

Senate Bill (SB) 125: Transit Funding Objectives and Accountability Measures

SB 125 Overview

SB 125, the transportation budget trailer bill, sets objectives for the \$5.1 billion 2023 transit package, directs how the transit funds should be allocated, and prescribes accountability measures tied to the transit funding. Specifically, SB 125 provides that the funds are intended to be "one-time, multiyear bridge funding" until long-term transit sustainability solutions are identified and to help transit operators prevent service cuts and increase ridership. With respect to the allocation of the funds, the bill provides regional transportation planning agencies (RTPAs) that shall prioritize ensuring the availability of service for transit-dependent riders and providing funds to support agencies representing a significant share of the region's ridership. (MTC is the Bay Area's RTPA.)

Regarding accountability, the bill mandates reporting related to the financial condition facing California's transit agencies in the short and the long-term, efforts by transit agencies to retain and attract new riders, and other data related to transit operator service, expenditures, and opportunities to improve coordination between transit operators. Since RTPAs like MTC are responsible for distributing the transit recovery funds, SB 125 assigns the reporting responsibilities to RTPAs. Each region's access to the transit package funds is conditioned on the region's submittal of the required data to the California State Transit Agency (CalSTA) and on CalSTA's approval of the RTPA's short-term and long-term financial plans for the region's transit operators. SB 125's accountability measures – including several state-level accountability provisions – are described in more detail below.

Importantly, as advocated for by MTC and ABAG, and the California Transit Association, SB 125 also extends through fiscal year (FY) 2025-26 statutory relief for State Transportation Development Act (TDA) farebox requirements and "hold harmless" provision for calculation and allocation of State Transit Assistance (STA) revenue-based funds. It also extends flexibility for transit operators to use STA-State of Good Repair dollars to fund operating expenses.

CalSTA must issue guidelines for the administration of the new funding, including implementing the accountability provisions, by September 30, 2023.

New Requirements for RTPAs (i.e., MTC) to Develop Short-Term and Long-Term Financial Plans for Transit

SB 125 requires MTC and other RTPAs to develop regional-scale short-term and long-term financial plans for transit. To receive our FY 2023-24 funding allocation, MTC must secure approval from CalSTA on a short-term financial plan for immediate service retention by December 31, 2023. The plan must include:

- Details on the region's proposed distribution of the transit recovery funds;
- A demonstration of how the plan will mitigate service cuts, fare increases, or layoffs relative to a 2022 service baseline; and
- A summary of how the plan will support ridership improvement strategies that focus on riders, such as coordinating schedules and ease of payment and improving cleanliness and safety, to improve the ridership experience.

Regions must submit an update to this short-term financial plan before December 31, 2025, to receive transit package funds in FY 2024-25.

MTC and other RTPAs are also required to develop a long-term financial plan that addresses the approach to sustain the region's transit operations absent additional discretionary or non-formula state funding. This plan must demonstrate the implementation of ridership retention and recovery strategies, including, but not limited to, policies that prioritize safety and cleanliness and streamlined coordination between transit operators. Long-term financial plans are due to CalSTA by June 30, 2026.

Comprehensive Transit Operator Data, Including Opportunities for Service Restructuring and Consolidation of Agencies or Reevaluation of Network Management

In addition, for the short-term financial plans, RTPA's must submit a host of data to CalSTA before receiving our Fiscal Year (FY) 2023-24 funding allocation, including:

- Information about existing service (including schedule data) and planned service changes;
- Transit operator fleet and asset management plans;
- Expenditures on safety and security;

- Information about revenue collection methods; and
- Opportunities for service restructuring, eliminating service redundancies, and improving coordination amongst transit operators, including, but not limited to, consolidation of agencies or reevaluation of network management and governance structure.

Most of the information in the first four bullets appears readily available or straightforward to generate.

Lastly, RTPAs must post monthly transit ridership summaries on their websites, consistent with the data transit operators are already required to submit to the National Transit Database.

State-Level Accountability Measures

Statewide Transit Transformation Task Force

The bill incorporates provisions of Assembly Transportation Committee Chair Friedman's bill, SB 761, which the Commission endorsed in June 2023. It requires CalSTA to develop a report identifying transit funding needs to support ridership growth and recommending policies aimed at increasing transit ridership and the customer experience, new rider-focused state performance metrics, and new options for state revenues to fund transit operations and capital projects at the scale needed to support ridership growth and address state mandates (e.g., the Innovative Clean Transit (ICT) regulation). CalSTA must convene a Transit Transformation Task Force (task force) comprised of a range of transit operator representatives, regional and local governments with jurisdiction over transportation, and other state and local transit stakeholders to help inform the report.

Notably, the task force's work would build off and expand upon MTC's Blue Ribbon Transit Recovery Task Force. For example, categories of items that must be explored include service and fare integration, prioritization of roads for transit, coordinated scheduling and mapping, and wayfinding. New additions include new options for asset management, safety/cleanliness, workforce, land use/housing, pricing, and more. CalSTA must establish the task force by January 1, 2024, and it must issue its report by October 31, 2025.

AB 125 also requires CalSTA to provide technical assistance to help operators provide real-time schedule information to customers and coordinate with Caltrans and each region to identify transit priority opportunities and other service improvements that could grow transit ridership.