Date of Hearing: March 20, 2023

ASSEMBLY COMMITTEE ON TRANSPORTATION
Laura Friedman, Chair
AB 761 (Friedman) – As Introduced February 13, 2023

SUBJECT: Transit Transformation Task Force

SUMMARY: Creates the Transit Transformation 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, 2024.

2) Requires the Task Force to include representatives from transit operators, both urban and rural, the Department of Transportation (Caltrans), the Controller's office, local governments, metropolitan planning organizations, regional transportation planning organizations, transportation advocacy organizations with expertise in public transit, labor organizations, academic institutions, and other stakeholders, as appropriate, at the discretion of the secretary.

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) The services provided by transit agencies and the demographics of transit ridership, with detail on services provided, including persons with disabilities, or specific populations like low-income individuals and students.

   b) Existing funding sources for transit with a breakdown of funding available for capital and operations, including any constitutional and statutory limitations on these existing funding sources.

   c) The use of state transit funding for other modes, such as streets and roads.

   d) The cost to operate, maintain, and provide for the necessary future growth of transit systems for the next 10 years.

   d) The costs and operational impacts associated with federal, state, and local mandates including but not limited to, the Americans with Disabilities Act of and the State Air Resources Board's Innovative Clean Transit regulations.

   e) Workforce recruitment, retention, and development challenges, impacting transit service.

   f) Existing policies on state and local metrics to measure transit performance.

g) State and local policies that impact service efficiency and transit ridership including, but not limited to, transit prioritization on roads, land use, housing, and pricing policies.

h) State departments and agencies that have responsibility for transit system oversight, grant administration, and reporting.

5) Requires the report to include, but is not limited to, recommendations on all of the following:

a) How to improve mobility and increase ridership on transit, including, but not limited to:

i) Service and fare coordination or integration between transit agencies.

ii) Coordinated scheduling, mapping, and wayfinding between transit agencies.

iii) Ensuring a safe and clean ride for passengers and operators.

iv) Increasing the frequency and reliability, through strategies that include, but are not limited to, the sharing of real-time transit information such as arrival and departure times and predictions, service alert data, and transit prioritization on roads.

b) Changes to land use, housing, and pricing policies that could improve public transit use.

c) Strategies to address workforce recruitment, retention, and development challenges.

d) Replacing fare box recovery ratios and efficiency criteria required under the Transportation Development Act with performance metrics that better measure transit operations, including usage, cost efficiency of operations, and service quality.

e) The appropriate state department or agency to be responsible for transit system oversight and reporting.

f) New options for state revenue sources to fund transit operations and capital projects to meet necessary future growth of transit systems for the next 10 years and to address mandates.

g) The potential of transit-oriented development and value capture of property around transit stations as a source of sustainable revenue for transit operations.

6) 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. (Government Code section 29530)

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. (Public Utilities Code (PUC) 99233 and 99268)

4) Defines "operating costs" for purposes of calculating a transit agency's farebox recovery ratio. (PUC 99247)

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. (PUC 99268.2)

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. (PUC 99268.2)

7) 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. (PUC 99268.9)

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.

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. In January of 2021, transit ridership nationally was at 48% of what it was prior to the pandemic. By the start of 2023; national ridership has returned to 73% of where it was pre-pandemic. The Pacific region of the

United States has seen a smaller return to transit ridership than national trends, with ridership hovering at 67% of where it was pre-pandemic.

In California, ridership return has varied by agency. Fare dependent systems like BART and Caltrain have seen the slowest transit ridership returns and face the largest financial problems as a result. Prior to COVID-19, farebox revenues made up 70% of BARTs operating budget, accounting for nearly $600 million of their operating budget. For the 2023-24 fiscal year, BART anticipates the collection of $255.2 million in operating revenue, down from $578.8 million in 2019. BART anticipates that federal relief money will run out by fiscal year 2026-27, with projected annual deficits of $140 million. Caltrain is likely to see its federal relief dollars run out in in fiscal year 2024-25, facing a projected $25 million budget deficit in 2024 and a $49 million budget deficit in 2025.

Many transit agencies are expecting financial hardship As a result of lost fare revenues from decreased ridership, inflation, and requirements to transition to zero emission buses. In 2022, UC ITS surveyed 44 transit agencies across California regarding the impacts on of COVID-19. Of that, 72% of the agencies anticipated some financial shortfalls once federal pandemic relief funding expires, with 44% foreseeing minor shortfalls and 28% forecasting major shortfalls.

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 Transformation 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, "The task force called for in AB761 would address long-standing issues including underfunded operations and counter-productive performance measures. Historically, the State of California's support for transit has focused on capital funding, while relatively underfunding operations.

According to SPUR's analysis of the National Transit Database, California's largest operators receive less state support than many national peers. In 2019, California's largest operators received 5-22% of operating funding from the state, whereas large systems in other regions received 28-50% from the state.

In addition, longstanding performance measures have hindered the ability of transit to serve the state's goals. Since 1978, the State of California has set farebox recovery requirements in order to qualify for sources of state funding. Use of the farebox recovery metric can counterproductively incent agencies to increase fares and cut service. Exceptions and workarounds to this rule place additional hurdles to providing the transit service needed to support equity, climate and housing goals.

Other factors suppressing transit ridership include systems that are fragmented, difficult to use, and insufficiently reliable. The AB-761 Transit Transformation Task Force would explore opportunities to regrow ridership through strategies such as integrated fares, coordinated service planning to adapt to changing travel needs, consistent wayfinding, improvements to transit priority on roads, and workforce training and retention. The Task Force would review the state's systems for oversight and reporting to improve accountability.

The fragmented governance and funding of public transportation across California has contributed to significant barriers to riders who depend on transit, and to potential riders who would consider using transit, but who instead have no choice but use private vehicles to get around."

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 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.

Previous legislation:

AB 1938 (Friedman) Chapter 406, statutes of 2022 was substantially similar to this bill but was later amended to address implementation issues related to AB 43 (Friedman) Chapter 690, Statutes of 2021.

REGISTERED SUPPORT / OPPOSITION:

Support

Bay Area Council
Move LA
Public Advocates
Seamless Bay Area
Silicon Valley Leadership Group
Spur
Streets for All

Opposition

Non on file

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