

Date of Hearing: May 4, 2020

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 2542 (Kalra) – As Introduced February 19, 2020

**SUBJECT:** Local transportation funds: State Transit Assistance Program: reports

**SUMMARY:** Revises provisions of annual reporting requirements in relation to the State Transit Assistance Program (STA). Specifically, **this bill:**

- 1) Shifts the deadline for when a regional transportation planning agency (RTPA) must submit an STA eligibility report to the State Controller's Office (SCO) to within seven months of the end of each fiscal year.
- 2) Requires SCO to compile, publish, and make publicly available on its website the data and information of all transit operator financial transaction reports (FTRs) on or before November 1 of each year.

**EXISTING LAW:**

- 1) Establishes the State Controller as the state's chief financial officer whose responsibilities include, but are not limited to, the accounting and record-keeping of state funds and the auditing and review of state operations.
- 2) Establishes STA as a program where SCO allocates funds, generated from the state sales tax on diesel fuels, to support the operating and capital costs of eligible transit operators, as defined.
- 3) Requires SCO to allocate STA funds to STA-eligible transit operators, as defined, by a formula where 50% of funds are allocated by population and 50% of funds are allocated according to operator revenues from the prior fiscal year.
- 4) Requires SCO to design and adopt a uniform system of accounts and records under which transit operators, as defined, must file annual reports of their finances and operations (FTRs) within seven months of the end of the fiscal year.
- 5) Requires RTPAs to report to SCO those STA-eligible transit operators within its jurisdiction that meet certain criteria, as specified, by June 15.
- 6) Requires SCO to compute and publish an estimate of STA payments for the current fiscal year by August 1.
- 7) Requires SCO, on the basis of the data received in the transit operator financial reports and within three months of receiving such data, to submit an annual report to the Legislature on the revenues available and expenditures made.

**FISCAL EFFECT:** Unknown

**COMMENTS:** The Mills-Alquist-Deddeh Act, otherwise known as the Transportation Development Act (TDA) of 1971, was enacted to improve existing public transportation services

and encourage regional transportation coordination. TDA allocates funding for transit and transit-related purposes that comply with regional transportation plans. Specifically, TDA is derived from two funding sources:

- a) The Local Transportation Funds (LTF), which is derived from a ¼ cent of the general sales tax collected statewide.
- b) The State Transit Assistance Fund (STA), which is derived from the statewide sales tax on diesel fuel.

For STA, funds are appropriated by the Legislature to SCO. SCO then allocates the tax revenue by formula to RTPAs and other select transportation agencies with respect to the STA-eligible transit operators within their jurisdiction. Current law requires that 50% of STA funds be allocated by population and 50% be allocated according to transit operator revenues from the prior fiscal year, as specified. STA funding may only be used for transportation planning and public transit purposes.

This bill makes two minor changes relative to the STA Program.

First, it adjusts deadlines by which transit operators and RTPAs must file financial reports and STA-eligibility information with SCO. Under current law, transit operators must file an annual report of financial transaction and operations to SCO within seven months of the end of their fiscal year. With a fiscal year end of June 30, this filing deadline is January 31. In turn, the SCO must submit an annual report to the Legislature on the basis of these reports within three months of receipt. Meanwhile, RTPAs are required to submit to SCO a report of the STA-eligible transit operators within their jurisdiction by June 15. SCO uses this information to determine and publish STA payment estimates by August 1.

SCO states that the disjointedness of the FTR submission deadline (January 31), the SCO annual report to the Legislature deadline (within three months of receipt of FTRs), and the STA-eligibility report submission deadline (June 15), causes administrative inefficiencies. In particular, the annual SCO report to the Legislature is due before SCO has received STA-eligibility information from RTPAs. This tangle of misaligned deadlines is subject to cause misreported data and erroneous STA-payment estimate calculations.

To resolve this problem, this bill aligns the submission deadline of the transit operator FTR with the submission deadline of the RTPA STA-eligibility report, with both being due within seven months of the end of the fiscal year (e.g., January 31). This shift in deadlines allows SCO, transit operators, and RTPAs additional time to review and reconcile their financial data before STA payment estimates are released on August 1. Such changes are likely to make SCO data review and STA payment determination more efficient.

The Controller's open data website, [www.bythenumbers.sco.ca.gov](http://www.bythenumbers.sco.ca.gov), provides the revenues and expenditures reported by cities, counties, special districts, RTPAs, and transit operators as submitted via their FTRs. The website is updated annually in accordance to current law which requires the financial transactions of cities, counties, special districts, RTPAs, and transit operators to be published on or before November 1 of each year following the end of the annual reporting period.

The second minor change this bill accomplishes is that it brings SCO into reconciliation with these practices by eliminating the SCO's annual transit operator FTR report to the Legislature and instead requiring SCO to make this information publicly available on its website by November 1 of each year, as it already does for the FTR data it receives from other sources.

According to the author, "AB 2542 will allow additional time to identify errors and reporting discrepancies, resolve issues prior to calculating transportation fund estimates, and help ensure accurate STA allocations are made to transit operators. AB 2542 will also change the publishing data of transit operator FTR data to November 1<sup>st</sup> of each year to align with the publication of all other FTR data received from counties, cities, and special districts."

*Previous legislation:* AB 1113 (Bloom) Chapter 84, Statutes of 2017, revises and recasts the provisions of the STA program by, among other things, changing the deadline by which transit operators must file FTRs with SCO from within 90 days of the end of the fiscal to within seven months of the end of the fiscal year.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

CA State Controller (Sponsor)

**Opposition**

None received

**Analysis Prepared by:** Chanel Matney / TRANS. / (916) 319-2093