

**Metropolitan Transportation Commission
Programming and Allocations Committee**

November 13, 2024

Agenda Item 3a-24-0773

Senate Bill 125 Regional Accountability Measure Progress Update

Subject:

Adoption of the framework for the \$300 million regional contribution to complement Senate Bill 125 emergency transit operations funding and an informational update on the status of large operators' progress toward Senate Bill 125 Regional Accountability Measures.

Prior Commission Action on Regional Funds

In December 2023, the Commission acted to approve MTC's Short-Term Financial Plan for submittal to the California State Transportation Agency (CalSTA) in accordance with the requirements of Senate Bill (SB) 125. This plan identified that a regional contribution of \$300 million was necessary to address the standardized shortfall needs of transit operators through Fiscal Year (FY) 2025-26. The proposed revision to MTC Resolution No. 4619 operationalizes the action taken in December 2023 to make available \$300 million in regional funds to supplement SB 125 state funds.

Senate Bill 125 Background

Amendments to the California State Budget Act of 2023 provided immediate transit operating assistance to help avert the near-term transit operating fiscal cliff that has resulted from the COVID-19 pandemic and associated changes in travel patterns. Based on adopted formulas, the Bay Area is expected to receive an estimated \$400 million from the newly created Zero-Emission Transit Capital Program (ZETCP) and an additional \$770 million from the Transit and Intercity Rail Capital Program (TIRCP) between FY2023-24 and FY2027-28. State action allows these funds to be used flexibly for capital or operating purposes, pursuant to Regional Transportation Planning Agency (RTPA) discretion. Consistent with prior MTC advocacy and supported by the possibility of leveraging between \$6 and \$8 billion in federal funds, a combined \$665 million in TIRCP funds will support capital expenses related to BART to Silicon Valley Phase II and BART Core Capacity, resulting in \$105 million in TIRCP and \$400 million in ZETCP available for operating purposes.

Over the course of summer and fall 2023, MTC worked with transit agency staff to identify a set of consistent assumptions that were used to calculate standardized shortfalls. These standardized shortfalls differ from shortfalls calculated by operators using their own assumptions for factors such as ridership recovery, inflation, and future service levels. The standardized shortfalls, totaling \$774 million through the end of FY2025-26, inform the distribution of SB 125 operating funds.

Regional Funding Contribution for Transit Operating Assistance

In accordance with prior commitments discussed with state legislators and partners, MTC has identified \$300 million in currently unassigned funds that can be made available as a one-time contribution to transit operations expenses. Regional revenues include those from the Surface Transportation Program/Congestion Mitigation and Air Quality Improvement Program (STP/CMAQ); Federal Transit Administration Section 5307/5337 (Transit Capital Program); State Transit Assistance Population-Based Program (STA Regional Program); and Regional Measure 3 Operating Program funds for express bus service, including annual funds and escrowed funds. Table 1 includes more information on the regional funding sources available. While the regional funds are currently uncommitted and the proposed funding framework would not affect any past programming commitments, making these funds available for transit operations does entail trade-offs, including a reduction in funding capacity in future years due to the drawdown of past unprogrammed balances.

Table 1. Regional Funding Sources

| Fund Source | Amount (\$M) | % Share of Program | Typical Usage |
|---|---------------------|--|---|
| Unprogrammed FTA Formula (5307/5337) | \$132 | ~ 20% of annual funding | Transit state of good repair |
| Surface Transportation Funding (STP/CMAQ) | \$93 | ~10% of four-year cycle | OBAG – bike/ped, other county priorities, regional programs |
| Bridge Tolls (RM3 Operating) | \$49 | N/A – Escrowed _ some annual RM3 Express Bus funding | Operations funding |
| State Transit Assistance (Population-Based) | \$25 | N/A – Program balances + some annual funds | Regional programs (e.g., Clipper, fare programs) |
| Total | \$300 | | |

This month’s proposed revision to MTC Resolution No. 4619, Revised would add a new attachment, Attachment D, which summarizes the framework for matching regional revenues to operators based on factors such as fund source eligibility requirements, operators’ ability to make use of funds in a timely manner, and fair distribution of state and regional funds.

As noted in Attachment D, \$60 million in CMAQ funding assigned to BART will be programmed to the Transbay Core Capacity Program, enabling an equivalent \$60 million in SB 125 TIRCP funds to shift to address FY2025-26 operating needs. This swap will support the One Bay Area Grant (OBAG) program’s ability to fund a wider range of projects by spending down the less flexible CMAQ funds and

preserving the availability of more flexible STP funds. The swap is expected to have a negligible impact on interest earnings projections. Previously, BART intended to use \$60 million in SB 125 capital funds in FY2025-26, and now BART will use CMAQ funds for FY2025-26 capital expenses and will draw down \$60 million in SB 125 funds for operating expenses instead.

Regional Accountability Measures

MTC Resolution No. 4619, Revised establishes a set of Regional Accountability Measures including customer experience and efficiency enhancements that operators must advance in exchange for SB 125 funding. For all operators receiving SB 125 funds, these requirements include participation in ongoing Transit Transformation Action Plan initiatives, and implementation of schedule coordination and real-time transit data improvements. Other accountability requirements are specific to individual operators and center around safety and security, fare evasion reduction, and comprehensive service improvements.

Summary of Interim Progress for Large Operators Receiving SB 125 Funds

To support this informational update, the Alameda-Contra Costa Transit District (AC Transit), the San Francisco Bay Area Rapid Transit Authority (BART); the Peninsula Corridor Joint Powers Board (Caltrain); Golden Gate Bridge, Highway and Transportation District; and the San Francisco Municipal Transportation Agency (SFMTA) have submitted status updates outlining interim progress toward fulfillment of the SB 125 Regional Accountability Measures.

Summarized in greater detail in Attachment A, large operators receiving SB 125 funds have generally fulfilled or made satisfactory progress toward the SB 125 Regional Accountability Measures. Notably, participation in regional initiatives remains strong among large operators, with all operators fulfilling the requirements identified by MTC. Most operators have shifted to the common operator sign-up schedule (January and August), with the remainder on track to do so by early 2025. General Transit Feed Specification (GTFS) best practice adherence is an area for improvement, with most operators not meeting all best practices. Operators are generally making satisfactory progress toward longer-term initiatives focused on fare collection, service optimization, ambassador programs, and crisis prevention.

This is the first update on SB 125 Regional Accountability Measures provided by operators to the Programming and Allocations Committee. While many of the efforts are currently in-progress, MTC anticipates that operators will come into full compliance with the initiatives before future updates, and MTC will continue to monitor progress toward attainment of the SB 125 Regional Accountability Measures over the coming months.

Next Steps

Following Commission approval of the proposed regional funding framework, staff will return to the Programming and Allocations Committee in December to request approval of programming of these funds, and will work to make these funds available to operators by early FY2025-26.

Additionally, operators receiving SB 125 funds will continue to submit updates on the status of their assigned Regional Accountability Measures to MTC when submitting their annual claim of transit operating funds. Staff will continue to provide updates to this committee as those materials are provided, and if sufficient progress has not been demonstrated, staff will propose remedies including withholding allocations until SB 125 Regional Accountability Measures have been satisfactorily advanced.

Additionally, all operators will provide a mid-year update on the status of their Regional Accountability Measures in late 2024, with materials to be shared with this committee in early 2025.

Issues:

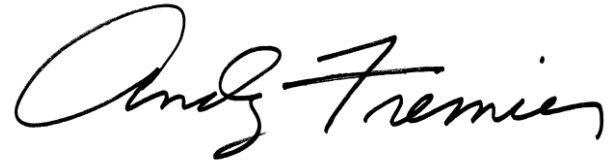
1. **Interest earnings:** State budgetary challenges delayed the release of the first tranche of SB 125 funds by over three months, and the California State Budget Act of 2024 codified the deferral of a portion of SB 125 disbursements to future years. Together, these two changes will reduce total interest earnings, which comprise a vital component of MTC's plan to meet operators' standardized needs. While MTC still anticipates being able to meet the cash flow needs of capital projects funded by SB 125 and fully disburse operating allocations, lower interest earnings mean less money available for investments to enhance transit service and a greater likelihood that the full \$300 million in regional funds will be needed.
2. **PEPRA:** This fall, the federal government is expected to start withholding federal transit funds from California transit operators with employees subject to the state's retirement reform known as the Public Employees Pension Reform Act (PEPRA) of 2013. If no change is made, this may affect operators' ability to receive regional funds for operations from federal sources including FTA Section 5307/5337 and STP/CMAQ. MTC's legislative staff, alongside staff from affected operators, have been advocating for relief from this decision and MTC staff are exploring opportunities to expedite the availability of these funds.

Recommendations:

Refer MTC Resolution No. 4619, Revised to the Commission for approval.

Attachment:

- Attachment A – Senate Bill 125 Regional Accountability Progress Summary
- MTC Resolution 4619, Revised
 - Attachment A: Principles to Inform the Distribution of Transit Operations Funding from Senate Bill 125
 - Attachment B: Senate Bill 125 Transit Operations Funding Distribution Framework
 - Attachment C: Regional Accountability Measures
 - Attachment D: Regional Funding Framework (*new*)
- Presentation



Andrew B. Fremier

Date: November 15, 2023
W.I.: 1514
Referred By: Commission
Revised: 12/20/2023-C
11/20/2024-C

ABSTRACT

Resolution No. 4619, Revised

This resolution approves the principles to inform funding distribution, the funding distribution framework, and regional accountability measures for funding from the Transit and Intercity Rail Program (TIRCP), Zero-Emission Transit Capital Program (ZETCP), and various regional funding sources pursuant to Senate Bill (SB) 125 (Chapter 54. Statutes of 2023).

This resolution includes the following attachments:

Attachment A – Principles to Inform the Distribution of Transit Operations Funding from Senate Bill 125

Attachment B – Senate Bill 125 Transit Operations Funding Distribution Framework

Attachment C – Regional Accountability Measures

Attachment D – Senate Bill 125 Regional Funding Framework

Attachment A, B, and C was revised on December 20, 2023 to provide more detail on the Regional Accountability Measures, and to include information on the mechanism for ensuring transit agency board acknowledgement of the measures and monitoring of their implementation.

MTC Resolution No. 4619, Revised was revised on November 20, 2024 to add Attachment D, Senate Bill 125 Regional Funding Framework, which summarizes the distribution of \$300 million in regional funds from the Federal Transit Administration (FTA) Section 5307, FTA Section 5337, Surface Transportation Program/Congestion Management and Air Quality Improvement Program (STP/CMAQ), State Transportation Assistance (STA) Population-Based Program, and Regional Measure 3 (RM3) Operating Program.

Further discussion is contained in the Programming and Allocations Committee Summary Sheets dated November 8, 2023, December 13, 2023, and November 13, 2024.

Date: November 15, 2023
W.I.: 1514
Referred By: PAC

RE: Senate Bill 125 Transit Operations Funding Principles, Distribution Framework, and Regional Accountability Measures

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4619

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Sections 66500 et seq.; and

WHEREAS, MTC is the designated Regional Transportation Planning Agency (RTPA) for the nine-county Bay Area; and

WHEREAS, Assembly Bill 102 (Chapter 38, Statutes of 2023) and Senate Bill 125 (Chapter 54, Statutes of 2023) amended the Budget Act of 2023 to appropriate \$4 billion to TIRCP between Fiscal Year (FY) 2023-24 and 2024-25 and \$1.1 billion between FY 2023-24 and FY2026-27 to establish the Zero-Emission Transit Capital Program (ZETCP); and

WHEREAS, Senate Bill 125 (Chapter 54, Statutes of 2023) guides the distribution of this funding to RTPAs, which have the flexibility to use the money to fund transit operations or capital improvements; and

WHEREAS, Senate Bill 125 (Chapter 54, Statutes of 2023) establishes an accountability program to govern the distribution of these funds; and

WHEREAS, the principles that MTC shall use to develop the distribution framework for Senate Bill 125 transit operations funding are set forth in Attachment A, which is incorporated herein as though set forth at length; and

WHEREAS, the Senate Bill 125 funding framework developed in partnership with Bay Area transit operators using the principles defined in Attachment A and a regionally standardized

set of assumptions compliant with the Senate Bill 125 guidelines is summarized in Attachment B; and

WHEREAS, transit operations funding provided in accordance with Senate Bill 125 (State or Regional Contribution) will be conditioned on satisfactory progress toward and/or implementation of the regional accountability measures outlined in Attachment C; and

WHEREAS, MTC will determine whether an operator has made satisfactory progress toward and/or implemented the regional accountability measures described in Attachment C; and

WHEREAS, Attachment D outlines the uncommitted regional funding that can be redirected to provide one-time operations support to operators facing a fiscal cliff and the framework for assigning specific funding amounts and sources to operators; now, therefore, be it

RESOLVED, that MTC adopts the Senate Bill 125 principles to inform the distribution of funding as set forth in Attachment A; and, be it further

RESOLVED, that MTC adopts the Senate Bill 125 funding distribution framework as set forth in Attachment B; and, be it further

RESOLVED, that MTC may adjust the Senate Bill 125 funding distribution framework in order to respond to changing needs as transit operator financial conditions continue to evolve; and, be it further

RESOLVED, that MTC adopts the regional accountability measures as set forth in Attachment C; and, be it further

RESOLVED, that MTC will distribute funding for transit operations to operators in accordance with the framework outlined in Attachment D; and, be it further

RESOLVED, that the Executive Director of MTC, or their designee, is authorized and directed to modify the Senate Bill 125 funding distribution framework as listed in Attachment B to meet requirements of the California State Transportation Agency; and, be it further

RESOLVED, that the that the Executive Director of MTC, or their designee, is authorized to make programming changes to Attachment D, up to \$350,000 for each project, in consultation with the affected sponsor.

METROPOLITAN TRANSPORTATION COMMISSION

Alfredo Pedroza, Chair

The above resolution, revising and superseding the resolution approved on November 15, 2023 was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, and at other remote locations, on November 20, 2024.

Date: November 15, 2023
W.I.: 1514
Referred By: PAC
Revised: 12/20/23-C

Attachment A
Resolution No. 4619
Page 1 of 2

Principles to Inform the Distribution of Transit Operations Funding from Senate Bill 125

The following six principles were used to inform the proposed distribution of funding. These principles were developed in partnership with Bay Area transit operators.

1. Use state and regional funds for transit operations to address the most dire shortfalls and avoid service cuts

Consistent with the legislative intent of Senate Bill (SB) 125, the distribution will consider the magnitude of shortfalls and the service cuts that would occur if shortfalls were not addressed in the distribution of state and regional funding for transit operations.

2. Prioritize high-ridership agencies and the provision of service for transit-dependent riders

In accordance with the SB 125 legislative intent, the distribution will consider the demographics of current riders and ridership markets in the distribution of funding. MTC encourages operators to use state and regional funds to prioritize the retention and restoration of service on high-ridership routes and those that serve a high number of transit-dependent riders.

3. Incentivize accountability of transit operators to improve coordination and customer experience

MTC will identify specific progress milestones related to improvements to coordination and customer experience that operators must meet prior to the distribution of funds. Requirements for coordination and customer experience improvements will be informed by the direction of the Regional Network Management Council, comprised of elected officials and transit operator representatives, and as such, MTC reserves the right to condition funding on the delivery specific initiatives at a future date.

4. Preserve flexibility to adjust distribution year to year as circumstance change

It is likely that shortfalls may change over time for a number of reasons, including operator-driven changes to service provision or ridership recovery trajectories that differ from estimates and alter revenue

from sources such as fares and parking. As such, it is critical that MTC retain flexibility to adjust the distribution from year to year in response to decreasing or increasing shortfalls.

5. Ensure consistency and level footing across operator shortfall forecasts

Forecasting future shortfalls over a multi-year period requires many assumptions, including assumptions around future state operations funding, the effect of inflation on expenses, and the amount of service provided. These assumptions have meaningful impacts on the shortfall calculations. In order to prevent an operator being disadvantaged because the assumptions used in their forecast were different from those used by another operator, MTC has provided a set of standardized assumptions used by all operators to estimate shortfalls for the purpose of distribution.

6. Minimize impact to non-operating/capital and state of good repair programs

To the extent possible, the distribution will aim to not adversely affect the availability of funding for critical capital and state of good repair investment purposes. While deferral of discretionary capital projects may be needed to free up revenue for operations support, essential safety and state of good repair needs will be reflected in the distribution framework.