

BILL: SB 1196 (Umberg, D-Santa Ana)
Introduced February 17, 2022

SUBJECT: SB 1196 would redirect state transit funding to a private shuttle operator from public transportation purposes in Orange County

STATUS: Pending in Senate Transportation Committee

SUMMARY AS OF FEBRUARY 28, 2022:

SB 1196 (Umberg, D-Santa Ana) would define Anaheim Transportation Network (ATN) as a public transportation “operator” in statute and allow ATN to be eligible to receive state transit funding under the Transportation Development Act (TDA) – from both the Local Transportation Fund (LTF) and State Transit Assistance (STA). In addition, ATN would be eligible for formula funds from both SB 1 (Chapter 5, Statutes of 2017) State of Good Repair (SGR) funding and cap-and-trade Low Carbon Transit Operations Program (LCTOP) funds, which are both allocated via the STA formula. By being defined as a public “operator” in statute, ATN could be eligible for various state competitive funding programs like the Transit and Intercity Rail Capital Program.

EFFECTS ON ORANGE COUNTY:

According to their articles of incorporation, ATN is a nonprofit public benefit corporation that was initially formed through an environmental mitigation measure under the Anaheim Resort Specific Plan environmental impact report to consolidate various shuttles operated by resorts and attractions within the Anaheim resort area. Based in the Anaheim resort area, ATN’s Board of Directors are not elected officials, but rather consist of resort hoteliers, Disneyland, Angels Baseball, the Honda Center and other hospitality organizations. The City of Anaheim has a seat, currently held by the city’s Deputy Director of Convention, Sports & Entertainment. While primarily focused on transporting riders within the resort district of Anaheim, ATN has previously operated routes in other cities, including Costa Mesa, Garden Grove, Buena Park and Orange. These routes were all intended, however, to serve guests of the resort district. According to their 2021 Title VI Plan:

- 88 percent of ATN’s ridership live outside of Southern California
- 64 percent of ATN’s ridership live outside of the State
- 93 percent of trips on ATN were for vacations or to attend conventions or meetings

ATN provides a service primarily designed to transport guests to and from Disneyland and other tourist destinations and is not intended to serve Orange County’s general transit riding public. Illustrating this point, in ATN’s 2021 Annual Stakeholder Report, it stated that 79 percent of total passenger boardings for 2021 were from Disneyland’s Toy Story parking lot. In 2020, 46 percent of ATN’s total revenues were generated from this parking lot.

SB 1196 is unprecedented in not only seeking to add an additional entity within the definition of public “operator” in an area already served by an existing transit district, but in also adding an entity that is primarily created and operated to serve private interests.

This is inconsistent with the intent of the statutes governing state transit funding, and in the State's overall goals to facilitate coordinated transit planning to promote increased ridership.

SB 1196 would not only define ATN as a public "operator," making it eligible for both the population and revenue components of STA funding, but it would also define ATN's operation area – tied specifically to its articles of incorporation – for purposes of LTF eligibility. This would significantly shift transit funding within Orange County as a result of ATN seeking eligibility for both STA and LTF, in addition to those funding sources like LCTOP and SGR that are directly linked to STA. In total, it is estimated that ATN could be eligible for about \$26 million from all funding sources, representing about 17 percent of the Orange County Transportation Authority's (OCTA) existing service levels. Only about \$900,000 is estimated to be based on new revenues to Orange County, with the vast majority coming directly from OCTA's share of those fund sources. Any increased funding to Orange County, as a result of this bill, would come directly from other transit agencies in the State. Because of uncertainties associated with ATN's current revenues, and on its ability to comply with TDA requirements related to farebox, operational costs, etc., there is the potential that less funding could be generated, and Orange County could actually lose funding if ATN cannot comply with state requirements.

If SB 1196 were to pass, nothing in the bill requires OCTA to approve this funding shift or conduct any oversight related to the need for these funds or services, which is what occurs in the case of municipal operators in other parts of the State. There is no requirement this diversion of funds be negotiated in any manner, nor is any limitation placed on total funds that can be provided to ATN. Because of the broad definition of operating area included in SB 1196, and the ability for ATN to amend its articles of incorporation at any time, ATN would have discretion to argue for an even higher share of funding than what is outlined above.

Because of the immediate impact to OCTA's budget, a significant decrease in service and workforce demands would immediately take place. OCTA would potentially be forced to stop operating its service within ATN's operating area, including the complementary paratransit service. ATN does not offer paratransit service that complies with federal requirements, which could impact residents in that service area. By having to eliminate service, this could lead to a disruption on some of OCTA's most in-demand transit routes in the county's most disadvantaged communities that connect to other cities within Orange County. Adding a new transit operator to the county would also create increased complexity in fares and tickets, inconsistent with statewide trends. This would be a direct impact to some of the most disadvantaged residents of the county, and completely disrupt coordinated transit planning. Furthermore, the reduction in funding from sources like LCTOP and SGR could directly impact OCTA's projects funded by those programs, including the Youth Ride Free program, college pass programs, and zero-emission bus purchases.

An OPPOSE position is consistent with OCTA's 2021-22 State Legislative Platform principle to "Oppose redirecting or reclassifying transportation revenue sources, including

earned interest, for anything other than their intended purposes” and to “Support the retention of existing and future local revenue sources.”

OCTA POSITION:

Staff recommends: OPPOSE