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A Commuter's Dilemma:

Extra Cash or Free Parking?

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California law requires certain employers who provide free parking to their workers to also offer cash in lieu of the parking. The goal is to provide workers an incentive to use transportation alternatives to driving alone, thereby reducing congestion and improving air quality. Almost ten years after this program was established, the Air Resources Board (which administers the program) has conducted little outreach to make employers aware of the program. Additionally, there are no statewide data on the effectiveness of the program. We recommend that the board (1) conduct outreach to all firms with 50 or more employees and (2) perform periodic surveys to assess the program's effectiveness. ■

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INTRODUCTION

When considering how to get to work, the availability of free parking can be a key factor that leads one to hop in the car and drive alone to the job. According to the 2000 United States Census, about 86 percent of California commuters drive to work. Approximately 95 percent of those automobile commuters receive free parking. This "free" parking comes at a significant cost to employers who pay for employee parking. A nationwide study conducted on behalf of the federal government estimated the total value of employer-paid parking at $36 billion annually. In addition to these direct costs paid by employers, employer-paid parking contributes to traffic congestion and air pollution because it serves as an inducement for commuters to drive to work.

Traffic congestion relief strategies tend to fall into two categories—those that focus on reducing demand for driving and those that focus on expanding the supply of roadway. One obvious way to reduce demand for driving is to make drivers more nearly experience the true cost of driving. Proponents of the demand-side approach to congestion relief frequently advocate higher gasoline taxes, road tolls during peak traffic hours, or insurance rates that increase the more one drives. Another option is to increase the cost of parking so that the individual motorist factors this cost into his or her travel decision. Relative to the amount of money spent on gasoline on a single trip, parking can be a much higher share of the total trip cost. As such, changes to parking prices could have a significant impact on the demand for driving.

California's parking cash-out law seeks to reduce the incentive to drive to work that is created when an employer offers free parking. It does this by mandating that certain employers also offer as an alternative to employees, the cash equivalent of the parking space. While the law by design affects a very limited share of the state's free parking spaces statewide, it provides an additional tool for the state to reduce commute driving and alleviate congestion and pollution emission.

In this report, we first examine the factors that influence commuting behavior, with an emphasis on how free parking affects commute choices. We then discuss California's parking cash-out law. In particular, we review the law's scope, its impact at specific locations, and its potential impact on congestion and air quality. Next, we discuss the factors that have delayed the law's implementation. Finally, we provide recommendations and options to improve the effectiveness of the parking cash-out law.

WHAT INFLUENCES COMMUTE BEHAVIOR?

Commute Choices Are Driven by Many Factors. A commuter's decision about how to get to work is influenced by a multitude of factors, as summarized in Figure 1(see next page).

The significance of each of these factors varies depending on the circumstances of the commuter. For example, cost is likely to be a more significant factor for a low-income worker

Figure 1

Factors Affecting Commute Decision

- Commute distance
- Cost and travel time
- Work schedule
- Reliability and convenience of the commute option
- Need for a vehicle during, before, or after work
- Desire for privacy or company
- Environmental concerns
- Desire for comfort/relaxation

than a wealthy one. As a result, increases in gasoline prices or parking rates can be expected to have a greater impact on the commute choices of lower-income commuters than wealthy commuters. For instance, a survey of San Francisco Bay Area commuters conducted in 2000 found that among transit riders and carpoolers, cost was the most commonly cited reason for why they chose their commute mode. Among solo drivers, however, less than 3 percent of respondents identified cost as the primary factor influencing their commute decision. The most common reason that solo drivers gave for why they drive to work is that they have no other option.

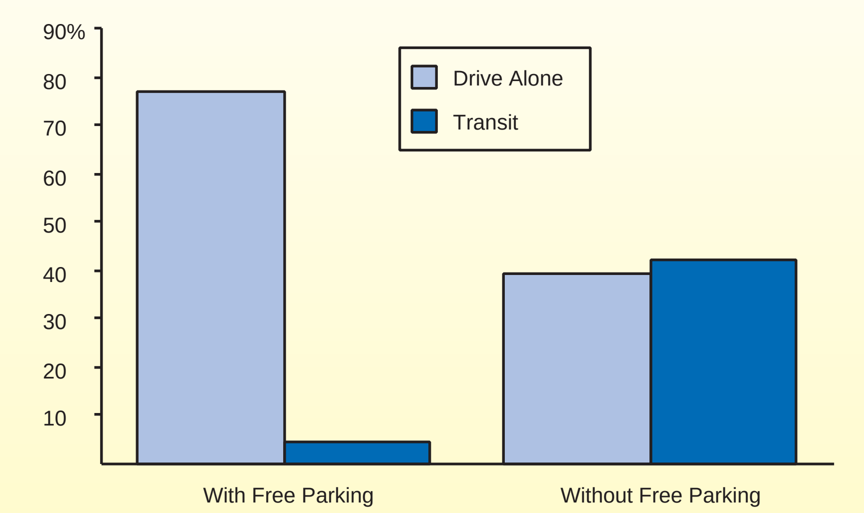
Commuters More Likely to Drive When Parking Is Free. While other factors influence commute decisions, our review of various research on the topic found that free parking appears to significantly increase the rate of solo driving among commuters. Examining travel behavior at five locations in Los Angeles and Ottawa, Canada, a 1990 study of commute behavior used a case study approach to compare travel behavior among two groups:

- Employees before and after employer-paid parking was eliminated.
- Employees in similar locations with and without employer-paid parking.

The study found that solo driving fell by an average of 41 percent among the five locations when employees had to pay to park. Additionally, the total number of automobiles driven to work fell by between 15 percent to 38 percent when employees had to pay to park.

Figure 2

Bay Area Commute Varies With Availability of Free Parking



Source: "Commute Profile 2000, A survey of San Francisco Bay Area Commute Patterns", RIDES for Bay Area Commuters, Inc. August 2000.

More recently, the 2000 survey of Bay Area commuters mentioned above found stark differences in travel behavior among commuters with and without access to free parking. Specifically, as shown in Figure 2, the survey found that while 77 percent of commuters drive alone when free parking is available, only 39 percent drive alone when they have to pay to park. Additionally, among commuters with free parking, only 4.8 percent commute by transit. By contrast, among commuters without free parking, 42 percent commute by transit. While many factors—such as access to reliable transit service and travel time—influence a person's commute decision, the magnitude of these differences suggests that the presence of free parking plays an important role.

WHY SHOULD EMPLOYER-PAID PARKING BE A POLICY CONCERN?

The decision to provide employees with free or subsidized parking is a business decision designed to attract and retain employees. Yet, when thousands of firms statewide provide free parking, the impact of this decision extends far beyond the confines of that individual business: the provision of free parking by thousands of employers encourages millions of commuters to drive alone to work who might otherwise choose an alternative mode of travel. The increased number of vehicle-trips made by these commuters results in greater congestion and higher levels of air pollution statewide. Hence, free parking is one factor that works counter to other policy efforts to reduce congestion and vehicle emissions.

Free Parking Reduces Benefits of Transit and Carpool Lane Investments. The state invests hundreds of millions of dollars annually in transportation infrastructure that is designed to induce people out of single-occupancy vehicles and onto other modes of travel. New carpool lanes, more frequent bus and train service, and new bicycle lanes are all underway statewide. Indeed, the Traffic Congestion Relief Program, enacted in 2000, directed the vast majority of funds in the program (about $4 billion out of a total of $4.9 billion) towards new transit and carpool lane infrastructure, as opposed to highway expansion. While these projects will likely attract some commuters out of their vehicles, the wide availability of free parking will continue to encourage many commuters to drive to work alone. As a result, the congestion relief and air quality benefits of investment in alternative modes may not achieve their full potential.

Parking Cash-Out Seeks to Level Playing Field Between Driving and Other Modes. By offering free or subsidized parking and no other commute benefit (such as a transit subsidy), an employer rewards employees who drive but not employees who use alternative means to get to work. This is because the employee only benefits from the parking subsidy if he or she drives. Parking cash-out is one approach that seeks to mitigate the incentive to drive that is created by free parking. Under parking cash-out, an employer offers workers the option of giving up their employer-subsidized parking space in exchange for its equivalent cash value. For example, if an employer currently pays $70 per month to lease a parking space for each employee, under a parking cash-out program the employer would also offer the choice of $70 to employees who choose to give up their parking space. By offering employees cash in lieu of the subsidized parking space, parking cash-out reveals the opportunity cost of the "free" parking, and allows the commuter to make a choice as to how to spend the money. By providing parking cash-out, the employee is rewarded equally, whether he or she walks, bikes, takes transit, carpools, or drives alone to work.

CALIFORNIA'S PARKING CASH-OUT LAW

Since 1992, California law has mandated that certain employers offer parking cash-out. Specifically, Chapter 554, Statutes of 1992 (AB 2109, Katz), requires that employers who offer free or subsidized parking also offer a cash allowance equivalent to the subsidy in lieu of a parking space. Employers must offer employees the option of cashing out their parking space, but employees are not required to participate. The law applies only to employers, in both the public and private sector, who meet five criteria, as shown in Figure 3.

Multiple Options for Compliance. Employers who are subject to the parking cash-out law have a variety of options for compliance. For instance, an employer can comply with the law by offering any one of the following:

- ➢ No parking subsidy.
- ➢ A parking subsidy *only* for carpools.
- ➢ A transit voucher.
- ➢ Cash that can be spent on *any* commuting option.
- ➢ The choice between free (or subsidized) parking and its cash equivalent or more.

California's parking cash-out law has existed for almost ten years. In the following sections, we review the scope of the law in terms of the number of employers and employees affected, highlight findings regarding the law's impact on commute travel from existing research as well as our own interviews with firms and municipalities that have implemented the law, and discuss the law's potential impact on congestion and air quality were it to be fully implemented.

Figure 3

A Firm Must Comply With California's Parking Cash-Out Law If It:

- Employs at least 50 persons, regardless of how many work sites.
- Is located in an air basin designated nonattainment for any state air quality standard; (practically speaking, this means every county in the state except Lake County).
- Provides free or subsidizes employee parking on leased spaces.
- Can calculate the out-of-pocket expense of the parking subsidy; that is, the parking is leased separately from the building.
- Can reduce the number of leased parking spaces without financial penalty.

CALIFORNIA'S PARKING CASH-OUT LAW IN PRACTICE

Limited Information Available on Law's Implementation. Data on California's parking cash-out program are quite limited. For instance, there are no aggregate, statewide data on how the program has been implemented. This is because the law contains no requirements or funding for program monitoring. As a result, no statewide data have been collected and it is impossible to answer such basic questions as:

- ➢ How many firms are currently offering parking cash-out?
- ➢ How many employees are participating in parking cash-out?

Nevertheless, national and regional data do exist that can be used to provide a rough estimate of the number of employers subject to the law, as well as the number of employees that are likely to participate in a parking cash-out program.

Very Few Parking Spaces Are Subject to Law. Since most employees who drive to work receive free parking in California, one might expect that the impact of the parking cash-out law on vehicle travel and emissions would be substantial. However, the criteria that determine whether a firm is subject to the parking cash-out law significantly limit the number of parking spaces that are affected.

The main reason for this is that the vast majority (about 84 percent) of free parking provided by employers is owned rather than leased, and is therefore exempt from the law. Additionally, of the free, employer-paid parking that is leased, most is leased by smaller employers with less than 50 employees, and thus is also exempt from the law.

Based on research related to the type of parking offered by large employers, we estimate that about 290,000 free parking spaces would be subject to California's parking cash-out law. This constitutes only about 3 percent of an estimated 11 million free parking spaces provided by employers statewide.

IMPACT OF PARKING CASH-OUT ON TRAVEL PATTERNS

In order to determine the extent to which the parking cash-out law reduces congestion and vehicle emissions, one has to examine how cash-out affects employees' travel behavior. Because there are no aggregate data on the impact of cash-out in California on commute behavior, our analysis relies primarily upon studies of several firms located in Los Angeles. In addition, we followed up with interviews of some of the firms included in these studies, as well as several other employers operating parking cash-out programs. Overall, the research suggests that among firms that implement parking cash-out, the program significantly reduces solo driving among employees.

Changes in Travel Behavior Significant Overall; But Vary Among Firms

A 1997 report conducted for the Air Resources Board (ARB) examined the impact of California's parking cash-out law on commute behavior of employees at eight firms located in Southern California. The study compared travel behavior based on employee surveys among all employees at each firm before and after parking cash-out was implemented. (The "before" year was the year before implementation, while the "after" year varied among employers from one, two, to three years after implementation.) Two of the firms are located in downtown Los Angeles, three are located in a high-density regional employment center in West Los Angeles (Century City), two are located in Santa Monica, and one is located in West Hollywood. One of the firms was a government agency, while the other seven were private firms, including three law firms, one accounting firm, one bank, one managed-care medical provider, and one video post-production company. The firms ranged in size from 120 to 300 employees, with a total of 1,694 employees. The cost of parking ranged from $36 to $165 per month.

The firms adopted a variety of approaches to implementing parking cash-out. For instance, one eliminated its parking subsidy of $110 per month and, instead, paid all employees who do not drive to work alone a subsidy of $55 a month. Several others chose to offer employees the cash equivalent or more of the parking subsidy.

The study examined how the drive-alone rate changed at each firm after the implementation of cash-out, as shown in Figure 4. Specifically, the change in drive-alone rates varied rather substantially among the firms studied, ranging from a reduction in the drive-alone rate of 2 percent to a high of 22 percent. The study also averaged the outcomes at each firm (weighted by the number of employees in each firm) and found that after parking cash-out was implemented:

- Solo driving dropped 17 percent: from 76 percent to 63 percent of employees.
- Carpooling increased by 64 percent: from 14 percent to 23 percent of employees.

Figure 4

Change in Drive-Alone Rate After Implementation of Parking Cash-Out[a]

Firm Location	Before	After	Change
Downtown Los Angeles	75%	53%	-22%
Downtown Los Angeles	61	45	-16
Century City	71	58	-13
Century City	88	76	-12
Century City	79	67	-12
Santa Monica	83	75	-8
Santa Monica	85	78	-7
West Hollywood	72	70	-2
Weighted Average	**76%**	**63%**	**-13%**

[a] Source: Shoup, Donald C., "Evaluating the Effects of Cashing Out Employer-Paid Parking: Eight Case Studies," *Transport Policy*, Vol. 4, No. 4, pp. 201-216, 1997.

- ➢ Transit use rose by 50 percent: from 6 percent to 9 percent of employees.
- ➢ Combined bicycling and walking rose one-third: from 3 percent to 4 percent of employees.
- ➢ Vehicle miles traveled fell by approximately 12 percent per employee per year—equivalent to removing one out of eight cars driven to work.
- ➢ Vehicle emissions were also estimated to have fallen by 12 percent per employee per year.

While other factors, such as the availability of new carpool lanes or new transit service, might account for the significant changes in travel patterns that occurred, the study found that regional trends ran counter to the trends observed at these firms. For instance, the solo driver share in Southern California ranged between 77 percent to 80 percent during the time period studied, significantly higher than the average of 63 percent that was observed at the firms after implementing parking cash-out.

Many Factors Affect Impact of Cash-Out Law

Based on our interviews with employers, including several covered in the 1997 report as well as in other research studies, we found that employee participation in the parking cash-out law is affected by a number of factors. These factors include the size of the cash subsidy, the location and type of business, proximity to transit and homes, as well as the role of local government in promoting alternative transportation modes to achieve air quality standards.

High Cash Subsidy and Downtown Location Contribute to High Participation Rates. One downtown Santa Monica employer that we interviewed, a financial services company with 268 employees, offers free parking spaces for all employees at a cost of $138 per month per space. Since May 2000, the firm has also offered employees $200 per month in cash (an amount substantially more than required by law) in lieu of the parking space. Prior to implementation of parking cash-out, about 91 percent of employees drove alone to work. As of August 2001, 35 percent of employees had cashed out their parking spaces, dropping the drive-alone rate to 56 percent. In general, the employees who have cashed-out their parking spaces have other commute alternatives, including transit and carpooling, in part because of the firm's location. Of those who cashed out, 37 percent carpooled, 32 percent walked, 16 percent took transit, and the remainder used vanpool, bicycled, or some other commute mode.

Work-Home Proximity Results in Some Employees Walking Instead of Driving. In addition, we interviewed the City of West Hollywood, one of the employers included in the 1997 report conducted on behalf of the ARB. With a current staff of 170, West Hollywood has offered parking cash-out for the last ten years at a current rate of $65 per month. Participation in the program has remained stable over time, increasing from about 17 percent in 1991 to 20 percent today. About half of those participating in the program walk to work, while the remainder commute via transit, bicycle, or carpool. Obviously, workers are able to walk to work because of the relative proximity of the work location to their homes.

High-Paid Employees With Irregular Schedules Not Easily Swayed by Cash Incentive. By contrast, another of the employers included in the 1997 report has very low participation in its parking cash-out program. The employer is a large law firm located in Century City with 270 employees. Currently, only 5 percent of the firm's employees exercise the cash-out option despite a relatively high cash-out value of $157 per month. The firm attributed the low participation to a combination of factors, including irregular work hours, the desire for a vehicle during the workday, lack of convenient transit service, and the relatively high compensation of the staff, half of whom are attorneys.

Low Cash Subsidy, Poor Transit Service Contribute to Low Participation Rates. Similarly, at another firm's two downtown Glendale offices, each of which house about 550 employees, less than 1 percent participate in the parking cash-out program in one building while about 4 percent of employees participate in

CONGESTION AND AIR QUALITY IMPACT

How Does Parking Cash-Out Affect Congestion? There are no aggregate data on the number of employees currently exercising the cash-out option, as well as their preferred commute mode to and from work. However, using the estimates on the number of parking spaces likely to be subject to the law and assuming participation rates, we can estimate for illustration purposes the potential reduction in the amount of miles driven.

As discussed above, we estimate that approximately 290,000 parking spaces could be subject to California's parking cash-out requirement. If 15 percent of employees (the midpoint of the estimated percent of employees who participate in parking cash-out programs) were to cash out their parking and commute by an alternative to solo driving, this would be the equivalent of eliminating 43,500 trips each workday. Regional data for urban areas (including the Los Angeles region, San Francisco Bay Area, and San Diego) indicate that Californians commute about 30 miles round-trip to work and back each day. (Nationally, the average round-trip to and from work is about 22 miles.) Because employees who commute further distances are less likely to cash out their parking space and commute by an alternate mode, we chose to use a range of 10 to 20 miles round-trip to estimate the impact on vehicle miles traveled (VMT). Based on these assumptions, parking cash-out is estimated to reduce VMT in California by 435,000 to 870,000 miles per day or between 113 million to 226 million miles per year. This estimated reduction is equivalent to reducing annual weekday VMT (about 116 billion miles) by about 0.1 percent to 0.2 percent. While this might seem like a negligible reduction, it is about a 5.5 percent to 11 percent reduction in the 2 billion miles by which weekday VMT grows each year.

How Does Parking Cash-Out Affect Emissions? To the extent that parking cash-out reduces vehicle trips, it also reduces vehicle emissions. According to the ARB's most recent modeling data, each commute trip eliminated (assuming a statewide average of 18 miles another. The firm's staff attribute the low participation to unpredictable work schedules and the high cost of parking on a daily basis. The cash value of the subsidy was approximately $30 after taxes, not a great incentive considering the risk of needing to drive on occasion and having to pay a parking rate of $10 per day.

City of Santa Monica Has Taken an Active Role in Parking Cash-Out. Since 1996, the City of Santa Monica has required that all employers subject to the state's parking cash-out law include parking cash-out as a provision in their Emission Reduction Plan, required by the South Coast Air Quality Management District. In this manner, Santa Monica acts as the state's agent to enforce the parking cash-out law. In 1998, the city conducted a survey of how parking cash-out was being implemented. The survey found that about one-third of employers with 100 or more employees, and 10 percent of employers with 50 to 99 employees in Santa Monica were operating a parking cash-out

CONGESTION AND AIR QUALITY IMPACT *(continued)*

round-trip) results in a 40.6 gram reduction in smog-forming pollutants in 2001 (this includes reactive organic gases or ROG, and nitrogen oxides or NOx). The air quality benefits of trip reduction are projected to decline over time due to the vehicle fleet becoming cleaner. Thus, by 2010, each reduced trip is projected to reduce emissions by only 15.8 grams per trip. Based on these assumptions, a reduction of 43,500 trips per day would reduce emissions by almost 2 tons per day based on 2001 emission levels and 0.8 tons per day based on 2010 projected emission levels.

To put this in context, the estimated total smog-forming pollutants emitted in 2000 in the South Coast District was 1,853 tons per day (about 30 percent stationary sources and 70 percent mobile sources). To comply with federal air quality standards, emissions must be reduced almost 50 percent to 943 tons per day in 2010. Other measures that are currently in effect to help achieve this reduction goal include:

- A South Coast Air Quality Management District mandate that requires employers with 250 employees or more in the district to reduce employee vehicle trips; this measure is projected to reduce emissions by 8.5 tons per day in 2010.
- The ARB's Low Emission Vehicle Program which is projected to reduce emissions by more than 60 tons per day in 2010.
- On-road motorcycle standards which are projected to reduce emissions by 0.5 tons per day in 2010.

While the impact of the parking cash-out program on air emissions may not be large, it nonetheless provides an additional tool to the state's efforts to reduce air pollution.

policy. (The majority of those who were not operating a parking cash-out program were not subject to the law.) The survey further found that 20 percent of employees who were given the option chose to participate in parking cash-out by giving up their parking space and ridesharing to work.

Summary. The above examples illustrate that employee participation in parking cash-out varies greatly by the type of business, its location and distance from employees' homes, transit access, and the amount of the subsidy. While over 30 percent of employees participate in parking cash-out at one location, less than 1 percent participate elsewhere. Keeping in mind that no two firms are identical in terms of the factors that are likely to influence how employees respond to the cash-out option, it appears that employers can expect from 10 percent to 20 percent of employees to participate in parking cash-out programs.

FISCAL IMPACT OF LAW

Cost to Employers Depends on How Cash-Out Program Is Implemented. California's parking cash-out law is intended to impose minimal costs on employers. Indeed, if an employer can demonstrate that it cannot implement parking cash-out "without (financial) penalty" then it is not subject to the law. However, depending on how employers comply with the law, parking cash-out can either save employers money or impose additional costs. For instance, employers can comply with the law by simply eliminating their parking subsidy altogether, thereby saving the money formerly used to offer free or subsidized parking. Alternatively, employers could eliminate free parking and provide staff with a transit voucher instead. Current federal law allows employers to provide workers with up to $100 in transit subsidies that are not subject to federal payroll taxes or income taxes.

For employers who choose to offer a cash allowance equivalent to the cost of offering free parking, the law does result in some additional costs in the form of federal payroll taxes (including Social Security, Medicare, and Unemployment Insurance) of 8.45 percent paid on the cash payment for those employees who exercise the option. (California employers and employees are not subject to state-level payroll taxes on the additional cash, including unemployment insurance and employment training tax, because state law does not consider the cash-out payment as "wages." However, state law, as with federal law, does count the additional cash as part of gross income subject to the income tax.) These tax expenses can be somewhat mitigated as they are considered business expenses eligible for tax deductions. Typically, business tax deductions reduce the cost of the program by approximately 40 percent. Thus, if an employer offers a $60 cash allowance, the employer must pay about $5 per month in payroll taxes, $2 of which are deductible, resulting in a net cost of $3 per month, or 5 percent of the cost of the cash subsidy.

Cost to State Government Has Been Negligible. Because a primary objective of the parking cash-out law is vehicle emission reduction, it is under the jurisdiction of the ARB. However, the law does not require the ARB to conduct any outreach or monitoring of the program. Thus far, the ARB has relied on only one employee, who has a number of other responsibilities in addition to the parking cash-out program, to implement the law. Thus, the law has resulted in only negligible costs to the state.

Program Results in Minor State and Federal Tax Revenues. If an employee chooses to cash out his/her employer-paid parking, tax revenues increase at both the state and federal level. This is because whereas employer-paid parking is tax-exempt, the cash is taxable. While it is not possible to estimate the tax receipts that the state has accrued since the law's implementation, we can estimate the revenues that could be generated per commuter who exercises the cash-out option assuming an average monthly cash-out rate of $60 per month. Based on the average federal personal income tax and payroll tax rates, we estimate that *each* parking space cashed out would generate an additional $258 per year in federal tax revenues and about $50 in revenues at the state level.

IMPLEMENTATION AND ENFORCEMENT CHALLENGES

Although the parking cash-out program is limited in scope and costs relatively little to implement, our review shows that the implementation of the program has been slow. Additionally, outreach efforts have been limited such that it is not clear all affected employers are aware of the statutory requirements. This limits the potential impact of the law.

Federal Tax Law Delayed Compliance. At the time that parking cash-out became law in California, federal tax law created a significant disincentive to comply with its provisions. Specifically, federal law held that if an employer were to offer cash in lieu of free parking, the free parking would lose its tax-exempt status for employers. That is, regardless of whether an employee chose to cash out his or her free parking, by offering the cash-out option, the employer and the employee would be required to pay payroll and income taxes on the value of the free parking. In 1997, the disincentive was eliminated when federal law was changed to allow employers to offer cash in lieu of a tax-exempt transportation fringe benefit without incurring any tax liability for the free parking they offer. (As discussed above, an employee receiving cash in lieu of free parking would have to pay taxes on the cash received.)

Outreach Efforts Have Been Minimal. As mentioned, the ARB is responsible for administering the parking cash-out law. However, the law does not require that ARB conduct any type of outreach or monitoring. Such activities are entirely at the discretion of ARB and have not been funded. Additionally, the law contains no reporting requirements for employers, making it virtually impossible for ARB to assess or monitor compliance.

To date, ARB has published and made available on its Web site a ten-page guide to the parking cash-out law. The guide explains who is subject to the law and provides a detailed explanation for how to implement a parking cash-out program. However, ARB did not finalize its guide to employers until February 2001, nine years after the law was enacted. Prior to that, the department distributed between 2,000 to 3,000 copies of draft versions of the guides at various conferences attended by employers who are actively involved in providing employee commute benefits. This constitutes about 6 percent of all firms with 50 or more employees statewide. Without a systematic outreach to all employers with 50 or more employees, it is very likely that some employers who are subject to the law may not even be aware of it.

HOW CAN THE PARKING CASH-OUT LAW BE IMPROVED?

Greater Outreach and Program Monitoring Needed. In order to maximize the potential congestion relief and air quality benefits of California's parking cash-out law, there should be greater outreach to all firms with 50 or more employees to make sure that they are aware of the law's requirement. One approach for conducting this outreach would be for ARB to enter into a cooperative agreement with the Employment Development Department (EDD) to provide employers information regarding the cash-out program. This would take advantage of the fact that the EDD has the most thorough and current database on employers statewide and handles 8 million pieces of mail annually. Additionally, EDD has experience working with other agencies in this manner. For instance, the EDD mailed out the census forms for California and conducted outreach to employers on behalf of the Department of Industrial Relations related to minimum wage violations. As part of its overall employer outreach activities, the EDD could distribute materials regarding the parking cash-out law via the mail as well as via EDD's Web site. The ARB would be responsible for the content of the information provided. Outreach via the mail would have marginal cost. Based on EDD information, we estimate that it would cost about $25,000 per mailing to reach employers that are subject to the parking cash-out law.

In addition to outreach, there is also a need for program monitoring on a periodic basis to determine how the program is being implemented as well as the extent of its effectiveness. Accordingly, we recommend that the ARB conduct periodic surveys of samples of employers (in EDD's employer database) in order to assess the program's effectiveness in terms of the reduction in commute solo-driving and air emissions. Based on its review, the ARB should also make recommendations on how the program's effectiveness could be improved. We think that developing the outreach material and conducting the periodic surveys would result in a negligible increase in ARB's workload of less than one staff position.

Should the Law Be Restricted to Certain Areas? Currently, the parking cash-out requirement applies to all employers who fit the profile listed in Figure 3, which could potentially include a rural or suburban employer located in an area where low-cost parking is plentiful and transit service is inadequate. If ARB finds, based on employer surveys, that employees are much less likely to exercise the parking cash-out option in such areas, the Legislature may want to consider limiting the law's scope to the locations where it is likely to have the greatest impact, such as urban areas where parking is more costly and transit service is more reliable. One option would be to limit the law to employers located in urbanized areas with a population exceeding 50,000. Alternatively, the Legislature could amend the law to make it only applicable in areas where the market cost of parking exceeds $50 per month, indexed to inflation. Such a restriction would target urbanized areas where parking is in high demand, and thus, transit service is more likely to be available. Additionally, it would limit the requirement to those employers who are most likely to have employees accept the parking cash-out option given the higher amount of the cash subsidy.

Should the Parking Cash-Out Requirement Be Expanded to Smaller Firms? Given more data and assessment of the current program's effectiveness, the Legislature can also determine whether it is desirable to expand the program to smaller firms with fewer than 50 employees in order to increase the program's overall impact. If the law were broadened to include all firms statewide, we estimate that an additional 334,000 employees could be offered the cash-out option. This would more than double the number of employees affected by the law.

While the threshold of 50 or more employees might be appropriate in order to minimize administrative burden on businesses, interviews with employers who have implemented parking cash-out indicate that it is relatively simple to administer. Indeed, providing employees with additional funds in their paycheck may be less burdensome than leasing and managing employee parking spaces. However, the ease of administering the program partly depends on the technology available to the employer; for firms that have not automated their payroll systems, it will be more time-consuming and thus result in higher costs.