
SENATE COMMITTEE ON APPROPRIATIONS
Senator Anthony Portantino, Chair
2021 - 2022 Regular Session

SB 1196 (Umberg) - State Transit Assistance Program: eligibility: Anaheim Transportation Network

Version: April 18, 2022

Urgency: No

Hearing Date: May 9, 2022

Policy Vote: TRANS. 12 - 1

Mandate: No

Consultant: Mark McKenzie

Bill Summary: SB 1196 would designate the Anaheim Transportation Network (ATN) as a “State Transit Assistance (STA)-eligible operator” for purposes of receiving allocations of specified STA funds for public transportation purposes, if certain conditions are met.

Fiscal Impact:

- Unknown significant redirection of Public Transportation Account funds from other STA-eligible transit operators to ATN. Staff notes that the bill would not result in additional expenditures of state funding. Rather, funds allocated to ATN would be deducted from the amounts that would otherwise be allocated to other STA-eligible operators on a formula basis. Specifically, the actual amount redirected to ATN would be based upon the ratio of its qualifying revenues, as reported to the State Controller’s Office (SCO), in relation to the total qualifying revenue of all STA-eligible operators in the state. (Public Transportation Account)
- The SCO indicates that costs to add ATN to the STA program would be minor, including reviews of annual financial transactions reports of qualifying revenues used to determine allocation amounts. (General Fund)

Background: Existing law, under the Transportation Development Act (TDA or Mills-Alquist-Deddeh Act), establishes the State Transit Assistance Program to provide state funding to eligible public transportation operators and other transportation agencies to support local and regional transit operating and capital needs. STA funds are derived from the state sales tax on diesel fuel revenues, which are continuously appropriated to the SCO and allocated to transportation planning agencies pursuant to statutory formulas, and subsequently distributed to eligible public transit operators. Half of the STA funds are allocated on the basis of each region’s proportionate share of the state’s population (Public Utilities Code Sec. 99313), and half of the funds are allocated on the basis of the proportionate share of the total qualifying revenue of all STA-eligible operators in the state (PUC Sec 99314), as specified. According to SCO reports, the diesel fuel sales tax generated approximately \$670 million in STA funding in 2019-20, but revenues have dropped dramatically as a result of the COVID-19 pandemic, falling to \$319 million in 2021-22.

Existing law defines an “STA-eligible operator” as a public transportation operator (transit district, municipal operator, or transit development board) that operates a public transportation system providing transportation services to the general public, as

specified, and that is eligible to claim TDA funding derived from a ¼ cent of the state general sales tax dedicated to public transit (the Local Transportation Fund). Each regional transportation agency (RTPA) certifies eligibility of transit operators that receive STA funds and reports eligible operators to the SCO. Each STA-eligible operator must submit a financial transactions report (FTR) to the SCO each year that specifies the amount of revenue generated from specified sources each year and the data necessary to confirm compliance for eligibility purposes. The SCO uses these FTRs to determine each eligible operators “qualifying revenue,” which is then used to calculate each operator’s share of STA revenues under PUC Sec. 99314. Existing law defines “qualifying revenue” as fare revenues, including fares generated for community transit under contract, and any other funds used by the operator in the delivery of transit service, except federal and state funds.

ATN was created in 1995 to provide various public transportation services to the City of Anaheim, including managing a transportation demand program for large employers. ATN was formed as a public-private partnership and incorporated by the City of Anaheim and local businesses as a non-profit 501(c)(4) corporation. In 2002, ATN became a service provider for the Anaheim Resort Transportation (ART) system. The relationship between ATN and the City of Anaheim was formalized in 2004, when the City awarded ATN a non-exclusive franchise agreement to operate ART service in Anaheim. This agreement was renewed in 2011 and again in 2019. As part of the 2019 agreement, the City of Anaheim stated that ATN “operates a public transportation system and provides public transit and mobility services for and within the City of Anaheim,” that is “responding to a transportation need not otherwise being met with the community and jurisdiction of the City of Anaheim.” ATN currently operates a system of 22 fixed routes and owns an active fleet of 82 buses, many of which are zero-emission vehicles, providing transportation services to the cities of Anaheim, Garden Grove, Santa Ana, Buena Park, Costa Mesa and Orange. Prior to the Covid-19 pandemic, over 9.7 million passengers used ATN’s public transit services each year.

ATN’s articles of incorporation, as re-certified in 2012, state that, “the specific purpose of this corporation is to organize the collective actions of the public and private sectors to address the unique transportation and air quality issues of local employers, major event centers, and visitor-and convention-related businesses located throughout certain portions of the City of Anaheim, California known as the Anaheim Resort Area (“ARA”) and Stadium Business Center (“SBC”); to facilitate a forum for the corporation’s members and other interested persons to work together to develop workable transportation solutions; and to provide leadership to maximize access, enhance mobility, and assist with regulatory compliance, including environmental mitigation measures, all for the benefit of the corporation’s members and the public who are visitors to, or are employed within, the ARA, and the SBC.”

ATN is currently governed by a 15 member Board of Directors plus one ex-officio non-voting member, and ATN’s Executive Director and General Counsel. The members represent resorts and businesses that are part of ATN’s service territory. Some board members are elected and others are appointed, both by business members of the ATN service territory. Although ATN is not a public agency, according to their bylaws, the Board of Directors observe the Ralph M. Brown Act for their meetings.

ATN is funded from a variety of sources, including locally generated assessment fees, fare revenues, and some federal apportionments and grants. According to their bylaws, ATN collects membership dues from lodging establishments, retail facilities, event centers, commercial offices, institutional uses, manufacturing facilities, and standalone restaurants. In 2006, the Federal Transit Administration (FTA) issued a National Transit Database Identification Number to ATN, making the organization eligible to receive federal funding. According to ATN's 2021-22 Budget Transmittal report, it anticipated revenues of \$16.5 million in 2021-22, including \$2.9 million in fare revenues, \$8.7 million in local revenues, \$930,000 in federal apportionments, as well as \$3 million from federal COVID-19 relief funds.

Proposed Law: SB 1196 would expand the definition of "STA-eligible operator," for purposes of STA program funds that are allocated on the basis of transit operator revenues, to include ATN, if its bylaws are revised to increase transparency and accountability, including to provide for the appointment of ATN's board of directors by the Anaheim City Council.

Related Legislation: AB 1113 (Bloom), Chap. 86/2017, revised and recast provisions governing the STA program and the allocation of funding to public transportation operators, including definitions that determine which public transportation operators are eligible to receive funds, as specified.

Staff Comments: While ATN provides transit services to the general public, it is not a public transportation operator (transit district, municipal operator, or transit development board) that operates a public transportation system, as specified in STA law. Rather than restructuring as a fully public transit district, this bill would establish a precedent by statutorily designating ATN as an "STA-eligible operator" for purposes of receiving STA funds that are based on an operator's qualifying revenue, if specified conditions are met. As noted above, each eligible operator's allocation is based on the ratio of its qualifying revenue in relation to the total qualifying revenue of all STA-eligible operators in the state. The revenue allocated to ATN under this bill would be derived from the fixed amount of diesel fuel sales tax revenues dedicated for this purpose at the expense of other eligible operators. As such, the fiscal impacts represent a shift of state funding, rather than an additional expenditure of Public Transportation Account funds.

It is unclear whether the designation of ATN as an STA-eligible operator under PUC Sec. 99314 would make it eligible for other state programs that use the STA formulas as the basis of eligibility. Examples of such programs include the Low-Carbon Transit Operations Program (LCTOP), which provides Greenhouse Gas Reduction Fund revenues for transit operating and capital assistance, and the State of Good Repair Program, an SB 1 program which provides annual funding to transit operators for eligible transit maintenance, rehabilitation, and capital projects. To the extent ATN would become eligible for other transit programs, this bill could create additional cost pressures.