

California Transit Association TDA Reform Task Force

Policy Options/Draft Framework

October 18, 2019

Background

California's Transportation Development Act (TDA) of 1971 provides the lifeblood of public transportation funding in California. The TDA is an important source of funding for the state's public transit agencies, representing approximately 18 percent of their total (2018) revenue between the TDA's two funds (LTF and STA). The TDA originated as an effort to modernize and expand public transit in California with dedicated revenue sources while also holding individual transit agencies accountable for their public expenditures by setting specific requirements. The most notable of these was the farebox recovery requirement, which was established in 1978. However, the Legislature has periodically added exemptions to the TDA's requirements, departing from the uniform performance-threshold approach first adopted.

A 2019 UCLA ITS study recently reached three key findings:

1. The state's goals for transit have changed and broadened considerably since 1971 when the TDA became law and 1978 when the farebox recovery requirement was added;
2. A survey of California transit and regional agency professionals reveals the current TDA requirements appear to influence agency management decisions in ways that do not align with the state's current goals for transit; and,
3. A review of peer states (i.e., states that invest heavily in transit) indicates that California does not follow the current best practice in performance assessment.

Problem Statement: Some aspects of TDA law have outlived their usefulness in today's public transit environment:

- The exclusive focus on farebox recovery is not compatible with the state's public transit-related goals, including reducing greenhouse gas emissions and traffic congestion by reducing reliance on auto travel, improving public health, and providing lifeline mobility options to low-income transit riders who rely on transit.
- The linkage between cost-effectiveness thresholds and eligibility for TDA and STA funds at best serves as a disincentive for transit agencies to attract new riders (and/or lower barriers to low-income riders) by offering discounted or free fares and, at worst, results in cuts to agencies that can least afford it, causing a "transit funding death spiral" that repels riders as service is cut, further diminishing revenue and so on.
- TDA Triennial audit requirements are not synced up with other audit requirements and currently provide no central source of transit operator information for analysis at the statewide level.

MISSING FAIRBOX =

It's time for California to update its transit formula funding framework for the 21st Century in a manner that provides agencies with operating funds they can count on while also setting a results-oriented oversight framework that encourages transit agencies to continuously strive to provide reliable and convenient service, attract new riders to public transit, maintain their systems in a state of good repair and expand capacity and service when needed.

Proposed New Concept: To bring TDA statutes into alignment with California's climate, mobility, and access/equity goals, we support:

- A new approach to performance measures that uses *multiple measures* that are easy for transit operators to report (i.e. do not require new data collection) and provide useful information to the state and other stakeholders about how operators are performing across multiple goals.
- Replacing funding penalties associated with farebox-recovery ratios in current TDA law with a new process at the regional or state level aimed at helping transit agencies falling below agreed-upon metrics identify solutions to help them get on track to achieving their performance goals.¹
- Streamlines existing audit requirements so they are meaningful and not duplicative of other requirements.

Specifics Changes Needed for a New TDA Transit Performance Assessment System:

1. Eliminate the farebox-recovery ratio requirements and the STA Program qualifying criteria (CPI cap on operating cost) limits
2. Institute a new transit performance monitoring, assessment and response system which:
 - a. Provides more comprehensive information about how transit operators are performing to enhance accountability across multiple metrics in support of cost-effectiveness, climate change/environment and access/equity.
 - b. Provides an optional regional/local performance framework to enable operators to report on unique targets important to them individually or agreed upon regionwide by RTPA and transit operators
 - c. Provides new tools to help RTPAs and transit operators improve individual transit agency performance, where needed

¹ Note: we discussed idea that for operators in more urban areas the RTPA could work with the operator to help them assess how to improve their system, but for less populated areas, they could work with a state entity to provide consultant support. RTPAs would need additional resources to play this role, as would the state. **This is an open discussion item.**

- d. Streamlines and aligns the current audit and performance improvement processes with federal, state, regional and local goals and existing, similar requirements
3. State Performance Measures
- Specify the performance measures that must be reported to the state.
- Option 1:** At least one measure from each of the three basic kinds of *traditional* transit performance measures (Cost-efficiency, Cost-effectiveness, and Service-effectiveness) must be selected by the RTPAs/ transit operators, and reported to the State at the discretion of the RTPA/transit operators.
- Option 2:** The state could require one or more measures to be used in each of the three kinds of traditional cost-related measures.
- a. Perhaps require at least one measure from each category, as identified in the new statute, must be reported on by *each RTPA, for all transit operators*
 - i. Expands on and creates a through-line to the State for the kinds of measures already specified in the requirement for triennial performance audits (**See Attachment 1 for existing measures required under triennial audit**)
 - ii. Ensures a minimum baseline of reporting
 - iii. Reinforces accountability to the State, on the types of measures that have been in TDA for decades, but about which there is currently no central database at the state level.
- Option 3:** Building on Option 2, include multiple cost-related measures, and add other measures related to climate/environment and access/equity. Ensure that the measures are easy to provide and based on commonly reported info to NTD or Key Performance Indicators that operators regularly report to their boards. **See Attachment 2 for potential measures discussed.**
4. Specify procedures for setting the performance threshold including:
- a. RTPAs to work with transit operator to develop peer groups in which transit agencies could be grouped for the state-level reporting
 - i. Identification of performance outliers as below (at least) one standard deviation from the selected threshold (on the measures to which this kind of application is mathematically feasible);
 - b. Require an RTPA-to-transit-agency feedback mechanism for development and adoption of the measures that must be reported to the state by any particular RTPA, also with public input requirements
 - c. Specify a uniform reporting timeline
 - i. Annual?
 - ii. Every three years?

- iii. Every five years?
 - iv. Examine current regional planning and SCS statutes and timelines
5. Optional Regional/Local Measures
- a. Provide statutory framework for development of new performance measures at the regional level related to regional goals? Or leave flexible?
 - b. Clarify that while reporting to the state on performance on these kinds of measures is discretionary, regions and transit agencies must collaborate on development and adoption of any additional measures.
 - c. Provide legislative intent that the purpose of optional measures is to provide new tools for regions, transit agencies and their communities to obtain a fuller picture of transit's performance, and to guide decision-making about further improving transit's performance on these goals designed to reflect regional goals (such as those included in a sustainable communities strategy).
 - d. Specify that optional regional measures may include, but are not limited to, indicators to help determine the degree to which a transit operator is providing:
 - Is this necessary?
 - 1. Lifeline service
 - 2. Social service/ disadvantaged community support
 - 3. Access to transit support (e.g. via greatly reduced fares or even free transit, as a means of encouraging more ridership)
 - 4. Commute alternatives
 - 5. Congestion relief
 - 6. Environmental benefits
 - 7. Sustainable communities strategies goals
6. Consequences for Falling Short of Threshold
- Specify procedures for what happens when a transit agency falls below the standard deviation threshold developed for the statewide measures or optional regional measures.
- a. RTPA is empowered to...
 - b. Expand on/ modify current performance improvement program statutes?
 - c. Expand on/ modify current triennial audit statutes?
 - i. Only require audits, on some determined frequency, of agencies that are "persistent outliers" [to be defined] on the local/ regional thresholds?
 - ii. Sync timing with FTA's NTD requirements?
 - iii. Require reporting to the State?
7. Transit Excellence Centers/ Providing Technical Assistance to Transit Agencies
- a. Funded by the State
 - b. Reflecting the best thinking of non-profit and higher education organizations that advise on transit performance
 - c. Public-private partnerships?

- i. Supported by the State and RTPAs?
- ii. Governed by a mix of public agencies (State, RTPAs, transit agencies) and private organizations (e.g. non-profit groups focused on alternative transportation advocacy and/ or technical assistance)
- iii. TECs are required to also solicit public input from, and, to coordinate research with:
 - 1. UC ITS
 - 2. US Transportation Institutes
 - 3. Eno Foundation
 - 4. TRB/ TCRP
 - 5. NTI
 - 6. Etc.
- iv. May oversee peer group development
- v. May oversee peer-to-peer technical assistance efforts

Supplemental Recommendations (not for legislation but to communicate to Legislature) –

How to Help Transit Be Most Effective

In addition to including recommendations about how to update performance measures, the final Report to the Legislature must also address the challenges that public transportation managers and policy boards face in providing improved transit service, in an environment in which so many obstacles are exogenous to transit's ability to control. This section would expand on the assertion that merely changing TDA's system of performance measures will not produce greater transit ridership. It could highlight some of the barriers transit agencies face to delivering transit service that can be competitive with the auto and other modes (i.e. TNCs, bikeshare, etc.), such as limited revenue to expand service, local land use decisions that don't support effective transit service, employer-provided free parking, congested local roads and highways, etc. It could offer policy recommendations for the Legislature to consider that would help transit agencies meet their and the state's goals.

Attachment 1

ARTICLE 3. Local Transportation Funds [99230 - 99251]

99246.

(a) The transportation planning agency shall designate entities other than itself, a county transportation commission, a transit development board, or an operator to make a performance audit of its activities and the activities of each operator to whom it allocates funds. The transportation planning agency shall consult with the entity to be audited prior to designating the entity to make the performance audit.

Where a transit development board created pursuant to Division 11 (commencing with Section 120000) or a county transportation commission exists, the board or commission, as the case may be, shall designate entities other than itself, a transportation planning agency, or an operator to make a performance audit of its activities and those of operators located in the area under its jurisdiction to whom it directs the allocation of funds. The board or commission shall consult with the entity to be audited prior to designating the entity to make the performance audit.

(b) The performance audit shall evaluate the efficiency, effectiveness, and economy of the operation of the entity being audited and shall be conducted in accordance with the efficiency, economy, and program results portions of the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." Performance audits shall be conducted triennially pursuant to a schedule established by the transportation planning agency, transit development board, or county transportation commission having jurisdiction over the operator.

(c) The performance audit of the transportation planning agency, county transportation commission, or transit development board shall be submitted to the director. The transportation planning agency, county transportation commission, or transit development board, as the case may be, shall certify in writing to the director that the performance audit of operators located in the area under its jurisdiction has been completed.

(d) With respect to an operator providing public transportation services, the performance audit shall include, but not be limited to, a verification of the operator's operating cost per passenger, operating cost per vehicle service hour, passengers per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include, but not be limited to, consideration of the needs and types of the passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2.

The performance audit may include performance evaluations both for the entire system and for the system excluding special, new, or expanded services instituted to test public transportation service growth potential.

(e) The performance audit prepared pursuant to this section shall be made available to the public pursuant to the provisions of the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

(Amended by Stats. 2003, Ch. 354, Sec. 1. Effective January 1, 2004.)

Attachment 2

Potential New Performance Measures

Cost-related	Climate/Environment	Equity/Access
<ul style="list-style-type: none">• operating cost per passenger• operating cost per vehicle service hour• operating cost per vehicle revenue mile (in NTD but not TDA requirements)• passengers per vehicle service hour• passengers per vehicle service mile• vehicle service hours per employee• Total fares• Total revenue• Farebox	<ul style="list-style-type: none">• Ridership• Ridership per capita• On-time performance• Share of fleet with real-time transit information• Percent of fleet that is electric• Percent that is gasoline• Percent that is CNG	<ul style="list-style-type: none">• Number of users of senior/disabled discount card• Number of paratransit trips• Cost per paratransit trip• Number of students served (if known)• Number of low-income riders (if known)• Average fare per mile• Average fare per trip• Revenue miles per square mile (optional)

Note: The group discussed that the cost-related measures would probably be the only ones where it would make sense to assign a benchmark to – others would function just as indicators to be tracked over time.

