

Date of Hearing: April 28, 2025

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

AB 1223 (Nguyen) – As Amended April 24, 2025

SUBJECT: Local Transportation Authority and Improvement Act: Sacramento Transportation Authority

SUMMARY: Allows expenditures from a tax the Sacramento Transportation Authority (STA) imposes to include infrastructure that supports infill or transit-oriented development and would reduce vehicle miles traveled, and authorizes STA to issue bonds to finance costs of high-occupancy toll lanes or other toll facilities within Sacramento County. Specifically, **this bill:**

- 1) Authorizes STA to issue bonds to finance costs of high-occupancy toll lanes or other toll facilities within Sacramento County approved by the California Transportation Commission (CTC). Requires STA to do the following in order to issue bonds:
 - a) Requires STA to enter into an agreement with Capital Area Regional Tolling Authority (CARTA) regarding the application of toll revenue to pay for bonds issued by the authority; and,
 - b) Requires the governing board of CARTA to review and approve a toll facility expenditure plan.
- 2) Stipulates terms and conditions of the bonds require:
 - a) A resolution adopted by the governing board of STA, which states the maximum principal amount of the bonds, the maximum term of the bonds and the maximum rate of interest to be paid on the bonds, not to exceed the maximum rate permitted by law;
 - b) Adopted by a two-thirds vote of the governing board; and,
 - c) Assurance the state is not liable to the debt or liability of the bond.
- 3) Establishes the maximum rate of interest on the bond to exceed 12% per year, per existing law.
- 4) Provides that the allowable expenditure categories set forth in existing law shall include the construction, modernization, and improvement of infrastructure that supports infill or transit-oriented development and would reduce vehicle miles traveled (VMT).
 - a) Defines infrastructure to mean any of the following:
 - i. Transportation facilities for public use, including active transportation, streets or highways, public transit, or passenger rail;
 - ii. Utilities, including energy-related, communication-related, water-related, stormwater-related, and wastewater-related facilities or infrastructure.
- 5) Provides that an ordinance and corresponding expenditure plan may be imposed by the authority in a geographic area that comprises less than the total area of Sacramento County, including its incorporated cities, subject to specific guidelines.

- a) Requires an ordinance and expenditure plan be adopted by at least two-thirds vote of the total membership of the governing board; and,
 - b) Specifies that an ordinance shall be subject to voter approval by the electors in the area to which the transactions and use tax (TUT) applies.
- 6) Provides that if an ordinance and expenditure plan for a portion of Sacramento County are approved, all subsequent governing board decisions and actions related to implementation of that ordinance and expenditure plan, including an action to amend the expenditure plan, shall be made by a majority of both of the following:
- a) Those members representing the city or cities subject to the ordinance, if any; and,
 - b) All members appointed from the board of supervisors.
- 7) Specifies that the governing board shall determine the area to which the TUT would apply before the electors vote on the measure. If the TUT only applies to a portion of the county, all of the following shall apply:
- a) The incorporated area of a city within the county shall either be wholly included or wholly excluded from the area to be taxed;
 - b) The unincorporated area of the county shall either be wholly included or wholly excluded from the area to be taxed; and,
 - c) The area to be to be taxed shall include at least the incorporated area from two cities or the incorporated area from one city and the unincorporated area from the county.
- 8) Requires the revenues derived from the TUT be spent within, or for the benefit of, the portion of the county to which the tax applies. Any revenues derived from the TUT shall supplement, and not supplant, other transportation revenues available to the portion of the county to which the TUT applies.
- 9) Specifies that an expenditure plan applicable to a portion of the county shall not be adopted until it has received the approval of the board of supervisors and of the city councils representing both a majority of the cities included within the area subject to the TUT and a majority of the population residing in the unincorporated areas subject to the TUT.
- 10) Defines the following terms for the purpose of this bill:
- a) “Active Transportation” to mean infrastructure facilities or services that encourage increased use of active modes of transportation, such as biking and walking;
 - b) “Authority” to mean STA;
 - c) “CARTA” to mean Capital Area Regional Tolling Authority;
 - d) “Expenditure plan” to mean a county transportation expenditure plan adopted in connection with a TUT ordinance, as specified;
 - e) “Governing board” to mean the governing board of STA;
 - f) “Member” or “member of the governing board” to mean an individual county supervisor or city council member who has been appointed to the governing board, or their alternate;
 - g) “Ordinance” to mean a TUT ordinance authorized pursuant to existing law.

EXISTING LAW:

- 1) Authorizes a county board of supervisors to create a local transportation authority (authority) to operate within the county (Public Utilities Code Section (PUC) 180050)
- 2) Provides that a county that chooses to create an entirely new entity as an authority shall determine the membership of the authority with the concurrence of a majority of the cities having a majority of the population in the incorporated area of the county and provides for the board membership of the authority. (PUC 180051)
- 3) Authorizes an authority to impose a retail TUT ordinance applicable in the incorporated and unincorporated territory of a county if the tax ordinance is adopted by a two-thirds vote of the authority and imposition of the tax is subsequently approved by the electors voting on the measure. (PUC 180201)
- 4) Requires the authority, in the ordinance, to state the nature of the tax to be imposed, to provide the tax rate or the maximum tax rate, to specify the period during which the tax will be imposed, and to specify the purposes for which the revenue derived from the tax will be used. The tax rate may be in .25% increments and shall not exceed a maximum rate of 1%. (PUC 180202)
- 5) Authorizes the revenues from an imposed tax to be allocated by the authority for construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems. (PUC 180205)
- 6) Requires a county transportation expenditure plan to be prepared for the expenditure of the revenues for the period during which the tax is to be imposed. (PUC 180206)
- 7) Stipulates a county transportation expenditure plan not be adopted until it has received the approval of the board of supervisors and the city council representing both a majority of the cities in the county and a majority of the population residing in the incorporated areas of the county. (PUC 180206)
- 8) Authorizes the authority to annually review and propose amendments to the expenditure plan to provide for the use of additional federal, state, and local funds, to account for unexpected revenues, or to take into consideration unforeseen circumstances. (PUC 180207)
- 9) Provides that, as part of the ballot proposition to approve the imposition of a retail TUT, authorization of bonds to finance capital outlay expenditures may be provided for in the adopted county transportation expenditure plan, payable from the proceeds of the tax. (PUC 180250-180264)
- 10) Authorizes an RTA to apply to the CTC to develop and operate high-occupancy toll lands or other toll lanes, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit or freight, and establishes a process for review and approval by the CTC. (Streets and Highways Code Section (SHC) 149.7)

FISCAL EFFECT: Unknown

COMMENTS: District taxes dedicated to transportation originated in 1970, when the Legislature authorized several counties served by the Bay Area Rapid Transit District (BART) to impose a regional sales tax. The Legislature subsequently authorized district taxes for individual counties or local entities, including Los Angeles, San Diego, Santa Clara, Fresno, and Sacramento, among others. In 1987, the Legislature enacted the Local Transportation Authority and Improvement Act (LTAIA) which provided a process for individual counties to create a local transportation authority and implement local sales taxes of up to one percent for transportation purposes, upon the adoption of a specified expenditure plan and approval of a ballot proposition by county voters. Today, as many as 25 counties impose a transportation tax.

Sacramento Transportation Authority. STA was created in 1988 when Sacramento County voters approved Measure A, a half-cent sales tax for transportation improvements. According to STA, more than 75% of voters subsequently approved a 30-year extension to Measure A in 2004, continuing the tax through 2039. STA is accountable for the administration of the funding provided by Measure A, which has provided local transportation funding to; reduce traffic congestion, improve air quality, maintain and strengthen the county's road and transportation systems, enhance Sacramento County's ability to secure state and federal funding by providing local matching funds, preserve unique, natural amenities, and preserve agricultural land.

In 2022, Sacramento County proposed an additional sales tax within Sacramento County of one-half of one percent for a period of 40 years from April 1, 2023, to March 31, 2063, for the purpose of financing a new expressway connecting Elk Grove and Folsom, an expansion of the light rail system and other transportation projects in Sacramento County. This proposed sales tax, also known as Measure A, was to be in addition to the existing transportation sales tax measure, and was projected to raise an estimated \$8.5 billion. The measure was voted down with approximately 56 percent of Sacramento County voters voting no.

This bill gives STA the authority to impose a TUT in a geographic area that comprises less than the total area of Sacramento County, including its cities.

Metropolitan Planning Organizations. The Federal-Aid Highway Act of 1962 required that a regional entity, known as a Metropolitan Planning Organization (MPO), guide and maintain transportation planning in any urbanized area with a population of 50,000 or more. Boards comprised of representatives from local governments and transportation agencies direct MPOs. Counties can establish a local transportation fund in the county treasury, and contract with the California Department of Tax and Fee Administration (CDTFA) to deposit moneys from district taxes dedicated to transportation into this fund. There are 18 MPOs and 26 Regional Transportation Planning Agencies (RTPAs) in California.

Existing federal and state law requires each of California's MPOs and RTPAs to prepare a long-range (20-year) plan. This plan, known as the regional transportation plan (RTP), identifies the region's vision and goals and how to implement them. The RTP also supports the state's goals for transportation, environmental quality, economic growth, and social equity. Federal law requires that they be updated at least every four years, and state law requires that these plans be updated every four years. California Air Resources Board (CARB) publishes a schedule for updates of each of these RTPs.

Existing law requires coordination of transportation and land use planning to help achieve the state's climate action goals by requiring that each RTP include a sustainable communities strategy (SCS). The SCS demonstrates how the region will meet its greenhouse gas (GHG) emissions reduction targets through land use, housing, and transportation strategies. CARB must review the adopted SCS to confirm that it will indeed meet the regional GHG targets. If not, the MPO must prepare an alternative planning strategy, separate from the RTP.

Regional climate targets. A 2022 CARB report (SB 150 Report) on the progress of MPOs and the state in achieving these stated GHG emission reduction goals, finds that California is still not reducing GHG emissions from personal vehicle travel as needed to meet climate commitments and as targeted under existing law, SB 375 (Steinberg), Chapter 728, Statutes of 2008. The report states, "No matter how robust, regional plans alone cannot reduce emissions. They must be coupled with the resources, policies, and political will to implement their identified strategies," and goes on to recommend the legislature, "could give state and regional agencies a greater role in supporting congruent local land use actions to foster their alignment with SCS implementation...State agencies could prioritize support for complete streets and other infrastructure improvements to attract development in locations targeted in SCSs for growth. For example, the Sacramento Area Council of Governments (SACOG) Rural Main Streets program provides strategic investments to create vibrant commercial corridors and Green Means Go targets funding to promote infill development within planned center, corridor, or established communities identified in its SCS."

The SB 150 report, along with a 2022 report from the Strategic Growth Council (AB 285 Report) both suggest state agencies and the Legislature expand funding for infill-supportive infrastructure and encourage each MPO to identify low VMT zones in infill areas to support a substantial portion of growth as part of their adopted RTP/SCS. Infill development, the process of building in existing urban areas, often requires utility upgrades due to the age and capacity of the existing infrastructure. These upgrades can be costly and complex, particularly when dealing with aging water, sewer, and energy systems. However, infill development can be more cost-effective than greenfield development if infrastructure costs are managed strategically.

Sacramento Area Council of Governments. SACOG consists of 28 member cities and counties in the Sacramento Region. According to SACOG, it is designated by the Federal government as the MPO, oversees the RTP for the Sacramento region, updated every four years in collaboration with local governments. As designated by the state, Placer and El Dorado counties serve as RTPAs, responsible for their state-level transportation plans. SACOG, functioning as the RTPA for Sacramento, Sutter, Yolo, and Yuba counties, collaborates with Placer County Transportation Planning Agency and El Dorado County Transportation Commission to maintain consistency across county plans and the broader regional framework.

SACOG launched a program called "Green Means Go", described as a regional effort to accelerate infill development, which will lower GHG emissions and revitalize existing communities in the six-county Sacramento Area. According to SACOG, "Green means Go" is a key implementation activity to build a connected region with transportation options, affordable housing, and equitable investments. "Green Means Go" is intended to contribute to SACOG's 2025 Blueprint with the following; 32% of planned regional housing growth, creating an estimated 84,000 new homes, 40% of planned employment growth, or about 100,000 new jobs, 16% reduction of VMT per capita in Green Zones, double the regional reduction per capita of 8%, and reducing the number of homes in high fire risk areas by 10,000 units over 20 years.

Every jurisdiction in the region supports Green Means Go, and 26 of the 28 have adopted Green Zones, which are areas that have infill capacity yet currently face market or other barriers to development.

Transportation authorities. Existing law allows a transportation authority to allocate revenues from the taxes imposed for the construction and improvement of state highways, the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems.

This bill significantly expands the allowable scope of transportation authorities by allowing transportation sales tax measures to allocate revenues for expenditures for utilities infrastructure including energy-related, communication-related, water-related, stormwater-related, and wastewater-related facilities or infrastructure.

Sacramento Region Toll Lanes. The Capitol Area regional Tolling Authority (CARTA) was created as a JPA in January 2024 to develop and operate toll facilities in the Sacramento Region. CARTA's membership includes the SACOG, the Yolo Transportation District (YoloTD), and Caltrans District 3 and includes non-voting directors from STA, the Placer County Transportation Planning Agency, and the El Dorado County Transportation Commission. CARTA has five directors on its governing board: two appointed by YoloTD, two appointed by SACOG, and one appointed by Caltrans District 3.

According to the YoloTD, "YoloTD and the California Department of Transportation (Caltrans) have joined forces for a freeway expansion initiative aimed at enhancing traffic flow within the I-80 corridor on the west side of the Sacramento-Yolo metropolitan area. This comprehensive project encompasses multiple components, including the introduction of approximately 17 miles of tolled managed lanes, new lane construction, intelligent transportation system (ITS) enhancements, and improvements to cycling and pedestrian facilities."

CARTA explains that, "As an integral component of the long-range plan for the Sacramento region, toll lanes are anticipated to be built over the next 20 years on the most congested portions of Interstate 80 (I-80), Interstate 5 (I-5), State Route 99, State Route 65, and Highway 50. Two toll lane projects are currently being developed: the first on I-80 from Davis to West Sacramento in Yolo County, and the second on I-5 from the Sacramento International Airport to downtown in Sacramento County. Both projects are currently in the environmental phase and are being developed with input from residents, drivers, and elected officials."

Toll lanes. AB 194 (Frazier) Chapter 687, Statutes of 2015, granted the CTC broad, indefinite authority to review and approve toll facility applications RTAs and Caltrans submit. Current statute allows a RTA, or Caltrans, to apply to the CTC to develop and operate high-occupancy toll lanes or other toll facilities, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit or freight. Eligibility criteria for an application includes, and is not limited to: 1) a demonstration that the proposed toll facility will improve the corridor's performance especially for those traveling by carpool, vanpool, and transit; 2) a requirement that the proposed toll facility is contained in the constrained portion of a conforming RTP; 3) evidence of cooperation between the applicable RTA and Caltrans; and 4) a demonstration that a complete funding plan has been prepared, among other provisions related to reimbursable costs, and law enforcement matters.

Existing law defines RTA for the purposes of AB 194 as the following; specified transportation planning agencies, a county transportation commission, any other local or regional transportation entity that is designated by statutes as a RTA, a joint powers authority (JPA) with the consent of a transportation planning agency or a county transportation commission for the jurisdiction in which the transportation project will be developed, the Santa Clara Valley Transportation Authority.

This bill authorizes STA to issue bonds to finance costs of high-occupancy toll lanes or other toll facilities within Sacramento County, as approved by the CTC and authorized by CARTA.

According to the author, “AB 1223 gives communities in Sacramento County the ability to take control of their transportation future. Right now, the STA can only propose sales tax measures for the entire county, even when just one part of the county is ready to move forward. This bill changes that. It gives the Authority the flexibility to propose transportation funding measures in specific areas, and ensures that revenue stays in the communities that vote for it. This district bill is about making government more responsive. It allows local leaders and residents to make transportation investments that reflect their priorities, whether that’s safer streets, better bike and pedestrian infrastructure, or projects that reduce traffic and improve air quality. AB 1223 also updates STA’s authority so it can support more modern solutions, like shared mobility, reducing environmental impact, and transit-oriented development. These are the kinds of projects that help us meet sustainability goals while improving everyday quality of life.”

In support, STA writes, “The modernization of STA’s statutory framework is essential to ensure that Sacramento can effectively address congestion, mobility, and sustainability goals. By supporting AB 1223, the Legislature will empower STA to develop a more flexible, innovative, and forward-thinking transportation network that benefits residents, businesses, and visitors alike.”

In opposition, the Howard Jarvis Taxpayers Association writes, “AB 1223 would empower the Sacramento Transportation Authority (STA) to develop and operate toll facilities in addition to its existing power to impose a transactions and use tax for transportation purposes, subject to voter approval. Further, AB 1223 would expand the allowable expenditure categories for revenues from such a tax to widely sweep in “infrastructure” and infill development needs that could even include costly stormwater and wastewater facilities, placing demands on the revenue for projects that go far beyond core transportation needs.”

Staff comments. While this bill does not directly reference the “Green Means Go” program, it would allow STA to include infrastructure projects that support infill or transit-oriented development and reduce VMT in an expenditure plan. “Infrastructure,” is defined as any of the following; transportation facilities for public use, active transportation, streets or highways, public transit, or passenger rail; utilities, including energy-related, communication-related, water-related, stormwater-related, and wastewater-related facilities or infrastructure. Including “utilities” as an allowable expenditure from a transportation authority’s transaction and use tax revenues is a significant expansion of the use of these revenues. Spending tax measure dollars on non-transportation investments will come at the cost of these revenues being unavailable for transportation-specific expenditures.

Committee amendments. The committee may wish to propose the following amendments:

1) PUC 180300.

(c) Sacramento County is unique in having a large, developed unincorporated population and seven cities with older commercial corridors that have potential for infill but which that regularly experience construction-related disruptions and pavement deterioration. To reduce these localized impacts and limit the need for future transportation system expansion, the Authority must be able to fund coordinated infrastructure improvements that support infill development as part of a single project.

2) PUC 180302. For purposes of this chapter, unless the context requires otherwise, the following definitions apply:

(a) “Active transportation” means infrastructure facilities or services that encourage increased use of active modes of transportation, such as biking and walking including projects consistent with Section 2382(f) of the Streets and Highways Code.

3) PUC 180304.

(a) The allowable expenditure categories set forth in Section 180205 shall also include the construction, modernization, and improvement of infrastructure that supports infill or transit-oriented development in areas nominated by local governments and included in regionally adopted plans that advance state greenhouse gas emissions reduction objectives. ~~and would reduce vehicle miles traveled.~~

(b) For purposes of this ~~subdivision~~, section, “infrastructure” means any of the following:

(1) Transportation facilities, as allowable under Section 180205, ~~for public use, including active transportation, streets or highways, public transit, or passenger rail.~~

(2) Utilities, ~~including energy-related, communication-related, water-related, stormwater-related, and wastewater-related facilities or infrastructure.~~ Water, stormwater, wastewater, or other utility-related expenditures that support infill or transit-oriented development. Expenditures pursuant to this paragraph must be combined with a project eligible under paragraph (1). ~~Expenditures pursuant to this paragraph shall not exceed ten percent of the total tax revenue generated by the measure.~~

(c) This section does not apply to a retail transactions and use tax approved by the electors prior to January 1, 2026.

(d) Expenditures of (b) (2) within an expenditure plan, per section 180206, shall be equal to or less than five percent of revenues generated by a transactions and use tax.

Previous legislation. AB 1052 (McCarty), Chapter 674, Statutes of 2023 authorized the Sacramento Regional Transit District to levy a TUT in any portion of its jurisdiction, with voter approval.

AB 1413 (Gloria), Chapter 758, Statutes of 2019 authorized local transportation authorities in Placer, Solano, and San Diego Counties to levy a TUT in a portion of its jurisdiction with voter approval.

AB 1324 (Gloria) of 2018 would have authorized a local transportation authority, which has existing TUT authority, to levy a TUT in any portion of its jurisdiction, with voter approval. This bill was held on the Assembly Floor.

REGISTERED SUPPORT / OPPOSITION:**Support**

Sacramento County
Sacramento Regional Transit District
Sacramento Transportation Authority

Opposition

Howard Jarvis Taxpayers Association

Analysis Prepared by: Julia Kingsley / TRANS. / (916) 319-2093