

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: JPC Executive Committee

From: Jack P. Broadbent, Executive Officer/APCO

Date: January 13, 2014

Re: Agenda Item #2: Bay Area Commuter Benefits Program (Senate Bill 1339)

Senate Bill 1339, signed into law in fall 2012, authorizes the Bay Area Air Quality Management District (Air District) and the Metropolitan Transportation Commission (MTC) to adopt and implement a regional commuter benefits ordinance on a pilot basis through the end of year 2016. The bill is modeled on local commuter benefit ordinances that have already been adopted by several Bay Area cities in recent years, including the cities of Berkeley, Richmond, and San Francisco (as well as San Francisco International Airport). In response to Senate Bill 1339, the Air District is proposing adoption of Regulation 14, Rule 1: *Mobile Source Emissions Reduction Measures, Bay Area Commuter Benefits Program*.

The proposed rule will serve as the foundation for the Bay Area Commuter Benefits Program (Program). The Program seeks to expand the number of employers who make existing federal commuter tax benefits available to their employees. These tax benefits can provide significant savings by reducing payroll and income taxes for both employers and employees.

The Program would require employers with 50 or more full-time employees in the Bay Area (at all Bay Area worksites combined) to select one of four commuter benefit options to offer their employees:

- **Option 1: Pre-Tax Option:** The employer allows employees to exclude their transit or vanpool costs from taxable wages, to the maximum amount allowed by federal law (\$130 per month in 2014).
- **Option 2: Employer-Provided Subsidy:** The employer provides a subsidy to cover the employee's monthly transit or vanpool cost. For purposes of the Program, the required subsidy would be capped at \$75 per month.
- **Option 3: Employer-Provided Transportation:** The employer provides free or low-cost commuter transportation service for its employees. This could include bus or vanpool service from the employee's home community to the worksite, or a shuttle service from a nearby transit station(s) to the worksite.
- **Option 4: Alternative Commuter Benefit:** The Air District and MTC may approve an alternative commuter benefit proposed by the employer that would be as effective in reducing single-occupant vehicle trips as any of the three options described above. To facilitate this option, staff will define several "pre-approved" alternative options.

The Program is designed to provide flexibility to employers and to minimize reporting and administrative requirements. The Program will neither establish numerical performance targets for employers, nor will it require any employee to change his/her commute mode. By promoting the use of alternative commute modes, the Program will decrease drive-alone commute trips to

Bay Area worksites, thus reducing emissions of greenhouse gases (GHGs) and criteria air pollutants. In addition to these environmental benefits, the Program is expected to decrease traffic congestion during peak commute periods, provide financial savings to employers and employees, and improve employee productivity. The Program would help to implement the Transportation Control Measures in the *Bay Area 2010 Clean Air Plan*, and to achieve GHG reduction goals in the *Plan Bay Area* “sustainable communities strategy” as well as help implement the climate protection resolution adopted by the Air District Board of Directors in November 2013.

In working to develop the proposed Program, Air District and MTC staff met with many business groups and other stakeholders, including Chambers of Commerce and economic development associations, as well as Congestion Management Agencies and Transportation Management Associations in cities and counties throughout the region. Staff held public workshops to solicit input on a draft version of the Program in all nine counties in October 2013.

Staff is preparing to issue several documents for a 30-day public review and comment period, including the proposed rule (Regulation 14, Rule 1); a Staff Report; an Initial Study and proposed Negative Declaration for CEQA; and an analysis of the potential socio-economic impacts of the Program. The proposed rule will be presented to the Air District Board of Directors for adoption, and to the MTC Commission for concurrence, in March 2014. If the Program is approved by the governing boards of both agencies, Program implementation would begin in April. Employers will have six months to select a commuter benefit, register with the Program (by submitting a web-based registration form), notify employees about the commuter benefit and how to apply for it, and implement the commuter benefit.

The Program will be implemented as a collaboration between the Air District and MTC. Staff of the two agencies have been working together closely to develop the proposed rule, as well as the administrative structure to support and implement the Program. The agencies will focus on educating employers and employees about the financial and environmental benefits of the Program as the most effective means to ensure employer compliance with the Program. Guidelines and educational materials will be provided to help employers understand the Program and develop effective commuter benefit programs for their employees. Employer assistance will be provided through MTC’s 511 Regional Rideshare Program.

As required by Senate Bill 1339, the agencies will provide a report to the Legislature by July 2016 to describe the results of the Program in terms of expanding commuter benefits by Bay Area employers and reducing motor vehicle trips and vehicle emissions.

Respectfully submitted,

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