Image Credit (Left to Right): Clay Banks (Unsplash), Mark Jones, Noah Berger, PICRYL

Transportation Funding Overview

METROPOLITAN
TRANSPORTATION
COMMISSION

Commission Workshop

April 24, 2024

Presentation Objectives

Understand Trends Affecting Transportation Funding

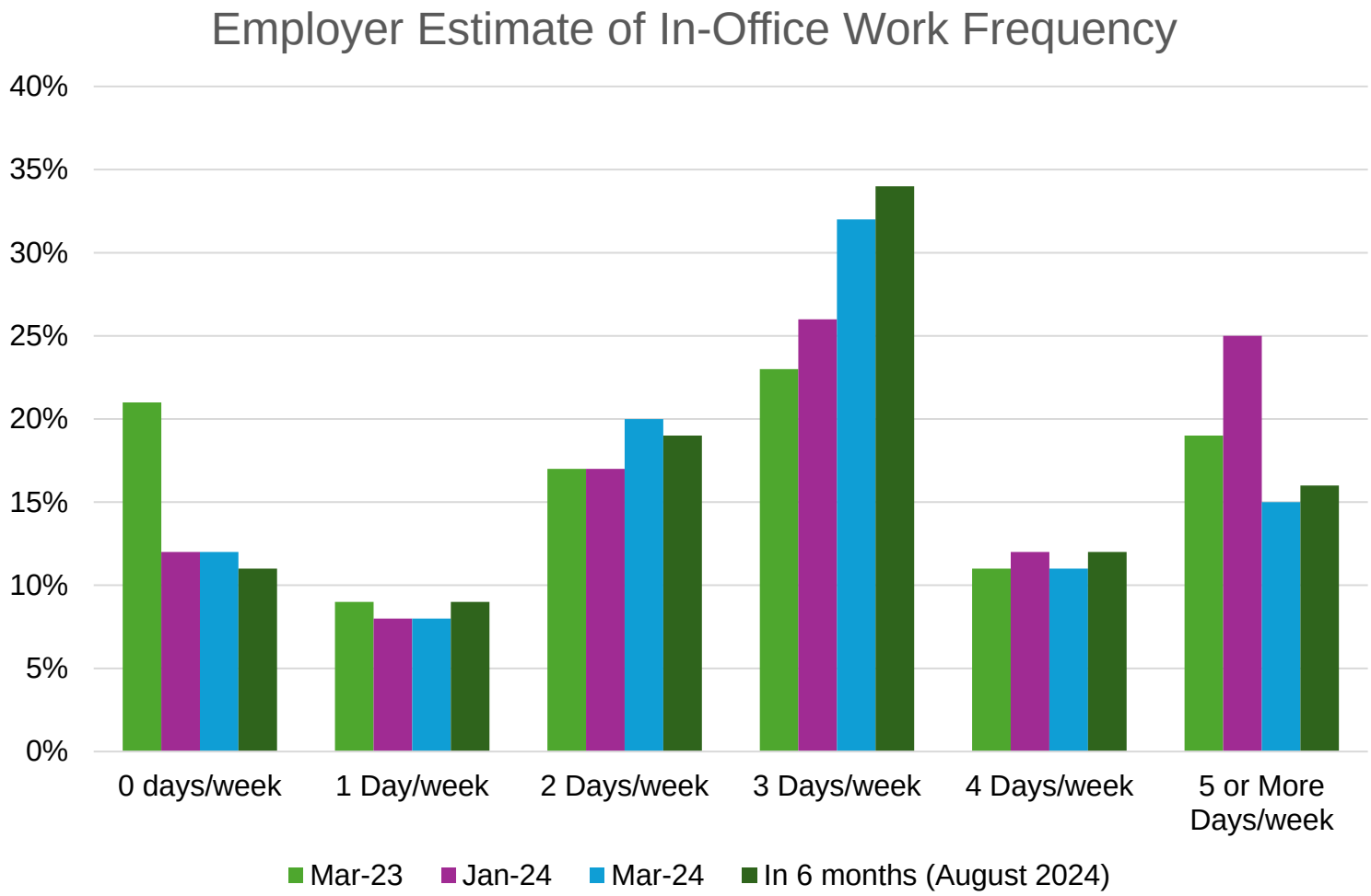
Review Sources of Transportation Funding

Review MTC's Role in Transportation Funding

Public Transportation Funding: Context-Setting

Four Years Since Start of Pandemic, Return to In-Office Work in Full-Swing

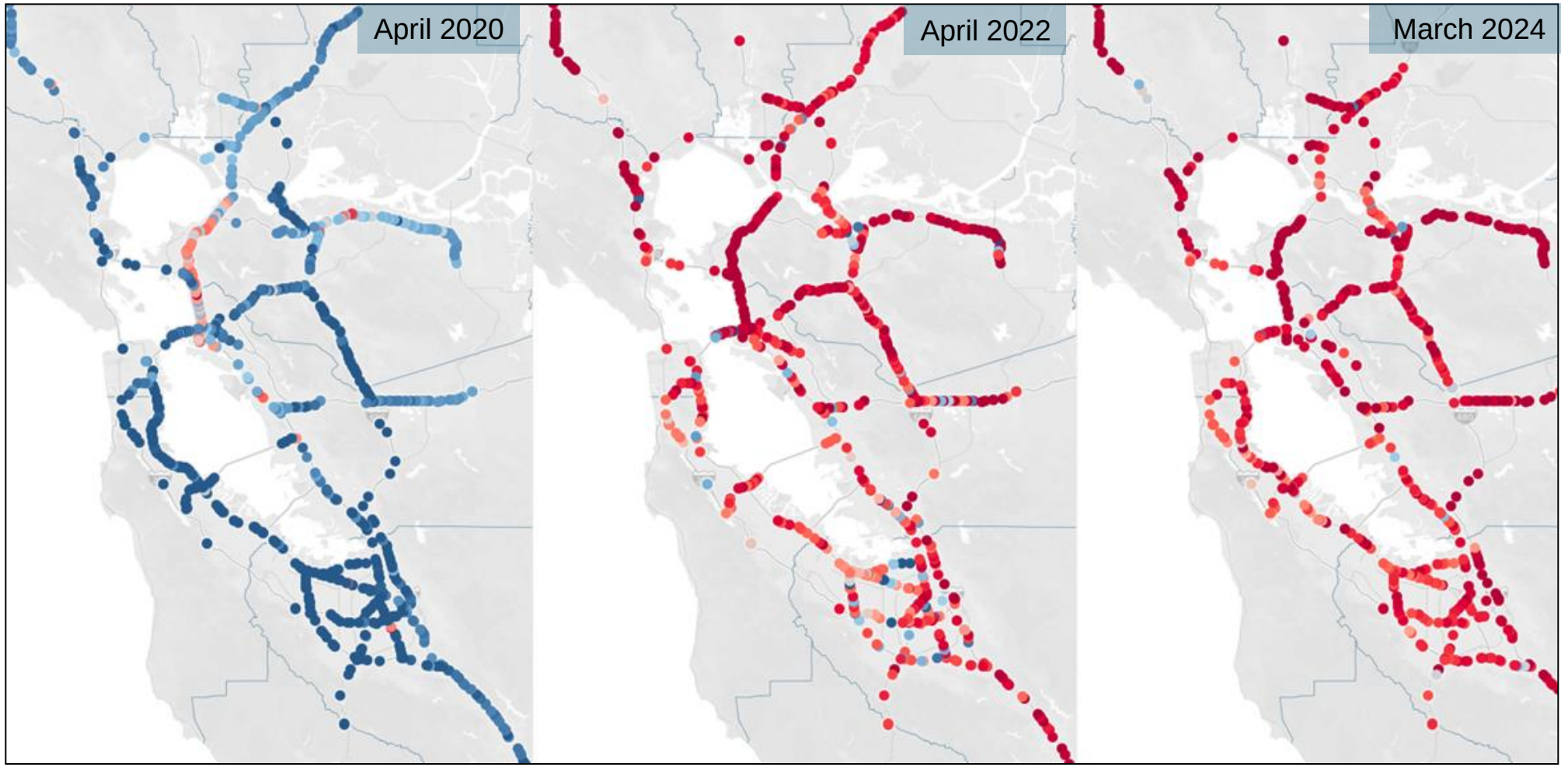
- Over half of Bay Area employers report workers in-office 2-3 days per week
- Share of employers with workers in-office 3 days per week continues to grow
- Share of employers fully remote has settled around 12%



Source: MTC and Bay Area Council Employer Survey

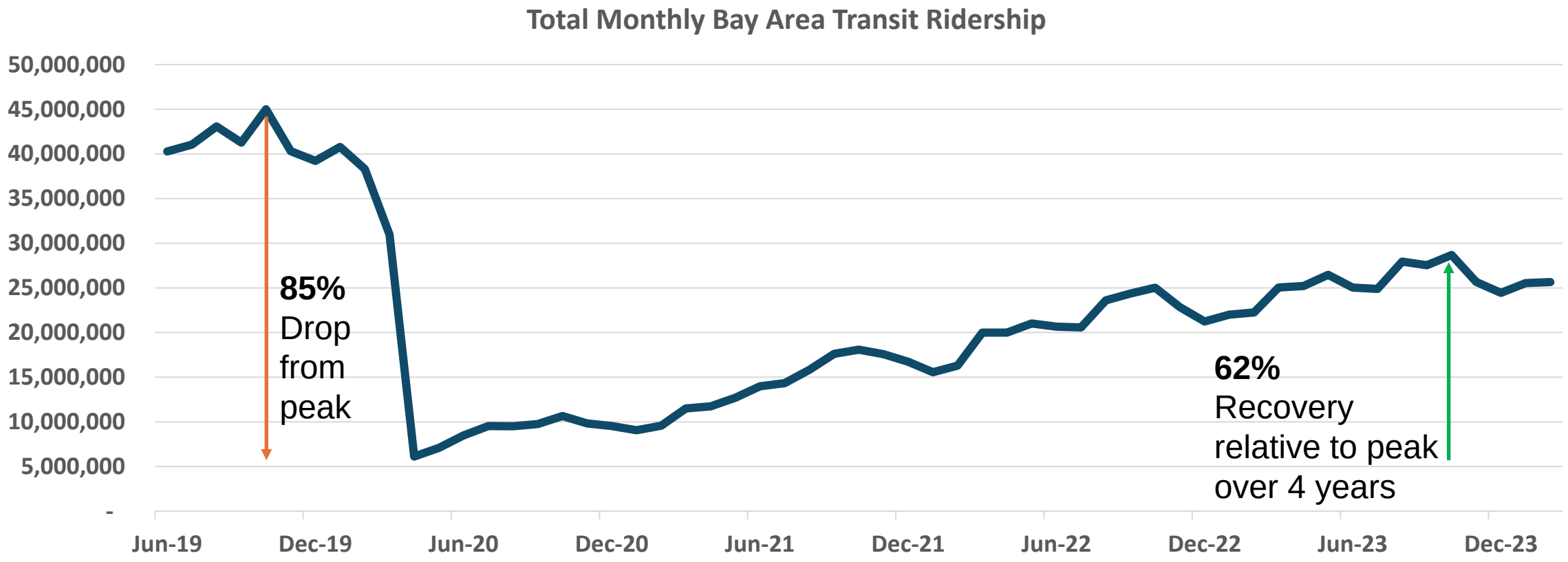
Auto Traffic Has Rebounded in Many Corridors

Highway Volumes (Monday-Friday) vs. March 2019



Source: PeMS

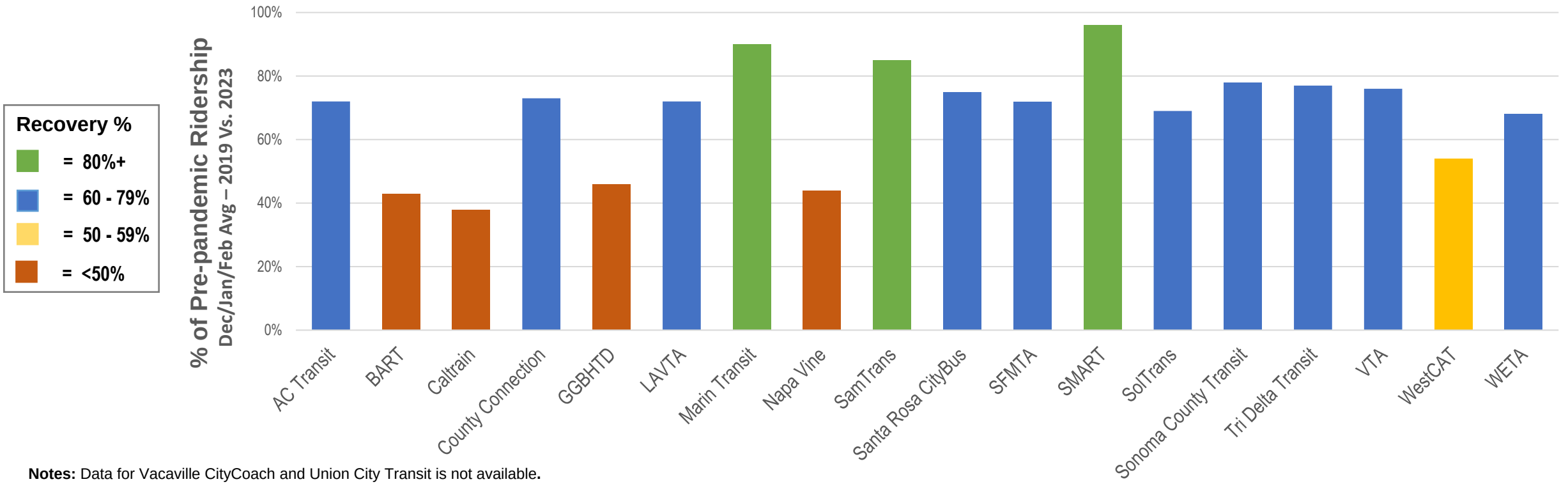
Transit Ridership Recovery Continues but Major Challenges Remain



Notes: Data for Vacaville CityCoach and Union City Transit is not available**.**
Source: National Transit Database.

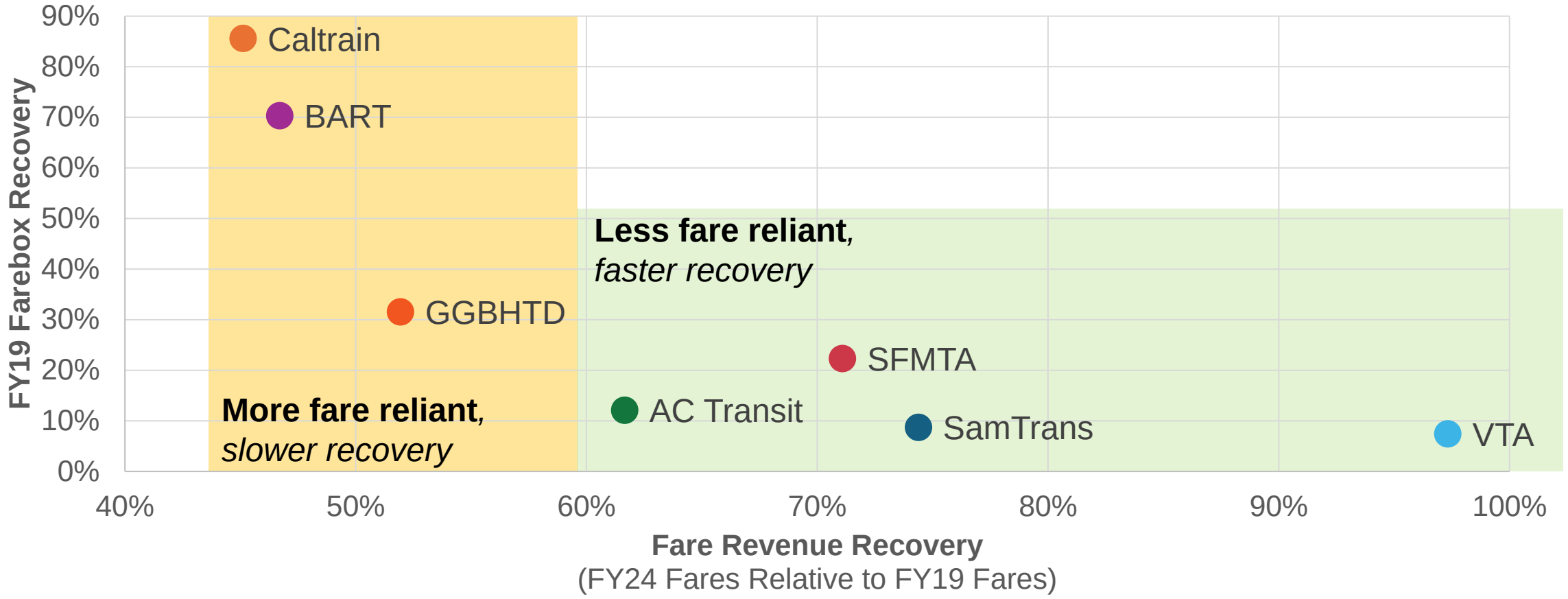
Ridership Recovery Uneven Across Operators

Recovery rates reflect types of destinations served and rider demographics. Agencies serving few riders with jobs that can be done remotely fare better than those serving white collar commuters.



Notes: Data for Vacaville CityCoach and Union City Transit is not available**.**
Source: National Transit Database.

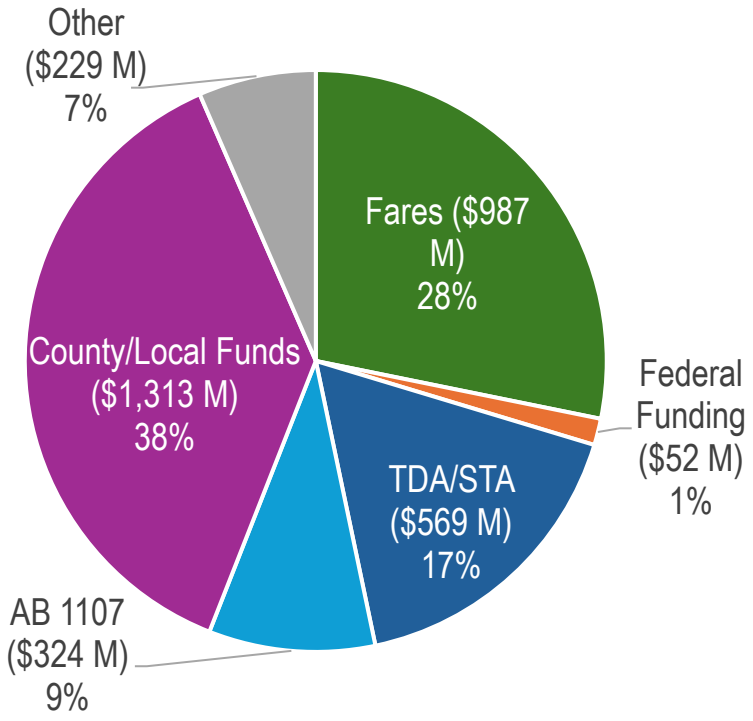
Fare Recovery Slowest for Agencies Most Reliant on Fares



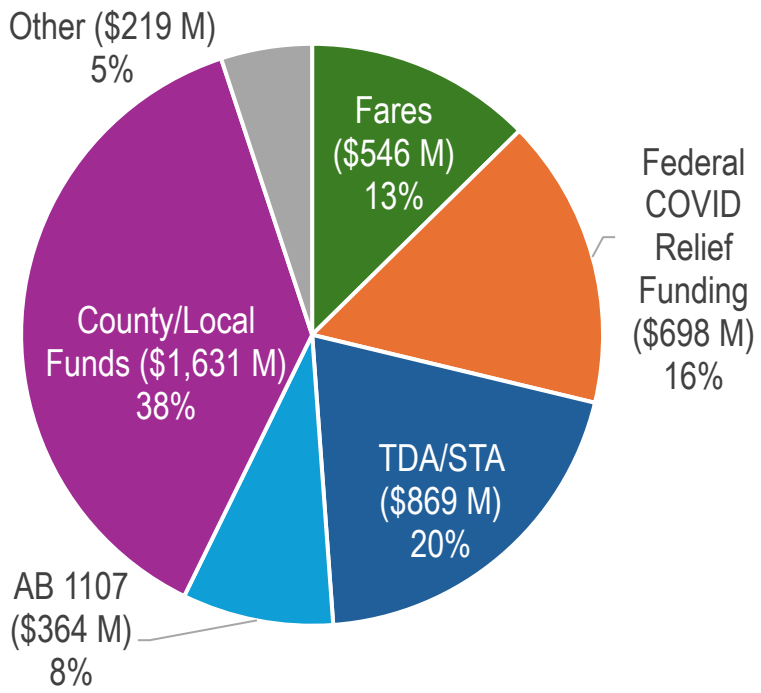
Source: TDA Claims

Higher Operating Costs, Different Funding Mix

FY2018-19
Regional Operating Revenue Mix
Total: $3.5B



FY2023-24
Regional Operating Revenue Mix
Total: $4.3B

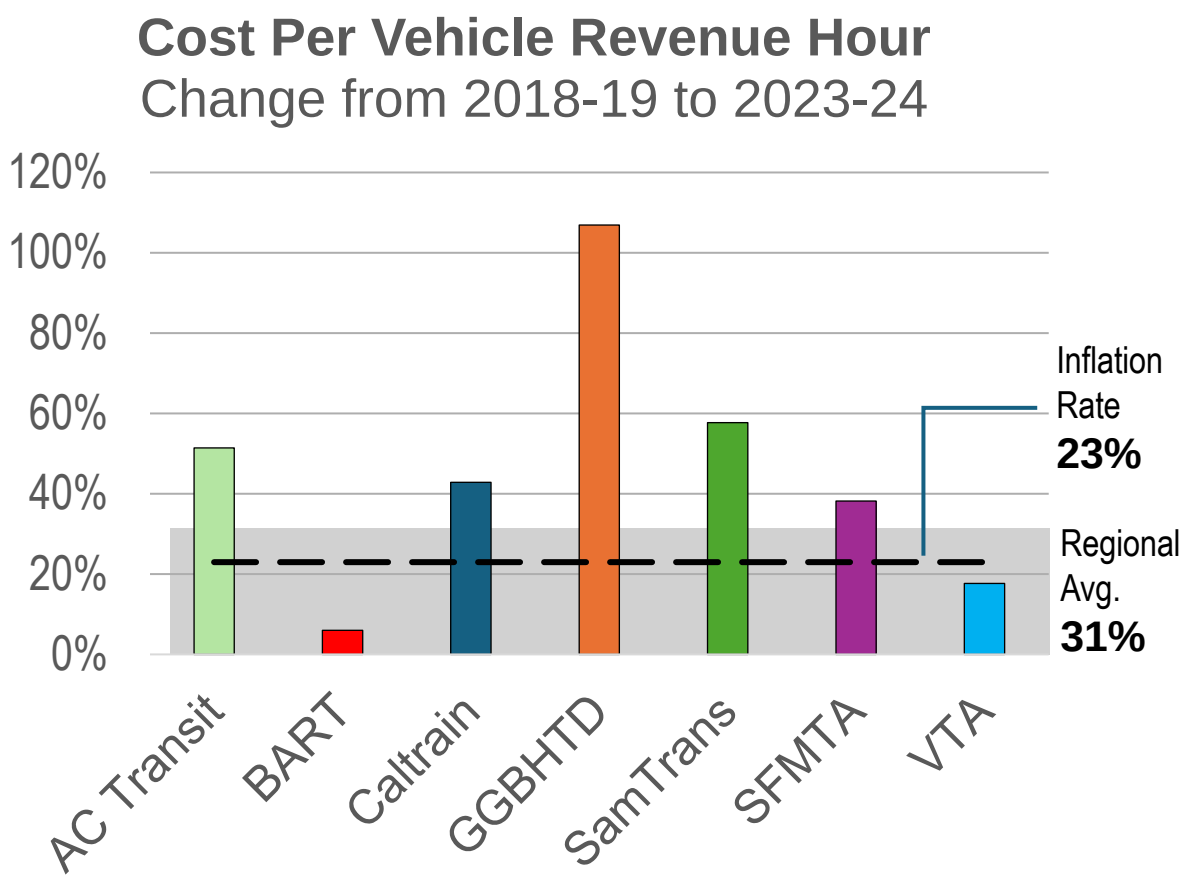


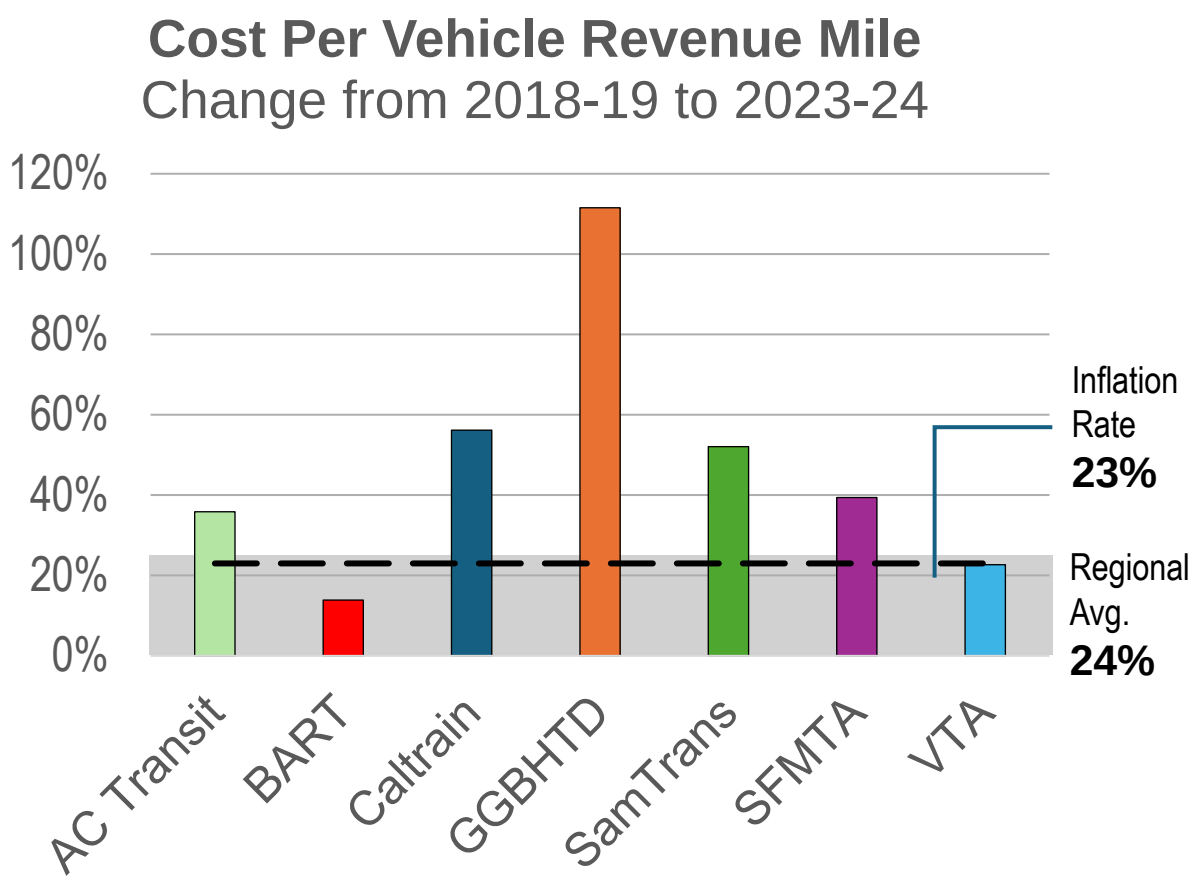
From FY19 to FY24:

- Operating costs grew by over 4% annually
- Fare revenue decreased by $450M (-45%)
- COVID relief funds increased share of federal dollars by $650M (+1,200%)
- Reliance on TDA/STA and County/Local funds increased by $600M (+30%)

Source: TDA Claims

Costs Per Service Hour and Mile Have Grown Substantially in Recent Years

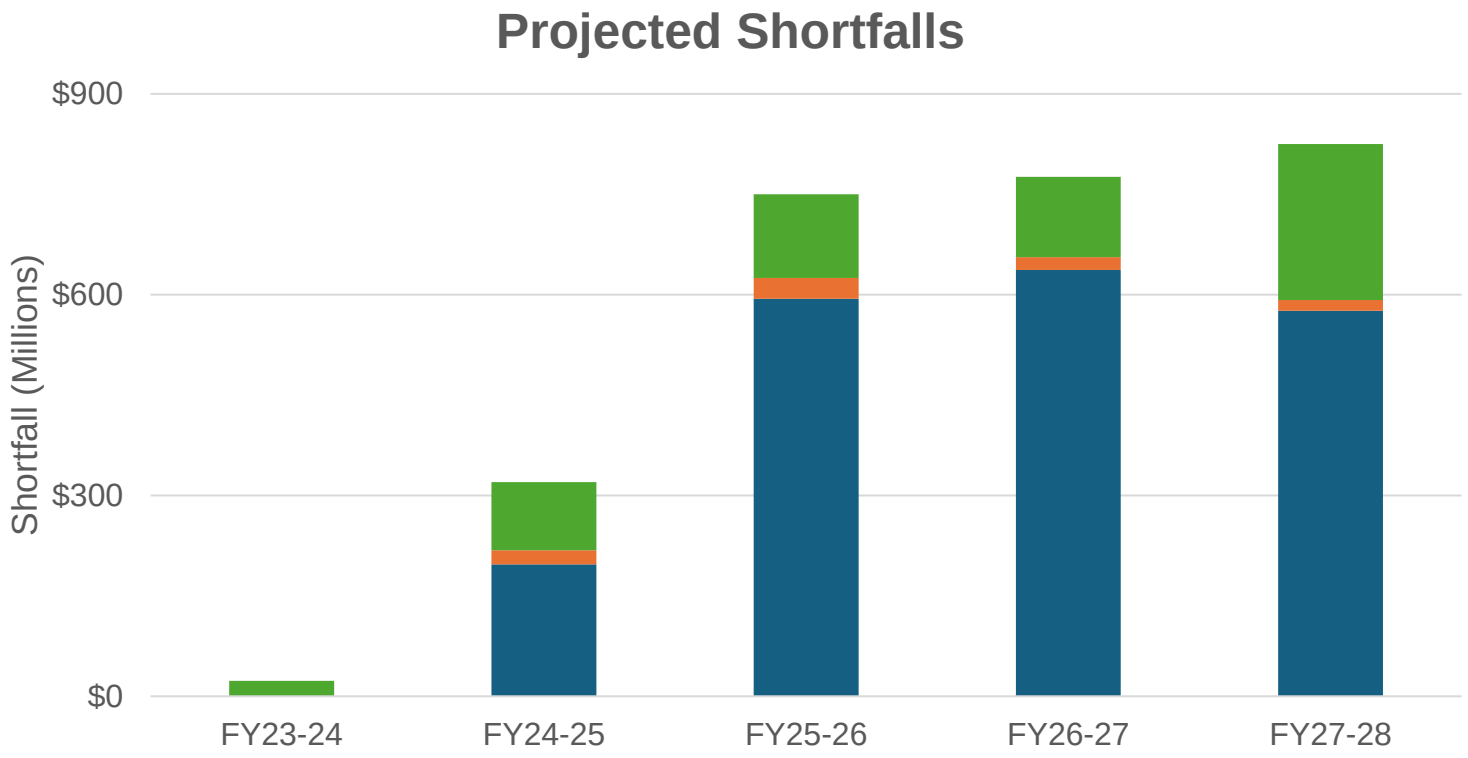




Source: TDA Claims, NTD, Operator Budgets

Trends Add Up to a Significant Regional Operating Shortfall

- Standardized needs based on 2022 service levels, per SB125
- Among large operators, AC Transit, Golden Gate Transit, and SFMTA restored service beyond levels used to estimate standardized shortfalls
- MTC estimates providing 2023 service could raise some agencies' shortfalls by 10% to 20%



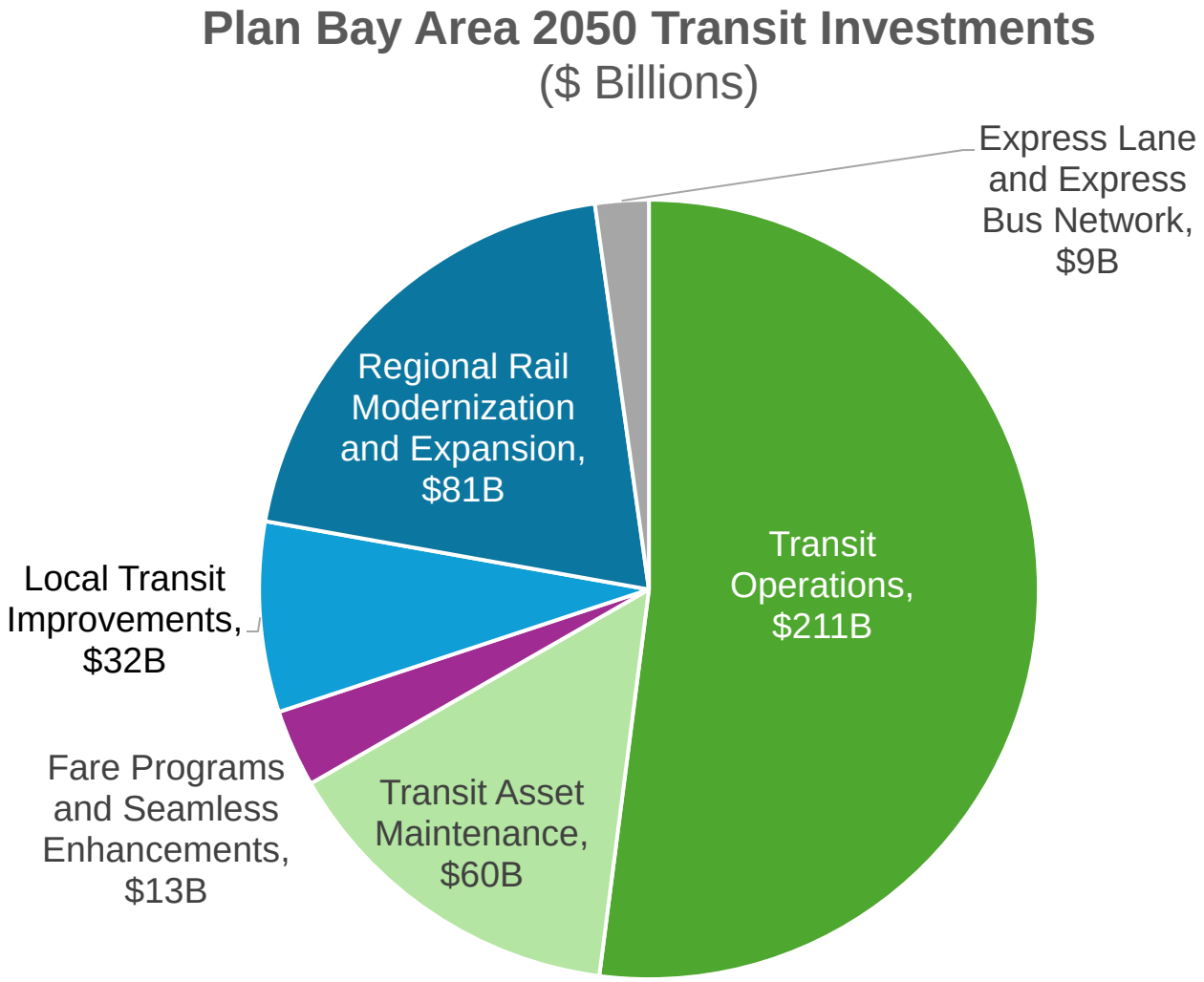
5-Year Total Projected Shortfalls

- Operator Projected Shortfalls: $2.7 billion
- Standardized Shortfalls (FY22): $2.0 billion
- Standardized Shortfalls (FY23): $2.1 billion

Funding Overview: Introducing Common Funding Sources for Transit Operations

Plan Bay Area 2050 Included Robust Transit Investments

- ~70% of transit investments fund ongoing operations and transit asset maintenance
- Remaining funds directed to projects to expand and improve existing system
- Plan Bay Area 2050 also invests heavily in active transportation, climate resilience, pavement maintenance, and fare affordability

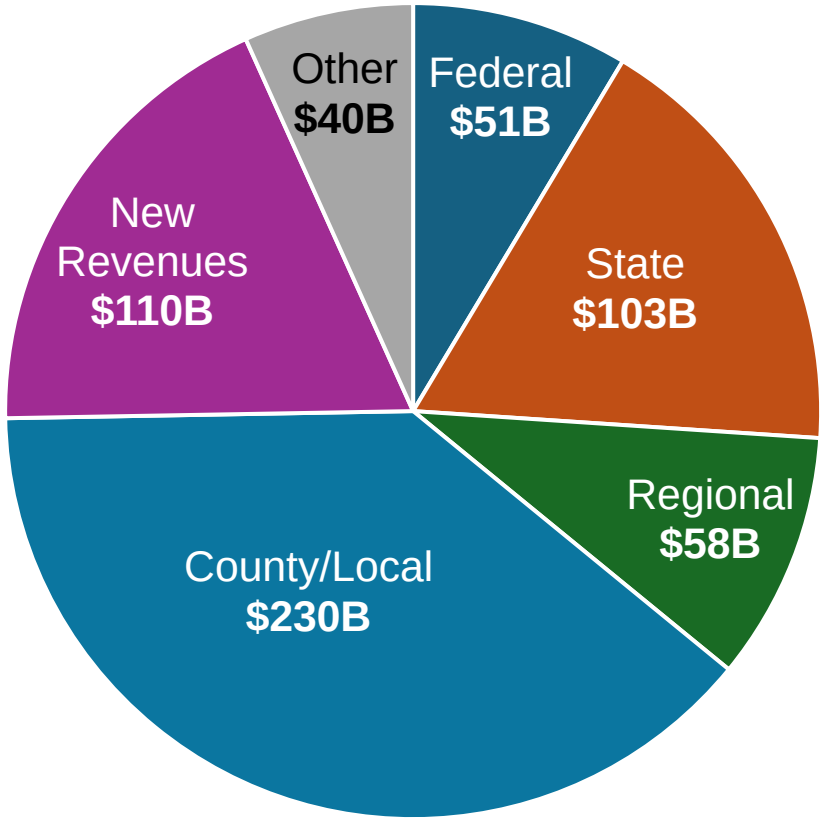


Source: Plan Bay Area 2050 Technical Assumptions Report
Note: Excludes $185 billion in envisioned investment in non-transit projects

These Regional Plan Investments Rely on Various Revenue Streams

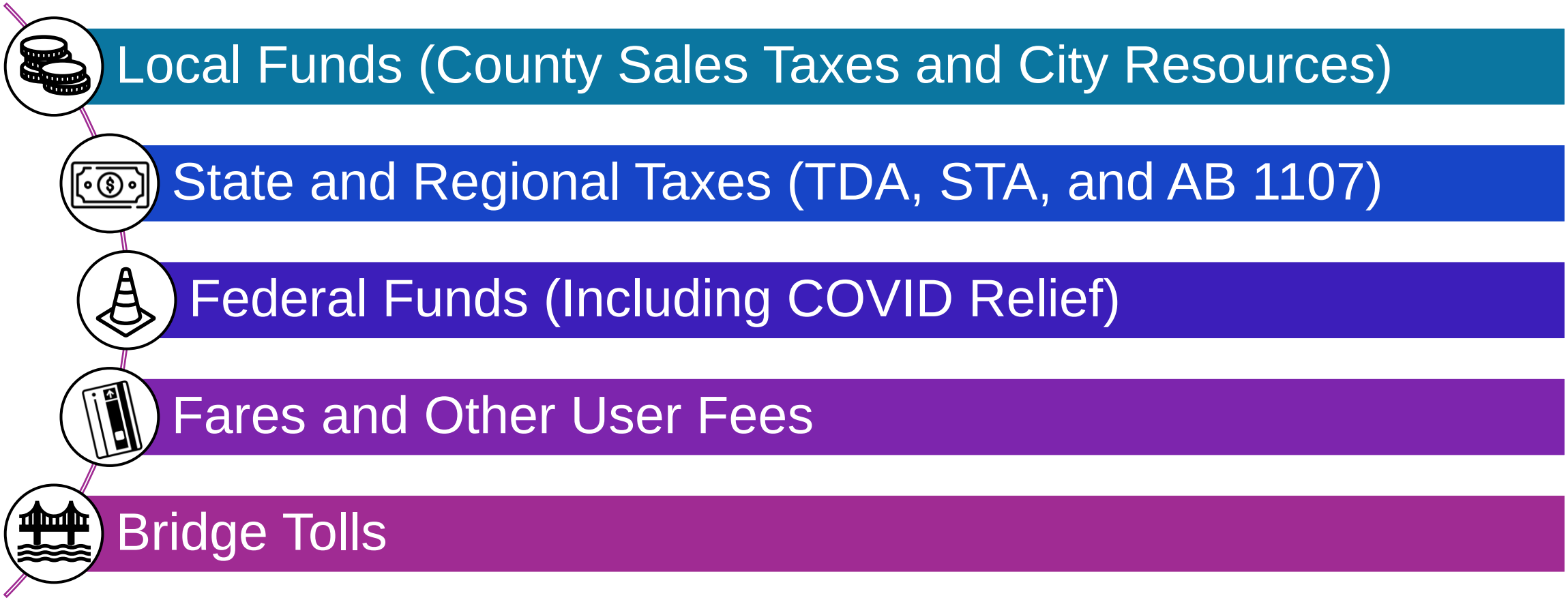
- ~40% of revenues over the next 30 years are anticipated to come from county/local sources
- $110 billion comes from new monies including a regional measure and pricing strategies
- For the next regional plan, revenues are projected to decrease, requiring prioritization

Plan Bay Area 2050 Revenue Forecast
($ Billions)



Source: Plan Bay Area 2050 Technical Assumptions Report
Note: Includes revenues that would fund non-transit projects

Transit Operations Funded by Variety of Sources



Transit Relies on Local and Statewide Sales Taxes for Operations

County/Local Funds
Total: $1.6B

- Voters in most counties have approved sales tax measures that direct funding to transit operations
- Some operators have large, unique sources of funding (SF General Fund or Golden Gate Bridge toll revenue)
- MTC has no control over the use of these funds

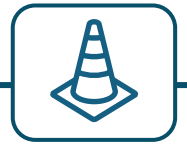
State Taxes
Total: $870M

- STA is a statewide tax on diesel apportioned partly by operator revenue and partly by regional population.
- MTC policy distributes population-based STA funds
- TDA is a statewide quarter-cent sales tax distributed based on county-level revenue generation
- Where operator service areas overlap, MTC policy governs distribution of TDA funds

AB 1107
Total: $360M

- AB 1107 is a half-cent sales tax in Alameda, Contra Costa, and San Francisco counties
- Under statue, 75% goes to BART and 25% goes to MTC to distribute among AC Transit, BART, and Muni
- Historically, the 25% share has been evenly split between AC Transit and Muni

Federal Funding, Transit Fares, and Bridge Tolls Supplement Local and State Funds



Federal Funds
(Including COVID Relief)
Total: $670M

- Prior to the COVID-19 pandemic, federal funds represented a small share of operating budgets
- The Bay Area received $4.4 billion in COVID-19 relief for operations, which is nearly spent down

Fares and Other User Fees
Total: $550M

- Transit fares support transit operations and capital needs, as determined by transit agency budgets
- Operator boards approve fare policy, including increases to keep pace with operating cost growth
- MTC has no control over the use of these funds

Bridge Tolls
Total: $50M

- Toll surcharges such as RM2 ($1) and RM3 ($2 today, $3 effective January 2025) raise funding for transit
- Statute specifies the share of funds dedicated to transit operations support (RM2 - 38%, RM3 – 16%) - MTC has limited discretion

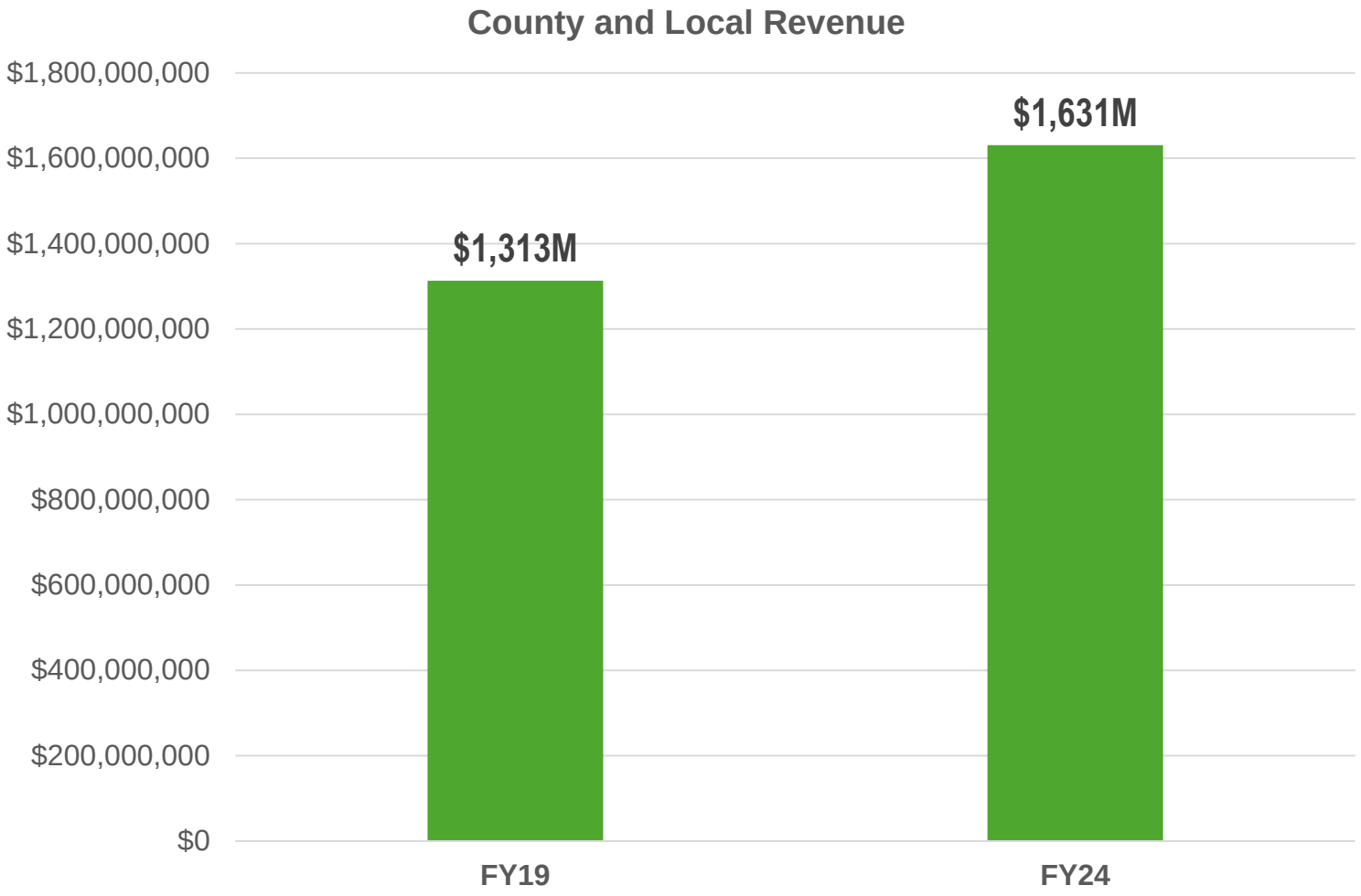
Local Funds – County Sales Taxes and Others

Considerations

New Self-Help Resources: In recent years, voters have approved new revenues, such as Caltrain's Measure RR (2020)

County Sales Tax Renewals: Must be renewed by voters. Several counties passed reauthorizations recently, though the recent SMART sales tax effort failed

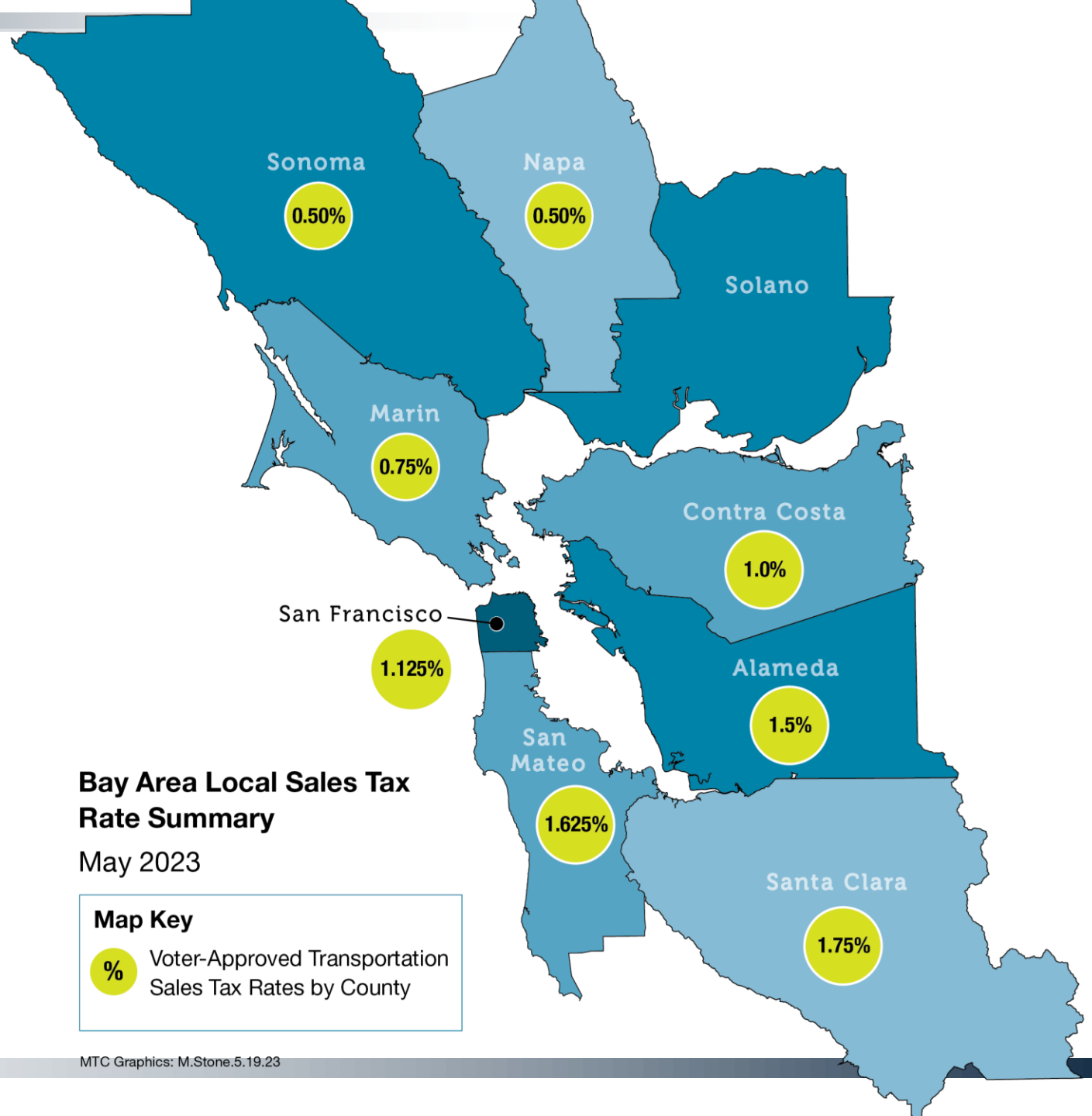
Revenue Trade-Offs: Other local sources like the SF General Fund and Golden Gate Bridge go beyond transit operations



Source: TDA Claims

County Sales Tax Measures Fund a Variety of Transportation Priorities

- Most counties and some regional operators have a dedicated sales tax
- In FY24, operators anticipate leveraging $1.6 billion in sales tax revenue for transit operations
- Hundreds of millions of sales tax dollars are invested in transit maintenance and expansion annually

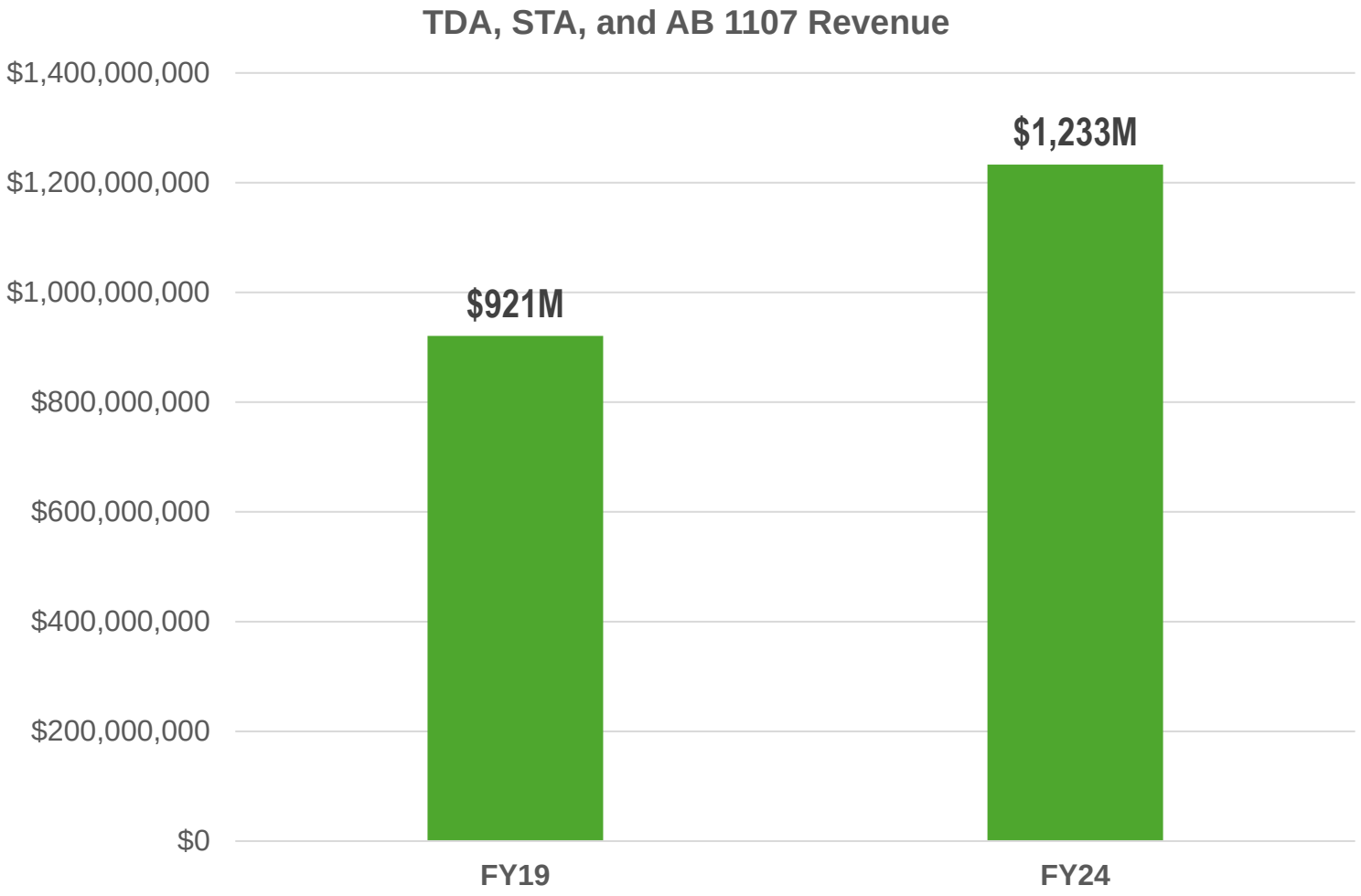


State and Regional Taxes – TDA, STA, and AB 1107

Considerations

Trajectory: Funding has spiked in recent years, decreasing in FY25; receipts barely keeping pace with inflation

AB 1107: 25% of revenues split by MTC between SFMTA and AC Transit

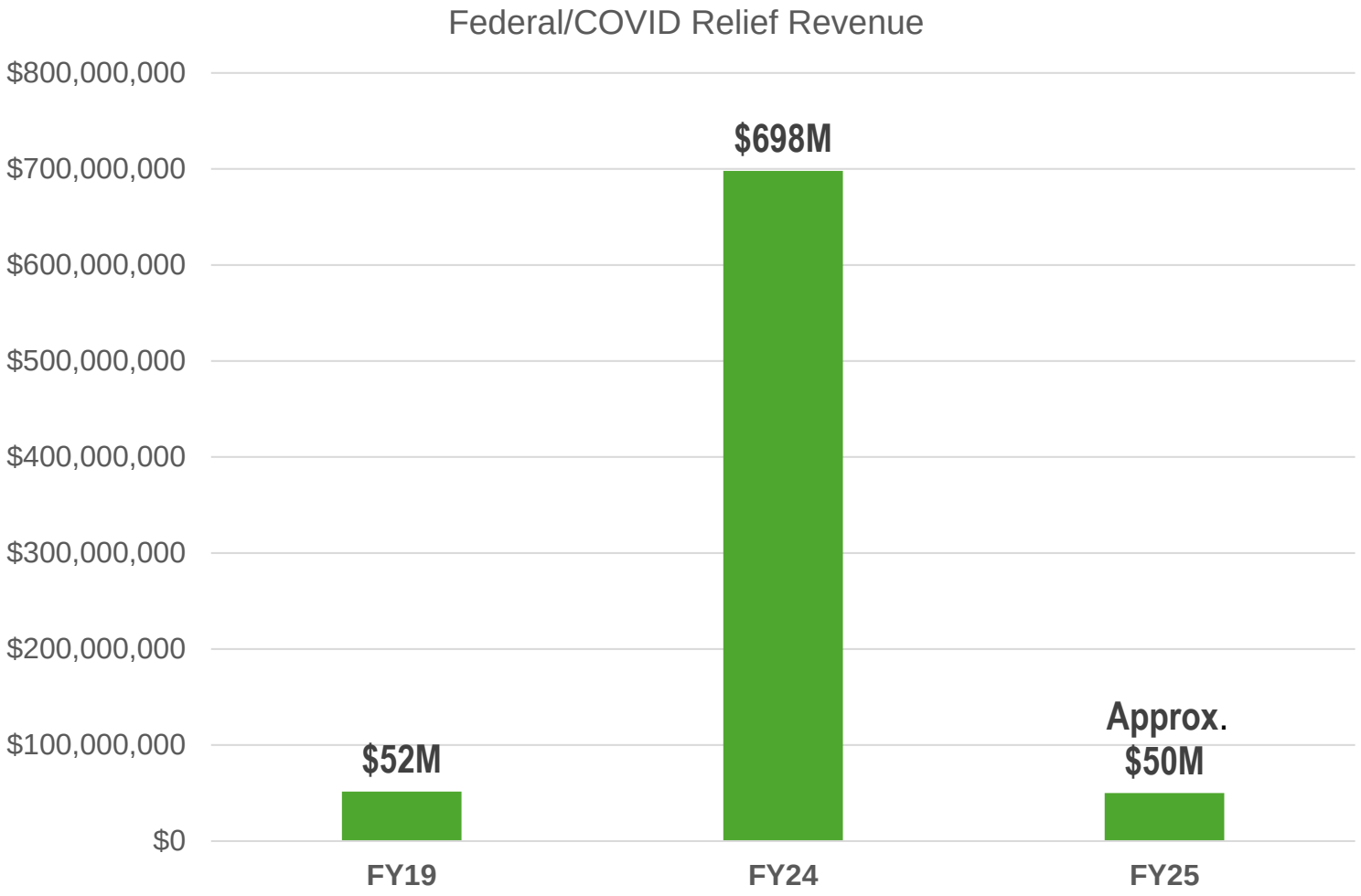


Source: TDA Claims

Considerations

Trajectory: Federal funding grew rapidly with COVID relief. Most operators will exhaust these funds in FY25

Federal Funds
(Including COVID Relief)



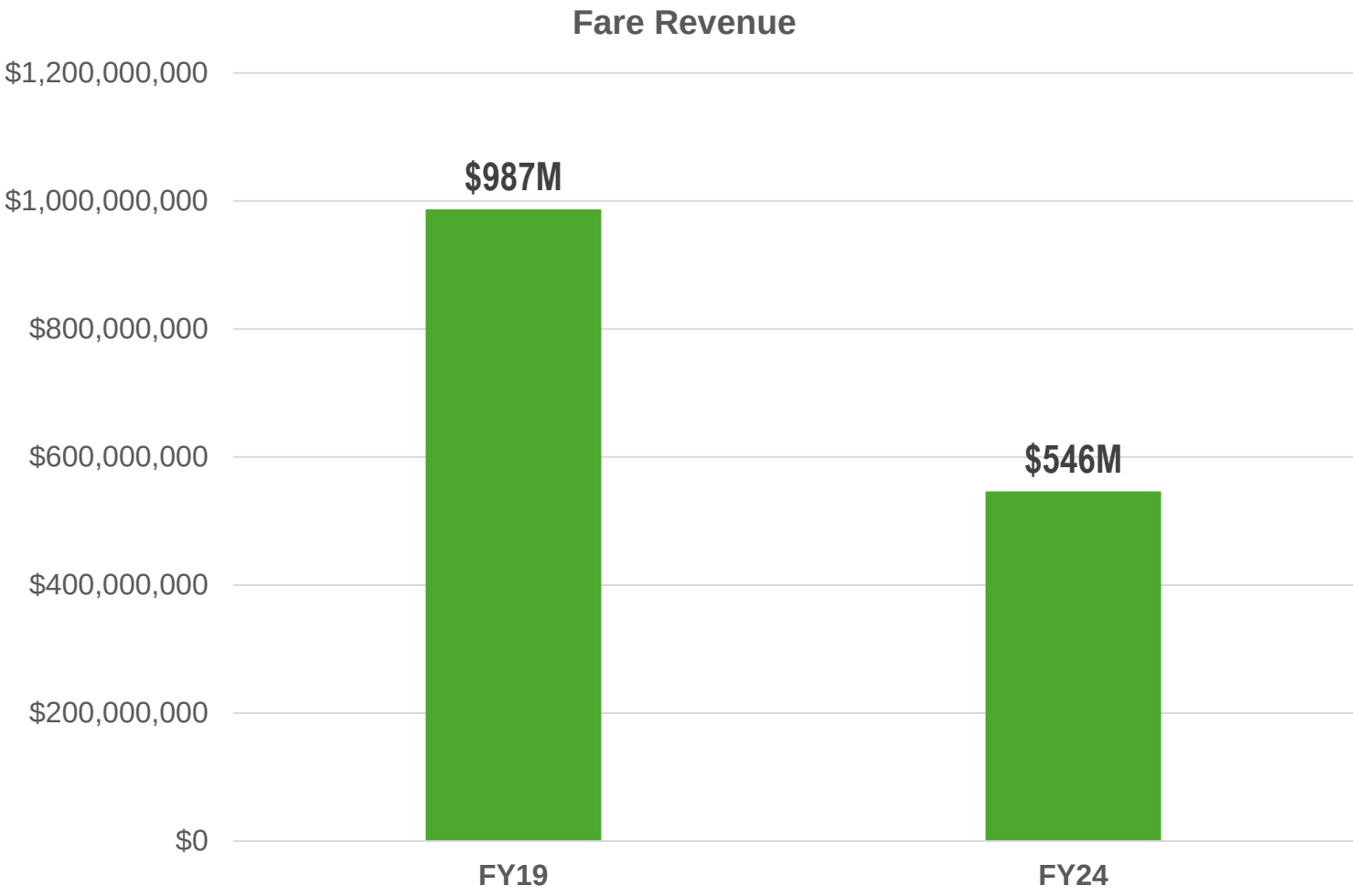
Source: TDA Claims

Considerations

Trajectory: Operators continue to experience uneven recovery, with commute-oriented operators lagging behind

Fare Increase Actions: Operators took varied approaches to raising fares after COVID-era pauses

User Fees – Fares, Parking, Etc.



Source: TDA Claims

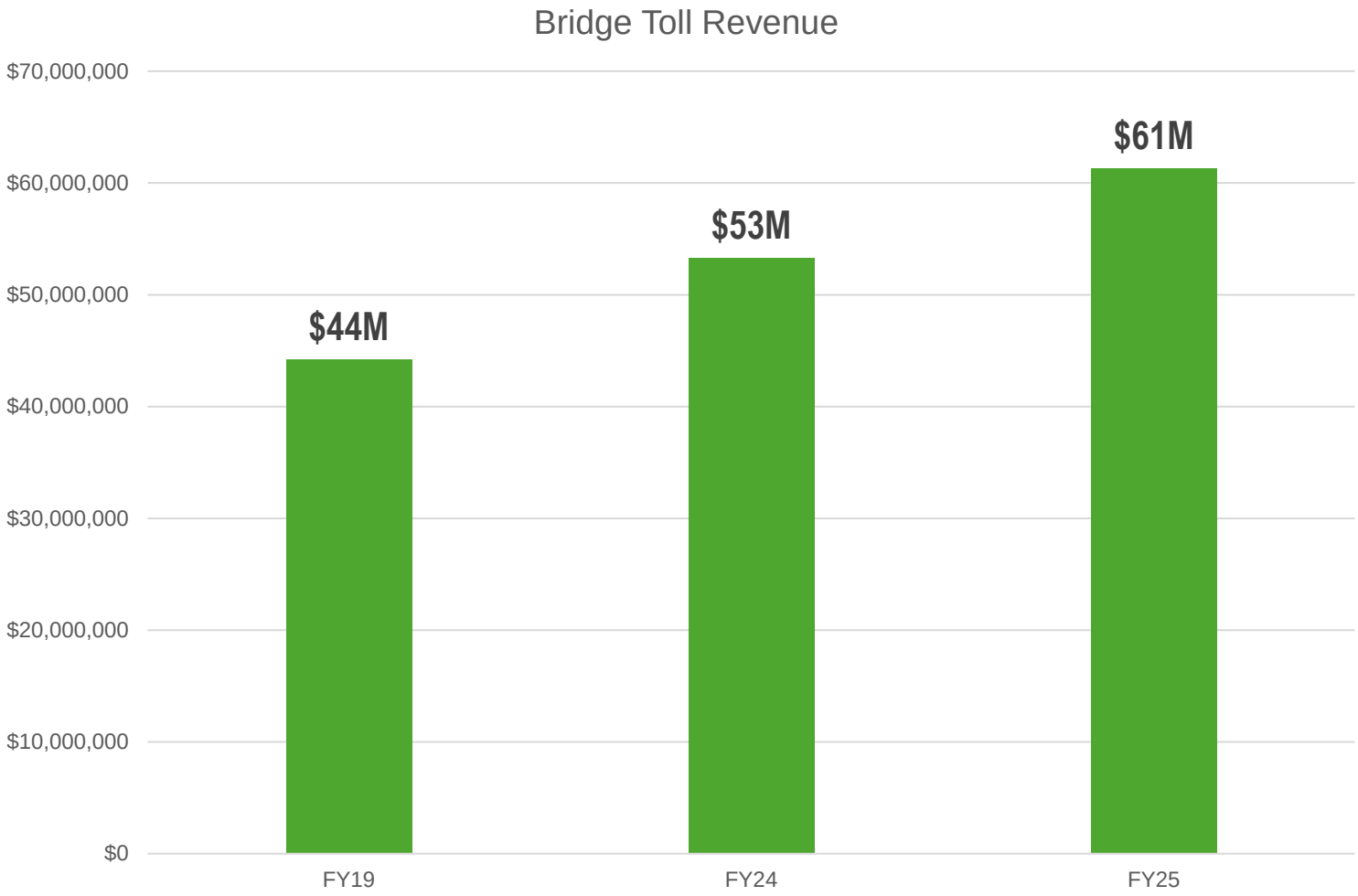
Bridge Tolls

Considerations

Trajectory: Bridge toll revenues have grown since 2020 with RM3. Bridge traffic has not fully recovered to pre-pandemic rates

RM3: Final $1 toll increase effective January 2025; tolls can increase by inflation afterwards

FY25 Estimate: Toll revenue is anticipated to increase by $8M in FY25 due to the RM3 increase



Source: TDA Claims

Pre-Pandemic Revenue Models Present Unique Challenges and Opportunities Today

User Fee-Focused
Fares, Tolls, Parking Revenues

Example Operators
BART, GGBHTD

Sales Tax-Oriented
Sales Taxes = 70% of Operations Revenue

Example Operators
VTA, SamTrans

Mix of Tax-Based Sources
Property/Parcel Taxes, Sales tax

Example Operators
AC Transit, Marin Transit

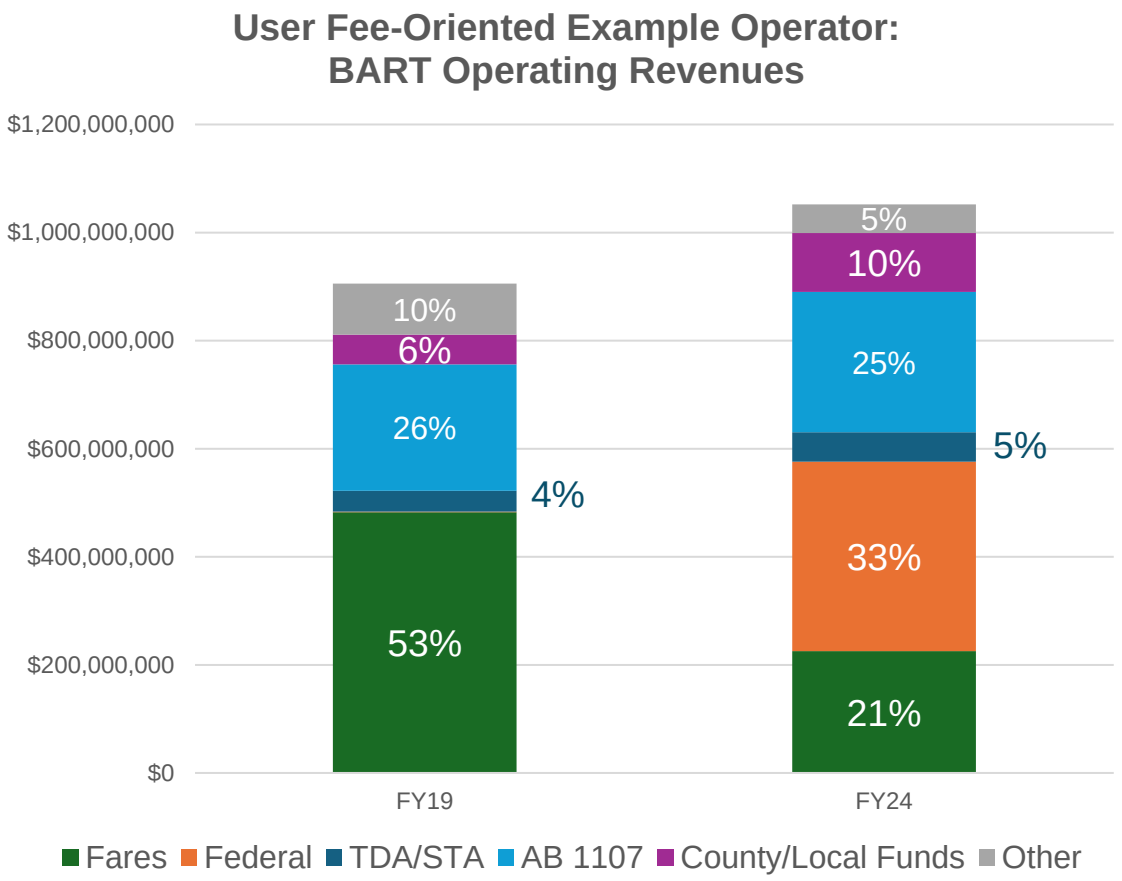
Unique Funding Mix
City General Fund, Special Agreements, MOUs

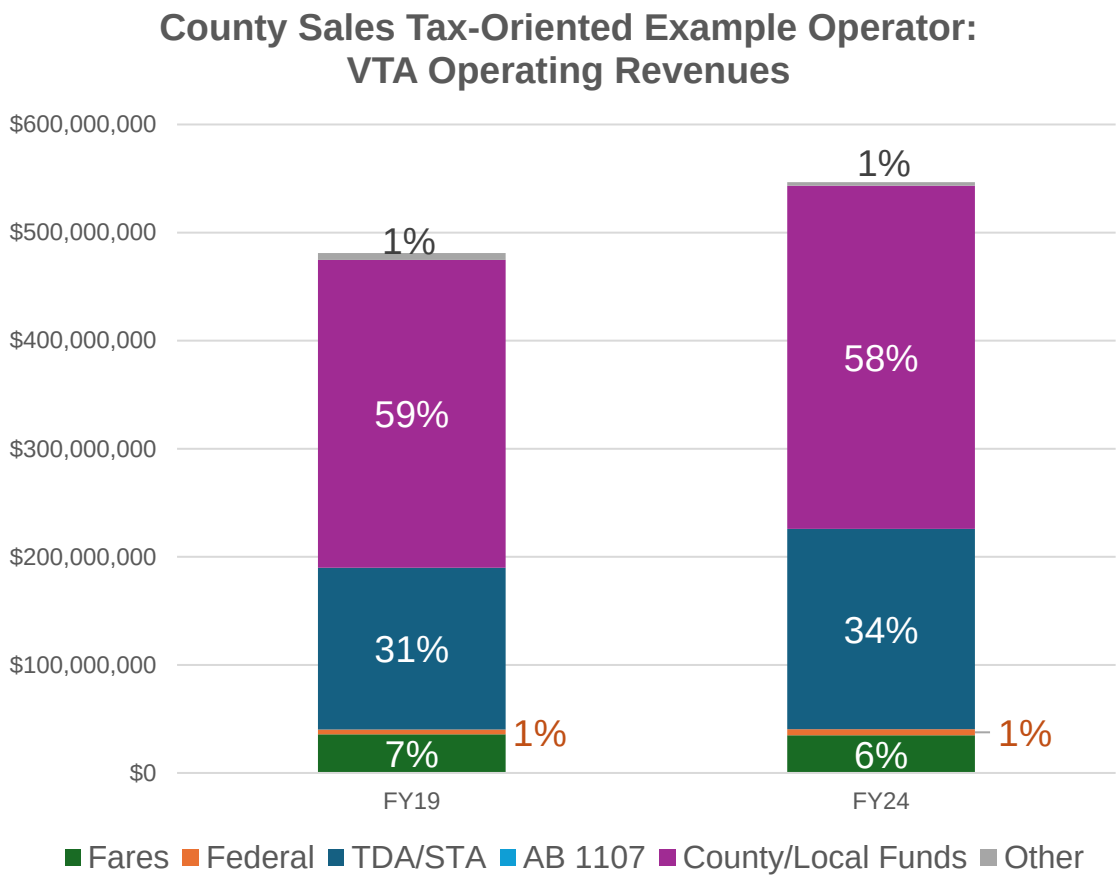
Example Operators
SFMTA, WestCAT, ACE

The financial position that Bay Area transit operators find themselves in today is closely tied to the type of **pre-pandemic revenue model** used by the agency to support operators

Transit operators' **business model** *(the type of service they provide and the demographics of riders they target)* is also key to understanding their current financial position

Each Operator Funds Operations Differently, Resulting in Unique Vulnerabilities





Source: TDA Claims

*VTA's remaining federal COVID relief funding is approximately $230 million

Capital Fund Sources for State of Good Repair, Preventive Maintenance

Federal Transit Formula
(5307, 5337, 5309)
Total: $600M

- Funds determined by FTA formula and apportioned to Urbanized Areas
- Supports transit state of good repair, vehicle replacements, and some operating assistance

Federal Highway Formula
(STP, CMAQ, CRP)
Total: $200M

- MTC typically programs funds through 4- or 5-year cycles of the One Bay Area Grant (OBAG) Program
- Supports projects like:
  - Planning and program implementation
  - Active transportation
  - Roadway rehabilitation and operational improvements
  - Transit capital projects

State and Local Sources
(STA-SGR, Measure Funds)
Total: varies

- State funds for transit state of good repair apportioned by formula
- Local funds also support preventative maintenance in accordance with expenditure plans

Capital Fund Sources for Modernization and Expansion

Federal CIG
(New Starts, Small Starts, Core Capacity)
Total: $500M

- Funding apportioned annually to projects in the “pipeline” via federal budgeting process, based on project readiness and schedule, and federal funding availability
- MTC endorses projects and recommends sequencing through the MAP, but has no direct role

Federal Competitive
(BIL/IIJA)
Total: $100M

- Funding awarded to projects through competitive grant applications
- MTC identifies Regional Priorities, and may apply for grants directly

State Funding
(TIRCP, LCTOP, AHSC)
Total: $250M

- Funding distributed through statewide competitive calls (TIRCP and AHSC) or by formula (LCTOP) for transit expansion or efficiency improvements
- MTC’s discretion varies from having no role in project selection to receiving a small amount of these funds directly

Major Projects on the Horizon

The MTC Major Project Advancement Policy sequences the advancement of major enhancements to the region's transportation network

Example Projects	Total Capital Cost
MAP Level 1	
Caltrain Electrification	$2.4B
BART Core Capacity	$5.1B
BART to Silicon Valley Phase II	$12.2B
Other Level 1 Priorities	$5.0B
Map Level 2	
The Portal (Caltrain DTX)	$8.3B
Valley Link Initial Operating Segment	$1.9B
Other Level 2 Priorities	$6.2B
Total	**$41.1B**

Image Sources (top to bottom): Mass Transit Mag, VTA, TJPA

MTC's Role in Transit Funding

MTC, Operators Take Multi-Pronged Approach for Transit Survival but More Resources are Needed

Federal COVID Relief Funding Distribution

Transit Transformation Action Plan

Regional Network Management

Transit 2050+ Connected Network Plan

Senate Bill 125 Funding Distribution

Image Sources (left to right): MTC (Bus Driver), MTC (Transit Transformation Action Plan Cover), Wikimedia (Millbrae Station), MTC (Map), Noah Berger (Muni Bus)

MTC's Role in Transit Operating Funding

- MTC **programs and allocates over $1 billion annually** to fund transit operations regionwide
- MTC **adopts policies** and **programming documents to guide funding decisions**, advancing regional priorities **within statutory bounds**
- Statute identifies the **transportation funding decision-makers**
  - **Federal Funds:** FHWA, FTA, Caltrans, MTC
  - **State Funds:** CA Legislature, CTC, CARB, Caltrans, CalSTA, and MTC
  - **Regional/Local Funds:** MTC/BATA, CTAs, Transit Agencies, Cities

In-progress

MTC Has Varied Levels of Discretion

One or more of these funding sources could be redirected to support transit operations if needed. Discretionary sources include:

Fund Source	Potential Annual Funding for Operations
Transportation Development Act (TDA)	**$240M**
State Transit Assistance Population-Based Funds	**$65M**
AB 1107 25% Share	**$102M**
Regional Measure 2 and 3 Operating Programs	**$25M**
FTA Formula Funds*	**~$120M over 4-Year Cycle**
Surface Transportation Block Grant (STBG)/ Congestion Mitigation & Air Quality (CMAQ)*	**~$125M over 4-Year Cycle**

**Amounts correspond to the proposed regional contribution associated with Senate Bill 125 funding.*

MTC Allocation Practice for TDA Has Prioritized Bus

Looking at BART as one such example, a nominal amount of regional discretionary fund sources support operations, given historical reliance on operator-controlled resources

Fund Source	Revenue Estimate (FY2023-24)	BART Operating (Status Quo)	BART Eligibility	Current Recipients
Transportation Development Act	$518M	$0	$285M	AC Transit, SFMTA, SamTrans, Contra Costa County operators
BART District Tax (25% Discretionary – AB 1107)	$109M	$0	$109M	SFMTA, AC Transit
MTC State Transit Assistance (Population-Based Funds)	$112M	$1M	$112M	County Block Grant, MTC regional programs
MTC Low Carbon Transit Operations Program (Population-Based)	$10M	TBD	$10M	TBD
Bridge Tolls	$5M	$0	TBD	TBD
Total Discretionary	**$754M**	**$1M**	**$516M**	

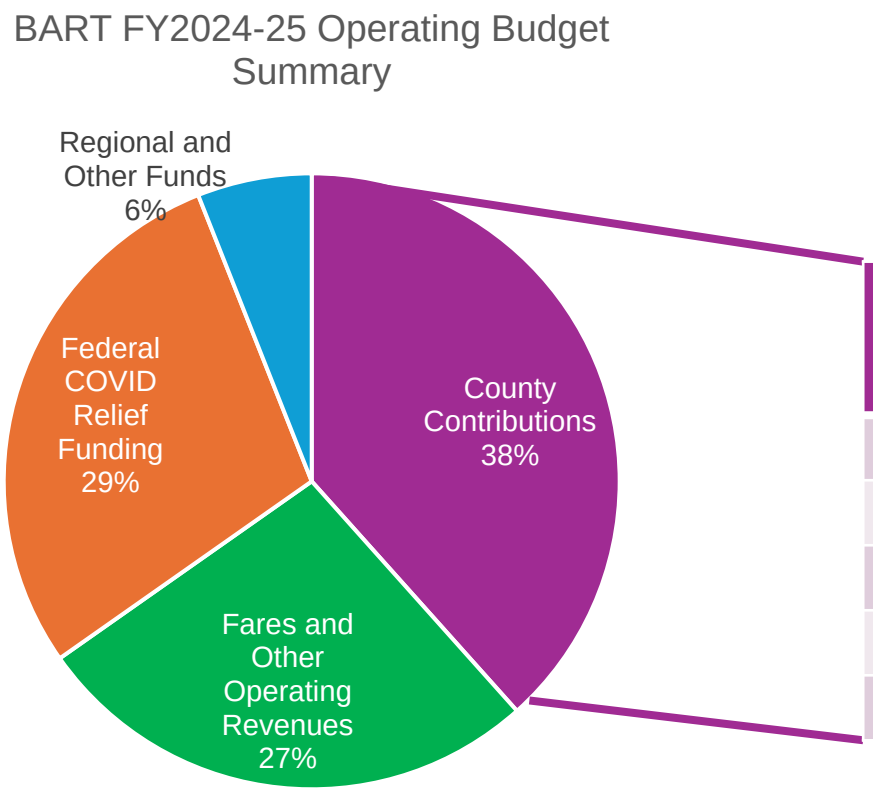
Regional Operators Benefit Multiple Counties

- Operators serving primarily regional markets – BART, Caltrain, and Golden Gate – have significant shortfalls
- Shortfall funding for these regional operators should be quantified as a benefit when considering “fair share” principles

	Share of AM Boardings	Share of All Day Boardings
BART		
Alameda	44%	35%
Contra Costa	23%	14%
San Francisco	21%	44%
San Mateo	9%	6%
Santa Clara	2%	2%
Caltrain		
San Francisco	21%	24%
San Mateo	37%	34%
Santa Clara	42%	42%
Golden Gate Transit		
Contra Costa	2%	2%
Marin	68%	48%
San Francisco	25%	47%
Sonoma	4%	3%

Source: Clipper FY2022-23 Trip Origin Data

BART Operating Budget Breakdown: County Support



Tax revenues from the five BART counties account for roughly 40% of BART's operating budget. The chart below compares each county's share of that "county contribution" to the county's share of BART riders.

County Contributions to BART Operating Budget	FY25 Operating Budget Share of County Contributions	County Share of AM Ridership (Proxy for County of Residence
Alameda	44%	44%
Contra Costa	25%	23%
San Francisco	22%	21%
San Mateo	1%	9%
Santa Clara	8%	2%

Includes AB 1107 share, county measures, estimated BART property tax share, and funding from agreements with Caltrain and VTA

Source: BART Budget

Questions?