plus \$2 billion to pay for overdue water and utility bills. Additional funding of \$60 million is proposed for tenant legal services.

Housing Production: Affordable Housing Projects and ADUs – The May Revise proposes \$1.75 billion in ARPA funds to support the production over 6,300 in shovel-ready affordable housing units that are currently awaiting additional funding from federal tax credits advance. In addition, it proposes \$80 million in General Fund to expand an accessory dwelling unit (ADU) financing program for low- and moderate-income households that was created in 2019 with \$19 million in seed funding.

Housing Preservation – The May Revise includes \$300 million from ARPA funds for affordable housing preservation focused on extending affordability covenants close to expiration.

Homelessness – May Revise proposes an increase of \$2.75 billion in additional funding over two years through the Homekey Program for a total of \$3.5 billion, of which \$1 billion is targeted to assisting families experiencing homelessness or at risk of being homeless. It also proposes \$40 million over five years for the Homeless Coordinating Financing Council to provide grants and technical assistance to local jurisdictions to develop action plans to address family homelessness. It also proposes \$53 million in one-time General Fund to address encampments on local streets and state highways. This includes \$2.7 million for Caltrans encampment coordinators to help coordinate the with cleaning of trash and debris from encampment sites.

Transportation

The May Revise proposes spending over \$4 billion in General Fund surplus funds for transportation infrastructure enhancements and zero emission vehicles (ZEV) and related infrastructure, including:

- \$1 billion augmentation for the Transit and Intercity Rail Capital Program to improve connectivity between state and regional/local service
- \$500 million in new funding for Active Transportation
- \$500 million to support grade separations

Zero Emission Vehicles (ZEV) – The May Revise increases the budget’s commitment towards reaching the state’s ZEV goals by another \$826 million for a total of \$1.8 billion. This includes:

- New \$100 million program focused on transit vehicles with a goal of supporting 1,000 new ZEV buses
- \$150 million for school buses & infrastructure
- \$1.3 billion for zero-emission buses and trucks

Clean California Initiative - The May Revise proposes \$1.5 billion over three years to remove litter and clean up roadways including \$75 million in funding for art installations at community gateways, \$418 million in litter removal and \$874 million in state and local beautification projects, split \$430 million for state projects and \$444 million for local projects.

Climate Adaptation – The May Revise includes \$1.3 billion in climate resilience over multiple years, including \$784 million in “climate resilience” related projects including:

- \$100 million for Sea Level Rise (coastal wetlands restoration) (\$200 million over two years)
- \$15 million in climate adaptation and resilience planning (\$25 million over two years)
- \$10 million for Regional Climate Collaboratives (\$20 million over two years)
- \$15 million in environmental justice initiatives (\$25 million over two years)

Drought/Water Resilience – The May Revise proposes \$4.3 billion over multiple years to provide drought support, improve access to safe drinking water, and build water supply reliability, including \$3.5 billion in FY 2021-22. The largest category in this package is \$1.3 billion for drinking water/wastewater infrastructure.

Wildfire and Forest Resilience – The May Revise notes that the January budget combined with mid-year budget augmentation of \$536 million amounts to \$1.2 billion for wildfire and forest resilience over two years.

Community Hardening to Build Disaster Resilient Communities –The May Revise proposes \$250 million one-time General Fund to develop and implement a new initiative, “Prepare California,” modeled after a successful FEMA program, designed to build disaster-resistant communities through state, local, federal, and private sector and nongovernmental organization partnerships. This proposal would be implemented in a manner that promotes the principles of equity in building statewide resiliency and education to all hazards, including earthquakes, through community hardening programs.

Heat –The May Revise proposes \$350 million from the General Fund over two years to support communities vulnerable to the impacts of extreme heat through funding for urban greening projects, accelerating deployment of low global warming potential appliances in low-income households eligible for energy efficiency upgrades, and supporting strategic greening of new near-zero emission low-income residential buildings. These programs aim to strengthen protections for California’s most vulnerable by cooling communities, reducing energy costs, improving air quality, and safeguarding public health and safety.

Broadband – The May Revise supports PBA 2050 goal to ensure all communities have affordable access to high speed internet by providing \$7 billion to expand access to affordable high-speed internet over three years.

Economic Resilience - The May Revise proposes using \$750 million in ARPA funds to create a new fund to support local and regional planning and implementation of strategies to “adapt to and seize the opportunities that come with a changing economy.” The concept is to prioritize the creation of accessible, high-quality jobs in future-looking industries such as renewable energy, ZEV, climate restoration and resilience. The fund will provide “High Road Transition Implementation Grants.” An additional \$160 million is proposed for workforce training to support this effort.



The 2021-22 State Budget

Legislature's Version

(All figures contained are preliminary, until final official scoring)

Assemblymember Phil Ting
Chair, Assembly Budget Committee

Senator Nancy Skinner
Chair, Committee on Budget and Fiscal Review

Pending approval of the Assembly Budget Committee and the Senate Committee on Budget and Fiscal Review, this document provides a summary of the Legislature's version of the 2021-22 State Budget.

The Legislature's Version builds on priorities put forward in the Assembly's "A Budget of Opportunity" blueprint, the Senate's "Build Back Boldly" plan, and the Governor's May Revision.

As a result, the Legislature's Version provides a responsible, bold budget that makes transformative change for California.

California is roaring back – but it is not by accident or due to good fortune. California's finances survived the COVID-19 economic crisis and have put the state in position to make transformative change due to:

- A decade of responsible budgeting – which began with voters putting Democrats in full control of the state’s finances starting in 2011 – that provided the tools to get through the temporary downturn without having to impose economy harming cuts to programs or middle class tax increases;
- Robust federal stimulus actions that kept families afloat and prevented the economy from spiraling out of control; and
- A common sense, voter-approved, revenue system that requires all Californians to contribute, but relies more heavily on the wealthiest Californians that have benefited the most from California and can most afford to pay.

The Legislature’s Version framework differs from the May Revision in two primary ways. First, it maximizes flexible federal funds to support and improve core programs. And second, the Legislature’s Version uses the revenue forecasts of the Legislative Analyst’s Office, naturally, as well as up to date revenue performance through the month of May in the current year.

The LAO revenues are modestly higher in the short term and help support transformative actions outlined in this summary, but much of the increase revenues are constitutionally dedicated to schools, reserves, and debt payments pursuant to Proposition 98 and Proposition 2. It is important to note, that while the LAO’s forecasts in recent years have proven to be more accurate than others, their projections have also been well below actual performance, and it is not unreasonable to believe that actual revenue performance in the coming years will significantly exceed the forecast contained in the Legislature’s Version.

All told the updated Legislature’s Version contains total spending of \$267.1 billion, of which \$196.1 is from the General Fund, and total General Fund reserves equaling a record \$25.2 billion.

Total Proposition 98 spending is a record, \$96.1 billion, including \$69 billion from the General Fund.

The following provides a summary of key aspects of the Legislature’s Version, followed by more detailed highlights by each subject area.

Top Legislative Priority

Responsible Budgeting

Since taking full control of the state's finances in 2011, Legislative Democrats have made responsible budgeting a top priority. Gone are the bad old days of perennial late budgets, careening from one fiscal crisis to the next without ever having a structurally balanced budget, and constantly slashing funding for schools and critical programs and squeezing the middle class.

California's finances survived the COVID-19 downturn in large part because of the responsible budgeting, the Legislature's Version does more than ever before to protect state budget from the next inevitable downturn.

The following are key responsible budgeting elements of the Legislature's Version:

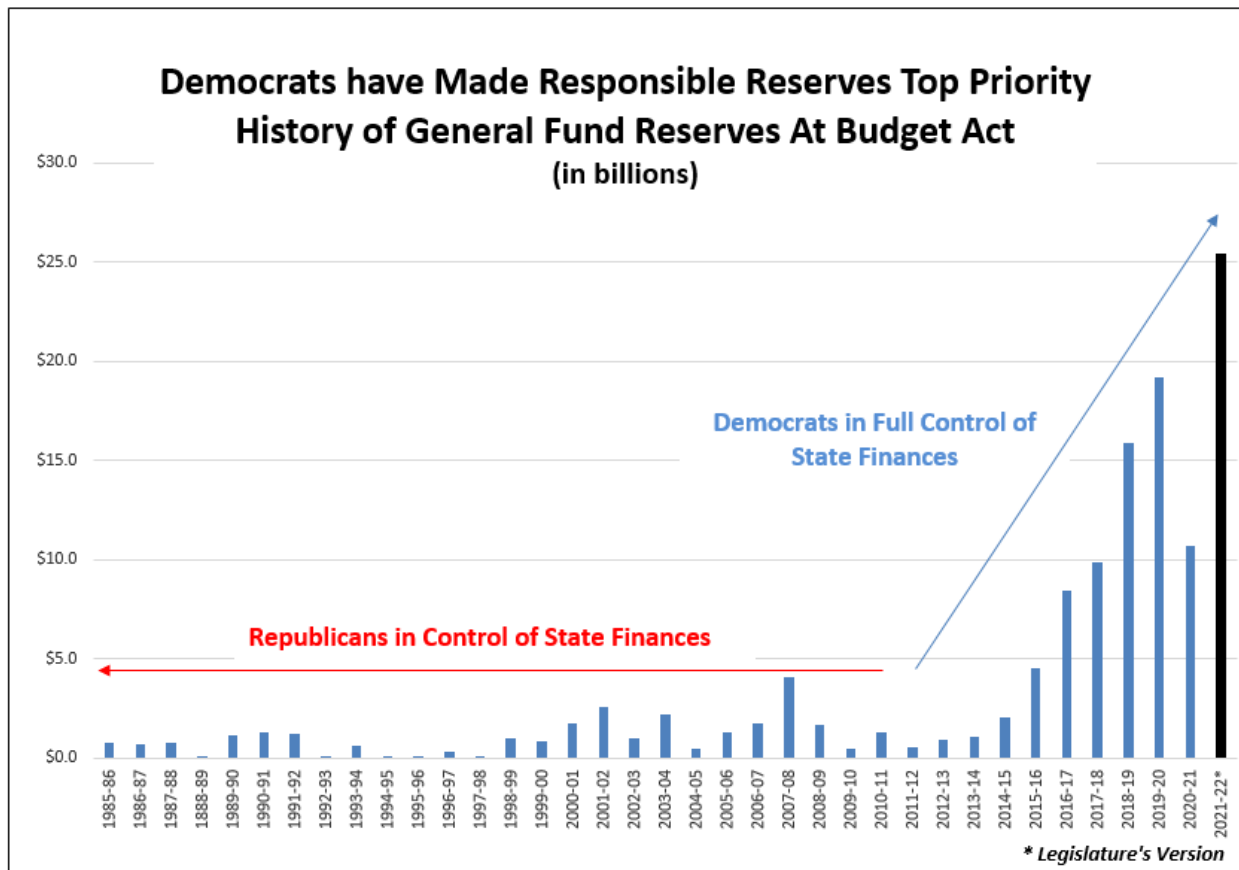
- **Record Reserves.** Provides a total of \$25.2 billion in General Fund reserves, higher than any level in history. The reserves include:
 - \$2.9 billion in the Regular Reserve (SFEU)
 - \$1.2 billion in the Safety Net Reserve
 - \$5.3 billion in the Prop 98 Reserve
 - \$15.9 billion in the Rainy Day Fund (Budget Stabilization Account).

The reserves increase each year and will total over \$35 billion by 2024-25.

- **Full Pay-Off of Prop 98 Deferrals.** Pays off \$11 billion of Prop 98 deferrals, include \$2.6 billion not proposed in the May Revision. Paying down deferrals gets local school and community college districts cash for their programs and replenishes an important budget tool to assist with the next economic downturn.
- **Prepayment of General Obligation Bond Debt.** Pays \$1 billion of General Obligation Bond payments early, which will reduce required spending in future years.
- **Pays Schools and Community College Pension Costs.** Allocates nearly \$3 billion over the next four years for supplemental pension payments for schools and community colleges, including \$400 million in 2021-22 to offset future costs.
- **No Phony Suspensions.** Approves the May Revision proposal to end the practice of building in phony suspensions into the out-years that would paint an

unrealistic fiscal outlook. Instead, the ongoing costs of programs are fully accounted for in the out-years to present an accurate multi-year forecasts.

- ***Under the Constitutional Appropriations Limit.*** Maintains total spending as much as \$30 billion below the Constitutional appropriations limit for 2021-22. And over the two year period of the current year and budget year, combined the budget is below the appropriations limit.



Transformative Actions

Economic Stimulus, Relief for Families & Small Business/Non-Profits

While California's state finances have survived and bounced back after the COVID-19 downturn, many California families and small businesses continue to struggle.

The Legislature's Version builds on the historic investment in families and small businesses made by the federal and California governments, including:

- ***\$8.1 Billion Golden State Stimulus 2 – Historic Level of Tax Cuts.*** Approves the Governor's proposed Golden State Stimulus 2 to provide \$8.1 billion in tax cuts to Californians with income of up to \$75,000. This will provide taxpayers with payments of \$500, \$600, 1,000 or \$1,100, depending on their filing status. Combined with early action tax relief for families and businesses, this totals approximately \$14.7 billion in tax relief – a historic level of tax cuts by any measure.
- ***\$1.5 Billion Small Business / Non-Profits Grants.*** Approves the Governor's proposed additional \$1.5 billion in small businesses and non-profit grants, bringing the total investment in the Small Business COVID-19 Relief Grant Program to \$4 billion.
- ***\$2 Billion Unemployment Insurance Mitigation for Small Businesses.*** Provides \$2 billion of tax relief over a ten year period for small businesses to mitigate impacts of Unemployment Insurance repayments, beginning in 2023. This replaces the Governor's \$1.1 billion proposal that would not target relief to small businesses and would not have a practical benefit to any business until 2030.

Education

Early Care and Education. The Legislature's Version of the budget improves upon the Governor's strong to make historic and transformative improvements for Early Care and Education. Strong Early Care and Education investments are critical to healthy families,

and it is critical that child care providers are compensated fairly. Key Early Care and Education improvements include:

- ***Child Care Rate Reform.*** Provides \$1.1 billion in ongoing funds above the May Revision to implement Child Care Rate Reform for child care and state preschool providers which helps ensure providers can be fairly compensated and run successful businesses that provide vital services for families.
- ***Child Care Slots.*** Increases child care access by 206,500 slots in Alternative Payment, General Child Care, Migrant Child Care, bridge program for foster children, and prioritizes ongoing vouchers for essential workers currently receiving short-term child care. The package provides a total of \$1.469 billion (\$1.026 billion General Fund) in 2021-22 and \$2.724 billion (\$1.809 billion General Fund) in 2022-23 for new child care slots.
- ***Universal Transitional Kindergarten.*** Adopts universal Transitional Kindergarten (TK) as part of a mixed delivery system, phasing in expanded age eligibility to full implementation in 2025-26 and rebenching the Proposition 98 Guarantee to provide ongoing funding for the TK expansion of approximately \$2.7 billion at full implementation.
- ***Key One-time Investments.*** Provides a variety of one-time investments to stabilize providers growing out of the pandemic, including stipends, hold harmless policies. Makes additional investments in child care facilities (\$250 million one-time General Fund and \$205 million one-time federal stimulus funds) and the early care and education workforce (\$250 million one-time federal stimulus funds).

TK-12 Public Education. A key part to California's pandemic recovery is the transformation of our public education system, and significant investments in California's children and our shared futures. In addition to TK expansion listed above, the Legislature's Version includes over \$21,000 per-student spending and various initiatives to change the culture of public education including:

- ***Community Schools.*** Provides \$2 billion to launch a statewide initiative to build accessible community wellness and student health hubs on over 1,000 school campuses. The Community School model addresses students' and their families' most critical health and service needs, to support students in academic success. The Legislative Version adds universal meals to the education model, allowing all students who need a healthy breakfast or lunch at school, to receive one, year round at their local school.
- ***Expanded Learning.*** Builds upon the Governor's vision for expanding after school and summer options with \$1 billion in ongoing program support, and \$2.3

billion in one-time funding, for free after school and summer options for all low-income students through the 2022-23 school year. This improves the standard schedule for public schools to better meet the needs of working families

- ***Special Education.*** Provides ongoing special education funding to increase the statewide base rate for the special education formula and fund special education services for children ages 3-5 years old. In addition, one-time funds of over \$1 billion are provided for to invest in increased support for special education learning loss and increasing support for inclusive practices.
- ***Career and College Readiness.*** Doubles high school student access to career and college-prep coursework and training.

Access to Higher Ed, Financial Aid & Path to Debt Free College

Access to affordable higher education is a cornerstone of a strong middle class. While California has done a good job to keeping tuition low, and has been able to eliminate tuition entirely for the 55 percent of CSU and UC students that qualify for Cal Grants, non-tuition costs and out of date rules that shut out qualified students from Cal Grants has resulted in students relying on student debt.

The Legislature's Version of the budget makes the biggest expansion to Cal Grants since its inception and reboots the Middle Class Scholarship to also supplement Cal Grant for the first time to cover non-tuition costs for students receiving Cal Grants.

Here are the Details:

- ***Cal Grant Enrollment Expansion.*** Provides \$488 million ongoing to end the age and time out of high school requirements that for too long have locked deserving students out of the Cal Grant program. This will begin in the upcoming school year with \$154 million for 133,000 community college students and then expand to 40,000 CSU and UC students in the 2022-23 school year.
- ***Cal Grant B Access Award Increase.*** Provides \$125 million ongoing to increase the Cal Grant Access Award from \$1,600 to \$2,000. The Access Award is a modest grant to help cover non tuition expenses. This will start with \$44 million in the budget year to serve 240,000 Community College students, and expand to \$125 million in 2022-23 to serve 170,000 CSU and UC students.
- ***Middle Class Scholarship Reboot.*** Provides \$542 million beginning in 2022-23 to reboot the Middle Class Scholarship to expand to supplement non-tuition costs for Cal Grant students and to ultimately become Debt Free grant to eliminate the

de facto requirement for lower and middle income students to rely on student loans to attend the CSU and UC.

The MCS 2.0 will close the gap between the full cost of attendance – including non-tuition costs – and resources provided by other financial aid, earnings from a part-time job and of the full cost of attendance and traditional between traditional financial and modest family contribution from families with over \$100,000 annual income.

The \$542 million is estimated to close the gap by 33 percent, with the intent to expand in future years to ultimately fill the gap by 100%, and finally provide debt free college.

The Legislature's Version also provides \$180 million to increase resident enrollment at UC and CSU by more than 15,000 students, and launches a new program to replace nonresident students at UC Berkeley, UCLA and UC San Diego with California students.

Major Investments in Youth Behavioral Health, Public Health, and Health Equity

- **Youth Behavioral Health.** Invests \$4 billion dollars to create a new, modern, and innovative behavioral health system for youth, including \$250 million for the Mental Health Student Services Act to fund school and county mental health partnerships to support the mental health and emotional needs of children and youth as they return to schools and everyday life.
- **Public Health Infrastructure.** Builds a 21st century public health system with \$200 million annually for Local Health Jurisdictions, \$40 million annually for state public health functions, \$35 million annually for public health workforce development, and \$13 million ongoing for the prevention of HIV/AIDS, hepatitis and sexually transmitted infections.
- **Health Equity.** Invests \$115 million annually in community-based health equity and racial justice efforts, and \$63.1 million one-time for the California Reducing Disparities Project.

Aging and Disability

The Legislature's Version takes major action to improve services for the aged and those with disabilities. Legislative Democrats have long championed these efforts but with the strong fiscal condition of the state the Legislative Version makes progress far beyond any prior efforts. The improvements include:

- ***Medi-Cal at 50+, Regardless of Immigration Status.*** Provides ongoing funding growing to \$1.3 billion to expand Medi-Cal eligibility to all income eligible Californians 50-plus years of age, regardless of immigration status.
- ***Medi-Cal Asset Test removal.*** Eliminates the Medi-Cal asset test for seniors to remove the "senior savings" penalty, to expand access to more income eligible seniors.
- ***SSI/SSP Legacy Cut Restoration.*** Provides \$600 million ongoing to substantially restore the 2009 cut to low income Californians with disabilities and the elderly. This restoration (combined with Governor's May Revision proposal) will increase the SSP grant by \$46 per month for individuals and \$118 per month for couples.
- ***Developmental Services Provider Rate Study.*** Phases in an ongoing \$857 million to fully phase in the rate study provider increases over a three-year period. This will help ensure providers receive fairer compensation and that families will continue to have access to the vital services provided.
- ***Permanent Restoration of IHSS 7% Hours Cut.*** Finally ends the legacy of 7% cut in in-home care services to elderly and disabled Californians. While the cut was restored in prior years, the threat of the cut remained by it being added to the list of program "suspensions" that would have automatically taken effect in future years. The Legislature's Version of the budget approves the Governor's proposal to end this (and all) program suspension.

Fighting Poverty and Hunger

The Legislature's version of the budget makes strides to ending poverty and fighting hunger across California by implementing sensible reforms to improve outcomes for participants in the CalWORKs program and making investments in our state's food safety net. This includes:

- ***Aligning CalWORKs Income Standards for Applicants and Recipients.*** Provides \$179.2 million in ongoing support to raise the applicant earned income disregard from \$90 to \$600.
- ***CalWORKs Pregnancy Aid.*** Provides \$10 million ongoing to allow a pregnant person to receive aid to meet special needs resulting from pregnancy upon verification of pregnancy and increases the CalWORKs pregnancy supplement to \$100.
- ***Food for All.*** Provides \$550 million in ongoing support to provide state-funded nutrition benefits to those ineligible for CalFresh or the California Food Assistance Program solely due to immigration status.
- ***Aid for Food Banks.*** Provides close to \$300 million one-time to help food banks address the overwhelming need brought on by the COVID-19 pandemic and operate in the 2021-22 fiscal year.

Homelessness Package

The homelessness crisis impacts nearly every community in California. The Legislature's Version builds on recent one-time spending efforts to make the largest ever commitment to address homelessness over a two year period, as well as on ongoing commitment to provide funding for local governments. This includes:

- ***Record-level Investment to Address Homelessness.*** Provides \$8.5 billion in new funding for homelessness programs over the next two years.
- ***Local Ongoing Support for Local Governments.*** Includes \$1 billion in ongoing support for local governments to address homelessness. This is the first ongoing commitment made by the state and will come with strong oversight and accountability to ensure the funds are put to work to successfully alleviate homelessness.
- ***Sending More Resources to Front-Line Anti-Poverty Programs.*** Includes over \$1 billion for various programs operated out of the Department of Social Services. These housing and homelessness programs touch the most vulnerable in our state – seniors in poverty at risk of abuse and neglect, families with children, and children and guardians in our child welfare system.

Criminal Justice Reform and Access to Justice

- **Reduce debt on low-income Californians.** Reduces the debt of low-income Californians by eliminating various criminal administrative fees, including the elimination of the civil assessment. Includes \$151 million General Fund in 2021-22, \$151 million in 2022-23, \$130 million in 2023-24, and \$120 million in 2024-25 and ongoing to backfill the revenue associated with the eliminated fees.
- **Access to Justice.** Expands essential legal service resources through a \$200 million “Access to Justice” package in 2021-22 for legal aid, collaborative courts, county law libraries, dependency counsel, court interpreters, and court reporters. Invests \$120 million ARPA funds over three years to fund legal aid services for renters and homeowners to avoid evictions and foreclosures.
- **Support for Court Operations** Restores \$200 million ongoing General Fund to the Judicial Branch to re-open temporarily closed courtrooms and process case backlogs which have accumulated during the pandemic. Provides an addition \$72 million to ongoing General Fund to support trial court operations.
- **Investments in rehabilitation, re-entry, and recidivism reduction strategies.** Includes a “Rehabilitation, Re-entry and Recidivism Reduction” package of \$200+ million for career development, rehabilitative programming, family connection, local support for individuals to remain out of the criminal justice system, and removal of barriers to successful re-entry.
- **Gun Violence Reduction.** Provides \$211 million General Fund to reduce gun violence in the state.
- **Investments in survivors.** Includes \$175 million General Fund for various programs to support survivors of domestic violence, sexual violence, human trafficking and forced sterilization. Includes \$50 million for homeless youth emergency services and housing programs.

Historic Resources Investments

California continues to be impacted by climate change, and the Legislature’s Version works to address this with historic investments to address the Wildfire and Drought crisis and with a major Climate Resiliency Package. This includes:

- **Wildfire Package:** Provides \$1 billion for various wildfire prevent and respond to wildfires, this is an increase of \$292 million above the Governor’s May

Revision. Details of the package will continue to be worked out through the three-party negotiations.

- ***Drought Package:*** Provides approximately \$3.7 billion to address and get ahead of the emerging drought, this was the amount proposed by the Governor's May Revision. Details of the package will continue to be worked out through the three-party negotiations.
- ***Climate Resiliency Package:*** Provides \$3.7 billion over three years to make needed climate resiliency investments, this is \$2.4 billion more than what was proposed in the Governor's May Revision. Details of the package will continue to be worked out through the three-party negotiations.

Infrastructure

The Legislature's Version builds on the Governor's efforts to invest in infrastructure throughout the state. Key highlights of infrastructure investments in the Legislature's Version include:

- ***Broadband.*** Appropriates \$7 billion over a multi-year period for broadband infrastructure and improved access to broadband services throughout the state. Details will continue to be worked out through three party negotiations. Administrative flexibilities will enable the appropriated funds to be accelerated to ensure they are available as needed to fund the expansion and improvements.
- ***Early Care and Education and K-12 Facilities.*** Provides over \$1 billion for Early Care and Education and K-12 infrastructure, including: \$250 million for child care infrastructure, \$300 million for preschool/transitional kindergarten/kindergarten facilities, and \$500 million for school facilities.
- ***Higher Ed Facilities, Acquisition and Student Housing.*** Creates a new \$4 billion fund for CSU and UC facilities and for student housing at Community Colleges, CSU, and UC. Specific projects funded through the new fund, called the Capacity and Affordable Student Housing (CASH) fund, will be approved through Legislative action beginning later this year and through future budget action.
- ***Transportation.*** Provides billions of dollars in new spending for transportation infrastructure, including \$3 billion in funding for transportation infrastructure across the state, including for active transportation projects and projects identified for completion prior to 2028, \$2 billion for streets, roads, and highway

projects, and \$400 million for a State and Local Transportation Adaptation program.

- ***Affordable Housing.*** Provides \$1.75 billion to alleviate the backlog in affordable housing construction, \$300 million for the preservation of existing affordable housing, \$130 million for the development, maintenance, and preservation of farmworker housing, and \$750 million for planning and implementation grants to help local governments plan for and meet their goals under their Sustainable Community Strategies.
- ***Civic and Cultural Institutions.*** Includes investments in civic institutions that support our communities and celebrate California's diversity and cultural heritage. This includes \$390 million for support for libraries and \$250 million for local park projects.

...

2021-22

General Fund Summary

(preliminary scoring - in billions)

Prior Year Balance	28.4
2021-22 Resources	173.7
Total Resources Available	202.1

General Fund Prop 98 Expenditures	69.0
General Fund Non-Prop 98 Expenditures	127.1
Total General Fund Expenditures	196.1

Fund Balance	6.1
(encumbrances)	(3.2)

General Fund Reserves:

Regular Reserve (SFEU)	2.9
Safety Net Reserve	1.2
Prop 98 Reserve (Prop 2)	5.3
Rainy Day Fund (Prop 2)	15.9
Total Reserves	25.2

FEDERAL SURFACE TRANSPORTATION BILL

SENATE PROPOSAL AND NEXT STEPS



TABLE OF CONTENTS

Status Update.....Slide 3

Surface Transportation Reauthorization Act of 2021
Summary and California/Bay Area Impacts.....Slides 4 – 11

MTC Priorities and STRA.....Slide 12

Recommendations.....Slide 13

Next Steps.....Slide 14





STATUS UPDATE

Washington, D.C. is serious about infrastructure. Two legislative vehicles for transportation investment are being discussed in tandem:

1. Infrastructure Bill

\$1 trillion + investment in infrastructure, including transportation; One time influx of funding

No statutory deadline; negotiations ongoing

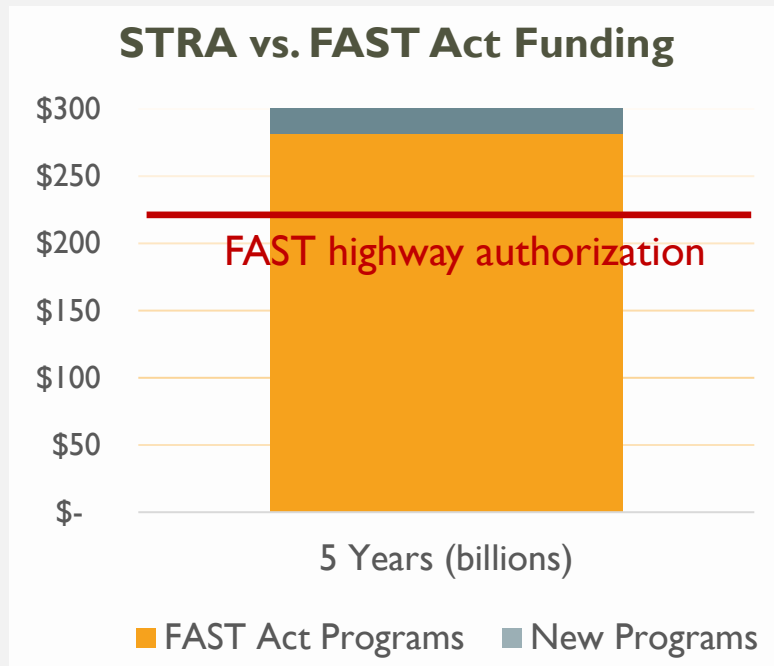
2. FAST Act Reauthorization

Multi-year transportation bill; policy and funding updates; re-set baseline transportation spending levels

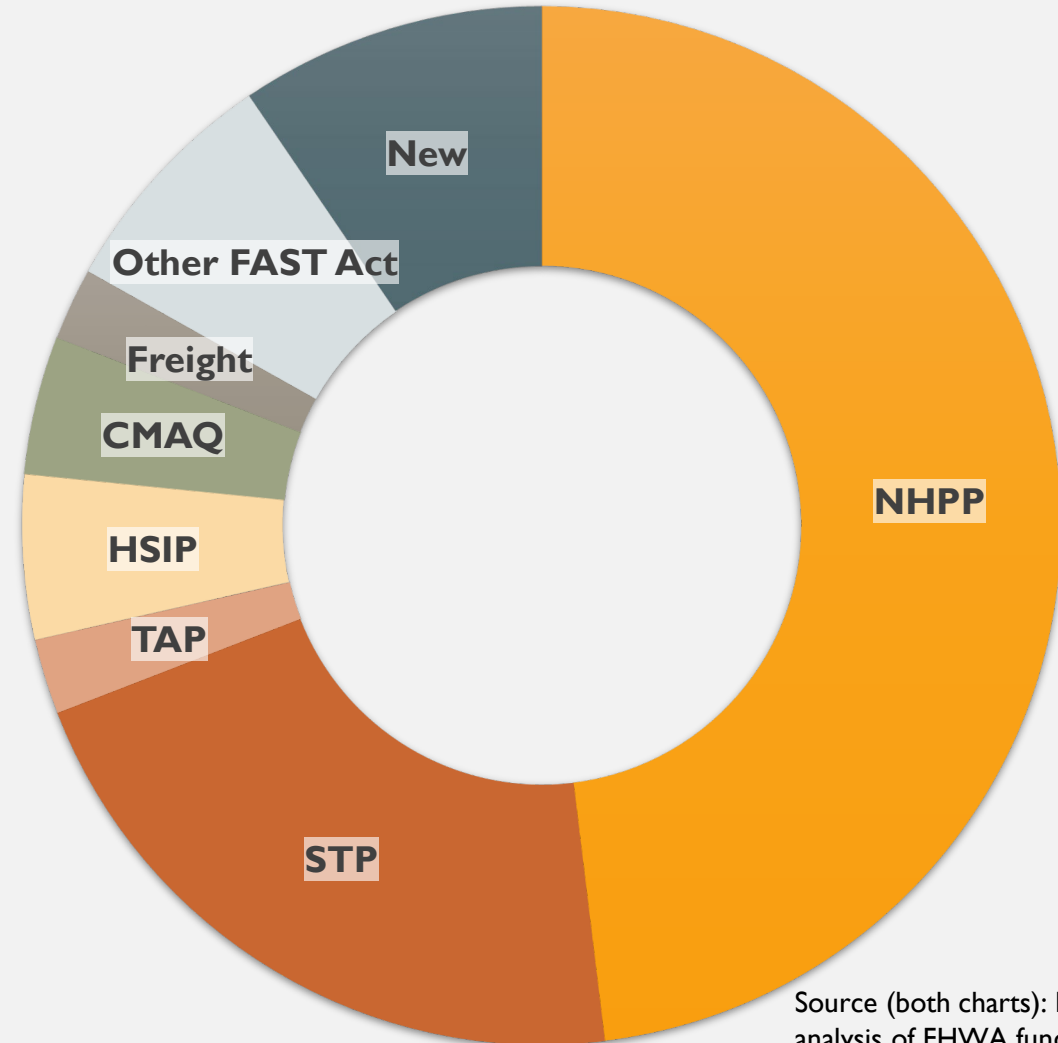
FAST Act **expires September 30, 2021**; Senate kicked off negotiations in May with highway proposal: Surface Transportation Reauthorization Act of 2020 (STRA)

SURFACE TRANSPORTATION REAUTHORIZATION ACT OF 2021 (STRA)

- \$305 billion for highway programs over 5 years
- FAST Act framework
- New programs: Climate change, bridges, pilots



STRA Funding Distribution



STATE OF GOOD REPAIR

National Highway Performance Program

- \$28 billion in FY 2022 (17% growth)
 - CA: \$2.5 billion for highway maintenance, bridge repair, etc.
- Up to 15% funds may fund resilience improvements

Bridge Investment Program (New)

- \$1.2 billion in FY 2022 (50% subject to appropriations)
- Discretionary grants may fund bridge maintenance, rehabilitation, replacement and protection
- 50% reserved for large projects (>\$100 million; \$50 million minimum grant award)

Resilience: What's Eligible?

Bridge and culvert upgrades

Elevating and relocating roadways

Stabilizing slopes & slide areas

Seismic retrofits

Installing riprap, and other hydraulic countermeasures

Natural infrastructure (e.g. improving a marsh adjacent to a roadway)

Other mitigation features



SURFACE TRANSPORTATION BLOCK GRANT (STP)

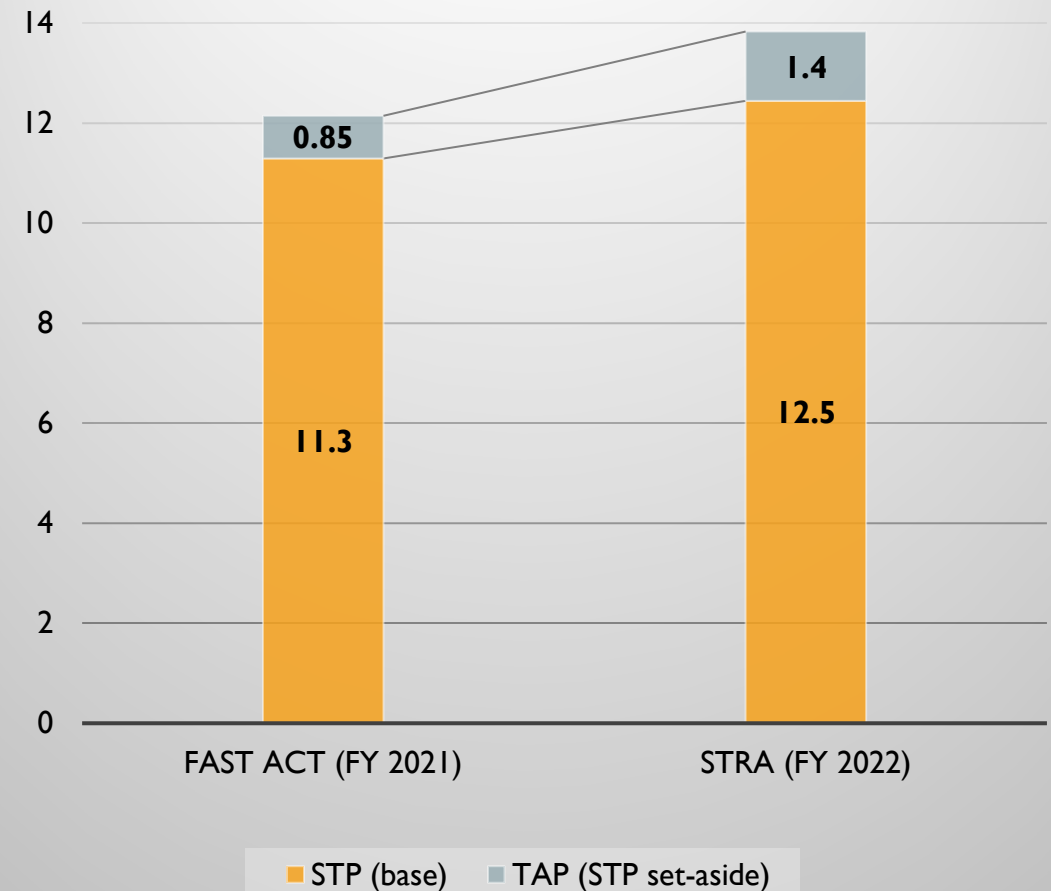
Funding

- National program \$12.5 billion in FY 2022
 - California: \$1.1 billion
 - Bay Area: \$116 million (estimate)
- Base STP only grew 10%; Growth primarily directed to transportation alternatives (TAP)

Policy

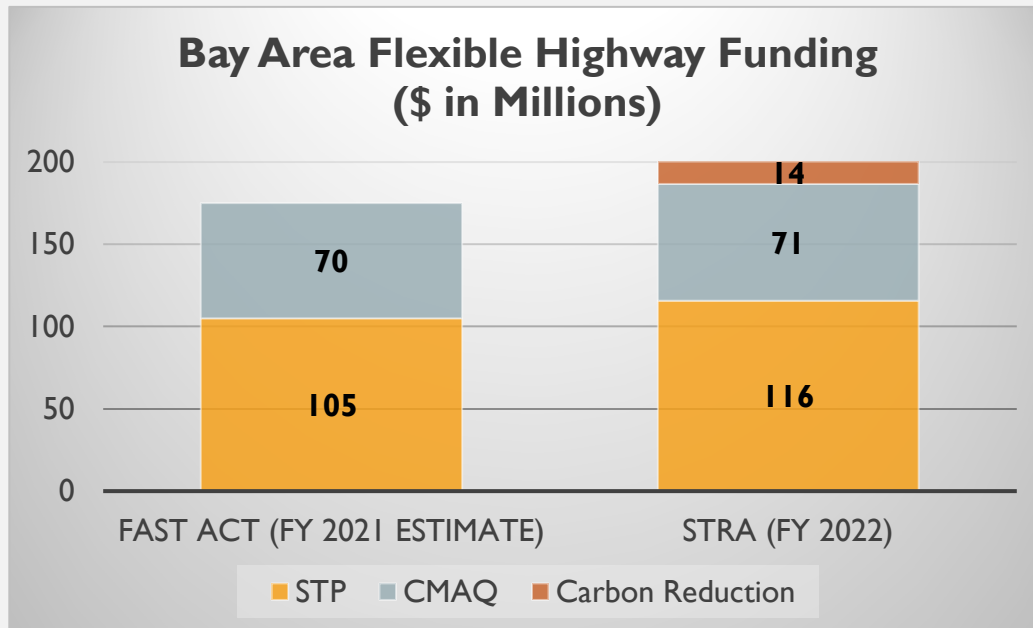
- Suballocation constant (55%)
- Expands flexibility: resilience, privately owned ferries, other

Distribution of Funding Increase (\$ in Billions)

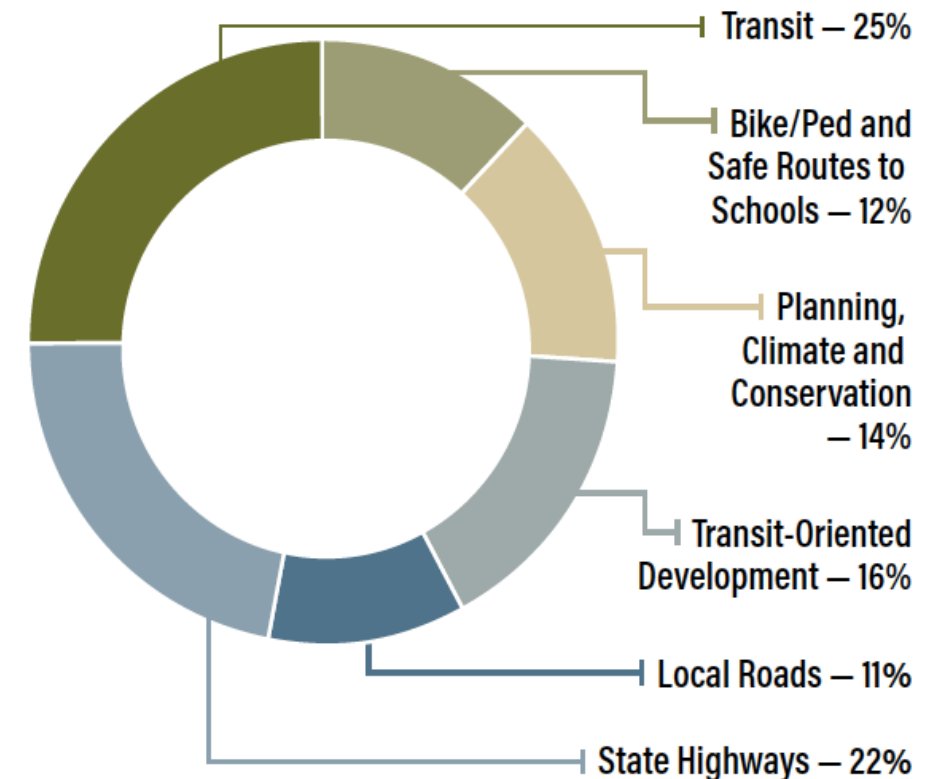


CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT (CMAQ)

- \$2.5 billion national program in FY 2022 (inflation)
- California retains 20% share
- Complemented by new carbon reduction program (\$1.2 b annually) and congestion relief program (\$50 m annually)



STBG and CMAQ in the Bay Area (2013–2017 programming by use)

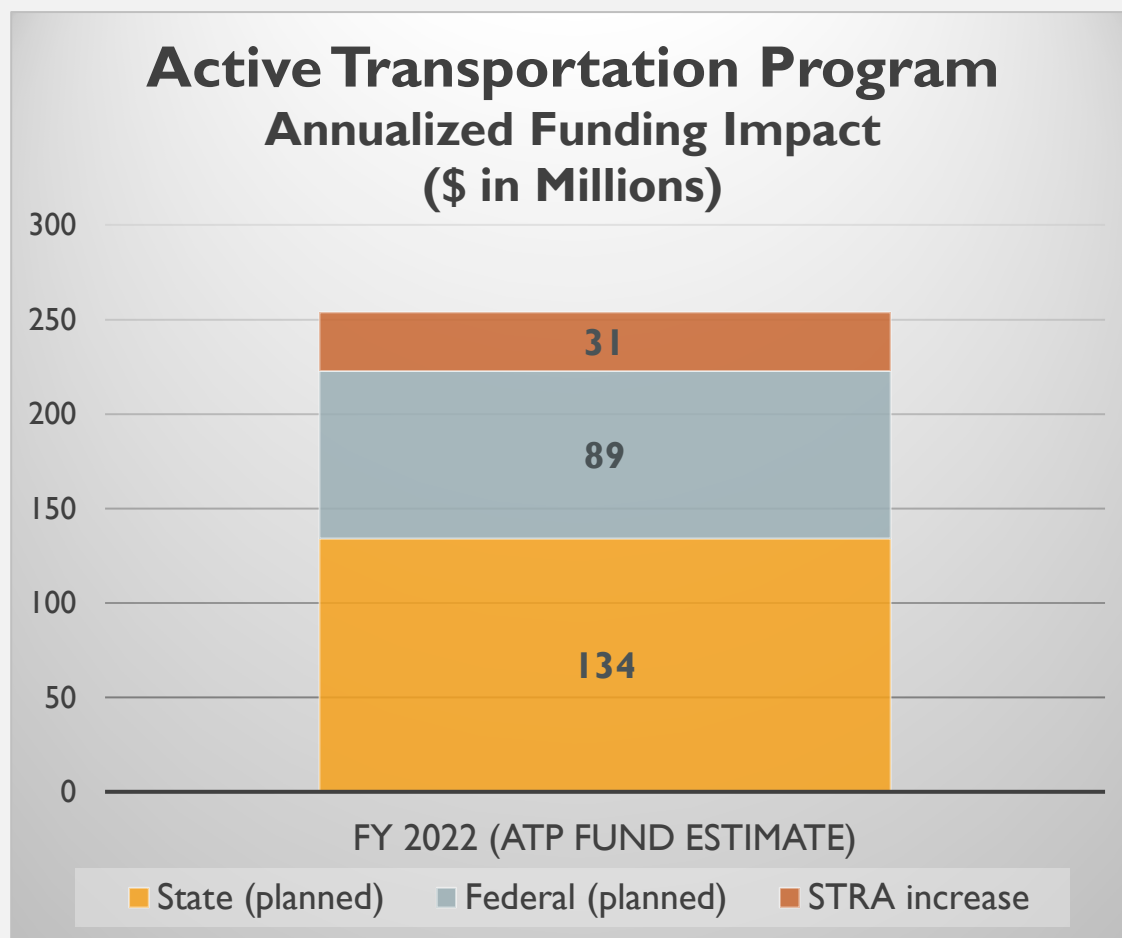


Sources: MTC analysis of FHWA fund estimates (left); MTC 2017 Report to Congress (OBAG Cycle I awards)



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

BIKE/PED & COMMUNITY CONNECTIONS



Transportation Alternatives Program*

- Grows by 63% in FY 2022 to \$1.4 billion; Regional share of TAP increases to 59%
- Policies to address low obligation rates

Safe Routes to School expanded to include high school

Reconnecting Communities Pilot: \$500 million over 5 years

*As shown on chart, TAP helps fund California's ATP.



SAFETY

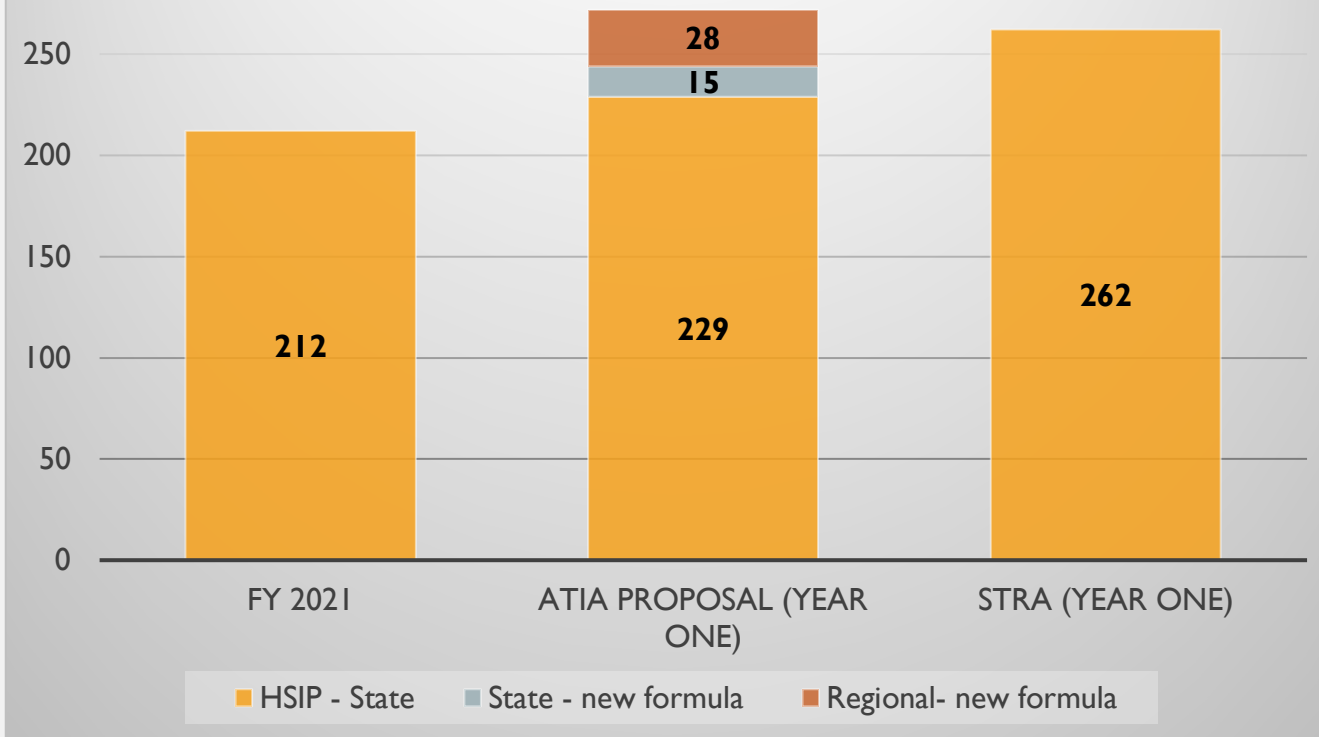
Highway Safety Improvement Program

- \$3.2 billion national program in FY 2022; \$262 million for CA
- Shifts funding from ATIA-proposed bike/ped-focused safety program into HSIP (see chart)

Rail-Highway Grade Crossing Set-Aside

- Remains at \$245 million annually

**CA State and Regional Safety Funding:
FY 2020 vs. Year One of ATIA vs. STRA
(\$ in Millions)**



Source: MTC analysis of FHWA fund estimates



GOODS MOVEMENT

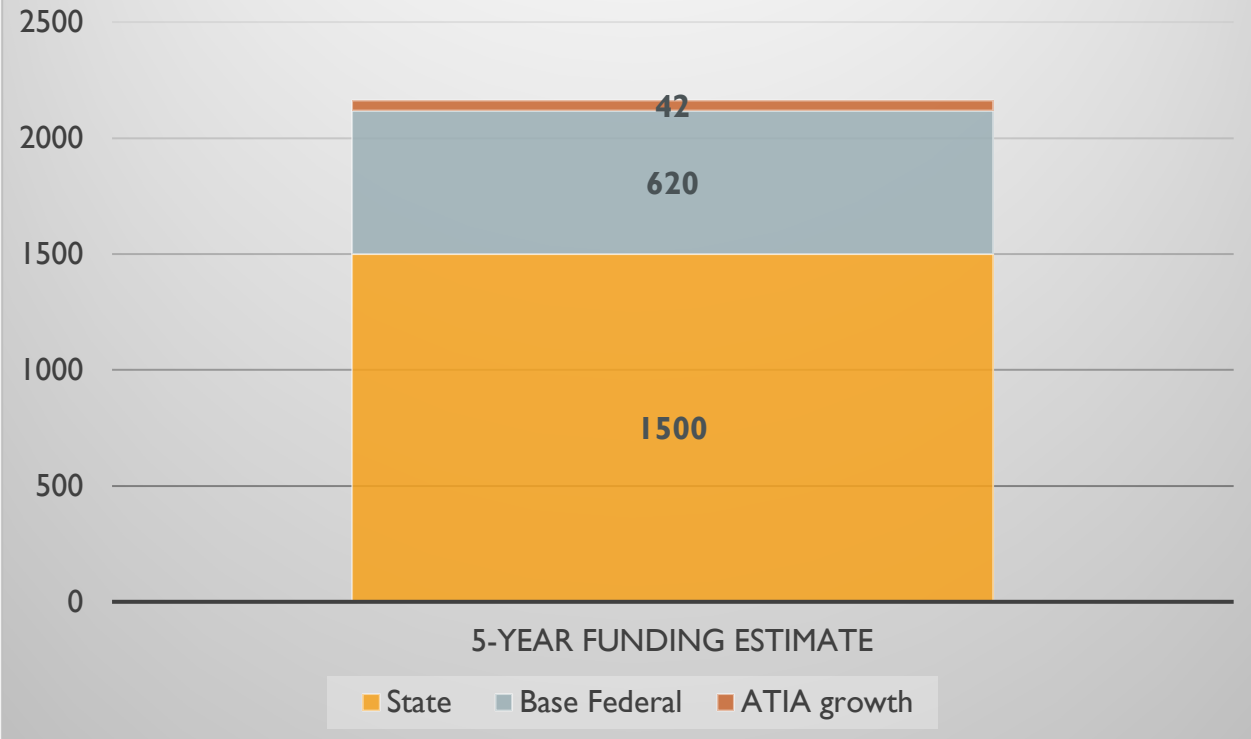
National Highway Freight Program

- \$1.5 billion/year (average) vs. \$1.25 billion/year FAST Act (average)
- Reduction in FY 2022

INFRA

- Funded at \$1.05 billion in FY 2021
- Enhanced multimodal eligibility

Trade Corridor Enhancement Program Estimated Funding Impact (5 years) (\$ in millions)

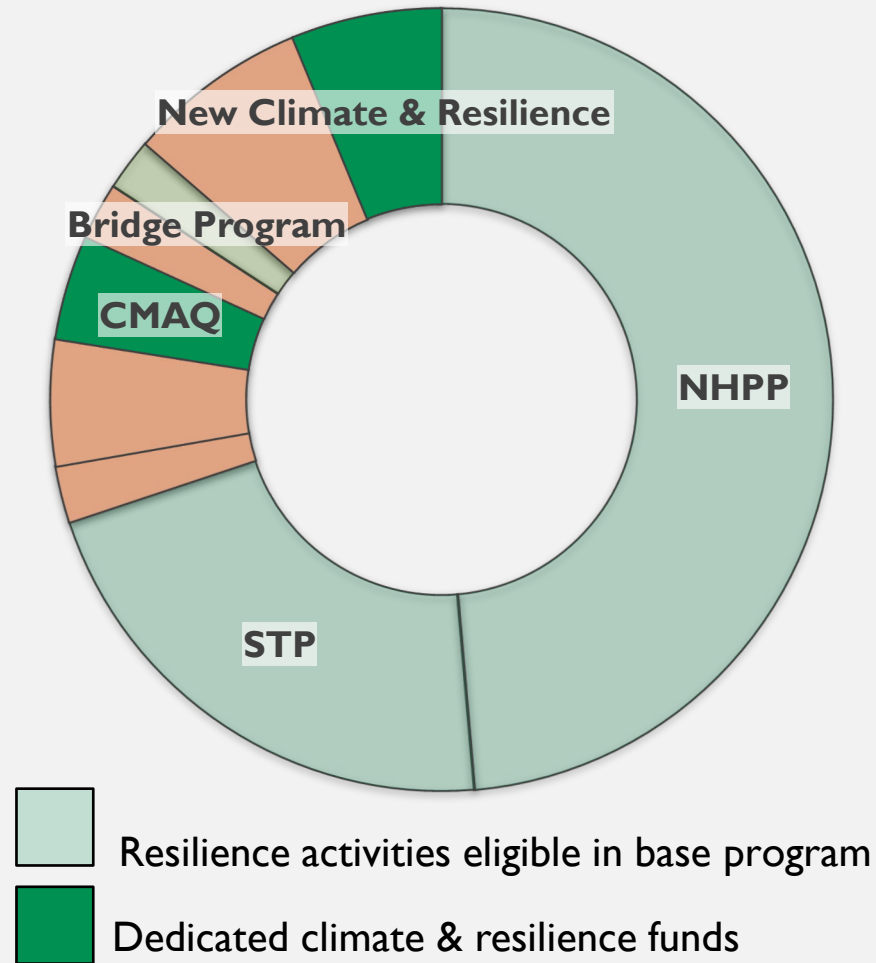


Source: MTC analysis of CTC and FHWA data: FAST provided approximately \$124 m in FY 2020



CLIMATE CHANGE

STRA Funding for Climate & Resilience



New Dedicated Climate & Resilience Funds	FY 2022 Funding (in millions)
Formula Programs	
PROTECT (100% to States)	\$1,402 nationwide; \$ 121 California
Carbon Reduction (65% suballocated to regions)	\$1,234 nationwide; \$. 107 California
Discretionary Programs	
PROTECT (competitive)	\$250
Charging and Fueling Infrastructure Grants	\$500
Clean Ports	\$50
Transportation Resilience and Adaptation Centers of Excellence	\$100

Source (both charts): MTC analysis of FHWA fund estimates



ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

MTC PRIORITIES & STRA

STRA Reflects Many of MTC's Priorities

- ✓ Long-term (5-year) bill
- ✓ Grows core transportation programs, including flexible highway programs (STP and CMAQ)
- ✓ Stronger federal leadership on climate and resiliency
- ✓ Large projects: New funding for nationally and regionally significant bridges; expanded multimodal eligibility for freight grants
- ✓ Tolling and planning – retains flexibility; planning funding increases

Metro Funding: Progress but Room for Improvement

- ✓ Only a modest increase in resources directed to the Bay Area and other metropolitan areas





RECOMMENDATIONS

- Increase funding for STP and CMAQ—the federal programs that come directly to MTC for programming—so that those programs grow at least as much as the NHPP program
- Increase funding for the new metro-focused carbon reduction and congestion reduction programs
- Increase suballocation of formula funding to large metro areas

NEXT STEPS

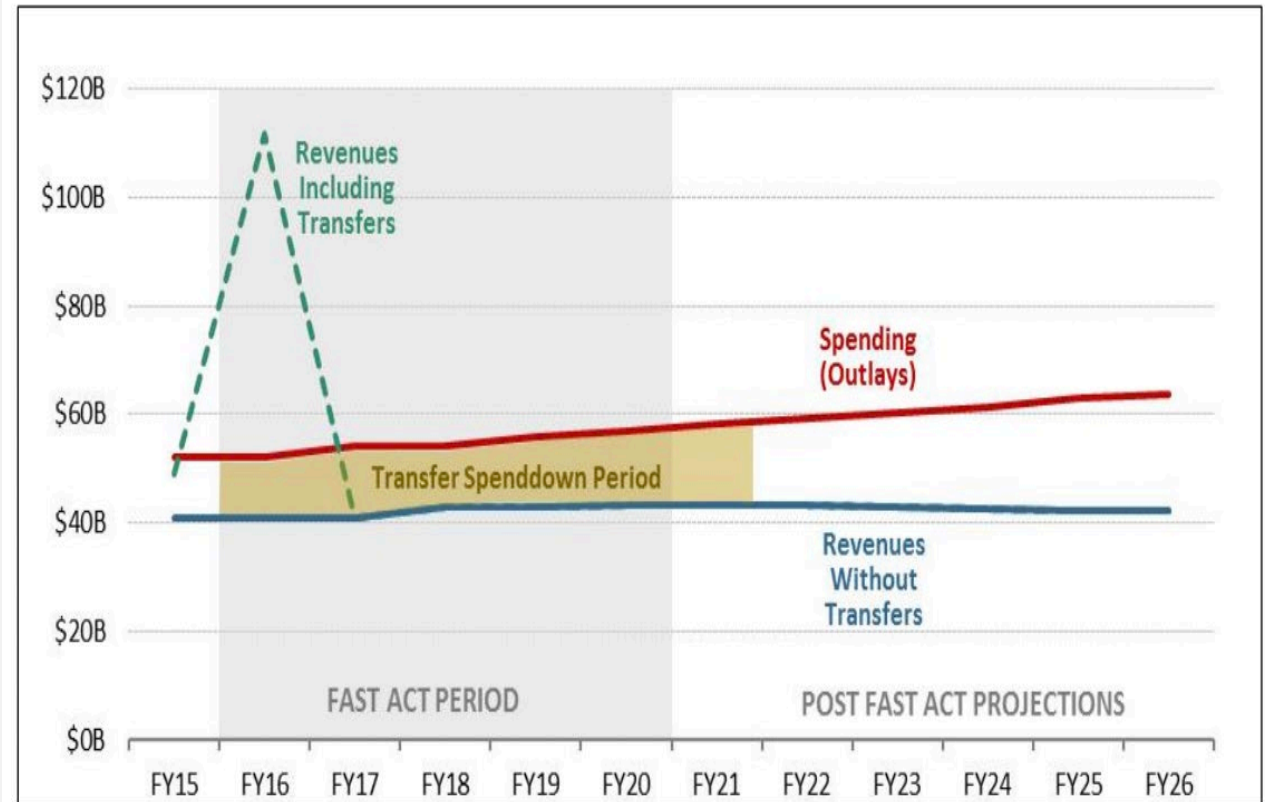
FAST ACT REAUTHORIZATION

- Policy committees – Senate action expected May – July; House action in June
- Funding – Pay fors will be needed; Typically, last piece of the puzzle
- Deadline: Highway Trust Fund solvent thorough **summer 2022**

INFRASTRUCTURE BILL

How these will impact each other is an open question

Highway Trust Fund Revenue Gap



Source: CRS, based on CBO, *Highway Trust Fund Projections: March 6, 2020 HTF Baseline 2019-2030*. FY2016-FY2019 revenues and outlays are actual.

