

Date of Hearing: April 4, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

AB 1919 (Holden) – As Amended March 7, 2022

SUBJECT: Youth Transit Pass Pilot Program: free youth transit passes: eligibility for state funding.

SUMMARY: Requires transit agencies to offer free transit passes to all persons 25 years of age and under, or otherwise state funding, as specified, would not be available. Specifically, **this bill:**

- 1) Requires transit passes to be available for all persons 25 years of age and under regardless of their immigration status, in order for a transit agency to be eligible for funding provided under the Mills-Debbeth Transit Development Act (TDA), the State Transit Assistance Program (STA), and the Low Carbon Transit Operations Program. .
- 2) Requires a Youth Transit Pass Pilot Program to be created by the Department of Transportation (Caltrans) to persons 25 years of age and under.
- 3) Requires free youth transit passes provided pursuant to this section to count as a full-price fare for purposes of calculating the ratio of fare revenues to operating costs for TDA.
- 4) Requires Caltrans to provide a report by 2027 on the outcomes of the Youth Transit Pass Pilot Program, including:
 - a) The number of free transit passes provided to persons 25 years of age and under.
 - b) Whether the passes increased transit ridership among users 25 years of age and under.
 - c) An assessment of how many transit operators, schools serving pupils in the kindergarten and grades 1 to 12 (K-12) and institutions of high education statewide have and do not have a transit pass program.
 - d) Recommendations to expand transit pass programs to ensure that all persons 25 years of age and under statewide have access to a transit pass program.
 - e) Whether the transit pass reduced vehicle miles traveled, reduced greenhouse gas emissions, enhanced transit accessibility, and ensured equity.
 - f) Whether the requirements minimized administrative requirements for both program management and user access.
 - g) Comments from the California State Air Resources Board and Strategic Growth Counsel on the effects the transit passes had on reducing the emissions of greenhouse gases and vehicle miles traveled; and,
 - h) Identification of best practices being implemented to enhance youth transit ridership.
- 5) Sunsets the provisions of this bill on January 1, 2028.

EXISTING LAW:

- 1) The TDA of 1971, provides funding for transit and non-transit related purposes that comply with regional transportation plans. It serves to improve existing public transportation services and encourage regional transportation coordination.
- 2) TDA provides funding for public transit from two funding sources:
 - a) LTF, which is derived from a 1/4 cent of the general sales tax collected statewide; and,
 - b) STA, which is derived from the statewide sales tax on diesel fuel.
- 3) Authorizes Regional Transportation Planning Agencies (RTPAs) to administer transit funding made available under the TDA. Imposes certain financial requirements on transit operators making claims for transit funds, including requirements that fares collected by the operator cover a specified percentage of operating costs, and that an operator's total operating cost per revenue vehicle hour not exceed operating revenues and the percentage change in the Consumer Price Index (CPI). Establishes different farebox recovery requirements depending upon population.
- 4) Defines "operating costs" for purposes of calculating a transit agency's farebox recovery ratio.
- 5) Requires a transit operator in an urbanized area to maintain a 20% farebox recovery ratio in order to be eligible for LTF TDA funds.
- 6) Requires a transit operator in a non-urbanized area to maintain a 10% farebox recovery ratio in order to be eligible for LTF TDA funds.
- 7) Allows a one year "grace year" for transit operators who fail to meet their farebox recovery ratio, for which they do not lose LTF funds.
- 8) State regulations create a three-year penalty cycle for transit operators who do not meet their farebox recovery ratios in which a penalty, or loss of some LTF funds, does not occur until the end of the third fiscal year after non-compliance. Allows operators to retain full receipt of LTF funds if they achieve the required farebox recovery ratio within the penalty cycle.
- 9) Established the Affordable Housing and Sustainable Communities, the Low Carbon Transportation, and the LCTOP programs and continuously appropriates 60% of GGRF fund proceeds, beginning in the 2015-16 fiscal year, for transit, affordable housing and sustainable communities programs, and high-speed rail.

FISCAL EFFECT: Unknown

COMMENTS: This bill would require public transit agencies to offer free transit to persons under 26, or else lose all of the state funds that they receive from TDA, LCTOP, and STA. According to the Legislative Analyst's Office (LAO), in 2018 transit received a total of \$12

billion in funding. Of that, 14% came from State, including \$700 million from STA and \$79 million from LCTOP. TDA funding accounted for close to \$2 billion in funding.

Many transit agencies already offer free or reduced fare transit for students. For example, SF MUNI offers the Free Muni for Youth Program to all youth 18 and under, with the City of San Francisco subsidizing transit at \$2 million for lost revenue a year. The City of Sacramento paid Sacramento Regional Transit (SacRT) \$1 million to offer free transit to students. LA Metro more recently provided free transit rides on all bus services, paid for by emergency funding grants from the Federal Government.

A survey sent out by the University of California Institute of Transportation Studies (UC ITS) found that 34 of the 29 transit agencies in the state offered some form of free or reduced fare transit passes for K-12 students during the 2018-2019 fiscal year. Two of the transit agencies reported funding from student fees, while 11 received funds from other sources, including from local sales tax measures, local air districts, and/ or a city's general fund. For post-secondary school programs, 32 of the 59 respondents reported that they offered a reduced or free transit pass program for post-secondary school, college and university students. 18 of the programs were funded through student fees, while 14 were paid for by colleges and universities themselves. 13 reported funding from other programs, including LCTOP, local air management districts and the county. Only one program received no funding from outside sources.

According to the author, "Currently, California has various agencies which do provide reduced or fare-free transit options to youth, however, these patchwork efforts are non-comprehensive and predominantly benefit communities that already have the means to provide for their youth's transportation to-and-from curricular and extracurricular activities. Conversely, the most underprivileged communities in our state are without equitable transit services. In these communities, youth, who already are the lowest income-having sect of our population, face systemic barriers to use of public and mass transit. And, unsurprisingly, these same communities which have the greatest barriers to use of transit are among the most diverse, most of color, lowest income, and most student-populated communities in our state. And presently, we have no meaningful statewide efforts to remedy this prejudicial and inequitable transit climate.

This lack of statewide program leaves millions of low-income and diverse youth without affordable or accessible transportation options. It also forces many to be dependent on greenhouse gas-emitting personal vehicles to the detriment of their communities' environmental health."

The University of Austin, Texas evaluated SacRT free transit program, sending surveys to students before and after the program's implementation. Approximately 5,600 surveys were received. The data found that a statistically significant increase in the share of students reporting SacRT use to get to and from school as well as a corresponding statistically significant decrease in the share of students reporting automobile use. Of the 5,600 surveys received, 302 students responded to the first survey, stating only 10% of them used SacRT to get to school before transit was free. 369 students responded to the second survey after implementation of the program, with 15% of students responding they took SacRT to get to school. There was a 4.1% drop in auto use to get to school.

According to UC ITS, "Another study investigated the potential benefits to student health, school attendance, transit ridership, and participation in after-school programs of a proposal to make

free unrestricted transit passes available to all local students from preschool to college in Los Angeles County (LAC). In April 2013, the Los Angeles County Education Coordinating Council (ECC) called for LAC school districts to work with the Metropolitan Transportation Authority (MTA) to provide the passes. Based on a review of the available literature and interviews with experts, the LAC Department of Public Health (DPH) and the ECC concluded that providing unrestricted passes to all LAC students could increase transit ridership by 6 to 14 percent in the first two years (63,200 to 158,000 extra riders daily), and by as much as 26% after 10 years (284,000 daily riders). It could also improve school attendance and have a number of health and other benefits, but it was not possible to reliably quantify these benefits because of data limitations. MTA's revenues could, however, decrease by more than one-fifth as a result (a loss of roughly \$71 million)."

In 2017 the Legislature passed AB 17 (Holden), which would have required Caltrans to administer a program to provide free or reduced-fare passes for students. Governor Brown vetoed that bill, stating "Many transit agencies, including the Los Angeles County Metropolitan Transportation Authority, already have a variety of reduced-fare transit programs for students. Before we create this new statewide program, I think we should have a fuller discussion on how local transit discount programs work and how any new ones should be paid for."

MoveLA and a coalition of environmental groups, in support of this bill, argue "Study after study has shown that the kind of program that AB 1919 would create is the most successful way to expand access to fare-free transportation for our youth and help reduce current transportation inequities affecting millions of California. The time for further study is over and the time to act is now because we have an urgent need to address out-of-control transportation emissions and the resources to do it. AB 1919 is a cost-effective public policy that expands access to fare-free transportation for our youth because it will reduce current transportation inequities affecting millions of Californians. As public transit fares have risen statewide so too have the socioeconomic barriers to reliable transportation for Californians. In turn, this is affecting Californians' capacity to work, go to school, and live in a way that is both economically and socially uplifting."

The California Transit Association and the California Association for Coordinated Transportation, writing in opposition, argue, "In recent years, our associations have sponsored and supported various measures to encourage transit agencies to implement fare free or reduced fare programs, recognizing the benefits they provide to transit riders and the communities our members serve. We have also analyzed many more that would require transit agencies to implement fare free or reduced fare programs. We have evaluated each of these measures with a "*first, do no harm*" rule to ensure that, as we collectively push to implement more equitable fare structures, we do not undercut access to federal, state, or local transit funding sources. These funding sources, which include farebox revenues, are essential to delivering and maintaining transit service and our workforce. The Legislature need look no further for evidence of this point than the experience of transit agencies over the last two years. At the start of the pandemic, when state and local shelter-in-place orders went into effect and transit fare revenues approached zero, every transit agency in the state found themselves in crisis and were forced to make difficult decisions, like reducing service and their payrolls. It was only through unprecedented intervention by Congress – through three rounds of emergency relief that our organizations advocated for in Washington, D.C. – that operational budgets normalized and agencies were able to restore and maintain service.

In evaluating this bill, we see a violation of this core rule. This bill mandates that transit agencies provide fare free transit to a sizeable base of their ridership with only a vague commitment to providing new funding to offset lost fare revenue. It is worth noting that, in 2020, following the introduction of a similar measure, AB 1350 (Gonzalez), the California Transit Association conducted a survey of the 40 largest transit agencies in the state to ascertain the bill's impact on fare revenue. Through that survey, we discovered that AB 1350, which would have mandated fare free transit for individuals 18 and under (versus AB 1919's 25 and under) would have reduced fare revenue at these agencies by at least \$100 million annually. Importantly, that survey did not consider the more than 120 additional transit agencies operating in California, nor did it account for the increased operational expenses related to induced-demand for transit services. No doubt the impact to fare revenue – and the commitment of new and ongoing funding from the state – resulting from AB 1919 would be far greater.

If any agency fails or refuses to implement the mandated fare free program for any number of well-substantiated reasons, including that the proposed funding offset is inadequate to meet lost fare revenue or to address the higher operational expenses that may occur from induced demand for transit services, then that agency would lose immediate access to funding from the Transportation Development Act-Local Transportation Fund, State Transit Assistance Program, and Low Carbon Transit Operations Program. These programs are the lifeblood of transit funding in California and are used by transit agencies on capital expenses (e.g., new vehicle procurements and state of good repair costs) and operational expenses (e.g., the fuel and labor necessary to operate transit vehicles, the labor necessary to maintain transit vehicles, and even the subsidies for fare free or reduced fare programs in place today) that are essential to keeping transit moving in California. Moreover, these funds often serve as a local match for California's transit agencies that allows them to draw down significant federal funding.

This punitive approach to furthering fare free programs is sufficient to secure our opposition to this bill. However, we elevate that this bill presents other significant challenges that the Legislature should rightly consider, and which further entrench our opposition to the bill. Today, transit agencies that have in place fare free or reduced fare programs receive external institutional support – from universities, colleges, school districts and employers (including the military) that see the value of these programs to their constituencies and that have an overlap with the demographics of this bill. By mandating that agencies simply provide fare free transit for individuals age 25 and under, we believe it stands to reason that such institutions would eliminate their funding support to transit agencies for fare free or reduce fare programs.”

Committee concerns: Prior to COVID-19, nationwide, based on data from the American Public Transit Association, transit ridership for both light rail and buses had declined to levels seen in 2012 for light rail and ridership for buses has dropped to the levels of the early 1990s. California (except for the Bay Area which has seen flat ridership levels) had experienced similar declines.

According to a University of California, Los Angeles Institute of Transportation Studies (UCLA ITS) report *Falling Transit Ridership: California and Southern California*, California lost 62.2 million annual transit rides between 2012 and 2016. Ridership declines were worse in southern California, with the six-county Southern California Association of Governments region losing 72 million annual rides, representing 120% of the state's total losses.

With the onset of the COVID-19 pandemic, during the first half of 2020, transit ridership plunged from 50 to as much as 94%. In efforts to stave off financial losses from declining transit

ridership the federal government provided relief for transit operators across the country. In March of 2020 Congress passed and the President signed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provided \$25 billion in relief to transit agencies. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 added an additional \$14 billion in transit relief. The American Rescue Plan in March of 2021 provided an additional \$30.5 billion.

Transit ridership has improved since 2020, but is still far below January 2020 levels. As of January of 2021, transit ridership nationally is at 56% of what it was prior to the pandemic. LA Metro still has 500,000 fewer weekday boarding than they did pre-pandemic. BART's weekly ridership is still at 31% of previous levels. San Diego Metropolitan Transit District is at 61%.

Making transit free for persons age 25 and under could help improve ridership. However, requiring transit agencies to offer a service that costs money for free, or else lose billions in funding, could cause transit agencies to raise fares on individuals over 26 years old to make up for the revenue losses, or worse, cut services.

Further, as indicated by the UC ITS research, a number of local jurisdictions already provide funding to transit agencies to offer free or reduced fare transit passes. As the opposition points out, by forcing transit agencies to offer the service for free, these outside entities would have no reason to continue providing funding for the service, essentially supplanting transit agency funding with funding from other public and private sources

The Committee, therefore, proposes the following amendment:

Public Utilities Code 99100(c) Subdivision (a) shall not apply if the Controller makes a determination that the funding providing in subdivision (b), coupled with existing funding from local authorities, school districts, and colleges is not sufficient to cover the lost farebox revenue as a result of making transit free. Local authorities, school districts and colleges shall maintain their funding for free or reduced fare transit as provided in the 2018-2019 fiscal year.

Related Legislation:

AB 1938 (Friedman), creates the Transit and Intercity Rail Recovery Task Force (Task Force) to make recommendations to the Legislature on ways to improve public transit. That bill is set for today's hearing.

SB 942 (Newman), authorizes a transit agency that uses LCTOP program moneys to fund a free or reduced fare transit program to continue to use those moneys to maintain that program on an ongoing basis without demonstrating continued compliance with those requirements. That bill is pending before the Senate Appropriations Committee.

Previous legislation:

AB 1350 (Gonzalez), was substantially similar to this bill. That bill was amended into a bill related to high school diplomas and was signed into law.

AB 1543 (Holden), of 2019 requires a fare paid pursuant to a reduced fare transit program to be counted as a full adult fare for purposes of calculating any required ratios of fare revenues to operating costs. AB 1543 died in this committee.

Previous legislation: AB 2034 (Holden), of 2018 requested UC ITS to prepare and submit a report on reduced fare transit pass programs to the Governor and Legislature by January 1, 2020. AB 2034 was held in the Senate Rules Committee.

AB 17 (Holden), of 2017, would have created a reduced fare transit pass pilot program funded at \$20 million to be administered by Caltrans to provide free or reduced fare transit passes to low income students. AB 17 was vetoed by Governor Brown.

AB 2222 (Holden), of 2016, would have created a reduced fare transit pass program to be administered by Caltrans for low income students. AB 2222 was held on the Senate Appropriations Committee suspense file.

AB 1555 (Gomez), of 2016, would have appropriated \$800 million from the GGRF to fund a variety of programs including \$10 million for active transportation and transit pass investments. AB 1555 was referred to the Assembly Committee on Budget and Fiscal Review and returned to the Chief Clerk without being heard.

SB 951 (McGuire), of 2016, would have created and appropriated \$3 million annually from the GGRF through 2020-21 for the Golden State Patriot Passes pilot program to provide veterans with free access to transit. SB 951 was held on the Senate Appropriations Committee suspense file.

SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, created and funded with GGRF, the Affordable Housing and Sustainable Communities, the Low Carbon Transportation, and the LCTOP programs.

AB 1002 (Bloom), of 2013, would have increased the tax on vehicle registrations by \$6. 40% of the revenues would have been appropriated to transportation commissions and transit operators to support transit operations and maintain and expand reduced fare programs, including transit passes for students, low-income youth, seniors, and persons with disabilities. AB 1002 was referred to the Assembly Local Government Committee but was returned to the Chief Clerk without being heard.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Conejo / San Fernando Valley
350 Petaluma
350 Silicon Valley
350 Ventura County Climate Hub
Active San Gabriel Valley

Activesgv
Bay Area Youth Lobbying Initiative
California Environmental Voters (formerly Clcv)
Citizens Climate Lobby
Climate 911
Climate Reality Project, Silicon Valley
Climateplan
Coalition for Sustainable Transportation
Coastal Rail Santa Cruz
Eat for The Earth
Elders Climate Action, Norcal and Social Chapters
Equity Transit
Evolve California
Investing in Place
Let's Green Ca!
Long Beach Alliance for Clean Energy
Los Angeles Neighborhood Initiative
Mothers Out Front California
Mothers Out Front Silicon Valley
Move LA
National Association of Social Workers, California Chapter
Pacifica Climate Committee
Romero Institute
SanDiego350
Santa Cruz Bus-by-choice
Santa Cruz Climate Action Network
Santa Cruz County Friends of The Rail & Trail
Sierra Club California
Streets for All
Sunrise Santa Cruz
The Climate Alliance of Santa Cruz County
The Climate Reality Project: Silicon Valley
Transform
UCSC Climate Coalition
Valley Women's Club of San Lorenzo Valley
Youth for Climate Justice

Oppose

California Association for Coordinated Transportation (CALACT)
California Transit Association

Analysis Prepared by: David Sforza / TRANS. / (916) 319-2093