

Testimony of David Judd, Edenred Commuter Benefit Solutions

Prepared for

New Jersey State Senate

Committee on Transportation

Good morning, my name is David Judd, I serve as a Vice President at Edenred Commuter Benefit Services. I am pleased to testify today about Senate Bill 1567 introduced by Senator Weinberg. I want to express my full support for this legislation and thank you for allowing me to testify before you. This legislation would require employers of a certain size to offer transportation fringe benefits. This bill is based upon successfully enacted policies made in the San Francisco Bay Area, New York City, and Washington DC.

What Are Transit Benefits?

Transportation fringe benefits are employer-provided benefits that offer employees with options on getting to and from work. By using a transit benefit, an employee does not pay Federal on the amount they use for their transit or vanpool costs, up to \$260/monthⁱ. At the same time, employers do not pay payroll taxes on the amount provided or withheld, creating significant savings for employers. Transit benefits are easy to provide and may be offered pre-tax or as a subsidy. It is important to note that this legislation only requires employers to offer the benefit and does not require a subsidy. For your consideration, I have attached a worksheet that outlines how transit benefit programs work.

Transit Benefits Work!

The key is that they work! Transit benefits move people. They get them out of their cars and into transit. Studies have indicated that when transit benefits are introduced into the workplace one (1) in five (5) people convert from driving alone to taking transitⁱⁱ. That mode shift has a significant impact on congestion, air quality, and energy consumption. Not to mention that employers will enjoy reduced tardiness, a happier workforce and will spend less time and money finding parking for their employees.

Transit Ordinances Work!

Transit benefit ordinances work as well. In 2016, municipal bodies in San Francisco published a report that analyzed the impact of their regional transit benefit ordinance. What they found was astonishing. I have attached for your convenience a copy of the Executive Summary of that report. However, if I may, I would like to pass along to you what I think is the most important factoid.

“As a direct result of this policy, the San Francisco Bay area saw more than 44,000 people leave their cars for transit. That equated to a reduction of more than 4 million vehicle trips, and more than 85 million vehicle miles traveledⁱⁱⁱ.”

The report I have attached speaks to how that had a real impact on congestion in the Bay Area.

Employers Benefit!

Let me address the elephant in the room. Yes, this would be a new requirement for employers. Mandates are often like vegetables, we know they are good for us, but sometimes we don't want them. In this case, the vegetable has been deep fried and covered with cheese. This benefit does not carry with

it a cost or unnecessary burden. In fact, quite the opposite, in addition to a happier and more productive workforce this benefit will help employers save money because employers will not have to pay the 7.65% payroll tax on money that is withheld by individuals. As I previously mentioned, this benefit is straightforward to administer, and almost all third-party payroll providers make available this program. The cost for utilizing that service is about half of what employers save in payroll taxes, so this mandate will help employers save on taxes.

To this point, I want to note that when the San Francisco Bay Area went to their legislature to renew authority that would allow them to continue their ordinance, the San Francisco Chamber of Commerce came out in support.^{iv}

Benefit Helps Expand Access to Areas Without Effective Transit

One of the questions we receive when talking about commuter ordinances is about worksites that are not efficiently served by transit. First, we want to reiterate that employers are only required to offer the benefit. If traditional transit is not available or desired by employees, then there is nothing more an employer has to do. However, I want to note that vanpools are covered under this policy. Vanpools are essentially on-demand transit systems that are created to meet employees' needs. These public-private partnerships support and expand the reach of transit and can provide options for commuters who work in areas where traditional transit methods may not make sense. In New Jersey, there are hundreds of vanpools serving areas such as our military facilities in central New Jersey as well as employer sites in less urban settings. This benefit helps all commuters, no matter whether they are working in downtown Newark, Morristown, or Fort Dix.

Closing Remarks

I appreciate the time you have provided me and am willing to answer any question you have. I hope the information that I have provided and have attached will help answer any questions you have. If I can be of more service, please contact me at 908-654-0600 or david.judd@commuterbenefits.com.

ⁱ Section 132(f) US Code Title 26

ⁱⁱ TransitCenter, "2010 Commuter Benefit Impact Survey," http://www.transitchek.com/uploadedFiles/Transit_Resources/IndustryInformation/2010_Commuter_Benefit_Impact_Survey.pdf.

ⁱⁱⁱ MTC-Bay Area Air Quality Management District Bay Area, "Commuter Benefits Program – Report to the California State Legislature" Feb. 2016

http://assets.511.org/pdf/nextgen/commuter-benefits/Commuter_Benefits_Report_to_the_CA_Legislature_Final.pdf

^{iv} California SB 1128 Legislative History http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201520160SB1128

Attachments:

- Executive Summary – How Transit Benefits Work
- Executive Summary – SF Report to California State Legislature

What Are Transportation Fringe Benefits?

Transportation Fringe Benefits, or Commuter Benefits, refers to the tax treatment that is provided to employers and employees in relation to certain commuting costs. Under Federal law (26 U.S. Code § 132), an employer may provide (or withhold) up to \$260/month* for qualified parking, transit, and vanpool expenses.

Employers Save \$\$\$\$

The transit portion of the commuter benefit makes sense for businesses of all shapes and sizes. The provision is a pre-tax benefit not only for employees, but also for the employers who offer it. Employers can reduce payroll taxes, providing a sound fiscal saving for the employer. This does not count savings from reduced parking needs and increased productivity.

Commuters Save \$\$\$

The primary advantage to employees is that the transit benefit provides tax incentives to those who take transit or a vanpool. These savings do not include the hundreds of dollars a year saved from auto-related expenses like fuel, maintenance, and insurance.

For Employees	Transit Tax Savings
Federal Income Tax Savings	\$ 767
FICA Savings	\$ 235
Avg. State/City Income Tax Savings	\$ 130
Total Annual Employees Savings	\$ 1,132

** Based on a 25% tax bracket (most common) and FY2014-IRC Section 132(f)

Existing Transit Benefit Ordinances

New York City

Coverage: New York City

Legislative Body: City Council

Covers:

Employers of twenty (20) or more full-time, non-union employees in New York City. Government agencies are exempt.

Website:

<https://www1.nyc.gov/site/dca/about/commuter-benefits-FAQs.page>

Washington, DC

Coverage: Washington, DC

Legislative Body: City Council

Covers:

Employers of twenty (20) or more employees in Washington, DC.

Website:

<http://www.godcgo.com/employer>

San Francisco

Coverage: San Francisco and nine (9) surrounding counties.

Legislative Body: Combination of State Legislature and Regional Planning & Air Quality Boards

Covers: Employers of twenty (20) or more employees

Website:

<http://www.baaqmd.gov/rules-and-compliance/commuter-benefits>

Frequently asked questions:

- **Why go to the trouble of creating this ordinance?**

This is a rare opportunity to create environmental legislation that is supported by both the business community and city government. It also benefits local transit agencies struggling with budget cuts, as well as reducing traffic congestion and CO2 emission.

- **Why does it have the support of the business community?**

The business community understands the need to show that they have a commitment to the environment. They also want to show support for a program that has cost savings built in through a reduction of payroll taxes – and isn't another unfunded mandate. Employers do not pay the 7.65% payroll tax on any funds employees set aside through the pre-tax program. It also offers other perks like the potential to free up street parking for customers. To quote the San Francisco Chamber of Commerce: "While the Chamber generally opposes mandates on business, the city's newest requirement that businesses with 20 or more employees working in San Francisco establish a program to promote the use of public transit can be an economic benefit. In addition to helping to reduce greenhouse gas emissions by getting people out of cars and onto transit, the law can be a money-saver for businesses." The Chamber should know — it has offered transit benefits for over 10 years.

- **Which key business groups have shown their support?**

In all jurisdictions that have passed ordinances, each of their chambers of commerce have voiced support (see letters of support). Additionally, there are merchant associations, e.g., The Downtown Berkeley Association (<http://www.downtownberkeley.com/>) and The Union Square Merchants Association in San Francisco. Other business groups include BOMA SF, a leading voice for the local commercial real estate industry (<http://www.bomasf.org/>) (the Golden Gate Restaurant Association www.ggra.org ; and Transportation Management Association of San Francisco (<http://www.tmasfconnects.org/index.php>).

- **What made the program rollout successful?**

Various cities have offered a series of employer workshops – both live and via webinar – to give employers the information they needed to understand the details and create a program. The workshops were vendor-neutral and lasted about one hour. One city sent a one-page informational flyer with their business license renewals. Various chambers have also given workshops for their members and material was posted on business association websites. Cities have created webpages on their city sites, and the San Francisco Dept. of the Environment created a separate website focus on the ordinance, including a list of vendors.

- **What amount of city staff time is involved in ensuring compliance?**

This depends on the level of enforcement the city or municipality elects. For instance, two cities are considering adding a check-box to their business license renewal form that asks for confirmation that a transit benefit program is in place. The business license department would have material available to hand out to businesses. One city is considering not approving business license renewals unless a program is in place. San Francisco's enforcement process does require more staff time but also results in a higher level of compliance. Officials estimate that for a city of San Francisco's size and level of enforcement, one FTE position is required, which includes educational outreach. They believe that the resulting reduction in VMT and the increased use of transit justifies the staff time involved.

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*



Commuter 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.