

25 February 2025

Simplicity, Not Insufficiency, Principal Outcome of Revenue Measure Polling

MTC 25-0293 Item 12b, Transportation Revenue Measure Principles



Dear Commissioners,

At the conclusion of the Transportation Revenue Measure Select Committee process last fall, [members were split 50-50](#) on aspects of the measure presented by Chair Sperring and staff:

1. Whether the geographic scope should be 4 counties with opt-in for the other 5, or mandatory for all 9 counties.
2. Whether the measure should raise enough money to cover only fare losses, or operator's full shortfalls.
3. Whether the measure should be a 10-year investment in transit only, or a 30-year measure with the transit component tapering off.
4. Whether the revenue mechanism should be a sales tax, payroll tax, or parcel tax.
5. Whether techniques such as variable rate, financing, or multiple tax sources should be utilized.

As the next step, MTC conducted polling this winter, the results of which [were heard at the Joint MTC ABAG Legislation Committee on 2/14](#). The polling results were positive, showing the lowest general tax sensitivity since 2020 and producing majority support for the measure, even after opposition arguments.

Despite the strong Select Committee voice for a measure more ambitious in size, scope, and source, and the positive poll results, the draft Transportation Revenue Measure Principles in Item 12b propose to build in unnecessary flaws to the measure, and lock in one side of the Select Committee discussion at the expense of transit operators and riders.

A ½ cent sales tax would produce too little revenue in each county to improve transit, and, as draft principle #2 suggests, would still lead to cuts for some agencies. Last month's polling demonstrated that voters are not sensitive to the amount of a tax - ½ cent and ⅞ cent concepts had no difference in support. Voters are instead deciding "Tax Yes" or "Tax No" based on what the tax would buy. The results say that preventing cuts is not a compelling argument; making improvements is. With this data in mind, it would clearly be a mistake to prematurely cap the amount raised by the measure. Principle #1, "A Measure Must Be Passable," is important, but there is no evidence that a capped measure that does not improve transit is more passable than a larger one that does.

It is also premature to specify that the revenue measure be a sales tax. Polled support was below expectations for San Francisco, a county with heavy and prominent transit ridership, and the results presentation notes responses included "Sales taxes are regressive and penalize the

poor. Consider a bond or property tax." And, as [MTC's Programming and Allocations Committee heard on February 12th](#), projected sales tax revenues on the statewide and regional level have decreased for upcoming years, as they vary year to year. This projection will affect many Bay Area transit agencies, with Santa Clara County noted as especially impacted. As one specific example, the projection has caused AC Transit's deficit [to grow by 20 million](#). Backfilling lost sales tax revenue by increasing transit's dependence on sales tax revenues may not be a strategy for stability.

There was equal support at the Select Committee for sales, parcel, and payroll taxes. However, voters have not been polled on a straightforward progressive tax. The flawed Hybrid option, which presented a complex mix of revenue sources and 30-year duration that phased out dedicated support for transit, showed 53% initial support in the four counties that fell to 47% with a stronger opposition impact than the simpler taxes. That option's second component, a \$0.09/building square foot parcel tax would generate \$300 million in four counties. Growing this to a standalone \$0.25/building square foot parcel tax could raise \$833 million - more than the \$500 million raised by a ½-cent sales tax. The option to run this sort of simple, progressive tax needs to remain on the table.

We request that the commissioners move to remove the first bullet point from draft principle #1, so that the Commission does not prematurely limit the measure's revenue amount or source.

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