



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3c
Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105
TEL 415.778.6700
WEB www.mtc.ca.gov

Memorandum

TO: Legislation Committee

DATE: April 7, 2017

FR: Executive Director

W. I. 1131

RE: AB 1113 (Bloom): State Transit Assistance Program

Background

In January 2016, the State Controller's Office (SCO) proposed a different methodology for calculating how much funding transit operators receive from the revenue-based portion of State Transit Assistance (STA), the state's primary source of public transit funding. The new approach – triggered by questions to the SCO from a Southern California transit provider – deviated from the common interpretation of the law (codified in state regulations) regarding: 1) which locally-generated funds could be included in the calculation of qualifying revenue to determine a transit operator's share and 2) which entities were eligible to receive allocations of revenue-based funds. The change threw the STA program into disarray causing some operators' shares to rise dramatically, while many others saw their shares fall.

In response, the California Transit Association reached out to transit operators across the state and found that, despite the winners and losers, there was unanimous opposition to the changes, which amounted to fixing a program that wasn't broken. Additionally, the SCO indicated it did not oppose the original approach on policy grounds, it just felt that statutory changes were necessary to clarify the above issues. Rather than rush through a wholesale change to the STA program, CTA sponsored a "short-term fix" budget trailer bill in FY 2016-17 that applied the same transit operator shares as the prior fiscal year.

Recommendation: Support

The SCO's biggest proposed change was to allow all locally-generated revenue to qualify, even when used for capital purposes. This was a fundamental shift in policy. STA funds, used almost entirely for operating purposes, have traditionally been distributed in rough proportion to the level of ridership and transit service provided, since fares comprise such a large share of transit operating budgets. Allowing local funds used for *capital* purposes to count towards the STA revenue-based share would make STA shares much less predictable and weaken the nexus between transit service and STA funding. Given the importance of predictable funding for public transit budgeting, staff felt that this was a significant concern. In addition, whereas STA revenue-based funds were previously distributed only to transit operators that operate public fixed-route service, the SCO's FY 2016-17 draft allocation listed dozens of new community-based transit service providers that only provide specialized, paratransit service and heretofore had not be direct recipients of STA.

MTC staff has worked closely with CTA, Bay Area operators and members of CTA's STA task force on the drafting of AB 1113 (Bloom). The bill updates the STA statutes to clarify which operators are eligible to receive STA revenue-based funds and how the shares are calculated. The ultimate goal of the legislation is to put the genie back in the bottle so that:

- An operator's share will be based on its locally-generated revenue (including fares, sales tax, paratransit fares and any other local or regional funds), capped at its total annual transit operating cost.
- The only entities eligible to receive STA revenue-based funds directly will be public transit operators that provide fixed-route transit service to the public.
- Human services transportation providers will be eligible to receive STA revenue-based funds from a transit operator that chooses to suballocate some of its revenue-based funds. They will also remain eligible for population-based funds distributed by MTC.

As noted when we briefed this committee on last year's budget trailer bill, the Sonoma Marin Area Rail Transit (SMART) District is at a disadvantage with respect to STA funding due to a two-year lag in the data used by the SCO to calculate transit operator shares. If SMART begins service in summer 2017, it will not be eligible to receive funds until FY 2019-20. MTC legislative staff is consulting with SMART on a potential amendment to the bill that could allow SMART to receive funds based on their amount of locally-generated funds (i.e. sales tax) used during its testing phase.

Consistent with our 2017 Advocacy Program, AB 1113 will restore the methodology governing the distribution of STA revenue-based funds on the basis of a transit operator's local funds used for transit service/operations and limit the funds to public transit operators providing fixed-route public service. For these reasons, staff recommends a support position.

Known Positions

Support

California Transit Association (sponsor)

Oppose

None on File



Steve Heminger

SH:rl