

# MTC Resolutions 4321, Revised and 4504: FY 2022-23 MTC Fund Estimate and American Rescue Plan Funding Exchange

MTC Programming and Allocations Committee

February 9, 2022



# Fund Estimate Background

- State law requires MTC to complete a Fund Estimate by March 1<sup>st</sup> annually
- Assists transit operators in budgeting
- Approx. 40% of Bay Area transit operating revenues are based on sales taxes
- As expected, caution is warranted in budgeting for FY 2022-23 given uncertainties around the ongoing impacts of COVID-19 on public transit
- **FY 2022-23 Fund Estimate will program approx. \$967 million, mostly for transit operations**



# Fund Estimate Overview

|                       | Program  | Description   | FY 2020-21 Actuals | FY 2021-22 Revised Estimates | FY 2022-23 Estimates |
|-----------------------|--|---|--------------------|------------------------------|----------------------|
| Sales Taxes and Tolls | Transportation Development Act (TDA) ¼ ¢ Sales Tax | ¼ ¢ sales tax in each county  | \$403              | \$470                        | \$483                |
|                       | AB 1107 ½ ¢ Sales Tax                              | MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties | \$86               | \$98                         | \$100                |
|                       | Bridge Tolls                                       | MTC 2% Toll Revenues and 5% State General Fund Revenues                                       | \$5                | \$5                          | \$5                  |
| STA Formula           | State Transit Assistance (STA)                     | Sales tax on diesel fuel in CA  | \$199              | \$245*                       | \$269                |
|                       | State of Good Repair (SGR) Program                 | Transportation Improvement Fee (vehicle registration fee)                                     | \$42               | \$43*                        | \$44                 |
|                       | Low Carbon Transit Operations Program (LCTOP)      | 5% of Cap-and-Trade auction revenues  | \$37               | \$39*                        | \$66                 |

Note: Estimated revenue amounts are rounded to nearest million.

\*Amounts reflect adopted FY21-22 CA Budget

# TDA Sales Tax Forecast

## FY 2022-23

- Return to Source – Revenue earned in a county is spent in that county.
- Estimates for each county prepared by individual county Auditor/Controllers
- FY22 (Current Year) estimates revised to **\$470M**
  - Up 12% from original \$419M FY22 estimate
  - Up 16% from FY21 Actuals (\$403M)
- FY23 estimates projected to be 2.9% higher at **\$483M**
  - Contra Costa, SF, and Sonoma projecting ~5% growth over FY22 revised estimates
- Does not account for possible impacts due to eBay sales tax adjustment in Santa Clara



# STA Formula Programs

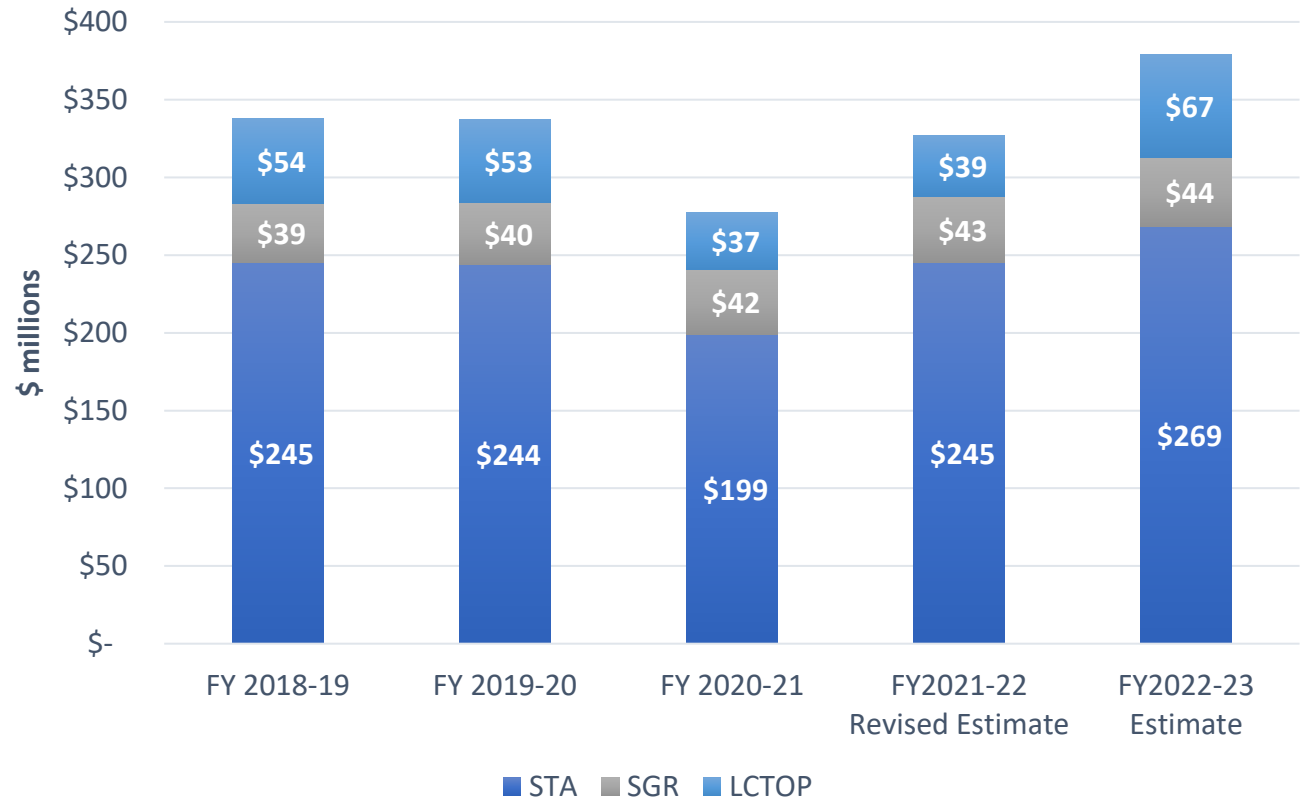
## FY 2022-23

State Transit Assistance (STA) formula splits statewide revenue 50/50 between a Revenue-Based program and a Population-Based program

Revenue-Based funds flow to transit operators via MTC based on their qualifying local revenue

Population-Based funds flow to the Bay Area based on our 19.5% share of the state's population and are programmed by MTC

**FY 2022-23 forecast of \$379 million for the Bay Area** in STA, State of Good Repair (SGR) Program and Low Carbon Transit Operations Program (LCTOP) revenue



# AB 1107 Sales Tax Forecast

## FY 2022-23

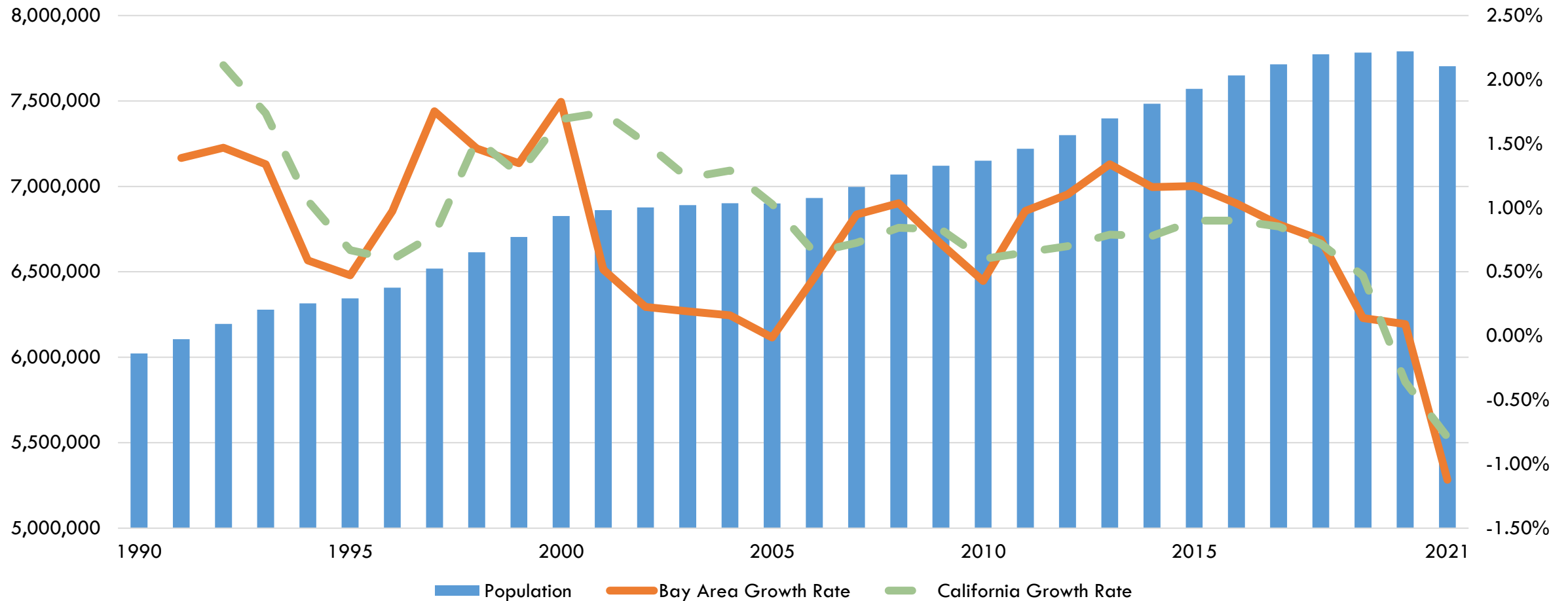
- 25% of total revenue from BART's sales tax in Alameda, Contra Costa, and San Francisco counties
- MTC estimates revenue and establishes funding policy
- Only AC Transit, BART, and SFMTA eligible to receive AB 1107 funds per state statute
- Historically, Commission policy is to distribute 50% of funds to AC Transit and 50% to SFMTA
- **FY 2022-23 forecast of \$100 million is a 16% increase from the actuals for FY 2020-21 (\$86.1M), in line with projected growth in TDA sales tax in Alameda, Contra Costa and San Francisco**

***FY 2021-22 forecast is revised upwards to \$98 million from \$83 million***



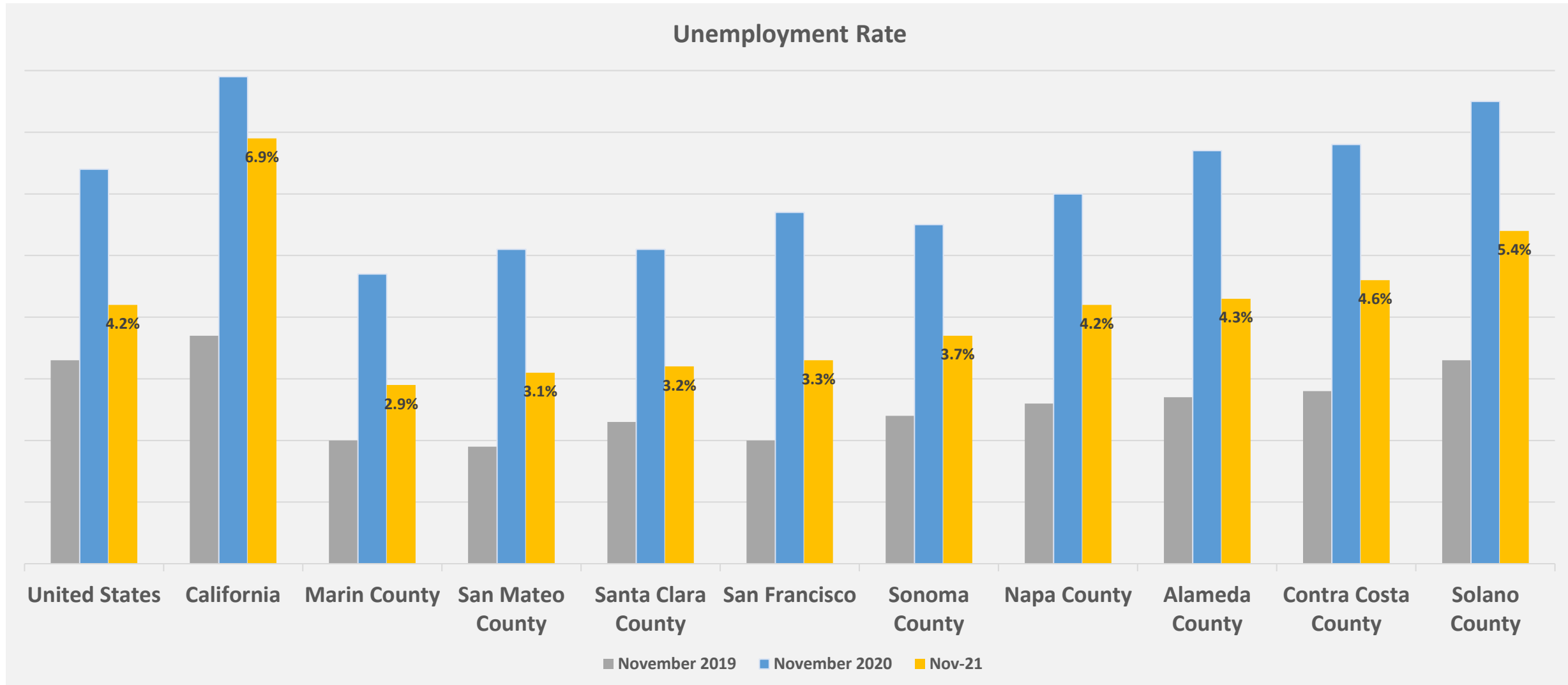
# Bay Area Population

- Bay Area Population has declined, now equal to 2016 levels
- The regional population is shrinking faster than the state population.



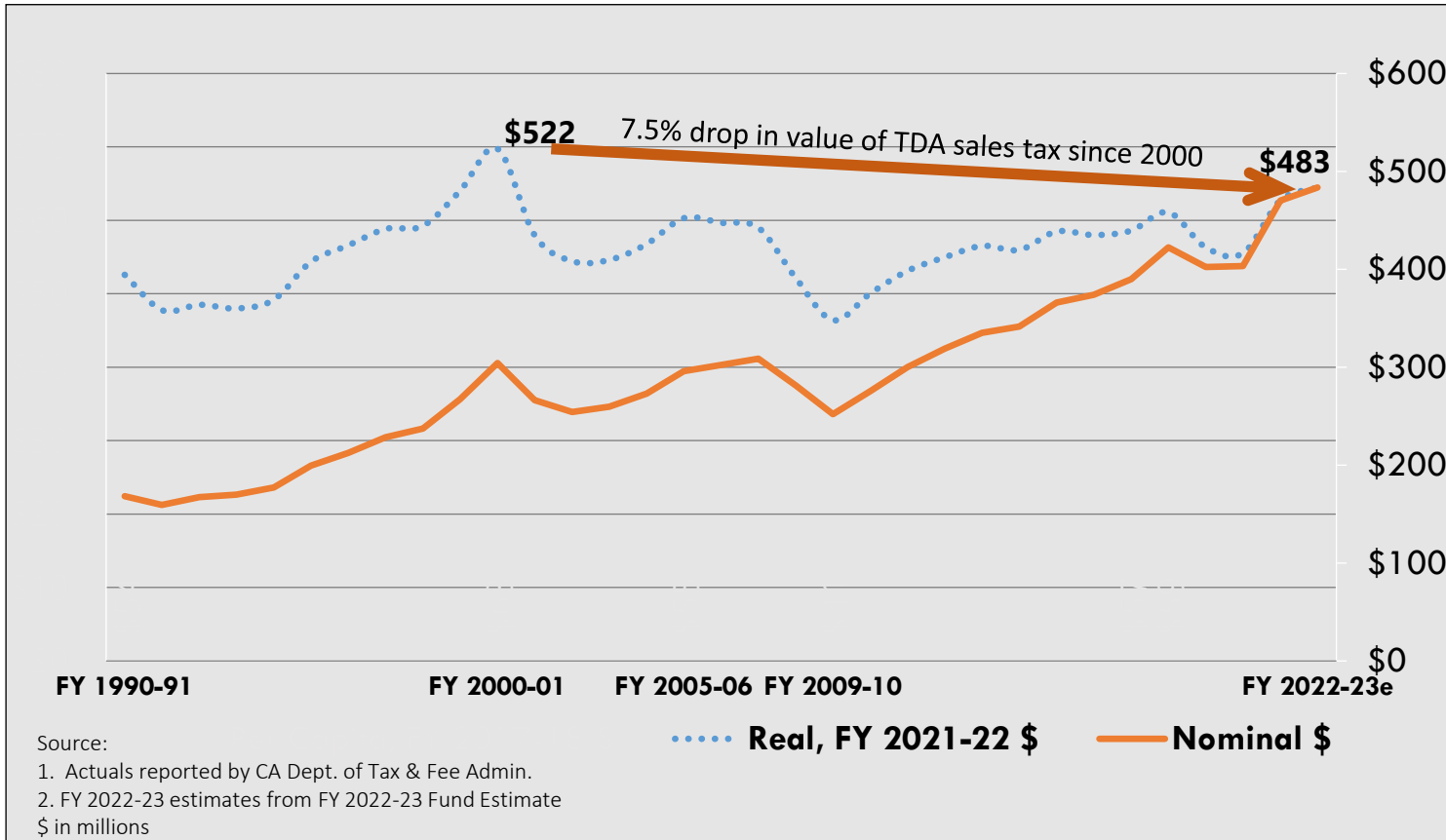
# Bay Area Unemployment Rate

- Unemployment rates have improved significantly, but remain above pre-pandemic levels





# Real Sales Tax Revenue: 7.5% drop since 2000



- Despite near continuous increases in sales tax revenues in nominal terms, revenues have not kept up with inflation
- Since 2000, real sales tax revenues have declined 7.5%

# STA-ARP Exchange

- \$85 Million of ARP funds, originally set aside for Blue Ribbon Implementation Plan initiatives, were programmed directly to operators in Fall 2021
- Funding exchanges have been identified with STA Population Based (\$22M), STA Revenue Based (\$32M), and TCP/FTA Formula funds (\$31M)

## STA Population-Based Program

### Traditional Approach:

- 70% of funds are directed to the County Block Grant Program (established by **MTC Res. 4321**), and are programmed by County Transportation Authorities (CTAs)

### Revised Approach:

- The County Block Grant program will be suspended through an amendment to MTC Res. 4321. The program will receive no new revenues in FY23.
- FY23 STA revenue will instead be programmed directly to operators.
- From those allocations, the first dollars will be applied to the ARP Fund Exchange, and any remaining FY23 revenues will be disbursed to operators
- A supplemental page to the Fund Estimate will detail the programming and exchange amounts by operator

## STA Revenue-Based Program

- FY23 STA Revenue-Based funds will be allocated to operators as usual.
- Funding agreements will be executed with six operators to facilitate additional ARP exchange needs
- Details with precise exchange amounts will be included in the PAC memo, and as part of an attachment to the item that details the overall ARP exchange by operator.

# Staff Recommendation

**Staff recommendation is to forward to the Commission for approval:**

MTC Resolution No. 4504 (FY 2022-23 Fund Estimate)

MTC Resolution No. 4321, Revised (STA Population-Based Policy)

