

STAFF REPORT

SUBJECT: Legislative Update

FROM: Jennifer Yeamans, Senior Grants & Management Specialist

DATE: April 28, 2020

Action Requested

Receive an informational update on recent legislative activities related to revenue impacts and supplemental funding for public transportation due to the COVID-19 emergency.

Background

In February 2020, the Board of Directors approved LAVTA’s 2020 Legislative Program, built upon the following four principles in support of LAVTA’s mission:

1. Protect existing and enhance future transportation funding sources.
2. Enhance operating conditions to support safety and performance goals.
3. Enhance public transit’s role in addressing climate change and air quality issues.
4. Leverage support from and with partners to promote mobility, improve service productivity, and enhance regional leadership.

On March 4, Governor Gavin Newsom declared a state of emergency in California in response to the emerging statewide threats from the novel coronavirus, COVID-19. On March 16, Alameda County joined with five other Bay Area counties in issuing a Shelter In Place Order, mandating County residents remain at their place of residence except to provide and receive essential services as listed in the Order. On March 19, Governor Newsom issued a similar statewide “Stay at Home” order, which remains in effect until further notice as of this writing. On March 31, Alameda County issued a successor Order further restricting essential activities as defined in the Order, to remain in effect through at least May 3. Both the County and State Orders include public transportation as an essential service, while also limiting its use by the public to those activities deemed essential by state and local Orders.

Current Legislative Issues and Activities Related to the COVID-19 Emergency

Transit Revenue Impacts

The COVID-19 emergency and related Shelter-In-Place/Stay-At-Home Orders are having an immediate and unprecedented impact on state and local revenues that typically contribute to transit agencies’ operating budgets, notably steep declines in sales and fuel tax revenues that are collected for this purpose, as well as direct collection of fare revenue by transit agencies. The Metropolitan Transportation Commission (MTC), which allocates state sales and fuel tax funds to the region’s transit agencies, including LAVTA, estimates that state sales tax

revenues could decrease by over 60% over the coming 10-month period, and 43% over the next 18 months as the current emergency shifts into a recovery phase. Similarly, MTC estimates gas tax revenues could decrease by nearly half over the next 10 months and by a third over the next 18 months. MTC further estimates that transit fares, another key component of operating revenue for LAVTA and other transit agencies, could decrease regionwide by nearly three-quarters (72%) over the next 10 months, and slightly more than half (53%) over the coming 18 months. These are sobering revenue estimates for all public transit agencies in California, and the recovery, once it begins, is generally expected to be long and slow.

Federal Legislation

In response to the immediate fiscal impacts of COVID-19 on public transit agencies, Congress appropriated \$25 billion in emergency supplemental Federal Transit Administration (FTA) formula funding as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748), which was signed into law March 27. The legislation directed much of the funding to flow according to the existing FTA Urbanized Area Formula (Section 5307) program, which is normally apportioned by Urbanized Area to support transit capital investments, to support operating losses incurred by agencies as a result of the pandemic. LAVTA receives 5307 funding from two of the region's Urbanized Areas within its service area, Concord and Livermore.

The Bay Area's \$1.3 billion in emergency 5307 funds apportioned by FTA under the CARES Act are programmed by MTC, which voted April 22 to make approximately 60% of the funding (\$781 million) available to the region's transit operators immediately, including \$3.5 million for LAVTA. MTC is reserving the remaining 40% of FTA's CARES Act apportionments to be programmed, according to MTC, "in future months" once actual revenue impacts of the pandemic to the region's transit agencies become "clearer."

LAVTA staff is now working with MTC and FTA to access the \$3.5 million in available CARES Act funding as quickly as possible. LAVTA staff will also continue to work with our regional partners to advance shared priorities in any future federal legislative efforts, including those aimed at keeping the region's pipeline of transportation infrastructure projects moving and mitigating job losses for the transportation workforce. MTC's current projections forecast an additional \$3.3 billion in additional resources will be needed in the region to offset revenue shortfalls over the next 18 months, on top of the \$1.3 billion in short-term relief provided for the region under the CARES Act, suggesting further advocacy around additional federal legislation will be needed during the recovery period. This advocacy work could also potentially dovetail with efforts to create a longer-term surface-transportation reauthorization bill to succeed the FAST Act, which expires September 30.

State Update

Following a typical start to the 2020 legislative session, including the February 21 deadline to introduce new bills, the Legislature adjourned on March 16 in response to the COVID-19 emergency and remains in recess until at least May 4. However, on April 16, a special Senate Budget and Fiscal Review Subcommittee on COVID-19 Response met via teleconference to hear a report from the Legislative Analyst's Office (LAO) on statewide economic impacts of

the ongoing COVID-19 crisis to help inform forthcoming budget discussions for next fiscal year, which is anticipated to be a very difficult one both in terms of the state's ability to forecast economically as well as the likelihood of significant shortfalls in revenues compared to funding needs statewide. To that end, the state may consider alternatives such as a baseline "workload" budget forecast as well as a "baseline-low" forecast, should the COVID-19 crisis and its associated recession prove to be deeper and more intractable than can be reliably forecast now. It is therefore likely forecasts will be developed in the coming months addressing both scenarios in order to guide next year's state budget.

For public transportation needs in particular, the LAO issued a Budget and Policy Post on April 15 analyzing the impacts of both the COVID-19 crisis and the federal CARES Act on California's transit agencies. The report concluded that it remains unclear whether CARES Act funding will be sufficient to fully offset transit agencies' revenue losses resulting from losses in ridership and reduced sales activity, and that the full impact of revenue losses will ultimately depend on the length of the current public health emergency and the characteristics of individual operators (whether they primarily offer commuter service versus essential "lifeline" service, for example). The LAO report also identified potential longer-term consequences of the pandemic, namely long-term declines in ridership if ongoing fears of the virus cause commuters to avoid transit in favor of private or semi-private vehicles, or if transportation patterns shift entirely due, for example, to increased telework.

LAVTA staff will continue to work closely with our advocacy partners, including the California Transit Association and the California Association for Coordinated Transportation (CalACT), to advance awareness of the needs of public transit agencies now and throughout the recovery, advocate for fiscal or regulatory relief measures that could aid transit agencies' ability to weather the crisis and recovery, and coordinate advocacy at the state level with any further actions that may be taken by the federal government to provide fiscal relief.

Next Steps

Staff will continue to monitor state and federal legislative activities in response to the COVID-19 emergency, and will return to the Finance and Administration Committee with updates related to these or other legislative matters as appropriate, consistent with LAVTA's adopted 2020 Legislative Program.

Recommendation

None – information only.