



Memorandum

AGENDA ITEM 7

DATE: November 10, 2021
TO: Transportation Authority Board
FROM: Maria Lombardo - Chief Deputy Director
SUBJECT: 11/16/2021 Board Meeting: State and Federal Legislation Update

<p>RECOMMENDATION <input checked="" type="checkbox"/> Information <input type="checkbox"/> Action</p> <p>None. This is an information item.</p> <p>SUMMARY</p> <p>There has been significant state and federal legislative activity since the last Transportation Authority staff update, including the passage of the approximately \$1 trillion federal Infrastructure Investment and Jobs Act (IIJA), which is currently awaiting signature by President Biden pending the resolution of discussion over the federal reconciliation package (Build Back Better). This historic investment will provide \$632 million over five years, including a significant increase in transit formula funds for the Bay Area and over \$100 billion in new competitive grant programs for transit, bridges, active transportation, and electrification infrastructure. At the state level, negotiations between the Legislature and Governor Newsom about the use of state budget surplus funds for transportation projects throughout the state. We are working with the Metropolitan Transportation Commission (MTC) to advance Bay Area transportation priorities for any available new funding. MTC’s summary of the IIJA bill can be found in Attachment 1 and their summary of the ongoing state budget discussions can be found in Attachment 2. Attachment 3 includes a draft letter from MTC to Governor Newsom outlining Bay Area priorities for surplus funds. At the meeting, staff will highlight the potential impact of these legislative efforts for San Francisco and seek feedback from Commissioners.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input checked="" type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input type="checkbox"/> Capital Project Oversight/Delivery <input type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input type="checkbox"/> Other: _____
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BACKGROUND

San Francisco’s transportation system relies on state and federal funding to delivery critical transit and roadway projects, including both expansion and state of good repair projects.



These sources are also key to advancing the region's Sustainable Communities Strategy, known as Plan Bay Area 2050, which the MTC and Association of Bay Area Governments approved in October. The IIJA bill, Build Back Better, and the potential state general fund revenues represent unique opportunities to leverage Proposition K sales tax revenues and other sources to deliver San Francisco's transportation priorities. The passage of the IIJA bill is incredibly significant as it will boost the total amount of federal transportation funding and will guide federal investment policies for at least the next five years.

DISCUSSION

Federal IIJA and Reconciliation Package. On November 5, the House passed the IIJA, teeing it up to go to the President's desk for signature. The IIJA bill would invest nearly \$1 trillion in transportation, water, broadband, and power infrastructure as well as resilience investments. Transportation infrastructure is by far the largest component of the bill, which combines a roughly \$475 billion five-year surface transportation reauthorization (a 56 percent increase above Congress's last five-year transportation bill) with approximately \$157 billion in supplemental one-time stimulus funding to be distributed to more than two dozen federal grant programs over five years. Attachment 1 provides a high-level summary of the IIJA that was prepared by MTC staff.

The deal to advance this historic bill is politically tied to the nearly \$2 trillion Build Back Better and was accompanied by a commitment from House Democrats (progressives and moderates) to advance the Build Back Better bill out of the House by no later than November 15th. While the Build Back Better bill primarily contains spending for social programs, it also includes about \$20 billion for transit programs and additional investments in clean energy and programs to combat climate change and increase infrastructure resiliency.

State Budget Surplus. California's Fiscal Year (FY) 2021/22 State Budget was enacted in July and included \$3.4 billion from the General Fund surplus for public transit, active transportation, grade crossings and climate adaptation, with the caveat that the funding would be subject to agreement between the Legislature and the Governor primarily with regard to spending for the California High Speed Rail project. No agreement was reached by the October 9 deadline, so the \$3.4 billion reverted to the General Fund. However, there is continued interest from leadership in the Legislature in including General Fund support for local transit capital projects in particular, potentially through an early-action FY 2022/2023 budget action in the Spring. MTC staff's summary of latest developments, presented at its November 12 Legislation Committee meeting, is included as Attachment 2.

The MTC memo also discusses recent regional efforts to advance Bay Area interests in any future state transportation spending bill. We are supportive of this coordinated regional advocacy, which is key for the Bay Area to compete well for funding that is needed to advance implementation of Plan Bay Area 2050. We have been in ongoing discussions with MTC through the Bay Area County Transportation Agencies (BACTA) group, where we have advocated for the near-term funding needed to deliver San Francisco projects such as SFMTA Core Capacity, the Yerba Buena Island West Side Bridge Seismic Retrofit, elements of the Caltrain Downtown Extension projects. At its Legislation Committee meeting on November



12, MTC staff circulated a draft letter (see Attachment 3) to the Governor that was developed through conversations with the BACTA group, transit operator General Managers, and others, as well as in consultation with members of Bay Area legislative delegation and its own Commission leadership. We are working with staff to try to include specific project examples (from San Francisco and across the region) to the letter and are currently considering requesting additional COVID relief funding for transit operations to help further delay the financial cliff many are still facing once federal relief funding is fully expended.

At the Board meeting, staff will provide a more detailed overview of the elements of these programs that could most impact transportation funding for San Francisco and seek feedback to inform future advocacy efforts.

FINANCIAL IMPACT

None. This is an information item.

SUPPLEMENTAL MATERIALS

- Attachment 1 - MTC Summary of the Federal IIJA (distributed to the Bay Area Partnership Legislation Committee on November 8)
- Attachment 2 - MTC Update on State Budget Activity
- Attachment 3 - Draft Letter from MTC to Governor Newsom Regarding State Surplus Funding

Infrastructure Investment and Jobs Act Summary October 28, 2021

As early as this week, Congress is expected to pass the *Infrastructure Investment and Jobs Act*, or IIA (H.R. 3684), a roughly \$1 trillion transportation, water, broadband and electric grid infrastructure bill that's intended to deliver on a portion of President Biden's jobs, climate and equity agenda. It is widely expected that the IIA will be supplemented by a "Build Back Better" spending package expected to be slightly below \$2 trillion. A summary of the infrastructure bill follows.

The IIA would invest nearly \$1 trillion in transportation, water, broadband, and power infrastructure as well as resilience investments. Of this amount, approximately \$550 billion would be *new* spending (the nearly \$1 trillion dollar amount reflects the cost to also maintain existing spending levels for certain infrastructure, including surface transportation and water). Total spending amounts by infrastructure category are detailed in the chart below.

Infrastructure Investment and Jobs Act Spending Categories (\$ in Billions)

Infrastructure Category	Funding Amount
Surface Transportation	\$639
<i>FAST Act Reauthorization</i>	<i>\$477</i>
<i>IIJ Act Stimulus (supplemental spending)</i>	<i>\$157</i>
<i>Electric & Low Emission School Buses</i>	<i>\$5</i>
Airports	\$25
Ports and Waterways	\$17
Water Infrastructure	\$91
Broadband	\$65
Power Infrastructure	\$65
Resilience, Western Water Storage and Environmental Remediation	\$71
Transportation Total	\$681
Other Infrastructure Total	\$292
Total	\$973

Source: MTC analysis of [H.R. 3684](#), Eno Transportation Weekly and White House Fact Sheet

Transportation - \$681 billion

Transportation infrastructure is by far the largest component of the infrastructure bill. Regarding surface transportation, the bill combines a roughly \$475 billion five-year surface transportation reauthorization—a 56 percent increase above Congress's last five-year transportation bill, the Fixing America's Surface Transportation (FAST) Act—with approximately \$157 billion in supplemental one-time stimulus funding to be distributed to more than two dozen grant programs over five years. We estimate that the bill would provide about \$4.5 billion in "guaranteed" funding for the Bay Area via the highway and transit formula funds that MTC distributes. We

also expect Bay Area projects to receive a share of the state’s \$4.25 billion in bridge repair funds and dedicated resources for zero emission vehicle charging and resilience projects. Attachment A provides a more detailed overview of the surface transportation provisions of the bill.

The most unprecedented element of the deal is in the scale of new discretionary grants that would be administered by the U.S. Department of Transportation (USDOT); the bill would authorize approximately \$140 billion in competitive grant funding that could help fund Bay Area surface transportation priorities). See page 3 of Attachment A for additional details on the discretionary grants.

The bill would also provide funding for airports, ports and waterways, as shown in the chart on Page 1.

Water Infrastructure

Water infrastructure would be funded at approximately \$91 billion and—similar to surface transportation—includes a reauthorization of drinking and wastewater funding (\$36 billion) and provides supplemental one-time stimulus funding to targeted programs. Nearly \$53 billion would be distributed through the existing drinking water and clean water state revolving loan funds (\$26.4 billion each) which provide grants to states for loans supporting water infrastructure and water quality improvement projects. An additional \$15 billion would be available for lead pipe replacement (to be administered through drinking water state revolving loan funds) and \$10 billion to address emerging pollutants. The remaining funding would be distributed through various other programs.

Broadband/High-Speed Internet

The IJA provides \$65 billion to help build out broadband infrastructure, assist states with developing and implementing digital equity plans, and to subsidize the cost of Internet service for low-income households. Of the funding, \$42.5 billion would be reserved for a U.S. Department of Commerce broadband buildout grant program for states. Each state would receive a minimum of \$100 million; remaining grant funding would be determined via a formula based on each state’s proportionate number of underserved and high-cost locations. Another significant component of the broadband proposal is a \$30/month voucher low-income families may use for Internet service (\$14.2 billion cost). This subsidy builds on the existing Emergency Broadband Benefit established during the pandemic, removing any sunset date for the benefit and expanding eligibility to more low-income households. An estimated 10.6 million Californians would be eligible for the benefit, according to a [White House fact sheet](#).

Power Infrastructure and Clean Energy

The IJA includes \$65 billion to upgrade power infrastructure and increase energy efficiency, creates a new Grid Deployment Authority, and invests in clean energy research and technology. Investments of interest include: \$5 billion in grants to states, grid operators, and other entities to harden the electric grid against extreme weather events, \$5 billion for demonstration projects aimed at hardening and enhancing grid resilience, \$3 billion for the [Smart Grid Investment Matching Grant Program](#) with expanded eligibilities to include improvements that increase flexibility in responding to natural disasters and fluctuating demand , \$8 billion to establish at least four regional clean hydrogen hubs, \$550 million for the Energy [Efficiency and](#)

Conservation Block Grant Program to support state and local governments in investing in energy efficiency and conservation projects and \$225 million for a Department of Energy competitive grant program for states or regional partnerships to update their building energy codes.

Resilience, Western Water Storage, Environmental Remediation

The bill would provide about \$71 billion for resilience, western water storage and remediation, including funding for wildfire resilience, flood mitigation, and ecosystem restoration. Regarding wildfires, the bill includes \$3.3 billion for wildfire risk reduction efforts, including controlled burns, community wildfire defense grants, and funds to boost federal firefighter salaries. The bill would additionally provide \$2 billion for federal ecological restoration projects to support fuel reduction. Other investments of interest:

- \$3.5 billion to supplement the Weatherization Assistance Program that reduces energy costs for low-income households¹
- \$1 billion is provided for the Federal Emergency Management Administration (FEMA)'s Building Resilient Infrastructure and Communities (BRIC) grants
- \$1 billion for a new grant program for states and local governments to develop and implement cybersecurity plans
- \$24 million for San Francisco Bay restoration (funds will go to EPA) and \$132 million for the National Estuary Program, of which **an estimated \$4.5 million would come directly to the San Francisco Estuary Partnership** over five years (\$900,000/year). This would more than double the Partnership's current annual federal funding of approximately \$700,000.
- \$17 billion for Army Corps of Engineers flood mitigation and waterways management planning and projects, including \$11.6 billion for construction (intended to support both unfunded projects in the Army Corps pipeline and new construction).²
- More than \$8 billion for water storage, recycling, and ecosystem restoration intended to help make California and other western states more resilient to drought
- \$1.2 billion over five years for brownfield remediation
- \$3.5 billion for superfund remediation

¹ Weatherization funding could also be categorized under "power infrastructure and clean energy" funding.

² Based on external infrastructure bill analyses, staff attributed Army Corps funding to the "resilience" category, though a portion of the \$17 billion most likely accounts for a significant amount of the "ports and waterways" funding listed in the chart on Page 1.

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

November 12, 2021

Agenda Item 4b

Bay Area Strategy for State Funding Opportunities

Subject:

Update on the latest developments related to transportation receiving additional funding from the state's General Fund surplus and efforts to develop a coordinated Bay Area transportation funding advocacy strategy.

Summary:

Background The FY 2021-22 State Budget enacted in July included \$3.4 billion for public transit, active transportation, grade crossings and climate adaptation, however the appropriation was reversed in October and the funds reverted to the General Fund. This occurred because the appropriation included a provision requiring enactment of subsequent legislation by October 9. No legislation was approved to satisfy this requirement. These funds were part of the Newsom Administration's overall transportation package that included a request for funding for high-speed rail. Once it became clear no such agreement would be reached, there was no path to finalize the trailer bill legislation for the other General Fund appropriations for transportation.

What's Ahead Assembly Speaker Anthony Rendon and Assembly Transportation Committee Chair Laura Friedman have indicated their continued interest in including General Fund support for local public transit in an early action budget item in the context of further discussions over high-speed rail funding. MTC has an important role to play in developing a unified Bay Area advocacy strategy for this unique funding opportunity.

There are a number of key factors that will influence how much funding is ultimately appropriated to local transportation programs from the General Fund and the purposes and structure of the programs, including the following:

- **Size of the budget surplus:** The latest information from the Legislative Analyst's Office suggests the surplus could be in the range of \$12 billion - \$30 billion, with approximately 40% of that as net surplus after funding for education and rainy day funds.

- **Leadership Support:** Legislative leadership appears to continue to support including public transit, active transportation, climate adaptation and grade crossings in a General Fund augmentation (i.e., the programs that were initially funded in the FY 2021-22 State Budget). The amount of funding to be provided to the various categories, the policy provisions of those programs, and the categories to receive funding will depend on both the size of the budget surplus and the extent of support by key budget negotiators, including legislative leadership, budget committee chairs, and the Administration.
- **Organized Advocacy:** The Bay Area will be most successful if we can speak with one voice. Staff have been collecting information from our local transportation partners, including the large transit operators and county transportation agencies to demonstrate the scale of the need in the region and to help inform potential program changes that could be attached to the appropriation to ensure that our top priorities are well positioned to receive funding from competitive programs. While it will be helpful to have some degree of specificity in any Bay Area regional request, we will need to be nimble and structure it in a way that we can quickly respond to changing circumstances as budget negotiations evolve.

Next Steps:

Staff will present a Bay Area budget strategy to unify the region's transportation agencies and key stakeholders around a joint advocacy message at your meeting. We look forward to hearing the Committee's feedback and answering any questions you may have.


Alix A. Bockelman

Draft Sign on Letter for MTC & Other Bay Area Transportation Stakeholders

November 17, 2021

Dear Governor Newsom,

As you prepare your proposed State Budget for FY 2022-23, the undersigned San Francisco Bay Area organizations urge you to maintain your strong commitment to public transit, active transportation and climate adaptation for transportation infrastructure. As negotiations on high-speed rail funding and an accompanying transportation funding package resume from the last session when those monies reverted to the General Fund, we call upon you to champion these programs even more prominently and stand ready to assist with a unified Bay Area transportation advocacy agenda built on three key points:

- Support High Speed Rail
- Direct General Fund surplus revenues to transportation commensurate with its extraordinary needs
- Prioritize public transit, active transportation and climate adaptation and use proven approaches to ensure geographic balance and consideration of regional priorities.

We Support High Speed Rail

We support an appropriation of Proposition 1A funds to continue construction of the High-Speed Rail segment from Bakersfield to Merced, vital to the statewide system that will ultimately connect to the Bay Area. Critically, many of our region's major transit expansion projects that have been supported by the voters as well as prior state and federal funds, including Diridon Station, the Caltrain Downtown Rail Extension, and Caltrain Electrification are integrally linked to High Speed Rail. Some still require significant additional investment and will only realize their full potential when high-speed rail connects to the Bay Area. Additionally, the state's unwavering commitment to high-speed rail is essential to compete for \$46 billion in new competitive grants in the recently-passed federal Infrastructure Investment and Jobs Act (IIJA).

Transportation Needs Warrant Significant GF Surplus Investment

Assuming a budget surplus in the \$30 billion-\$40 billion range, we support a \$10 billion General Fund commitment to transportation that provides at least \$5 billion for public transit, at least \$1.5 billion for active transportation, and at least \$500 million for transportation-related climate adaptation—all investments advanced in last year’s budget negotiations. For the remainder, other important underfunded needs include local road and bridge preservation, green goods movement projects, railroad grade crossings, and highway mobility improvements to help buses and carpools offer a more reliable trip than driving alone.

Why such a large investment in transportation now? Despite passage of the IIIJA, our state’s transportation needs still greatly exceed available resources at the local/regional, state and federal levels and infrastructure is a wise investment of one-time funds. For a sense of the magnitude statewide, in the nine-county Bay Area alone, our six largest transit operators have identified \$10 billion in capital funding shortfalls (net of secured funds) over the next four years and \$17 billion over the next 5-10 years. This includes, for example, transit fleet replacement and expansion for AC Transit, BART, SFMTA and VTA to achieve the state’s ambitious zero emission transit rules and meet future ridership demand and transformational transit projects that can commence or complete construction with a final infusion of funding, like BART to San Jose, BART Core Capacity, and Caltrain Electrification.

Likewise, active transportation and investing in strengthening the resilience of our infrastructure pay dividends beyond “mobility.” Equity is lifted up particularly as our poorest, most vulnerable communities suffer disproportionate gaps in bike and pedestrian safety and bear the brunt of climate change-driven impacts on the economy writ large, and on their communities in particular.

Steer Transit Funding Where It’s Most Needed and Ensure Geographic Equity

To build support for an augmentation of funds at this scale, it is essential to ensure that regions across the state will benefit and have some certainty about how much funding (at a minimum) they will receive. Specifically for transit, we recommend use of the well-established State Transit Assistance (STA) formula, with 75 percent of any General Fund transit augmentation allocated

to regional transportation planning agencies, such as MTC, for programming according to their region's priority transit needs (consistent with their state-mandated sustainable communities strategies (SCS) to reduce climate impacts associated with transportation) and 25 percent to the California State Transportation Agency (CalSTA) to augment the statewide competitive Transit and Intercity Rail Capital Program (TIRCP) program, which is heavily oversubscribed. Funding partnerships like this between the state, regional and local transit agencies can accelerate project delivery by streamlining the grant award process and are key to delivering benefits consistent with your office's vision and those of regions, such as Plan Bay Area 2050, the region's recently updated SCS.

Conclusion

On the heels of the COP 26 United Nations Climate Change Conference, California has an opportunity to invest our budget surplus to greatly accelerate implementation of your Climate Action Plan for Transportation Infrastructure, which recognizes the need for significant mode shift away from single-occupant vehicle travel to sustainable modes like transit, active transportation and carpooling. The faster we secure the funding to build this sustainable future, the closer we'll reach our urgent climate goals and provide a more affordable and equitable transportation system for Bay Area residents and those of all regions statewide.

Sincerely,

Alfredo Pedroza, MTC Chair

[Signatures of transit general managers, Executive Directors of partner organizations to follow...]