

Date of Hearing: June 13, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION
Laura Friedman, Chair
SB 942 (Newman) – As Introduced February 8, 2022

SENATE VOTE: 32-0

SUBJECT: Low Carbon Transit Operations Program: free or reduced fare transit program

SUMMARY: Authorizes transit agencies who use Low Carbon Transit Operations Program (LCTOP) moneys to fund free or reduced fare transit programs to continue using those moneys for ongoing operating costs and eliminates the requirements to annually demonstrate greenhouse gas (GHG) emission reductions and document other program details, as specified. Specifically, **this bill:**

- 1) Waives some annual requirements, including:
 - a) Demonstrating continued compliance with the initial application requirements, including reducing GHG emissions, ensuring that LCTOP funds do not supplant another source of funds, and that 50% of the total funds received are spent in disadvantaged communities (DACs).
 - b) Submitting a list of proposed expenditures.

EXISTING LAW:

- 1) Requires the California Air Resources Board (CARB), pursuant to AB 32 (Núñez), Chapter 488, Statutes of 2006, to develop a plan of how to reduce statewide greenhouse gas (GHG) emissions to 1990 levels by 2020. Under AB 32, ARB is authorized to include the use of market-based mechanisms to comply with these regulations (cap and trade).
- 2) Requires CARB, pursuant to SB 32 (Pavley), Chapter 249, Statutes of 2016, to ensure that statewide GHG emissions are reduced to at least 40% below the statewide GHG limit no later than December 31, 2030.
- 3) Establishes the Greenhouse Gas Reduction Fund (GGRF) in the State Treasury and requires all money collected pursuant to cap and trade, with limited exceptions, be deposited into the fund and makes the GGRF funds available for appropriation by the Legislature.
- 4) Requires, pursuant to SB 535 (de León), Chapter 830, Statutes of 2012, that a minimum of 25% of the monies available in GGRF be used to benefit DACs, as defined.
- 5) Requires, pursuant to AB 1550 (Gomez), Chapter 369, Statutes of 2016, GGRF investments allocated to DACs to be allocated as follows:
 - a) A minimum of 25% to projects that are located within and benefiting individuals living in DACs.

- b) An additional 5% (minimum) to projects benefiting low income households or located within the boundaries of, and benefiting individuals living in, low-income communities.
- 6) Establishes LCTOP, administered by the California Department of Transportation (Caltrans), and continuously appropriates 5% of GGRF fund proceeds to the program for transit operating and capital assistance to reduce GHG emissions and improve mobility, with a priority on serving DACs.
 - 7) Requires LCTOP funding for transit operations and capital assistance to meet any of the following requirements:
 - a) Directly enhance or expand transit service by supporting new or expanded bus or rail services, new or expanded water-borne transit, or expanded intermodal transit facilities, and may include equipment acquisition, fueling, and maintenance, and other costs to operate those services or facilities;
 - b) Operations that increase transit mode share; or,
 - c) Purchase of zero-emission buses, including electric buses, and the installation of the necessary equipment and infrastructure to operate and support these zero-emission buses.
 - 8) Requires each eligible transit agency, prior to receiving funding from LCTOP, to submit to Caltrans a list of proposed expenditures and any documentation required by guidelines.
 - 9) Requires Caltrans, in coordination with CARB, to determine if the proposed list of expenditures submitted by transit agencies meets requirements and program guidelines, including:
 - a) The recipient transit agency must demonstrate that each expenditure reduces GHG emissions; and,
 - b) The recipient transit agency must demonstrate that each expenditure does not supplant another source of funds.
 - 10) Requires that, after Caltrans determines the expenditures proposed by the transit agency will meet the requirements of the program, funding for LCTOP is allocated by the Controller through the State Transit Assistance (STA) formula with 50% being allocated according to population and 50% being allocated according to transit operator revenues from the prior fiscal year.
 - 11) Requires each transit agency receiving funding from LCTOP whose service area includes DACs, as defined by CalEnviroScreen, must expend at least 50% of the funds on projects or services that benefit those communities.

- 13) Waives this requirement and deems that all applicable low-income requirements, as defined, are met if the funding provided is expended on any of the following:
 - a) New or expanded transit service that connects with transit service serving disadvantaged communities or in low income communities, as defined;
 - b) Transit fare subsidies and network and fare integration technology improvements, including but not limited to, discounted or free student transit passes; or,
 - c) The purchase of zero-emission transit buses and supporting infrastructure.
- 12) Clarifies that a recipient transit agency is not required to provide individual rider data to Caltrans or CARB.
- 13) Allows a transit agency to use program funds for the same operational service or program in any subsequent fiscal year if the agency can demonstrate that reductions in GHG emissions can be realized.
- 14) Requires Caltrans, in consultation with CARB, to develop guidelines, methodologies, and reporting requirements for the program.
- 15) Requires transit agencies to provide annual reports to Caltrans on use of the funds from the program.
- 16) Allows transit agencies some flexibilities to administer the funds, including retaining its annual share for up to four years for a large expenditure; loaning or transferring its share to another transit agency within the same region; applying to Caltrans to reassign any project savings to another expenditure; and applying to Caltrans for a letter of no prejudice with specified conditions.
- 17) Requires Caltrans and the recipient transit agencies to comply with guidelines developed by CARB regarding DACs.
- 18) Requires that recipient transit agencies comply with all applicable legal requirements, including the California Environmental Equity Act and civil rights and environmental justice.
- 19) Requires transit agencies to include verification of recipient and expenditure of funds as part of the regular audit required by the Transportation Development Act (TDA).

FISCAL EFFECT: Unknown

COMMENTS:

LCTOP was created by SB 862 (Committee on Budget and Fiscal Review), Chapter 862, Statutes of 2014, as part of a comprehensive package of programs to target GHG emissions

reductions in California using funds generated by the state's cap and trade program. These programs include affordable housing and sustainable communities, transit and intercity rail capital and operating projects (TIRCP), and high-speed rail. LCTOP is administered by Caltrans and is continuously appropriated at 5% of GGRF funds. For the 2020-21 fiscal year, \$82 million is proposed to be allocated for LCTOP.

Specifically, LCTOP was created to provide operating and capital assistance for transit agencies to reduce GHG emissions and improve mobility, with a priority on serving DACs. Overall, LCTOP can fund projects that directly enhance or expand transit service by supporting new or expanded bus or rail services, water borne transit, or intermodal transit facilities; operational expenditures that increase transit mode share – shift new riders out of their cars; or the purchase of zero-emission buses, including the installation of the necessary equipment and infrastructure to operate and support the buses.

All projects must reduce GHG emissions and must not supplant other agency funds. Prior to receiving an allocation, which is distributed by the State Controller following the STA formula, eligible transit agencies must submit a description of their proposed expenditures and demonstrate how each expenditure will reduce GHG emissions.

Additionally, as LCTOP is funded with GGRF monies, transit agencies must comply with requirements to expend funds to the benefit of “priority populations,” which include both DAC communities, as defined by CalEnviroScreen, and low-income communities and households. Specifically, according to the LCTOP enabling legislation, transit agencies whose service area includes a DAC must spend at least 50% of the total monies received by the agency on projects that benefit DACs.

Since its inception, LCTOP has allocated \$807.4 million. Of that, \$636.4 million has been implemented, with \$609 million benefiting DACs or low-income communities. The 813 projects implemented have been estimated to reduce 6,290,948 metric tons of carbon dioxide. In the 2017-2018 fiscal year, LCTOP funded 51 new or expanded transit service lines, 22 projects to purchase replacement zero-emission vehicles, 15 projects constructing or installing passenger amenities at transit stations to encourage increased transit ridership.

By the 2018-2019 funding cycle, at least 31 projects for free or reduced fares received funding from LCTOP, with programs varying from free passes for youth or college students, to free rides on certain transit lines, or free rides for everyone on “spare the air” days to encourage ridership.

This bill would authorize transit agencies to continuously use LCTOP dollars to fund free or reduced fare projects without having to annually demonstrate GHG reductions.

According to the author, “public transit is a critical component of California’s fight to reduce harmful emissions. Subsidized youth ridership transit programs are a proven tool to expand access to public transit and create lifelong riders. Transit ridership has been hit hard by the pandemic, therefore, public transit providers need a myriad of tools to help in the recovery of their systems. SB 942 provides flexibility for transit agencies throughout the state to use existing cap and trade funds to rebuild ridership and create transit riders for life.”

Free or reduced fare transit has had mixed results on increasing transit ridership. According to an University of California Los Angeles, Institute of Transportation report, *Transit(ory) Finance*,

The Past, Present, and Future Fiscal Effects of COVID-19 on Public Transit in Southern California, transit agencies that offered free transit during the early stages of the pandemic “cited benefits of charging fares and expressed a desire to maintain them. Some staff mentioned an observed rise in homelessness on fare-free vehicles as one significant reason, especially given increases in homelessness during the pandemic. Homelessness was the second-most commonly given drawback in our survey. In the view of several interviewees, housed travelers stopped riding transit, decided not to start riding, or felt unsafe when they did ride, due to behaviors of unhoused riders (or those perceived to be unhoused).

Many of these staff acknowledged that unhoused people had fewer or no other places to shelter, but also described a lack of transit agency capacity to house unhoused riders and to address a larger, societal problem without diverging from transit’s core mission. Interviewees also suggested that increased drug use, crime, and mental health episodes on vehicles were consequences of fareless transit, and safety came up as a common response in the survey, too. These tied in, too, to labor issues: according to driver surveys at interviewees’ agencies, bus operators reported feeling unsafe during fareless periods and ill-equipped to address the issues onboard that interviewees attributed to fare suspensions. One interviewee predicted that finances would not actually stop their system from dropping fares, but that these social issues would.”

Targeted passes may increase transit use. The University of Austin, Texas evaluated SacRT’s 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% 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).”

The California Transit Association, a co-sponsor of this bill, argues “ To date, transit agencies have used their LCTOP funds for a variety of eligible purposes, including but not limited to, the purchase of zero-emission transit vehicles, installation of charging infrastructure, installation of fare payment systems, new service lines, increased service frequency, and free or reduced fare transit programs. Through their experience participating in LCTOP, transit agencies have found that the program is generally well-structured to fund “start-up costs” associated with new or

expanded transit service as well as one-time capital costs. However, transit agencies have learned that LCTOP underperforms for services and programs that require continuous funding to remain in place, like free or reduced fare transit programs. These programs are designed and implemented to grow transit ridership and deliver more equitable access to transit service, but they inherently reduce revenues collected by transit agencies at the farebox, which must be continuously offset by funding sources, like LCTOP funds, if they are to remain in place. The requirement in current law governing LCTOP, which dictates that transit agencies must demonstrate that these programs realize continued GHG emission reductions across years – and not just sustain emissions reductions relative to the base year – makes it difficult for transit agencies to implement and sustain free or reduced fare transit programs that deliver on equity.

This bill would simply authorize transit agencies to continuously apply the LCTOP funds they receive annually to implementing and sustaining free or reduced fare transit programs without any restriction to the length of time. With more flexible LCTOP funds, transit agencies will be able to successfully employ free or reduced fare transit programs on an ongoing basis with lessened concerns about the financial sustainability of these programs.”

Committee Concerns: The purpose of LCTOP is to fund projects that reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Allowing transit agencies to make a onetime application for LCTOP dollars without demonstrating that the funding is continuously reducing emissions while serving disadvantaged communities undermines the ability of Caltrans and CARB to evaluate the effectiveness of these programs, and ultimately could negatively impact the state’s ability achieve its GHG reduction goals.

The committee suggests the bill therefore be amended to require reapplication to the program every three years to demonstrate that the program is indeed effective at bringing on new transit riders while also ensuring the passes continue to serve disadvantaged communities.

Therefore, the committee suggests striking 75230(m) and replacing it with the following:

(m) Transit agencies using program moneys for the continuation of a free or reduced fare transit program shall not be subject to the provisions outlined in subdivision (l) and may continue to use program moneys for such purpose without any restriction to length of time. Such projects shall be required to submit an initial allocation request to the department and meet all requirements of this section except subdivision (l). After the initial allocation of a transit agency’s free or reduced fare transit program funded pursuant to this subdivision, the recipient transit agency shall not be required to submit an additional allocation request for the next three fiscal years, but instead shall provide *-necessary documentation meeting the requirements of subdivision (s)* of the free or reduced transit program maintaining the compliance with this section as detailed in the initial application to the department. A transit agency using funds for a free or reduced fare transit program funded pursuant to this subdivision shall be required to submit the reports required by subdivision (s).

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda-contra Costa Transit District (ac Transit)
California Association of Councils of Governments
California Transit Association
City of Thousand Oaks
Madera County Transportation Commission
Mobility 21
Monterey-salinas Transit District
Napa County Transportation and Planning Agency/napa Valley Transportation Authority
Omnitrans - San Bernardino County Public Transit
Orange County Transportation Authority
Peninsula Corridor Joint Powers Board (CALTRAIN)
Sacramento Area Council of Governments
San Diego Metropolitan Transit System
San Francisco Bay Area Rapid Transit District (BART)
San Francisco County Transportation Authority
San Joaquin Regional Transit District
San Luis Obispo Council of Governments
San Mateo County Transit District (SAMTRANS)
Santa Barbara County Association of Governments
Southern California Association of Governments
Southern California Regional Rail Authority (METROLINK)
Stanislaus Council of Governments
Transportation Agency for Monterey County (TAMC)
Transportation Authority of Marin
Ventura County Transportation Commission

Opposition

None on file

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