

Date of Hearing: March 28, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

AB 2438 (Friedman) – As Amended March 21, 2022

SUBJECT: Transportation funding: alignment with state plans and greenhouse gas emissions reduction standards.

SUMMARY: Requires specified state transportation funding programs to align with state climate plans and goals and requires the California Transportation Plan (CTP) to be fiscally constrained.

Specifically, **this bill:**

1) Requires the following transportation programs' goals and guidelines:

- State Highway Operation and Protection Program (SHOPP)
- State Transportation Improvement Program (STIP)
- Solutions for Congested Corridor Program (SCCP)
- Trade Corridor Enhancement Program (TCEP)
- Local Partnership Program (LPP)
- Local Streets and Roads Program (LSR)

Align with the CTP, the Climate Action Plan for Transportation Infrastructure (CAPTI), California Global Warming Solutions Act of 2006, and SB 375 (Steinberg) Chapter 728, Statutes of 2008.

2) Requires the California State Transportation Agency (CalSTA) the Department of Transportation (Caltrans), the California Transportation Commission (CTC), in consultation with the State Air Resources Board (ARB), and the Strategic Growth Council (SGC), to jointly prepare and submit a report to the Legislature on or before January 1, 2025 evaluating transportation program funding levels, projects, and eligibility criteria with the objective of aligning the largest funding programs with the CTP, CAPTI, and greenhouse gas emissions reduction standards set forth in the California Global Warming Solutions Act of 2006 and SB 375 (Steinberg), and away from projects that increase vehicle capacity.

3) Requires the CTP to include a financial element that summarizes its cost of implementation constrained by a realistic projection of available revenues, as well as recommendations for allocation of funds.

EXISTING LAW:

- 1) SB 1 (Beall) Chapter 5, Statutes of 2017, provides for the funding of projects on the state highway system and other transportation improvements, including under SHOPP, SCCP, TCEP, and LPP.
- 2) SB 1 (Beall) Chapter 5, Statutes of 2017, provides for the apportionment of funding to cities and counties, including under the program within the Road Maintenance and

Rehabilitation Program commonly known as the Local Streets and Roads Program, for local streets and roads and other transportation improvements.

- 3) Provides for the funding of projects for state highway improvements, intercity rail, and regional highway and transit improvements, under the STIP, which consists of two broad sub-programs: the Regional Improvement Program (RIP) and the Interregional Improvement Program (IIP).
- 4) Requires the Caltrans to prepare the CTP for submission to the Governor and the Legislature, to complete the third update to the plan by December 31, 2025, and to update the plan every five years thereafter, as a long-range planning document that incorporates various elements and is consistent with specified expressions of legislative intent.

FISCAL EFFECT: Unknown.

COMMENTS: Over \$30 billion (federal, state, and local funds combined) is spent annually in California maintaining and expanding transportation infrastructure. These funds are allocated through various plans and projects that are implemented by federal, state, regional and local agencies. Decisions about how to spend billions in federal, state, and local transportation funds are critical to improving Californians' access to social and economic opportunities, as well as to helping the state meet its climate goals.

State Climate Goals. The Legislature has set a number of goals to reduce greenhouse (GHG) emissions and address climate change. The Global Warming Solutions Act of 2006 [AB 32 (Nunez), Chapter 488, Statutes of 2006] and subsequent companion legislation SB 32 (Pavley), Chapter 249, Statutes of 2016, requires California to reduce statewide GHG emissions to 40% below the 1990 level by 2030. The 1990 level is an aggregated statewide limit, and is not sector- or facility-specific. CARB is responsible for developing a Scoping Plan to detail how the state will achieve its GHG emissions reduction targets mandated by law. In addition, SB 375 (Steinberg), Chapter 728, Statutes of 2008 which requires Metropolitan Planning Organizations (MPOs) to incorporate a set of GHG reduction strategies (called a Sustainable Communities Strategy or "SCS") within a Regional Transportation Plan.

Nearly 40% of California's GHG emissions are generated by the transportation sector, which includes both the light-duty (passenger) and medium- and heavy-duty fleets. Heavy-duty diesel trucks also contribute to unhealthy levels of ozone, inhalable particulate matter, carbon monoxide, NO_x, and sulfur dioxide, affecting local air quality. Transportation sources account for roughly 80% of smog-forming emissions and 90% of diesel particulate emissions in California.

Within the transportation sector, measures to reduce GHG emissions include requiring the use of low carbon fuels, cleaner vehicles, and strategies to promote sustainable communities and improved transportation choices that reduce growth in the number of vehicle miles traveled (VMT). California has targeted a 15% reduction in VMT by 2050 as part of its larger strategy to reduce GHG emissions 80% from 1990 levels by 2050. According to the U.S. Federal Highway Administration December 2021 Traffic Volume Trends data, after a sharp drop in 2020, total VMT and per capita VMT surged back to pre-pandemic levels in 2021. Specifically, total VMT

rose 11.2% – to 3.229 trillion miles – and per capita VMT rose 10.39% – to 9,728.5 miles per person – from 2020 to 2021.

To further efforts to reduce GHG emissions in the transportation sector, Governor Newsom issued Executive Orders (EO) N-19-19 and N-79-20. These EOs targeted increasing the percentage of zero emission vehicles on the states' roads. Building on these goals, in July 2021 CalSTA adopted CAPTI, which details how the state recommends investing billions of discretionary transportation dollars annually to aggressively combat and adapt to climate change while supporting public health, safety, and equity. In August 2021, the CTC endorsed CAPTI's framework and strategies and adopted STIP guidelines which require state planning and investment be guided by the following principles:

- Priority should be given to actions that build climate preparedness and reduce GHG emissions;
- Where possible, flexible and adaptive approaches should be taken to prepare for uncertain climate impacts;
- Actions should protect the state's most vulnerable populations; and
- Natural infrastructure solutions should be prioritized.

Guidelines also state, "the Commission intends to consider Executive Order B-30-15 and the provisions of SB 32 when approving programming recommendations in the event that programming requests exceed programming capacity." Sustainability in the STIP is assessed by measuring whether the project promotes mode shift or sustainability principles, such as energy conservation or transition to zero-emission technology, achieves a reduction of GHG emissions, or directly benefits disadvantaged communities.

With these stated goals, the 2022 STIP will program approximately \$2.1 billion over FY 2025-26 and 2026-27. Of this funding, approximately \$350 million is recommended for widening, expressways or HOV projects.

At the March 2022 CTC meeting, changes to the SHOPP guidelines were presented, which includes a requirement that, "Caltrans shall take Climate Action Plan for Transportation Infrastructure (CAPTI) strategies as well as the Caltrans Equity Statement into consideration in the development and implementation of the State Highway System Management Plan." These guidelines have not yet been adopted by the Commission. The SHOPP provides consideration for state projects that help implement complete streets elements, like bicycle and pedestrian facilities, emission reduction, and enhancements for wildlife connection. Projects must not add capacity to the State Highway System.

New Federal Funding Intended to Help State Combat the Climate Crisis. California is preparing to receive approximately \$40 billion over five years from the federal government's Infrastructure Investment and Jobs Act (IIJA). A December 2021 memo from the Federal Highway Administration (FHWA) on IIJA implementation states, "IIJA will deliver generational investments in our roads and bridges, promote safety for all road users, help combat the climate crisis, and advance equitable access to transportation...Projects to be prioritized include those that maximize the existing right-of-way for accommodation of non-motorized modes and transit options that increase safety, accessibility, and/or connectivity...Recipients of Federal highway funding [are] to select projects that improve the condition and safety of existing transportation infrastructure within the right-of-way before advancing projects that add new general purpose

travel lanes serving single occupancy vehicles.” This is to say, the Biden Administration prioritizes climate, equity, and mode shift equally with road maintenance and rehabilitation.

AB 285 Report Finds Most Transportation Programs’ Are Not Well Aligned with State Climate Goals. The Strategic Growth Council’s California Transportation Assessment Report, pursuant to AB 285 (Friedman) Chapter 605, Statutes of 2019, includes findings and provides recommendations to help the state align transportation funding with state climate goals. The report focused on reviewing programs that only make up ~2% of transportation funding expenditures—the Sustainable Transportation Planning Grant program (STPG), Transformative Climate Communities (TCC), Affordable Housing and Sustainable Communities (AHSC), Transit and Intercity Rail Capital Program (TIRCP), and Low-Carbon Transit operations Program (LCTOP). STPG, TCC, and TIRCP were all found to have a high levels of alignment with state goals and particularly with climate adaptation goals, reducing GHG emissions and VMT, transitioning away from fossil fuels, and improving air quality to enable healthy vibrant communities.

The AB 285 Report finds that older funding programs, (SHOPP, Local Transportation Fund, and ITIP), tend to be in higher alignment with previous state goals that don’t consider climate change, while newer funding programs tend to be better fit to support the new vision for California’s transportation system. In addition, the study found that the programs that receive the largest funding appropriations, SHOPP, Local Transportation Fund, and ITIP, meet the fewest of the identified goals. In 2021, a large share of transportation funding is more responsive to an outmoded plan with a horizon of 2025, compared to a newer plan with a horizon year of 2050.

As part of the AB 285 work, UC ITS published five white papers, one of which is titled, “Examination of Key Transportation Funding Programs in California and Their Context”. UC ITS’ research found that 50% of projects funded within SHOPP had no alignment to any of the state’s 33 goals related to climate change.

Below is a table of the programs identified in this bill, the level of funding, stated goal, and percentage with “no alignment” to any of the state’s 33 climate goals, according to UC ITS:

Program	Amount	Stated Goal	UC ITS: Percentage of “no alignment”
State Highway Operation and Maintenance (SHOPP)	\$17.4 billion FYs 2020-21, 2023-24	Providing funds to repair and preserve the State Highway System, including emergency repairs, safety improvements and some operational improvements.	50%
State Transportation Improvement Program (STIP)	\$700 million for 2020 cycle	Improve interregional mobility for people and goods across the state of California on highway and passenger rail corridors.	44% (for ITIP)
Solutions for Congested Corridors (SCCP)	\$250 million annually	Reduce congestion in highly traveled and highly congested corridors through performance improvements that balance transportation improvements, community	44%

		impacts, and that provide environmental benefits.	
Trade Corridor Enhancement Program (TCEP)	\$300 million annually	To fund infrastructure improvements on federally designated Trade Corridors of National and Regional Significance, on California's portion of the National Highway Freight Network, as identified in the California Freight Mobility Plan, and along other corridors that have a high volume of freight movement as determined by the Commission.	N/A
Local Partnership Program (LPP)	\$200 million annually	Improve aging infrastructure, road conditions, active transportation, and transit and rail and provide health and safety benefits.	53%
Local Streets and Roads (LSR)	\$1.2 billion FY 2021-22	To support local streets and roads network for cities and counties.	N/A

This bill incorporates some of the policy recommendations included in the AB 285 Report, including:

- *Redirect Funds to Newer Programs or Add New Goals to Old Programs:* This bill adds GHG reduction goals included in the CTP, CAPTI, AB 32, and SB 375 objectives into the goals and guidelines of the SHOPP, STIP, SCCP, TCEP, LPP, and LSR. The AB 285 Report recommends the Legislature direct more funds to newer programs that meet a broader set of contemporary goals or add additional goals and requirements to older programs, such as SHOPP, LTF, and ITIP.
- *Comprehensively Reevaluate Program Evaluation Criteria:* This bill requires CalSTA, Caltrans, CTC, ARB, and SGC to evaluate transportation funding levels, projects, and eligibility criteria with the objective of aligning the largest funding programs with the CTP, CAPTI, and the state's GHG emission reduction goals. The AB 285 Report suggests, "With a better understanding of how state funds are pursued, and how state funding criteria shape project formation, the state would be empowered to design programs in ways that potentially achieve outcomes that better align with the state's goals."
- *Updating and better alignment among existing state and regional plans (fiscally constrain CTP):* This bill requires the CTP to include a financial element that summarizes the cost of plan implementation constrained by a realistic projection of available revenues, as well as recommendations for allocation of funds.

Work to be done: This bill codifies GHG reduction goals and strategies to address climate change that the state and federal government have prioritized for transportation planning,

funding, and land use. This bill does not change the intent or funding levels of any transportation funding program.

SGC is hosting a series of stakeholder working group sessions this spring based on recommendations in the AB 285 report. This bill should incorporate feedback from those sessions, as well as a deeper dive into what a project aligned with the CTP, CAPTI, AB 32, and SB 375 looks like. A few considerations for future amendments may include:

- Incorporating the successful alignment of Transformative Climate Communities, Affordable Housing and Sustainable Communities, and Sustainable Transportation Planning Grant program, into the state's largest funding transportation programs.
- Narrowing the identified goals and programs included in the bill.
- More clearly defining the implementation of a fiscally constrained CTP.

According to the author, “AB 2438 requires the state's largest transportation funding sources to align with the state's climate plans and goals, something we have been trying to accomplish at the state and federal level. We cannot ignore that a \$30 billion sector of state funding is directly tied to 40% of California's GHG emissions. It is time for California to reassess our transportation funding and planning system to put people before the car.”

Prior legislation: AB 285 (Friedman) Chapter 605, Statutes of 2019, updates requirements of the California Transportation Plan (CTP) to reflect the state's recent environmental legislation and requires a review of the implementation of the CTP

SB 1 (Beall) Chapter 5, Statutes of 2017, increases several taxes and fees to raise the equivalent of roughly \$52.4 billion over ten years in new transportation revenues and makes adjustments for inflation every year; directs the funding to be used towards deferred maintenance on the state highways and local streets and roads, and to improve the state's trade corridors, transit, and active transportation facilities.

SB 150 (Allen) Chapter 646, Statutes of 2017, establishes new requirements for setting regional greenhouse gas (GHG) emission reduction targets and requires the state Air Resources Board (ARB) to monitor regions' progress in attaining these targets

SB 375 (Steinberg) Chapter 728, Statutes of 2008, requires metropolitan planning organizations to include sustainable communities strategies, as defined, in their regional transportation plans for the purpose of reducing greenhouse gas emissions, aligns planning for transportation and housing, and creates specified incentives for the implementation of the strategies.

AB 32 (Nunez) Chapter 488, Statutes of 2006, creates a statewide greenhouse gas (GHG) emission limit that would reduce emissions by 25% by 2020.

In support, ClimatePlan states, “Transportation investment dollars cannot continue to fund projects that increase vehicle miles traveled (VMT) and greenhouse gas (GHG) emissions. It is time that we integrate our climate goals and transportation planning investment by setting clear direction and guidelines outlined in the AB 285 report.”

REGISTERED SUPPORT / OPPOSITION:

Support

Climateplan

Natural Resources Defense Council (NRDC)

Opposition

None on file.

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