



# Bay Area Commuter Benefits Program

Report to the California Legislature

Updated on February 2, 2016



BAY AREA  
AIR QUALITY  
MANAGEMENT  
DISTRICT



METROPOLITAN  
TRANSPORTATION  
COMMISSION

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## Executive Summary

In fall 2012, Senate Bill 1339 was signed into law, authorizing the **Bay Area Air Quality Management District** (Air District) and the **Metropolitan Transportation Commission** (MTC) to adopt and implement a regional commuter benefits ordinance in the San Francisco Bay Area on a pilot basis through December 31, 2016. **The Bay Area Commuter Benefits Program** (Program) was adopted by the Air District and ratified by MTC in March 2014, and employers were required to offer commuter benefits by September 30, 2014.

The goal of the Program is to promote the use of transit and other alternative commute modes in order to reduce single-occupant vehicle (SOV) commute trips, traffic congestion, and emissions of greenhouse gases (GHGs) and other air pollutants from motor vehicles. The Program seeks to achieve these objectives by expanding the number of employers who provide commuter benefits to their employees. The Air District and MTC have worked together, in consultation with the Bay Area business community, to implement the Program and to help employers comply with its requirements.

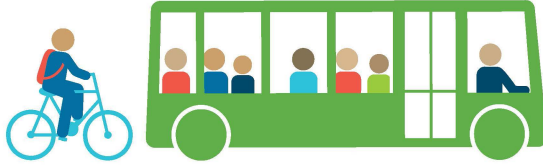
Senate Bill 1339 requires the Air District and MTC to submit a report to the Legislature by July 1, 2016 summarizing the results of the Program. This report has been prepared to fulfill this requirement. Key results, as specified in SB 1339, are summarized as follows:

### ***Employers providing commuter benefits:***

As of **December 28, 2015, a total of 3,910 employers** had completed the on-line registration process, specified the commuter benefit option they are providing, and confirmed that they are in compliance with the Program. Collectively, these companies employ approximately 1,275,000 employees in the Bay Area. **Of the 3,910 registered employers, 55 percent reported that they are offering commuter benefits for the first time in response to the Program** and 45 percent stated that they had already been offering commuter benefits before the Program took effect.

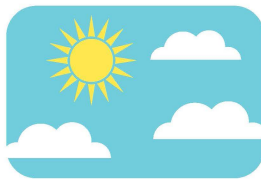


## ***Estimated Program Results\****



***Commute mode shift:*** An estimated **44,400 employees switched** from driving alone to an alternative commute mode (e.g., transit, vanpool, carpool, or bicycle) as a result of the Program.

***Trips and miles of vehicle travel reduced:*** An estimated **4,291,300 vehicle trips** and **85,600,000 miles of vehicle travel** were reduced in response to the Program over the first 12 months of Program implementation.



***GHG reductions:*** An estimated **35,778 tons of CO2 emissions were reduced** over the first 12 months of Program implementation.

This equates to **2.7 percent of the total CO2 emissions reductions needed to achieve the year 2020 GHG reduction target** that the

Air Resources Board established for the Bay Area pursuant to Senate Bill 375.

***Recommendation:*** The Program has had positive outcomes in terms of expanding access to commuter benefits, decreasing motor vehicle emissions, mitigating traffic congestion, reducing payroll and income taxes for Bay Area employers and employees, and maintaining and expanding transit ridership. As the nine-county Bay Area continues to add population and jobs in response to strong economic growth, it will be critical to promote the use of commute alternatives and to decrease single-occupant vehicle trips on Bay Area roadways in order to reduce emissions of greenhouse gases and other air pollutants from motor vehicles and alleviate traffic congestion. Therefore, the Air District and MTC recommend that the Legislature take action to authorize continuation of the Commuter Benefits Program on a long-term basis.

\* For details on the methodology used to derive these estimates, see p. 21.



## Introduction

This report describes **the Bay Area Commuter Benefits Program** (Program) that has been implemented on a pilot basis, from April 2014 to the present time, by the Bay Area Air Quality Management District (Air District) and the Metropolitan Transportation Commission (MTC). **Section 1** provides background information about federal commuter tax benefits and Senate Bill 1339. **Section 2** describes the development and implementation process and key requirements of the Program. **Section 3** describes employer and employee response to the Program, and estimates the Program's impact on reducing motor vehicle trips and emissions of greenhouse gases (GHGs) and other air pollutants. The evaluation methodology and economic co-benefits are also described.

## Section 1 – Background and Context

### Legislative History and Key Provisions of Senate Bill 1339

**Transportation is the largest source of GHG emissions**, accounting for nearly 40 percent of total GHG emissions, both in the nine-county Bay Area and in the state of California as a whole. Transportation is also a major source of emissions of criteria air pollutants (such as ozone precursors, particulate matter, and carbon monoxide) and toxic air contaminants. Commute trips are a major source of GHG emissions from the transportation sector, accounting for over half (53 percent) of vehicle miles of travel (VMT) in the Bay Area on a typical weekday.

Promoting alternative commute modes, such as transit, ridesharing, bicycling, walking, and telework, can reduce emissions of GHGs and other air pollutants. Employers can influence the commute mode choice of their employees by offering information, services, and other incentives to encourage the use of alternative modes.

To encourage the use of alternative commute modes, the federal tax code provides several commuter tax benefits. IRS code section 132(f) defines employer-provided benefits for transit, vanpool, and bicycling as "qualified transportation fringe benefits" that are not subject to taxation.

**These federal tax benefits can result in significant payroll tax savings for employers and income tax savings for employees.** It is important to note, however, that an employee using an alternative commute mode can only take advantage of the federal tax savings for transit, vanpooling, or bicycling if his/her employer facilitates the transaction through the payroll process.



Bay Area Air Quality Management District – Air District Map

Although many employers already allowed their employees to take advantage of the federal commuter tax benefits, available evidence indicates that most Bay Area employers still did not offer such benefits prior to implementation of the Program. **As a result, many Bay Area employees received no incentive to consider an alternative to driving alone, despite the availability of the tax incentives under federal law.** To address this issue, several local cities – San Francisco, Berkeley, and Richmond – adopted local ordinances in 2009 to require employers within their boundaries to offer commuter benefits consistent with the federal commuter tax benefits; for example, by allowing employees to pay their transit or vanpool fare using pre-tax dollars.

Based on the success of these local ordinances in increasing the number of employers that offer commuter benefits, legislation was enacted in fall 2012, with support from the Air District, MTC, and the Bay Area business community, to authorize the two agencies to adopt and implement a region-wide commuter benefits ordinance in the San Francisco Bay Area on a pilot basis through December 31, 2016. The legislation, known as **Senate Bill 1339, defined the key elements of a commuter benefits ordinance**, including which employers would be subject to the ordinance, which commuter benefit options employers could choose to offer to their employees, and which employees should be eligible to receive commuter benefits. SB 1339 also required the Air District and MTC to submit a report to the Legislature by July 1, 2016 describing the Program; quantifying its impact in expanding commuter benefits, decreasing vehicle trips and reducing emissions; and describing any enforcement actions or sanctions levied against employers.

## Section 2 – Program Development and Implementation

**The goal of the Program is to promote the use of transit and other alternative commute modes in order to reduce single-occupant vehicle (SOV) commute trips, thus decreasing traffic congestion and emissions of GHGs and other air pollutants from motor vehicles.** The Program seeks to achieve these objectives by expanding the number of employers who provide commuter benefits to their employees. In particular, the Program seeks to increase the number of employers who allow employees to purchase their transit or vanpool fare using pre-tax dollars, and to promote these benefits to their employees (as described in Option 1 below). To provide flexibility, the Program allows employers to select from several other commuter benefit options.

### Program Development

In developing the Commuter Benefits Program, Air District and MTC staff reached out to business groups and employer organizations throughout the region, including local Chambers of Commerce and economic development associations. Business groups provided valuable input throughout the Program development process. Staff also received input from Bay Area congestion management agencies, transportation management associations, transit agencies, and vendors that administer payroll and commuter benefits for employers.



After soliciting initial input from the parties described above, the Air District issued the draft Program in August 2013, including the draft text of Regulation 14-1, which serves as the regulatory foundation for the Program. Air District and MTC staff held public workshops in all nine Bay Area counties in October 2013 to solicit input on the draft Program. After incorporating comments received through the workshop process, the Air District issued a proposed rule and supporting documentation in January 2014, including a Negative Declaration for the purpose of CEQA, and a socio-economic analysis prepared by an independent consulting firm. The socio-economic analysis concluded that, by expanding the number of employers and employees taking advantage of commuter tax benefits in the federal tax code, the Program would provide a net economic benefit to Bay Area employers and employees. On March 19, 2014, the Air District Board of Directors adopted Regulation 14-1, and on March 26, 2014, the MTC governing board ratified the regulation. Per SB 1339, employers were given six months from the April 1, 2014 start date to comply with Program requirements by September 30, 2014.

## Applicability and Program Requirements

The Program applies to all employers (private sector, public sector, and non-profit) with 50 or more full-time employees within the jurisdiction of the Air District. In the case of employers with multiple worksites in the region, the employee count is based on the total number of full-time employees at all Bay Area worksites combined. Employers subject to the Program are required to:

- Select one of the four commuter benefit options defined in SB 1339 (these options are described in the next section)
- Notify employees of the commuter benefit option selected, and make the benefit available to all eligible employees
- Maintain records to document implementation of the commuter benefit
- Complete an on-line registration form indicating which commuter benefit option the employer will offer, and providing the name of a contact person responsible for implementing the selected commuter benefit(s), and
- Update their registration information on an annual basis.

The Commuter Benefits Program was designed to provide flexibility to employers and to minimize reporting requirements. The Program simply requires employers to make one of the commuter benefits options described in SB 1339 available and to promote that benefit to their employees. It does not, however, establish any numerical performance targets for employers, nor does it require any employee to change his/her commute mode.



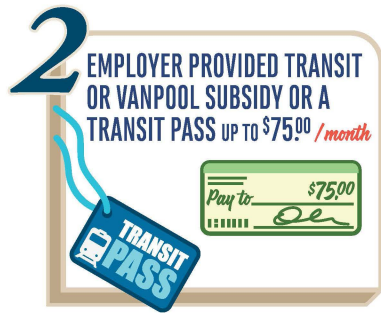
On-line registration form available  
at [commuterbenefits.511.org](http://commuterbenefits.511.org)

## Commuter Benefit Options



### Option 1: Pre-Tax Option:

The employer allows employees to exclude their transit or vanpool expenses from taxable income, up to the maximum amount allowed by federal law. (Note: The omnibus tax bill enacted by Congress in December 2015 increased the tax-free limit for transit and vanpool expenses to \$255 per month beginning in 2016, and established permanent parity with the federal tax benefit for employee parking expenses.)



### 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, if the employee's monthly cost is greater than \$75 per month, then the required subsidy under this option is \$75 per month per employee.



### 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:

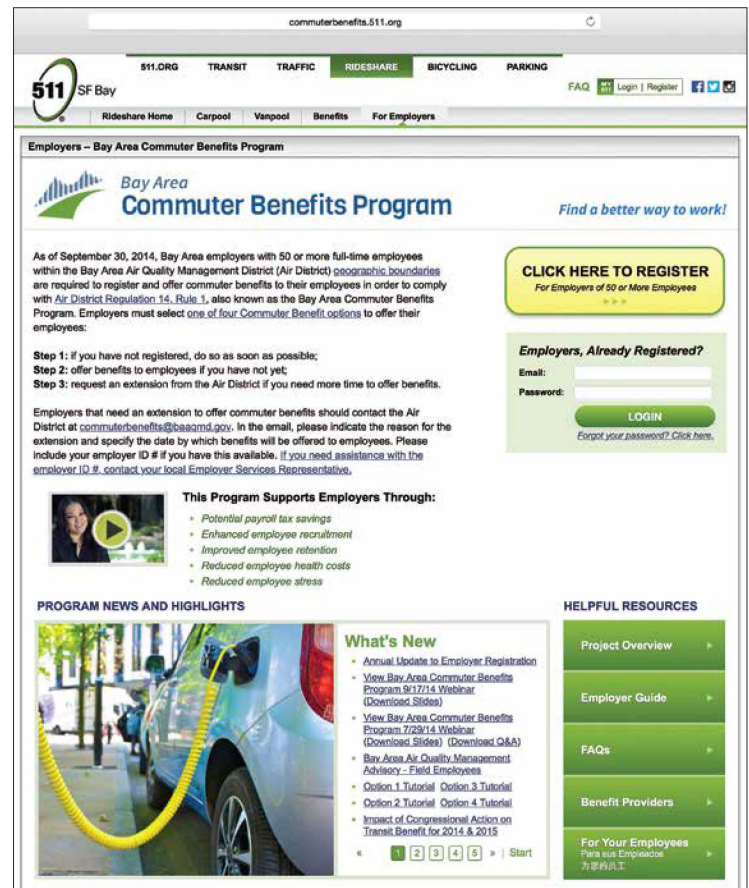
An employer may propose an alternative commuter benefit, subject to approval by the Air District and MTC, that would provide at least the same result in reducing SOV trips as any of the three basic options described above. To assist employers interested in complying via Option 4, the Air District and MTC provided a guidance document describing several "pre-approved" alternative options and the evaluation criteria used to review alternative commuter benefit proposals.



## Program Implementation

The Air District and MTC worked together to notify employers about the Program and to help them comply with Program requirements. MTC created a Commuter Benefits Program page on its 511.org website [see <https://commuterbenefits.511.org>] and developed a web-based registration form to facilitate the employer registration process. The webpage provides Program guidelines and resources that are described in the Compliance Assistance Materials section below.

**Outreach to employers:** To identify employers that may be subject to the Program, MTC purchased an employer database from Dun & Bradstreet. This database was used for direct mailings to employers during the rule development process, as well as to notify employers when the Program was adopted and went into effect. Mailings were sent to all the companies and organizations on the Dun & Bradstreet list in April 2014, and again in July 2014, emphasizing the positive environmental and economic outcomes of the Program. In addition, in June 2014 a compliance assistance advisory was issued to clarify that employers are not required to provide commuter benefits to field employees. In December 2014, an advisory letter was sent to employers who had not yet registered, reiterating Program requirements and explaining the employer registration process. An email reminder was sent to employers who had not yet registered in March 2015. To reach employers subject to the Program, the Air District and MTC also promoted the Program by means of existing networks such as the Air District's Spare the Air employer network and MTC's 511.org employer assistance program.



Commuterbenefits.511.org home page



The Air District and MTC received substantial support in publicizing the Program from government agencies, transit agencies, congestion management agencies, and business groups. **Bay Area business leaders signed a letter of support** that was sent to employers in July 2014 endorsing the Program and encouraging employers to provide commute benefits. The support letter was **signed by the leaders of the:**

- **Bay Area Council**
- **Silicon Valley Leadership Group**
- **East Bay Leadership Council**
- **North Bay Leadership Council**
- **San Francisco Chamber of Commerce**
- **Oakland Metropolitan Chamber of Commerce**
- **San Jose-Silicon Valley Chamber of Commerce**
- **San Mateo County Economic Development Association**

Transit agencies also helped to disseminate information about the Program. For example, the Bay Area Rapid Transit Authority (BART) helped to inform riders about the Program by posting information on the electronic messaging signs in BART stations. Transportation management associations (TMAs) assisted by informing their member employers about the Program and providing commuter benefit services to help employers comply with the Program.

**"I found the program to be flexible and easy to implement. And the registration process is easy."**

*Derrick Lobo  
Manager, Parking &  
Transportation Services  
California State University,  
East Bay*

**"Providing commuter benefits helps with employee recruitment and retention and improves overall productivity. Providing commuter benefits is good business in the long run."**

*Malys Neang  
Juniper Networks*

**"The Program is good for employers, employees, and the environment."**

*Tim Fraser  
President of WRA, Inc.  
(retired)*

## Coordination with Local Commuter Benefit Ordinances

As noted in Section 1, several Bay Area cities adopted local ordinances that took effect in 2009, requiring employers to offer commuter benefits. While their requirements are very similar to the provisions of the regional Program, the local ordinances apply to employers with either 10 or 20 employees nationwide that have a worksite in the applicable city. To avoid duplication of effort and to simplify compliance for employers, the Air District and MTC executed coordination agreements with each of these cities to harmonize the implementation of the regional Program with the local ordinances.

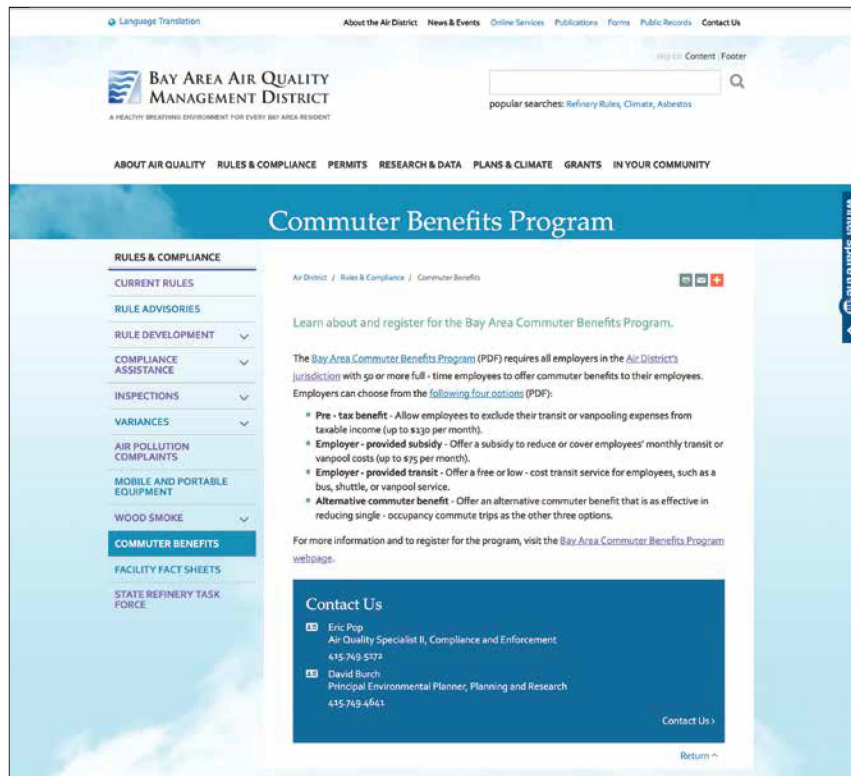
## Compliance Assistance Materials

The Air District and MTC worked together to develop a comprehensive set of tools and resources in order to help each employer choose a commuter benefit option that would be appropriate and effective in relation to its worksite location, business needs, and employee commute patterns. These resources include:

- Commuter Benefits Program Employer Guide, which provides a comprehensive description of the Program and the commuter benefit options
- Option 4 Guide, which describes various ways that an employer can implement an alternative commuter benefit program
- Frequently Asked Questions, which provides answers to key questions about the Program
- Program Overview, which provides employers with a concise infographic depicting the Commuter Benefits Program requirements and registration steps.
- Benefit Providers, which provides a list of companies that offer commuter benefit services to employers
- For Your Employees, which provides employers with multi-lingual outreach materials to promote the commuter benefit option that the employer is providing to its employees.



Infographic representing the  
Commuter Benefits Program



*Commuter Benefits Program web page on [baaqmd.gov](http://baaqmd.gov)*

- On-line webinars: Air District and MTC staff conducted two interactive webinars to explain the Program and respond to employer questions. Participation was robust: more than 300 employers participated in the July 29, 2014 webinar, and more than 300 employers participated in the September 17, 2014 webinar. The webinars have been archived and can be downloaded on demand from the Commuter Benefits Program webpage.
- On-line tutorials, which serve as how-to guides for the various commuter benefits options.

In addition, employers can request one-on-one assistance from the staff of MTC's 511 Regional Rideshare Program, as well as the staff of local transportation demand management programs that provide assistance to employers in Contra Costa, Napa, San Francisco, San Mateo, and Solano counties.

## Enforcement Actions

While compliance with Program requirements is mandatory and the Air District does have authority to enforce its regulations pursuant to the Health & Safety Code, Program implementation has focused on providing compliance assistance to employers, with an emphasis on explaining the positive environmental and economic outcomes of the Program. The Air District and MTC plan to continue this approach, emphasizing outreach and education, rather than penalties, as the preferred method to increase participation.



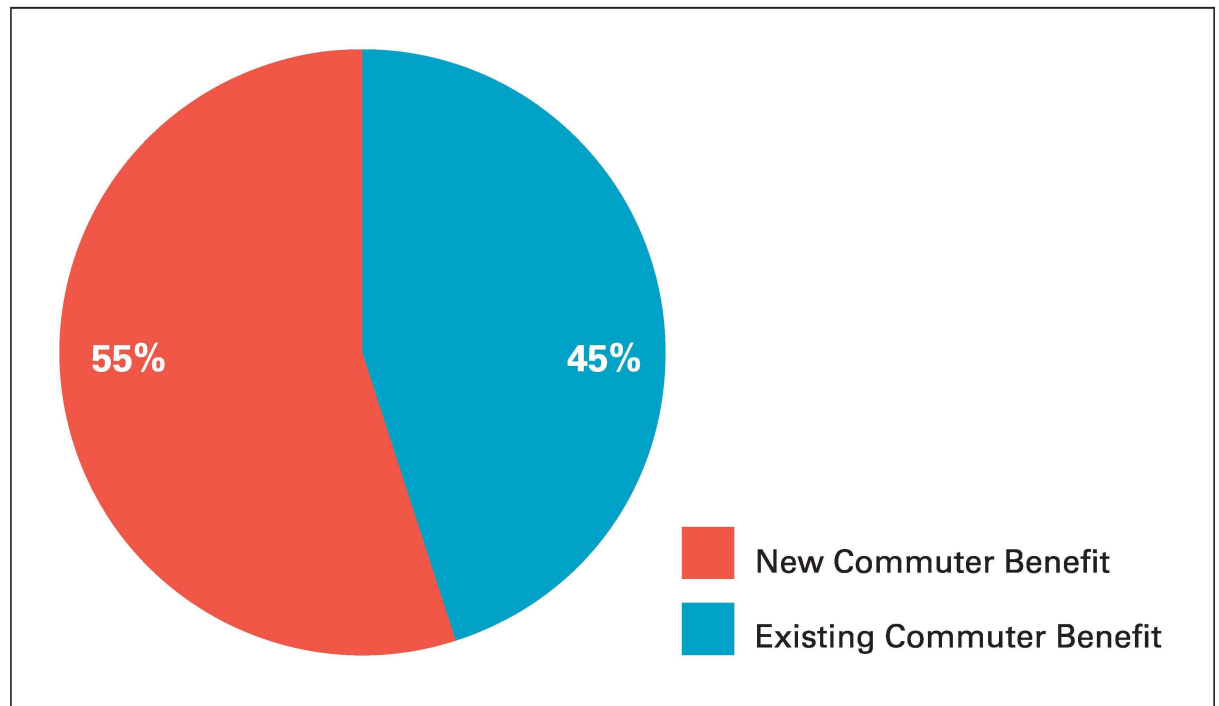
## Section 3 - Program Evaluation and Outcomes

This section summarizes employer and employee response to the Program, describes the Program evaluation methodology, and provides information on key Program outcomes.

### Employer Response to the Program

A total of **3,910** employers had completed the on-line registration process as of December 28, 2015, confirming that they are subject to and in compliance with the Program. Collectively, these companies employ approximately 1,275,000 employees in the Bay Area. Of the **3,910 registered employers, 55 percent reported that they are offering commuter benefits for the first time in response to the Program**, and 45 percent stated that they were already offering commuter benefits before the Program, as shown in **Figure 1**.

**Figure 1: Percent of registered employers offering a new commuter benefit in response to Program**

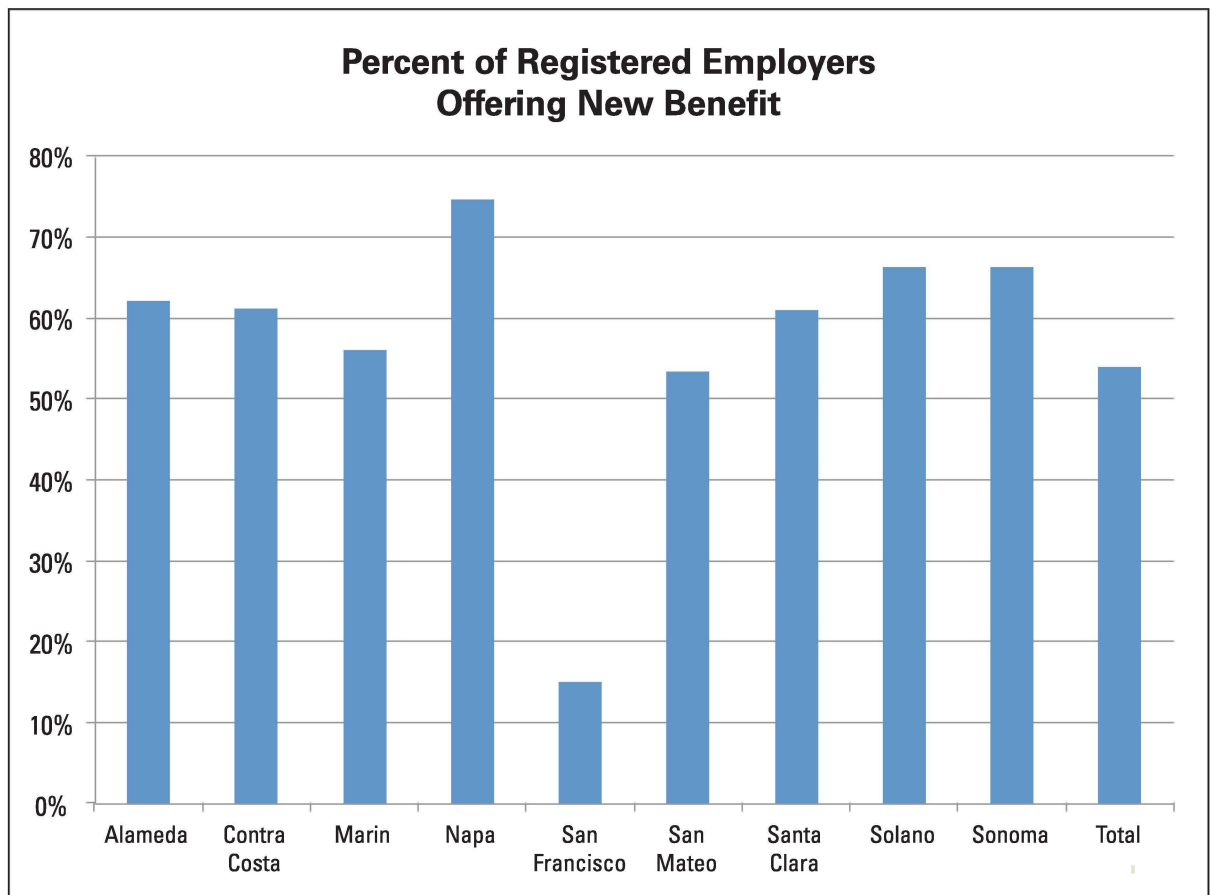


Information from the California Employment Development Department and Dun & Bradstreet indicates that the Program may apply to as many as 10,000 to 11,000 Bay Area employers, suggesting a significant share of employers are not yet participating. To increase the number of registered employers, the Air District and MTC will continue their outreach efforts to inform employers about the Program requirements and the positive outcomes associated with Program participation. If legislation is approved to authorize the Air District and MTC to extend the Program beyond the December 31, 2016 sunset date for the pilot program, this will provide an additional opportunity to publicize the Program and increase the number of registered employers.

## Expansion of Commuter Benefits

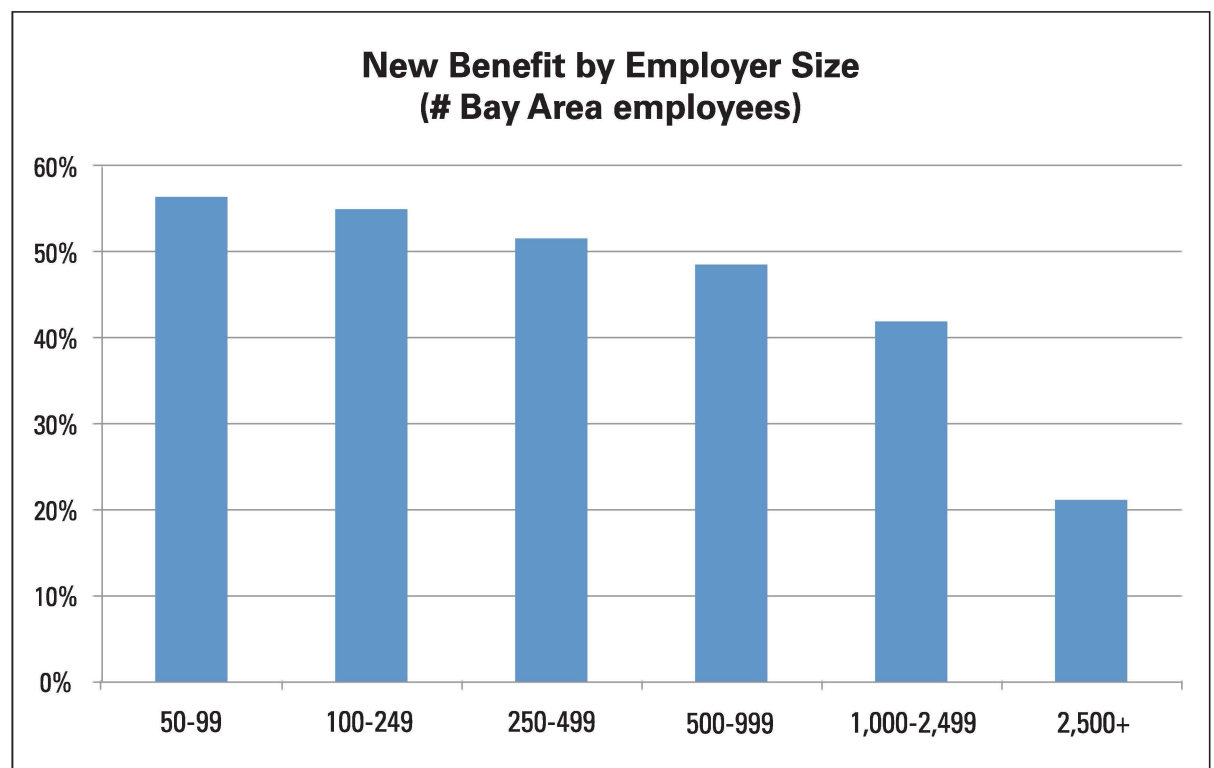
One of the key objectives of the Program is to broaden access to commuter benefits, thus providing more Bay Area employees with incentives to use public transit or other alternative commute mode to driving alone. Employer registration data indicate that the Program has been successful in accomplishing this objective. Prior to implementation of the Program, large employers in core business districts (e.g. downtown San Francisco, downtown Oakland, major employment hubs in Santa Clara County) were much more likely to offer commuter benefits than smaller employers located in suburban or rural areas. As shown in **Figure 2**, in every Bay Area county (with the exception of San Francisco), the majority of employers who completed the registration process stated that they are offering commuter benefits for the first time in response to the Program. In five counties, more than 60 percent of employers are offering commuter benefits for the first time, with a high of 75 percent in Napa County.

**Figure 2: Percent of Employers Offering New Commuter Benefit by County**



The Program has also been highly successful in expanding commuter benefits to employees of smaller employers. As shown in **Figure 3**, the majority of registered employers with less than 500 Bay Area employees stated that they are offering commuter benefits for the first time in response to the Program. By contrast, the majority (79 percent) of the large employers (those with 2,500 or more Bay Area employees) who registered report that they were already offering commuter benefits before the Program took effect.

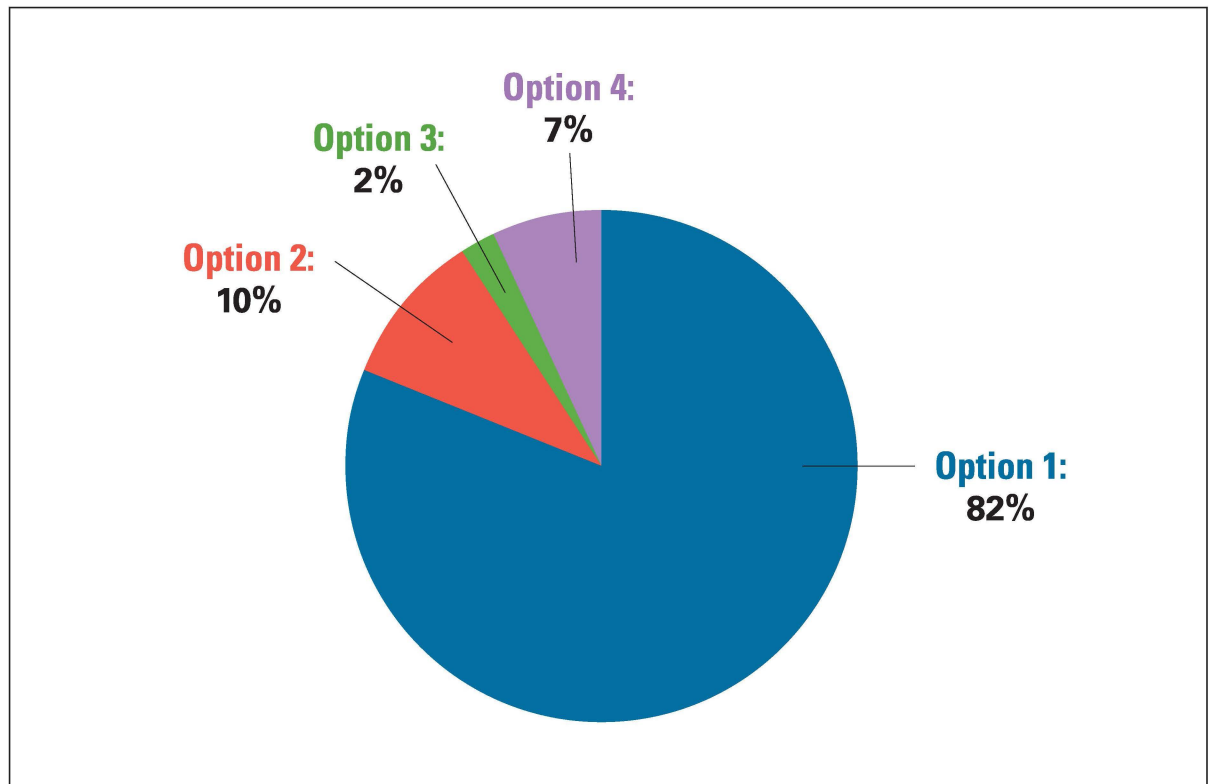
**Figure 3: Percent of Employers Offering New Commuter Benefit by Employer Size**



## Commuter Benefits Provided

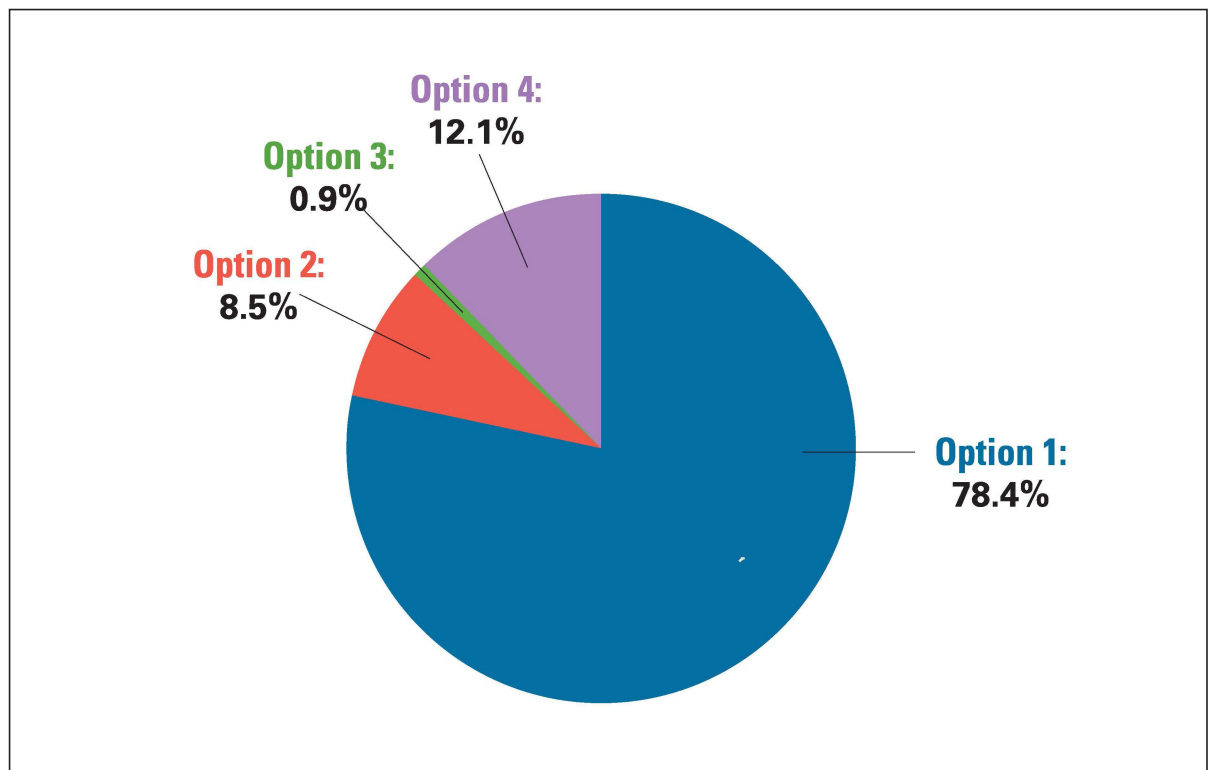
**Figure 4** shows which commuter benefit option registered employers are offering to their employees. A large majority of employers – 82 percent - are offering Option 1, allowing their employees to deduct their transit and vanpool fares from taxable income. Many employers choose Option 1 because it is easy to administer and they can save money, since they are not subject to payroll taxes on the money that employees set aside to pay their transit or vanpool fares. Option 2, whereby the employer provides a subsidy to help offset transit and vanpool fares, is the second most popular option, at 10 percent.

**Figure 4: Commuter Benefits Offered by All Registered Employers**



**Figure 5** shows which commuter benefit option registered employers selected for the subset of employers that began offering commuter benefits after they became subject to the program's requirement. Similar to all registered employers, employers offering benefits for the first time strongly favor Option 1 (the pre-tax option) at 78 percent. The next preferred choice was Option 4 whereby the employer proposes their own option at 12 percent, suggesting that this flexible approach, which can include a telecommute option, works particularly well for employers who are offering commuter benefits for the first time. The third most popular option among new employers was Option 2, the transit or vanpool subsidy, followed by Option 3, employer-provided transportation. It's not surprising that Options 2 and 3 are less popular among employers offering commuter benefits for the first time since those are the options requiring the greatest employer expense.

**Figure 5: Commuter Benefits Offered by Employers Who Began Offering Benefits Due to Program**





**Table 1** shows a breakdown of the commuter benefit option offered by employer size. Option 1 is most popular across the board, with at least 77 percent of registered employers in all size categories choosing to offer Option 1. Employer size appears to have a very modest effect upon the choice of the commuter benefit option. It is worth noting, however, that the largest employers (with 2,500 or more Bay Area employees) are slightly more likely to offer Option 2 and Option 3, perhaps because they can devote more resources for commuter benefits. In the case of Option 3, 7 percent of large employers provide free or subsidized bus or shuttle service to their worksite(s), compared to just 2 percent or 3 percent in the case of smaller employers. Option 3 is generally the most expensive way to comply with the Program, due to the cost of providing private bus or shuttle service for employees. The registration data suggests that most employers that offer Option 3 were already doing so before the Program was adopted, in response to their own business needs.

**Table 1: Commuter Benefit by Employer Size**

<b>Employer Size (# of Bay Area employees)</b>	<b>Option 1 (allow employer to use pre-tax)</b>	<b>Option 2 (employer-provided subsidy)</b>	<b>Option 3 (employer-provided transportation)</b>	<b>Option 4 (alternative benefit)</b>
50 - 99	81%	10%	2%	7%
100 - 249	82%	9%	2%	7%
250 - 499	79%	9%	3%	9%
500 - 999	87%	7%	2%	4%
1,000 - 2,499	82%	10%	1%	6%
2,500 +	77%	13%	7%	3%

## Employee Response to the Program

**Number of employees eligible to receive new commute benefits:** As of December 28, 2015, approximately **472,000 employees** had become eligible to receive new commuter benefits in response to the Program, at the **2,142 employers** offering benefits for the first time according to the employer registration database.

**Percentage of employees utilizing commuter benefits:** Approximately 28 percent of employees at registered worksites take advantage of the commuter benefits provided by their employer on a full-time or a part-time basis, according to the True North survey (as described on page 21).

**Number of employees who switched from driving alone to transit, vanpool, or bicycle as a result of the Program:** By extrapolating the responses of survey participants to the total employee population at registered employers, the True North report estimates that:

- 205,000 Bay Area employees are utilizing commuter benefits made available to them for the first time as a result of the Program.
- Of the 205,000 employees utilizing a new commuter benefit, 44,400 would not use an alternative commute mode if the employer-provided commuter benefit were not available.

## Program Outcomes

The survey results and employer registration data were used to estimate the reduction in vehicle trips and emissions that can be attributed to the Program. Reductions in vehicle trips and emissions were attributed to the Program only if an employee's use of an alternative mode is contingent on the commuter benefit being offered and if the employee works for an employer that began offering the benefit in response to the Program. **Table 2** summarizes key Program results that Senate Bill 1339 specified should be provided in the report to the Legislature.

**Table 2: Estimated Program Impacts**

Metric	Results (as of 12/28/2015)
Number of employers providing new commuter benefits in response to the Program (as 12/28/2015)	2,142 employers
Number of employees who switched from driving alone to transit, vanpool, or bicycle as a result of the Program (over the first 12 months of implementation)	44,400 employees
Number of single occupant vehicle trips reduced as a result of the Program (over the first 12 months of implementation)	4,291,300 vehicle trips reduced
Vehicle miles traveled (VMT) reduced (over first 12 months of implementation)	85,600,000 miles
Greenhouse gas emission reductions from the Program as a percentage of the region's GHG target established by the Air Resources Board (over the first 12 months of implementation)	2.7% of Bay Area's GHG reduction target for 2020



### Number of single occupant vehicle trips reduced as a result of the Program:

**Based on the survey conducted by True North, we estimate that in response to the Program, Bay Area employees reduced 17,880 vehicle trips per day and 357,610 trips per month. During the first 12 months after the regulation took effect, the Program reduced 4,291,300 vehicle trips and 85,600,000 miles of vehicle travel.**

**Emissions Reductions:** Senate Bill 375 required each metropolitan area in California to adopt a “sustainable communities strategy” (SCS). Pursuant to SB 375, the California Air Resources Board (ARB) established a GHG target for the SCS in each region. For the purpose of the Bay Area SCS, Plan Bay Area, ARB established a target of 7 percent per capita reduction in GHG emissions from motor vehicles by year 2020 relative to the baseline per capita GHG emissions in 2005, and 15 percent per capita reduction by 2035. The 7 percent reduction in 2020 is equivalent to 5,500 tons of CO<sub>2</sub> per day. The True North survey report estimates that the Program reduced CO<sub>2</sub> emissions by 35,778 tons of CO<sub>2</sub> over the first 12 months of Program, which equates to 149 tons per day. Therefore, the estimated GHG emissions avoided as a result of the Program are equal to approximately 2.7 percent of the Bay Area’s GHG reduction target for 2020 pursuant to SB375.

In addition to decreasing GHGs, the Program also helps to protect public health by reducing emissions of other air pollutants. The True North report estimates that, over the first 12 months of implementation, the Program reduced emissions of reactive organic gases (ROG) by 18 tons, oxides of nitrogen (NO<sub>x</sub>) by 17 tons, fine particulate matter (PM<sub>2.5</sub>) by 2 tons, and carbon monoxide (CO) by 163 tons.

### Economic Benefits

In addition to the environmental benefits described above, the Program provides the opportunity for tax savings to both employers and employees.

**Tax Savings to Employers:** The availability of tax savings to employers depends upon which commuter benefit option the employer chooses to provide, as well as the number of employees who elect to take advantage of the benefit. To date, the vast majority (82 percent) of registered employers have chosen Option 1. Employers who choose Option 1 can save money because payroll taxes are not levied on the pre-tax dollars that employees set aside to pay their transit or vanpool fare. In December 2015, the omnibus tax bill enacted by the US Congress increased the tax-free limit for transit and vanpool expenses to \$255 per employee per month, and also established permanent parity with the federal tax benefits for employee parking. Based on the new limit, employers offering Option 1 will be able to reduce their payroll taxes by as much as \$238 per employee per year.





**Savings to Employees:** By expanding access to commuter benefits, the Program reduces the cost of commuting for Bay Area employees.

Employee savings depend upon which commuter benefit the employer chooses to provide, the amount of the employee's transit or vanpool fare, and the employee's tax bracket. As noted above, the limit on the federal tax exemption for employee transit and vanpool expenses was increased by Congressional action in December 2015, thus enhancing the potential tax savings for employees at companies that offer Option 1. Based on the new limit, employees in the 25 percent federal income tax bracket and 6.5 percent state income tax bracket can save up to \$965 per year in federal and state income taxes, thereby greatly reducing their net transit or vanpool commute costs.



**Reduction in Traffic Congestion:** Traffic congestion has negative impacts on the Bay Area economy, environment, and quality of life. Peak period traffic congestion has increased as the economy has recovered and will only get worse as the Bay Area economy and work force continue to expand, in the absence of mitigation measures. Fortunately, even a modest reduction in traffic volumes can provide substantial reductions in congestion. For example, analysis that MTC performed for its "Columbus Day Initiative" traffic management project shows that in the heavily congested Interstate 80 corridor, a 4 percent reduction in traffic volume can reduce congestion by 50 percent. Therefore, the reduction in vehicle travel in response to the Program, as described above, can save time and money for all Bay Area residents and help to minimize the impact of economic growth on traffic congestion.



**Maintenance of Transit and Vanpool Ridership:** By reducing commute costs for transit and vanpool riders, the Program helps transit agencies and vanpool operators maintain their ridership base and minimize attrition of existing riders.

**Strengthening Communication with Employers:** The Bay Area has a strong network of programs and services working to promote alternative commute modes and assist employers in the implementation of effective commuter benefit programs. The Air District and MTC collaborate with transportation management associations, congestion management agencies, transit agencies, and business groups throughout the region. Because employers are required to designate a contact person when they register for the Program, the Air District and MTC now have an improved database of employer contacts. This will enhance outreach to employers and strengthen the overall effort to promote alternative commute modes throughout the Bay Area.

**Leading by example:** Creation of the Bay Area Commuter Benefits also has resulted in positive impacts beyond the boundaries of the Bay Area. Anecdotal reports indicate that some employers subject to the Program with worksites in other states or regions have voluntarily chosen to provide commuter benefits to their employees on a nation-wide basis. In addition, the adoption of commuter benefit requirements in the Bay Area has encouraged approval of similar programs in New York City and Washington, D.C. Since the impact of GHG emissions are global in scale, the expansion of commuter benefit programs to other regions can help to protect the climate in the Bay Area, across the U.S., and abroad.



## Methodology and Data Sources

The information presented in Section 3 of this report is drawn from the employer registration database in combination with the results of an employee survey. The employer registration database contains information on each registered employer as to the commuter benefits offered, whether the employer was already providing commuter benefits before the Program was established, and the number of employees in the Bay Area.

The employee survey targeted Bay Area residents who work for employers that are subject to the Program. The survey was performed to measure employee use of commuter benefits and the effectiveness of the Program in reducing motor vehicle trips to Bay Area worksites. The survey was conducted by True North Research, a consulting firm that specializes in survey research. <http://tn-research.com/>. The True North survey report is entitled Bay Area Commuter Benefits Program: Evaluation of Trip, VMT, and emission Impacts. The report is available at <http://www.baaqmd.gov/rules-and-compliance/commuter-benefits>.

Survey respondents were contacted between March 19 and April 13, 2015, approximately one year after the Program was initially adopted, and 7 months after the September 30, 2014 employer registration deadline. The survey was administered to a random sample of 1,400 Bay Area residents who work for businesses or organizations with at least 50 employees in the Bay Area. The study utilized two recruiting methods, telephone and email. Respondents could complete the survey either by telephone or online. The 1,400 completed interviews included 878 telephone interviews and 522 interviews completed online. The survey results have a maximum margin of error due to sampling of  $\pm 2.6$  percent at the 95 percent level of confidence.

*Protect the climate,  
improve air quality  
and decrease traffic*



## Conclusions and Recommendation

Implementation of the Bay Area Commuter Benefits Program has resulted in positive environmental and economic outcomes. By reducing commute trips and emissions of greenhouse gases and other air pollutants from motor vehicles, the Program helps to protect the climate, improve air quality, and decrease traffic congestion. In addition, the Program offers economic benefits to employers by reducing their payroll taxes and helping them recruit and retain employees. The Program also saves money for employees who use alternative commute modes. If the Program is not extended beyond the December 31, 2016 expiration date, the environmental, mobility, and economic benefits will be lost. Therefore, the Air District and MTC recommend that the Legislature take action to authorize continuation of the Program on a long-term basis.

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## Source Documents

Text of Regulation 14-1:

<http://www.baaqmd.gov/~media/files/planning-and-research/rules-and-regs/reg-14/rg1401.pdf?la=en>

Link to Bay Area Commuter Benefit Program webpage on 511.org:

<https://commuterbenefits.511.org/>

Transit Center, 2010 Commuter Benefit Impact Survey.

[http://www.transitchek.com/uploadedFiles/Transit\\_Resources/IndustryInformation/2010\\_Commuter\\_Benefit\\_Impact\\_Survey.pdf](http://www.transitchek.com/uploadedFiles/Transit_Resources/IndustryInformation/2010_Commuter_Benefit_Impact_Survey.pdf)

- <sup>1</sup> The transportation sector accounts for 39.7 percent of emissions in the 2011 Bay Area GHG inventory and 37 percent of emissions in the 2013 statewide GHG inventory.
- <sup>2</sup> The *2010 Commuter Benefit Impact Survey*, which analyzed the effectiveness of commuter benefits among 1,500 employers in the New York, Chicago, and San Francisco areas, found that the percentage of employees who use an alternative commute mode is much greater when employers offer commuter benefits.
- <sup>3</sup> The *2010 Commuter Benefit Impact Survey* found that 21 percent of the 1,500 employers surveyed in the New York, Chicago, and San Francisco metropolitan areas were offering the pre-tax transit benefit in 2010. According to the March 2012 Employer Benefits Survey performed by the US Bureau of Labor Statistics, 11 percent of employers (all sizes) in the Pacific region currently offer commuter subsidies to their employees. Larger employers, especially those with 500 or more employees, are most likely to offer commuter subsidies. See <http://www.bls.gov/ncs/ebs/benefits/2012/ownership/civilian/table24a.htm>.
- <sup>4</sup> Senate Bill 1339 was codified as Section 65081 of the California Government Code.
- <sup>5</sup> The regulation is formally entitled "Regulation 14, Rule 1: Mobile Source Emissions Reduction Measures, Bay Area Commuter Benefits Program."
- <sup>6</sup> BAE Urban Economics, *Socio-Economic Impact Study of Proposed Regulation 14, Rule 1: Bay Area Commuter Benefits Program*. March 2014.
- <sup>7</sup> For purposes of the Program, a full-time employee is defined as any employee who works 30 or more hours per week. Employers with 50 or more full-time employees must provide the commuter benefit to any covered employee. Covered employees are defined as those employees who work 20 or more hours per week.
- <sup>8</sup> The Program applies within the Air District's jurisdiction, which consists of nine counties, including all of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Santa Clara counties, as well as the western portion of Solano County and the southern portion of Sonoma County.
- <sup>9</sup> SB 1339 states that for future years, the maximum required subsidy amount will be adjusted for inflation on an annual basis consistent with the California Consumer Price index. An employer may choose to offer a higher subsidy amount (i.e., more than \$75 per month) on a voluntary basis. An employer may also elect to provide a subsidy for bicycle commuting costs in addition to subsidies for transit and vanpool costs.
- <sup>10</sup> The Bay Area jurisdictions with local commuter benefit ordinances are the City of Berkeley, the City of Richmond, the City and County of San Francisco, as well as San Francisco International Airport.
- <sup>11</sup> The high percentage of employers in San Francisco who were already offering commuter benefits prior to the regional Program can be attributed to the high rate of transit usage in the SF business district, combined with the fact that the City of San Francisco has been actively implementing its local commute benefit ordinance since 2009.
- <sup>12</sup> A recent study found that the Bay Area freeway system is congested 79 percent of the time on average during peak travel periods, that congestion imposes an estimated cost of \$4.25 billion to the Bay Area economy (including \$3.38 billion for the San Francisco-Oakland area, plus \$970 million for the San Jose area) in auto delays, truck delays, and excess fuel consumption, and that congestion costs the average Bay Area commuter \$1,266 per year on an individual basis. *2012 Urban Mobility Report*, Texas Transportation Institute.
- <sup>13</sup> For information on the relationship between traffic volume and congestion, see the "Congestion Reduction Strategies" page on the Victoria Transportation Policy Institute website:  
<http://www.vtpi.org/tdm/tdm96.htm>.