

Date of Hearing: April 4, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

AB 1938 (Friedman) – As Amended March 7, 2022

**SUBJECT:** Transit and Intercity Rail Recovery Task Force

**SUMMARY:** Creates the Transit and Intercity Rail Recovery Task Force (Task Force) to make recommendations to the Legislature on ways to improve public transit. Specifically, **this bill:**

- 1) Requires the Secretary of California Transportation Agency (CalSTA) to convene the Task Force on or before July 1, 2023.
- 2) Requires the Task Force to include representatives from the University of California and other academic institutions, the Department of Transportation (Caltrans), local governments, metropolitan planning organizations (MPOs), transit agencies, bicycle and pedestrian safety organizations, transportation advocacy organizations, and labor organizations.
- 3) Requires the CalSTA Secretary to prepare and submit a report of findings based on the task force's efforts to the appropriate policy and fiscal committees of the Legislature on or before January 1, 2025.
- 4) Requires the report to include, but not be limited to, a detailed analysis of the following:
  - a) Existing funding sources for transit and intercity rail, with a breakdown of funding available for operations, rolling stock, and fixed guideways and a description of federal, state, and local funding currently used for other transportation investments that could be used for transit and intercity rail projects.
  - b) Existing policies on state and local metrics on transit performance; and,
  - c) Overall service provided by transit agencies, including, but not limited to, service to commuting populations and service for elderly, disabled, and other disadvantaged groups.
- 5) Requires the report to include, but is not limited to, recommendations on all of the following:
  - a) Recommendations on how to grow public transit use and reduce operational costs including, but not limited to, recommendations on all of the following:
    - i) Consolidating transit agencies or having a network manager to coordinate transit routes; and,
    - ii) Fare coordination and methods of payment for transit to make transit more accessible, including single fare payments within an established zone.
  - b) Increasing the frequency and reliability of transit, including a statewide technology requirement enabling real-time transit information, including arrival and departure predictions, vehicle locations, occupancy, and service alerts using the General Transit Feed Specification data format.

- c) Changes to land use policies that could improve public transit use.
- d) Recommendations on how to better plan and make procurements for transit and intercity rail projects, including recommendations on statewide procurement of buses and trains for transit fleets and whether to create or designate a state department to assist in planning transit projects.
- e) Recommendations for replacing fare box recovery ratios required under the Transportation Development Act with performance metrics that better measure transit growth opportunities and customer service opportunities, and recommendations on which state department or agency should be responsible for transit system oversight and reporting.
- f) Recommendations on whether the state should create a new revenue source to pay for transit operations and projects or shift existing revenue sources towards transit operations and projects and restrict revenues from local transportation funds; and,
- g) Provides that this section remain in effect until January 1, 2028, and as of that date is repealed.

**EXISTING LAW:**

- 1) The Transportation Development Act (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) Local Transportation Fund (LTF), which is derived from a 1/4 cent of the general sales tax collected statewide; and,
  - b) State Transit Assistance fund (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) Authorizes the Metropolitan Transportation Commission (MTC), for transit operators serving the San Francisco Bay Area Rapid Transit District area, excluding the City and County of San Francisco, to make a determination as to whether transit operators have met the requirements for claims for transit funds by evaluating the operators as a group rather than individually if their services are coordinated.
- 10) Authorizes the San Diego Metropolitan Transit System (MTS), for transit operators providing service within the area under their jurisdiction, to make a determination as to whether transit operators have met the requirements for claims for transit funds by evaluating them as a single operator.
- 11) Authorizes the Sacramento Area Council of Governments (SACOG), for transit operators serving the area of Sacramento County and the cities within the county, to make a determination as to whether transit operators have met the requirements for claims for transit funds by evaluating some or all of the operators as a group rather than individually if their services are coordinated.

**FISCAL EFFECT:** Unknown

**COMMENTS:** Public transit includes buses, rail, paratransit, vanpool, and ferries. Transit services are provided by over 200 operators in California, including cities, counties, independent special districts, transportation planning agencies, private nonprofit organizations, universities, and tribes. 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%.

*Increased Transit Use is Necessary to Meet the State's Climate Goals.* Declining public transit use is problematic if the State is going to meet its climate change goals. In California, the transportation sector is the largest contributor of greenhouse gas (GHG) emissions and is responsible for about 40 percent of the state's emissions with light duty passenger vehicles being the single largest contributor. 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.

Reducing the number of miles that people drive everyday can have a significant impact on reducing GHG emissions. Providing alternative modes of transportation such as public transportation using buses and light rail or other shared ride approaches could significantly reduce the number of vehicle miles traveled (VMT) in California. 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 10.4% – to 9,728.5 miles per person – from 2020 to 2021.

According to *Transit Blues*, “Private vehicles are transit's major competitor. From 2000 to 2018, private vehicle access in California increased substantially. The state added almost 3 million vehicles from 2000 to 2010 and another 2.6 million vehicles from 2010 to 2018. Over this same time period, the percent of California households without motor vehicles declined by 16%, a downward trend that took place to varying degrees in all five major urban regions in the state (Ruggles et al., 2020). This growth in private vehicle ownership in California has likely had the largest effect on falling transit use of any of the potential causes analyzed for this report.”

*Transit Use Provides Other Benefits.* Increased transit use has other benefits such as reducing congestion, because it can convey many more people in much less space than individual automobiles, which helps to reduce traffic congestion, which in turn reduces air pollution from idling vehicles, and helps riders avoid the stress that comes from daily driving in highly congested areas. California is home to the greatest congestion in the country. In 2017, it was reported that commuters in Los Angeles averaged 119 hours a years in traffic delays and in San Francisco-Oakland commuters averaged 103 hours per year in traffic. Public transit is also safer, frees up time to do things other than drive, and saves transit riders money on fuel, maintenance and parking. Transit also encourages healthier behaviors because most transit riders usually have to walk a short distance to reach transit stops.

*According to the author, “California will never be able to meet its climate change goals if we do not see a decline in vehicle miles traveled. Transit is an important part of helping the state meet its goals. However, for far too long transit ridership has been on the decline in the State of California. The State needs a Transit and Intercity Rail Recovery Task Force to help create a forum to bring forward ideas that will help get public transit ridership and service back on track. Today, the State provides very little direction on creating performance metrics to improve public transit service, and provides only 14% of the funding for transit in the State, with local government’s providing nearly half of all transit funding. This has created a fragmented system with over 200 transit agencies across the state and no incentive for them to work together to improve service across county lines. It’s time California get serious about public transit, set policy goals on how to improve its service, and look at ways to better align our spending to reach our climate goals.”*

Out of concern of the decline in transit ridership, coupled with the potential increase in population growth, in 2019 MTC commissioned UC ITS to conduct a study on the declining transit use in the Bay Area and to provide recommendations on how to improve it. The report, *What’s Behind Recent Transit Ridership Trends in the Bar Area?* provides recommendations to improve transit ridership in the Bay Area.

In May of 2020, MTC created the Blue Ribbon Transit Recovery Task Force to “guide the future of the Bay Area’s public transportation network as the region adjusts to the new conditions created by the COVID-19 pandemic.” The Task Force local elected officials, advocates for people with disabilities, representatives from the state Senate and Assembly, the California State Transportation Agency; transit operators; business and labor groups; and transit and social justice advocates. In July of 2021, the Task Force approved 27 specific near-term actions to reshape the region’s transit systems into a more connected, more efficient, and more user-focused mobility network across the entire Bay Area.

According to Seamless Bay Area, who is supporting this bill, “AB 1938 builds off of momentum created in the San Francisco Bay Area over the past several years to advance many of these policy initiatives. While much is already going on in our region, Bay Area transit riders should welcome this proposed statewide Task Force, which will surely draw upon and build off of the Bay Area studies, and add further state momentum to advancing many of the legislative and funding reforms that will be needed to actually implement them. It will also address improving the integration of Bay Area transit with systems that go outside the Bay Area, including Capitol Corridor, ACE, San Joaquin systems, Monterey/Santa Cruz Counties - as well as the state’s future High Speed Rail network.

The fact that the bill calls for analyzing and recommending consolidations and the value of creating a network manager is extremely important to help increase understanding of these topics among state legislators, who would need to actually vote for bills to consolidate agencies or create empowered network managers for any part of the state, including for the Bay Area.

Finally, one of the most important parts of the proposed task force’s scope will be studying the need for additional statewide operating funding. Transit operations have been underfunded across the state for decades, resulting in less service and ridership in the Bay Area than regions with comparable density. The lack of adequate statewide funding for transit also

forces local jurisdictions and agencies to raise their own funds through local ballot initiatives - which further entrenches fragmentation.”

*How is Transit Funded?* In federal fiscal year 2018, transit operators in California received \$12 billion in funding from various sources. Nearly half of the funding comes from local sources, roughly 20% from the federal government, another 20% from fares and fees, and the state provides the remainder. The state share of transit funding comes from a 1/4 cent sales tax, now known as the Local Transportation Fund (LTF) and State Transit Assistance (STA) funding which is derived from the sales tax on diesel fuel and is distributed to local agencies based on population and transit operator revenues.

To be eligible to receive its full share of LTF, existing law requires a transit operator to meet a specified ratio of fare revenues to operating cost, called the farebox recovery ratio. Generally, existing law defines the minimum ratio necessary to receive all LTF funding as either 20% for urban operators, or 10% for operators in a non-urbanized area. If a transit operator fails to meet its specified farebox recovery ratio, existing law requires the RTPA to withhold a percentage of the LTF equal to the percentage by which the operator missed its expected ratio.

California suspended its farebox recovery ratio requirements until 2026 as a result of the steep drop in transit ridership due to the COVID 19 Pandemic.

*Committee comments:* While the Blue Ribbon Transit Recovery Task Force under MTC is working to better coordinate public transit in the Bay Area, the rest of the state lacks direction on how to improve public transit despite it being a key component of the state’s plans to reach its climate goals. This bill brings together similar stakeholders as the MTC Task Force to take a statewide approach on improving transit services, coordination, procurement, and funding. The Task Force created by this bill will provide recommendations to the Legislature in 2025, giving the state time to consider changes to how transit is funded and operated as it considers what to do about farebox recovery ratio requirements in 2026.

*Related Legislation:*

AB 1919 (Holden), withholds LTF and other state funds for public transit if they do not offer free transit service to people under 26 years old. That bill is currently in Assembly Transportation Committee.

SB 917 (Becker), Requires MTC to develop and adopt a Connected Network Plan, an integrated transit fare structure, a standardized regional transit mapping and wayfinding system, a maintenance strategy and funding plan and would make the region’s transit agencies ineligible for an allocation of TDA funds if they fail to do so.

*Previous legislation:* SB 508 (Beall), Chapter 716, Statutes of 2015, updated numerous provisions of TDA law, including farebox recovery ratio requirements. Specifically, SB 508 updated what counts toward the operating costs to help accommodate unpredictable variables such as the cost of fuel. Additionally, if an operator receives funds from local revenue sources, such as a local sales tax measure, it can help to meet its farebox recovery ratio by combining fare revenues with that local support.

SB 1474 (Kopp), Chapter 256, Statutes of 1996 authorized MTC, to identify functions performed by individual public transit systems that could be consolidated to improve the efficiency of regional transit service and authorized MTC to withhold the full allocation of its transit dollars until the operators has been found to have made a reasonable effort to implement productivity improvements.

AB 629 (Chiu), of 2021 would have required MTC to consult with transit agencies in the nine-county San Francisco Bay Area to provide more seamless service across its jurisdiction. That bill died in Assembly Appropriations Committee.

**REGISTERED SUPPORT / OPPOSITION:****Support**

Active San Gabriel Valley  
Bay Area Council  
Move La, a Project of Community Partners  
Seamless Bay Area  
Spur  
Streets for All

**Opposition**

None on file

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