

**Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee**

September 13, 2024

Agenda Item 3a

2024 Legislative Update

Subject:

Overview of significant bills of interest to MTC/ABAG.

Overview:

The 2024 legislative session ended on August 31st with the legislature's adjournment and the end of the two-year session. Governor Newsom has until September 30, 2024, to sign or veto bills. The Legislature acted on a range of important transportation, housing, climate, and local government bills, which are categorized by topic below. Staff will provide a verbal update on any important changes at your September committee meeting and a full review of outcomes related to the 2024 MTC/ABAG Joint Advocacy Program in October.

Transportation Funding and Rider Improvements

In March, Senators Wiener and Wahab introduced MTC-sponsored Senate Bill (SB) 1031 to authorize a Bay Area regional revenue measure aimed at funding public transportation, safe streets and mobility improvements and making the Bay Area's transit network more seamless and integrated. The bill also mandated California State Transportation Agency oversee a study on consolidating and/or enhancing coordination among the Bay Area's 27 transit agencies. SB 1031 passed the Senate with 26 votes and the support of eight of the nine Bay Area Senators. On May 31st, Senators Wiener and Wahab— along with MTC Chair Pedroza —[announced a pause](https://sd11.senate.ca.gov/news/statement-bay-area-public-transit-funding-authorizing-legislation-sb-1031) (<https://sd11.senate.ca.gov/news/statement-bay-area-public-transit-funding-authorizing-legislation-sb-1031>) on SB 1031 to allow for the development of broader regional consensus on how to structure a measure. At the Senators' request, MTC convened an 18-member Transportation Revenue Measure Select Committee, which is tasked with building regional consensus for state legislation that would be introduced in 2025 to authorize Bay Area voters as early as 2026 to consider a transportation revenue measure to preserve public transit and invest in transportation improvements in the region. The Select Committee's work is expected to wrap up at the end of October 2024.

Other critical legislative actions related to transportation funding and rider improvements this year include:

- **Preserving \$5.1 Billion Transit Package:** Last year MTC helped lead the advocacy effort to secure a five-year, \$5.1 billion transit funding package in the fiscal year (FY) 2023-24 budget, also referred to as “SB 125.” The Bay Area’s share – which MTC is charged with distributing – is \$1.1 billion over five years; funds are subject to appropriation every year. The Commission has committed to use those funds to support BART Core Capacity and BART Silicon Valley Phase II (\$725 million) and transit operating costs (\$445 million plus about \$30 million from anticipated interest earnings). Despite having to close a massive budget deficit this year, the Legislature and Administration maintained this funding commitment, which MTC and transit agencies strongly supported. However, the funding is now proposed to be distributed over six years (vs. five years) which will reduce interest earnings. Even with this delay, MTC still estimates that, in combination with a \$300 million commitment of regional funds, state funding should be sufficient to cover Bay Area operators’ standardized transit operating shortfalls through FY 2025-26. This could change if there are further funding delays or if the capital project cash flow needs arise earlier than anticipated. That said, MTC received the first installment of this funding (almost \$535 million) the last week of August and has invested those resources in interest-bearing funds.
- **SB 960 (Wiener):** This bill, which MTC supported, aims to help ensure state-owned surface streets accommodate all road users – including bicyclists, pedestrians and transit riders – and makes other changes to streamline transit priority projects. As of the writing of this memo, this bill is awaiting the Governor’s signature. MTC has long championed Complete Streets and transit priority, which is an important component of the Bay Area Transit Transformation Action Plan. In addition to supporting the bill, MTC staff provided technical assistance to help ensure the bill addresses state-level barriers to transit priority project implementation that have been identified through MTC-led initiatives and implementation efforts with transit operators and other partners.

- SB 904 (Dodd): This bill newly allows a Sonoma-Marín Area Rail Transit (SMART) sales tax extension to be placed on the ballot via qualified voter initiative (citizen’s initiative). Only simple majority voter approval is required for special taxes proposed by a citizen initiative, versus the two-thirds vote threshold required for a measure proposed by a public agency. Notably, the bill sets guardrails for the citizen’s initiative option: The proposed tax rate must be no less than ¼-cent and expenditures for the revenues generated by the measure must be consistent with the purpose of providing a rail transit system under the jurisdiction of SMART.

State Ballot Measures and Related Bills

This spring, the Legislature resumed discussions on which statewide bond measures to place on the November 2024 ballot. The talks centered around a climate bond of up to \$16 billion (SB 867 (Allen)), a school facilities bond of up to \$19 billion (AB 247 (Muratsuchi)) and a \$10 billion housing bond (AB 1657 (Wicks)), which MTC and ABAG supported. Ultimately, the Legislature approved \$20 billion in general obligation bonds for the ballot: a \$10 billion climate bond (SB 867), *now Proposition 4*, and a \$10 billion school bond (AB 247), *now Proposition 2*. The Legislature also passed Assembly Constitutional Amendment (ACA) 10 (Aguiar-Curry), modifying ACA 1 (passed last year) to exclude special taxes. ACA 10 – *which is on the November 2024 ballot as Proposition 5* – establishes a 55 percent vote threshold for local affordable housing and public infrastructure bonds. MTC and ABAG supported ACA 10 and devoted considerable staff time to securing its passage. MTC and ABAG also supported AB 2813 (Aguiar-Curry) which defines terms used in Proposition 5 and expands accountability requirements. AB 2813 has been enacted but it will only take effect if voters pass Proposition 5 this November.

BAHFA-Specific Legislation

MTC and ABAG sponsored AB 598 (Wicks) in response to concerns raised by the Bay Area business community about potential unintended consequences from a regional affordable housing bond. The measure clarifies the Bay Area Housing Finance Authority (BAHFA) does not have the authority to condition funding from a regional housing measure on the presence or absence of local land use and housing policies. Supporters included Bay Area Council, Nonprofit

Housing Association of Northern California, Building Industry Association of the Bay Area, and Enterprise Community Partners. As of the writing of this memo, the bill is awaiting the Governor's signature.

MTC and ABAG also directed staff to pursue legislation to authorize BAHFA to require the same labor standards for projects funded by county level funds from a regional housing measure as apply to regional funds. This approach was met with concern by the State Building and Construction Trades Council, who preferred a mandatory project labor agreement for all funds and pursued that approach through SB 735 (Cortese). SB 735 was held in the Assembly Appropriations Committee and bill language that had been prepared to enable BAHFA-adopted labor standards to apply to county-level funds was not amended into any bill.

REAP 2.0 Funding in the State Budget

MTC and ABAG's top housing budget priority for FY 2024-25 was preserving the Regional Early Action Planning (REAP) 2.0 program. In January, the Governor proposed clawing back half of the \$600 million REAP 2.0 funding, which had been approved in the 2021 budget cycle. The Bay Area's \$102 million share is administered by MTC. MTC and ABAG helped lead a statewide coalition to support restoring proposed cuts. The final budget restored \$260 million in one-time funding to the REAP 2.0 Program, reducing the Governor's proposed \$300 million cut to just \$40 million. This was a huge win for metropolitan planning organizations across the state and, more importantly, the housing and mobility strategies that the investments will fund. As a result, we anticipate that MTC's \$102 million grant will be reduced by just \$6 million.

Additional Housing Bills

Housing was again a hot topic in the 2024 legislative session, with over 200 housing-related bills introduced. These bills cover a wide range of issues, including streamlining housing construction, tenant protections, and addressing the state's ongoing housing crisis. MTC and ABAG took positions on several bills, bulleted below:

- AB 1053 (Gabriel): Allows developers to draw down state funding during the construction phase to reduce borrowing costs (by replacing more-expensive private financing). As of the writing of this memo, this MTC/ABAG-supported bill is awaiting the Governor's signature.

- AB 2353 (Ward): Allows nonprofit developers to withhold property tax payments while their application for a tax exemption is under review, providing upfront cost savings. MTC and ABAG supported this bill, which will help bolster the BAHFA Welfare Tax Exemption Preservation Program. As of the writing of this memo, the bill is awaiting the Governor's signature.
- SB 225 (Caballero): Creates a new state program to invest in affordable housing preservation and anti-displacement strategies. The bill advanced all the way to the Assembly Floor but the author shelved it due to a lack of funding in the budget.
- AB 2396 (Reyes): Creates a state program to fund new regional housing portals that allow renters to search and apply for openings in subsidized apartment complexes. MTC/ABAG took a support-if-amended position on the bill, which was held in the Assembly Appropriations Committee.
- AB 2485 (Carillo): MTC and ABAG supported this Southern California Association of Governments-sponsored bill, which aims to increase transparency and use of outside experts in the state Department of Housing and Community Development's process for determining regional housing needs. The bill was held in the Senate Appropriations Committee.

Transportation System Effectiveness and Project Delivery

The Legislature considered several bills this year that would have impacted Bay Area Toll Authority (BATA), Bay Area Infrastructure Financing Authority (BAIFA) and MTC-led programs and projects. AB 2645 (Lackey) authorizes agencies that employ an electronic toll collection system, including BATA and BAIFA, to provide the date, time, and location of a vehicle license plate read captured by the system to a peace officer in response to a special emergency alert. MTC opposed the initial version of the bill given significant implementation concerns based on existing toll operations technology. However, staff were successful in working with other California toll agencies and the author's office on amendments that *allow* rather than *require* toll agencies to share information in response to emergency alerts, thereby addressing the implementation concerns raised by the mandatory approach. As of the writing of this memo, the bill is awaiting the Governor's signature.

The Legislature also considered amending SB 147 (Ashby, 2023) in order to deliver near-term Sears Point to Mare Island mobility and restoration improvements (and other Resilient SR 37 Corridor projects) as quickly and efficiently as possible and in collaboration with resource agencies and other partner agencies in the corridor. MTC supported these efforts, consistent with Item 7 in the state portion of the MTC/ABAG 2024 Joint Advocacy Program. The provision, which ultimately did not advance, would have authorized SR 37 corridor projects to be evaluated under the state's Endangered Species Act (ESA) – which allows an incidental take permit – vs. the Fully Protected Species provisions of the California Fish and Game Code (which preceded the ESA). The California Fish and Game Code does not allow for incidental take of species identified as Fully Protected except for narrow exceptions. This severely restricts work along SR 37, with work windows potentially limited to 10-12 weeks per year in portions of the project.

Issues:

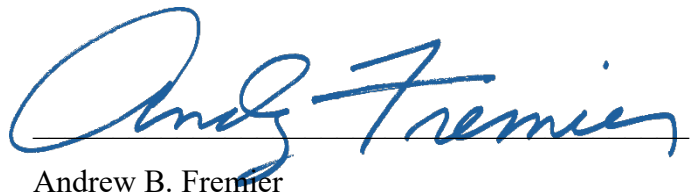
None identified.

Recommendations:

Information.

Attachments:

None



Andrew B. Fremier