

Date of Hearing: April 17, 2017

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1113 (Bloom) – As Amended March 28, 2017

SUBJECT: State Transit Assistance program

SUMMARY: Revises and recasts the provisions governing the State Transit Assistance (STA) program. Specifically, **this bill:**

- 1) Changes the timeframe for transit operators to submit annual reports to the State Controller's Office (SCO) to within seven months after the end of the fiscal year, and requires the reports to contain underlying data from audited financial statements.
- 2) Requires the regional transportation planning agency (RTPA) with jurisdiction over a transit operator to verify the operator is eligible for funding under the STA program prior to the operator submitting its report to SCO, and requires SCO reflect the verification on the operator's report.
- 3) Recasts current SCO estimations and reports to RTPAs for current and future fiscal years of STA funding and the share of funds for each STA-eligible operator, including requiring the SCO to publish the reports.
- 4) Updates definitions for the STA program, including public transportation operator and STA-eligible operator, and provides that only STA-eligible operators are eligible to receive an allocation from the portion of program funds based on transit operator revenues. Further authorizes an STA-eligible operator to suballocate funds it receives to community transit service providers. Clarifies that funding allocated to RTPAs based on population can also fund community transit services.
- 5) Requires the Department of Transportation (Caltrans) to prepare a report for the SCO by June 30th each year detailing the population of each RTPA area using the most recent population estimates of the Department of Finance.
- 6) Updates the SCO computing requirements for funding allocation amounts for RTPAs for revenue-based program funds to be calculated based on the STA-eligible operators in each jurisdiction, and requires those STA-eligible operators receive a proportional share of the revenue-based program funds based on the qualifying revenues of that operator.
- 7) Clarifies the definition of qualifying revenues to include fares generated for community transit services and not to include capital expenditures or depreciation.
- 8) Clarifies that qualifying revenue shall not exceed a STA-eligible operator's annual operating expenses. Defines operating expenses to include the direct cost of operating transit service, payments for community transit services, administrative costs, and routine maintenance.
- 9) Recasts provisions relating to the Altamont Corridor Express and the Southern California Regional Rail Authority and defining them as STA-eligible operators for purposes of allocating funds from the revenue-based program funds.

10) Makes various other conforming changes and deletes obsolete provisions.

EXISTING LAW:

- 1) Provides funding for public transportation through the Transportation Development Act (TDA), including STA, which is derived from the statewide sales tax on diesel fuel.
- 2) Requires STA funds be allocated by the SCO by formula with 50% being allocated according to population and 50% being allocated according to transit operator revenues from the prior fiscal year.
- 3) Requires the SCO to allocate funds to specified RTPAs for public transportation purposes.
- 4) Requires the SCO to design and adopt a uniform system of accounts and records under which operators, as defined, prepare and submit annual reports of their operation.
- 5) Requires the annual report to be submitted within 90 days of the end of the fiscal year.

FISCAL EFFECT: Unknown

COMMENTS: The TDA provides two major sources of funding for public transportation: the Local Transportation Fund (LTF) and the STA. These funds are for the development and support of public transportation needs that exist in California. STA funds are allocated to areas of each RTPA based on population and transit performance. STA funds are generated by the sales tax on diesel fuel, and the amount of money available for transit agencies varies from year to year based on the ups and downs of diesel prices. The SCO allocates STA funds to the 26 RTPAs across the state as follows:

- 1) 50% of STA funds are allocated based on their share of the population; and,
- 2) 50% of STA funds are allocated based on transit operators' revenues.

The RTPAs sub-allocate the funds to the transit operators. Operators have full discretion over the use of STA funds apportioned to them. Funds may be used by transit operators for both capital projects and transit operations. For many smaller transit agencies, STA and TDA are their main sources of operating funds.

In the 2015-16 Fiscal Year, the SCO reinterpreted the statutes that define how STA funds are distributed and implemented a significant change in the way STA program funds were allocated. This change went into effect the first quarter of 2015-16 for payments which were issued in January of 2016. The change altered the way STA funds have been distributed for decades. The long held understanding of eligible STA program funding recipients had been an agency providing transportation service to the general public for which as fare is collected. The reinterpretation included new entities into the STA funding pot, including many that do not operate transit services such as the Transbay Joint Powers Authority. Other examples of new entities included providers of community transit services, or specialized providers, that are not open to general public. Although these providers had not previously received any direct STA allocation, they have received STA funding, as sub-recipients at the discretion of the RTPA or an STA-eligible operator.

To facilitate the development of a long term solution, last year the Legislature included language in the state budget, SB 838 (Committee on Budget and Fiscal Review), Chapter 339, Statutes of 2016, to require the SCO to use the long standing methodology for the distribution of funds through the 2017-18 Fiscal Year. The California Transit Association (CTA) then embarked on a process of convening stakeholders to develop a policy proposal to give clarity to the eligibilities and requirements of the STA program, which is reflected in this bill.

According to the author, the statutes governing the STA program contain numerous ambiguities. While there was a longstanding recognition of how the program was to operate, these ambiguities had unintended consequences when they recently led to a reinterpretation of which entities are eligible to receive STA program funds. This bill is intended to clear up all of those ambiguities and allow the program to continue operating as it was designed to.

In writing as the sponsors of the bill, CTA states they believe this bill adds clarity and needed specificity to the statutes, ensuring future administrators of the STA program will understand today's legislative intent.

Also writing in support of this bill, the Orange County Transportation Authority (OCTA) states that recognizing that STA is the only existing source of state transit funding that can be used for both operations and capital purposes, it is important that the safeguards proposed by this bill be implemented to ensure that STA funds are only expended on services that they were intended to support. Further they state that if implemented, this bill will ensure more accurate and manageable revenue reporting practices under the program going forward.

With the recent passage and anticipated signature by Governor Brown of SB 1 (Beall), funding for the STA program is estimated to grow by roughly 130%. It is important the STA program be clearly defined for state managers, RTPAs and transit providers. Additionally, accurate and timely reporting is critical to the oversight of public transit in the state. The committee notes that technical amendments will be needed to accommodate the changes approved by the Legislature in SB 1 (Beall), including additional reporting requirements for some STA funds to be used only for transit "state of good repair" maintenance.

Related legislation: SB 1 (Beall), increases several taxes and fees to raise the equivalent of roughly \$52.4 billion over ten years in new transportation revenues, including new funding for STA. SB 1 also updates reporting to the SCO for the expenditure of new STA revenues. SB 1 (Beall) was approved by the Senate and Assembly on April 6, 2017, and is expected to be signed by Governor Brown.

REGISTERED SUPPORT / OPPOSITION:

Support

California Transit Association (Sponsor)
Foothill Transit
Livermore Amador Valley Transit Authority
Monterey-Salinas Transit
Orange County Transportation Authority

Opposition

None on file

Analysis Prepared by: Melissa White / TRANS. /