



# Regional Transportation Measure: Transit Operating Fiscal Challenges and Advocacy for State Support of Transit

Programming and Allocations Committee

October 12, 2022

# Transit Operating Fiscal Challenge

2019



## Situation Bad

- Declining ridership
- Operator structural deficits
- Labor shortages

2020  
(COVID)



## Situation Worse

- Plummeting Ridership
- Fare revenue decimated
- Operating shortfalls

2022  
Today



## Situation Dire

- Ridership still down
- Inflation
- Supply chain issues
- Labor shortages

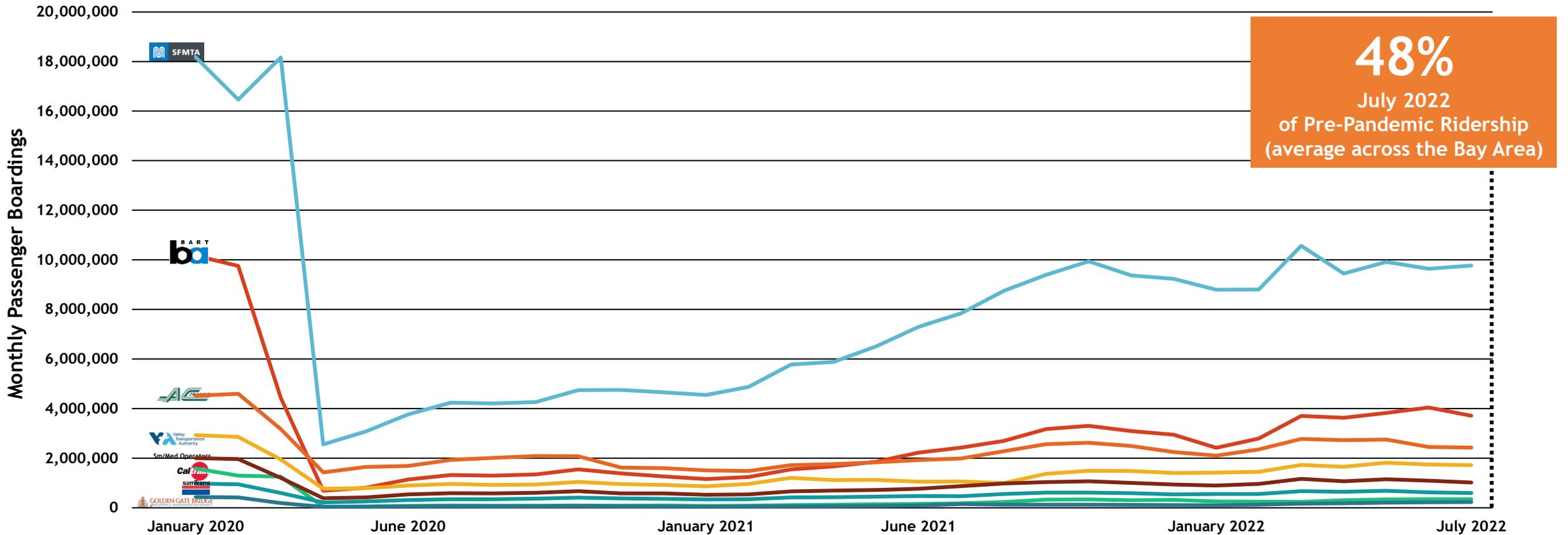
2023-2028?



## Situation Uncertain

- Long term uncertainty
- Near term expectation of large percent of commute riders only 2-3 days/ week

# Transit Ridership: A Slow and Uneven Recovery



% of Pre-Pandemic Ridership  
as of July 2022  
(vs. July 2019)

SFMTA  
54%

BART  
34%

ACE  
60%

VA  
59%

Caltrain  
24%

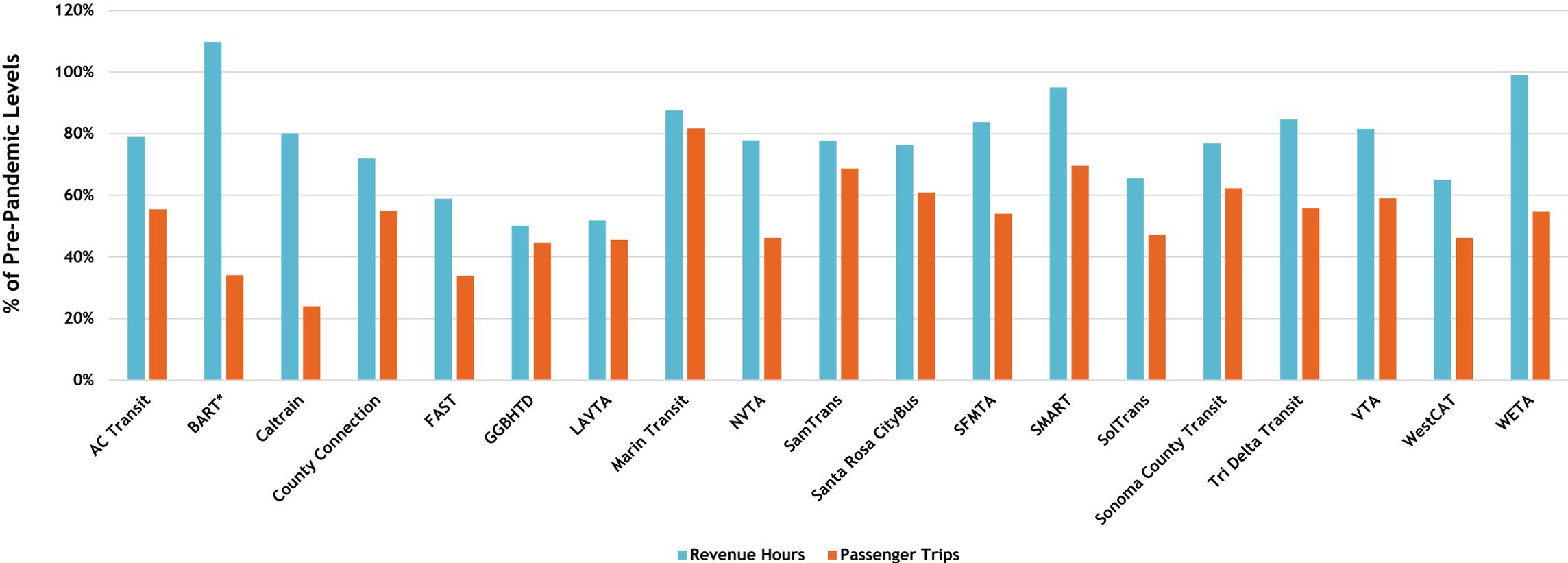
Small/Med. Operators  
60%

samTrans  
69%

GOLDEN GATE BRIDGE  
45%

# Service Levels: Unique Circumstances Shape Restoration

% of Pre-Pandemic Revenue Hours vs. Pre-Pandemic Ridership



\*The BART extension to Berryessa opened in summer 2020, increasing the size of the BART system by approx. 9%.  
 Source: National Transit Database - Monthly Module  
 July 2022 vs. July 2019

# Multi-faceted Fiscal Crisis

**Impact:** Agencies affected differently

- Urban, Rail, Ferry heavily impacted
- Suburban, bus, small/med agencies

**Response:** Agencies have responded with different strategies

- Service adjustments
- Capital vs. operating investments

**Situational Variability:**

- Local funding measures
- Funding models



## Intercity, Urban, Rail and Ferry Systems

- Fare revenue reliant
- Commuter dependent
- Fixed Costs

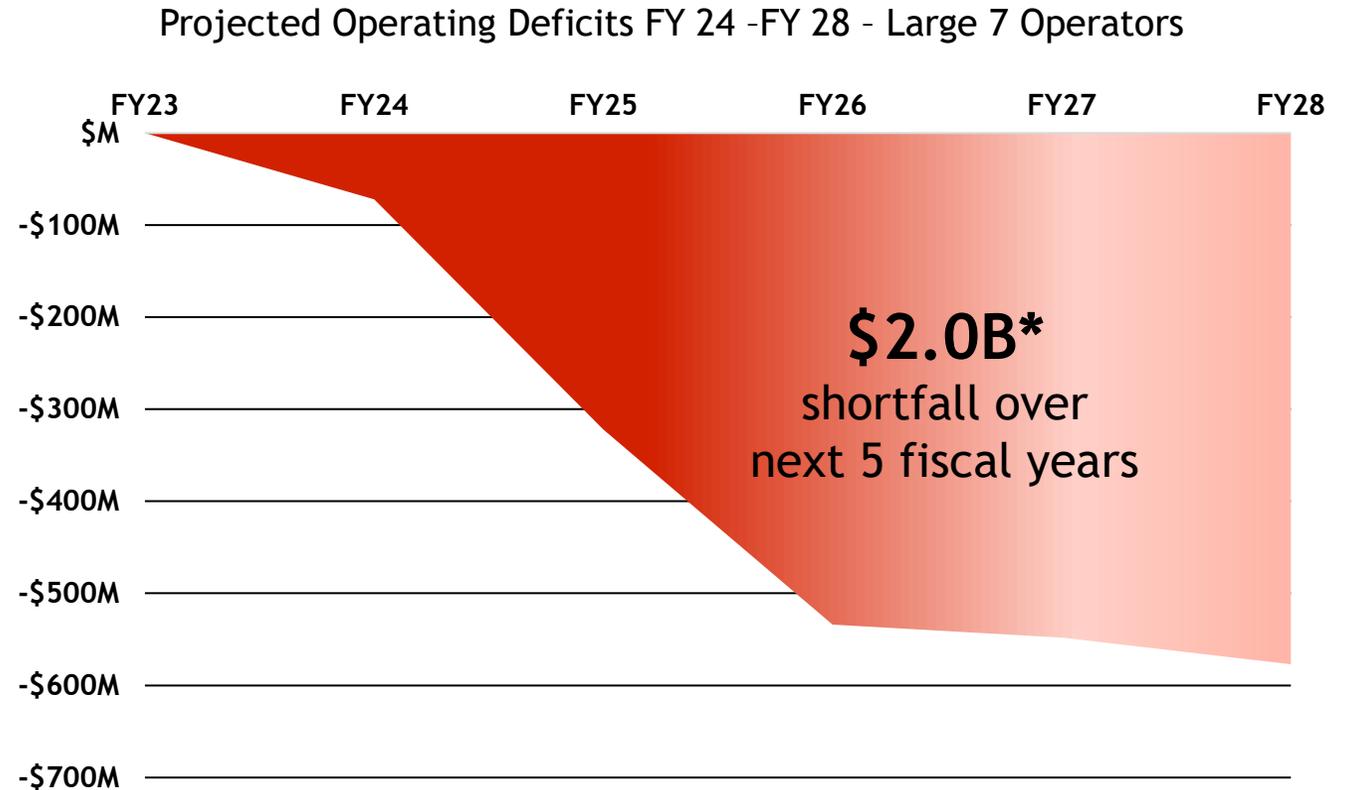


## Suburban, Primarily Bus, smaller systems

- Transit reliant riders during pandemic
- Flexibility to adjust service

# 7 Largest Operators Face Near Term Operating Shortfall

- Bay Area faces an estimated operating shortfall of over \$2 billion over next 5 years.
- BART, Golden Gate, Caltrain, WETA, and SFMTA face the largest shortfalls as a % of total operating expenses.
- Small/Medium bus/rail operators are generally in better shape, however, they face significant cost pressure from zero-emission transition over coming decade.



Source: Transit operator data provided to MTC, October 2022.

\*Note: Accuracy of shortfall estimate may diminish in later years due to operating environment uncertainty. 5-Year operating shortfall forecasts will be assessed in greater detail over the coming months.

# Defining the Fiscal Cliff for State Advocacy

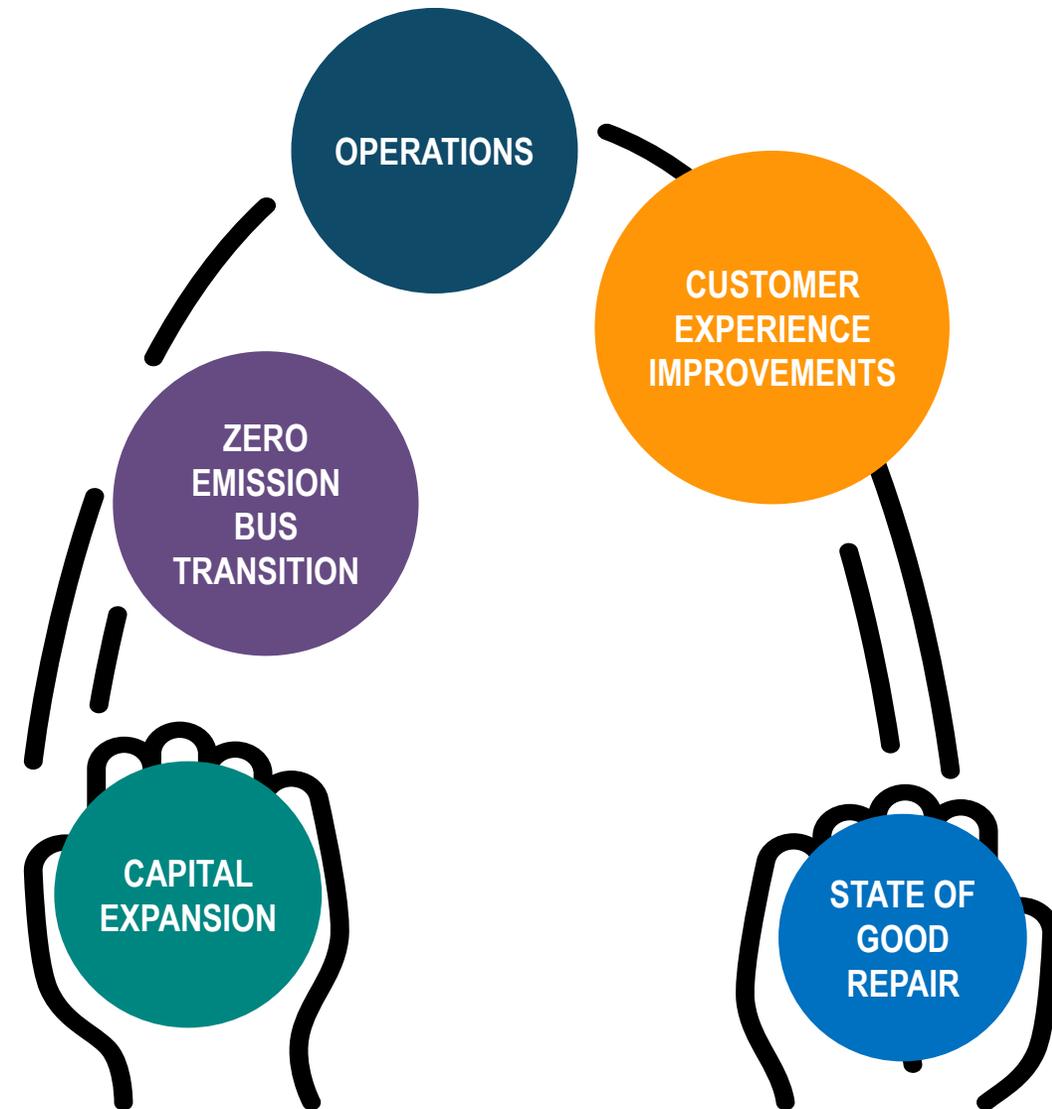
In the coming months, MTC will work with individual operators to assess their:

- **Level of service**
- **Ridership trends**
- **Labor shortages**
- **External factors**  
(inflation, supply chain issues, etc.)
- **Strategies and response to balancing budgets**
- **Assumptions and baselines**



# Balancing Act of Funding Needs

- **Existing Pre-pandemic challenges**
- **Inter-related mix of needs**
  - Operations
  - Capital Expansion (Mega and Major)
  - State of Good Repair
  - Zero Emission Bus Transition
  - Customer Experience Improvements



# Recovery Strategies – Three Stages

## Past – Immediate Response (2020)

### Federal Relief Funding

- Nearly \$4 billion

### State/ Regional Policy and Advocacy

### Local Transit Agencies

- Service adjustments
- Ridership incentive promotions/ Fare discounts
- Safety and cleanliness measures
- Heightened coordination

## Near Term (5 year)

### Need:

- In the meantime: Gap funding while long term strategies are developed.

### Strategies:

- FY 23-24 state budget advocacy
- State Transit Assistance funding formulas

### Seek funding for:

- Operations
- Potential targeted programs (apprenticeship programs, free youth passes, programs to grow ridership, safety, etc.)
- Action Plan implementation

## Long Term (6+ Years)

### Need:

- A long term sustainable, nimble, resilient operating model

### Strategies:

- Revamp funding models for funding service in the future
- Tailor service to emerging market needs
- Individual operator strategic planning

### Seek funding for:

- Future regional funding measure
- State of good repair

# Bridging Time Gap to a Regional Measure

- This transit operating fiscal cliff is not unique to the Bay Area. Operators across California also face untenable deficits.
- Given California's strong policy emphasis on reducing vehicle miles traveled (VMT) and support for transit, a state advocacy strategy holds promise.

## Potential structure:



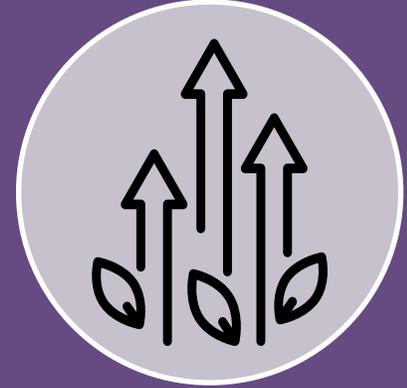
### Operating Funding

Potential funding sources include the state's General Fund, Cap and Trade funds or other special funds not currently dedicated to public transit.



### Ridership Recovery Enhancements

Competitive funding for enhancements aimed at increasing ridership, such as assisting with Transit Transformation Action Plan priorities.



### Multi-year Request

Since a major deficit is forecast for at least the next five years, consider a multi-year ask to provide a reliable, albeit interim, bridge to a ballot measure.

# Anticipated Next Steps:

**Nov./Dec.  
2022**

Further Defining the Fiscal Challenge

Initial Concepts for FY 22-23 State Budget Advocacy Strategy

**January  
2023**

Continued discussion on FY 22-23 State Budget Advocacy Strategy

Financial assessment from transit operators' Short Range Transit Plans

# Thank You

An aerial photograph of a large body of water at sunset. The sky is a mix of orange, yellow, and blue. In the foreground, a white and blue ferry boat is moving across the water, leaving a white wake. A long, dark pier extends from the left side of the frame towards the right. In the background, there are low mountains or hills under the sunset sky.

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