

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 1st 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

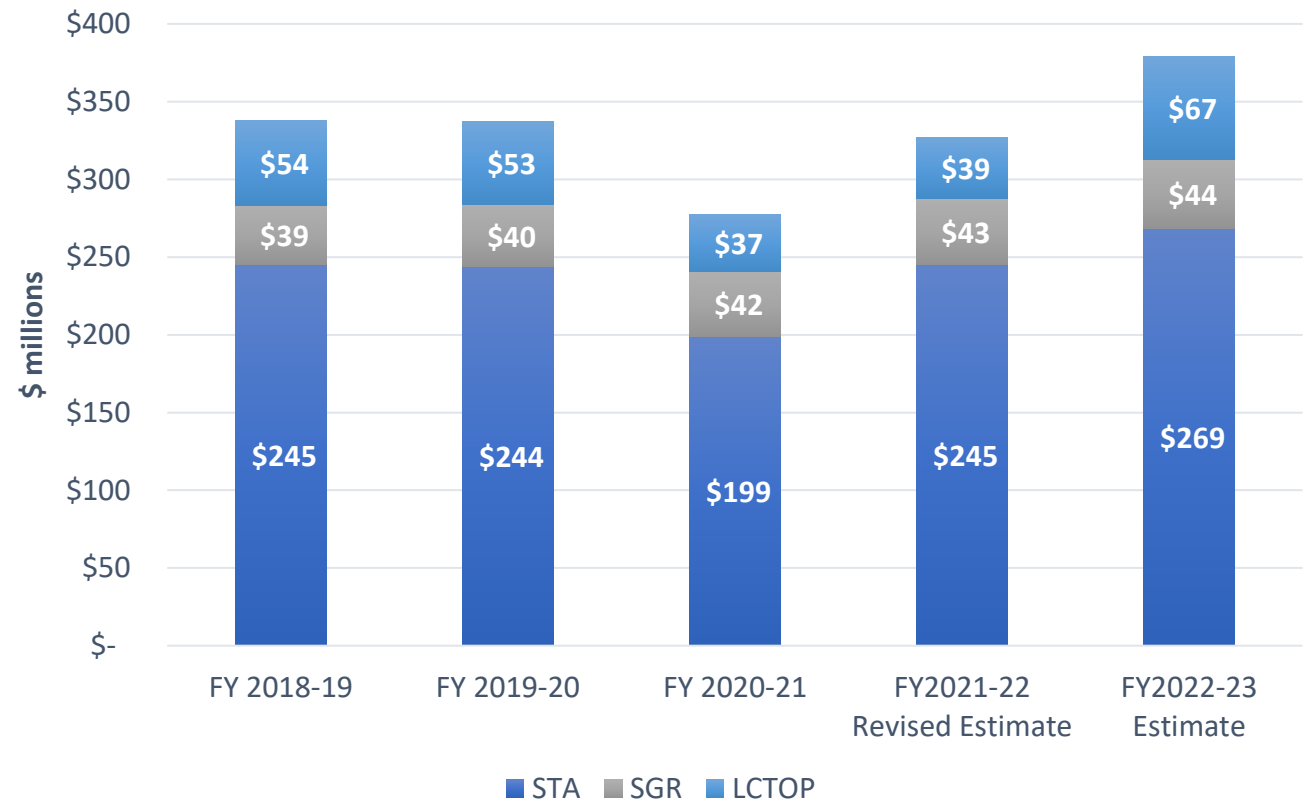
FY 2022-23

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

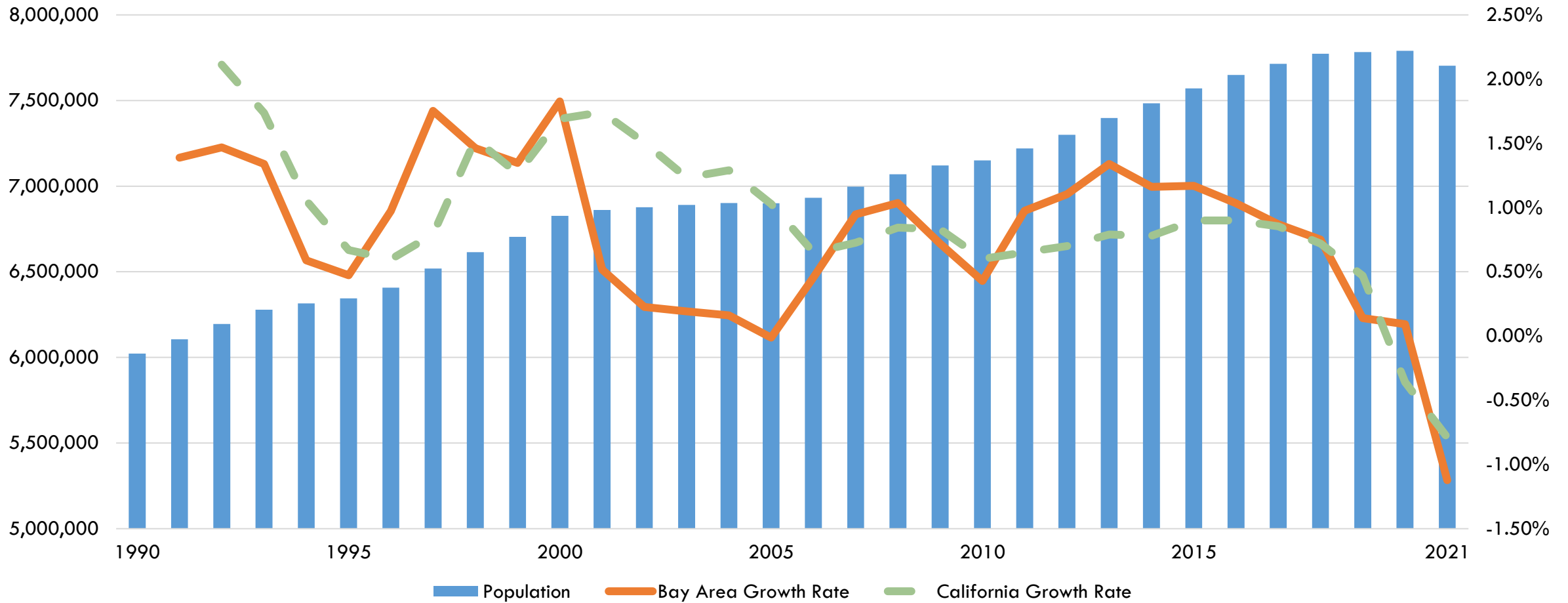
- 25% of total revenue from BART's sales tax in Alameda, Contra Costa, and San Francisco counties
- MTC estimates revenue and establishes funding policy
- Only AC Transit, BART, and SFMTA eligible to receive AB 1107 funds per state statute
- Historically, Commission policy is to distribute 50% of funds 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



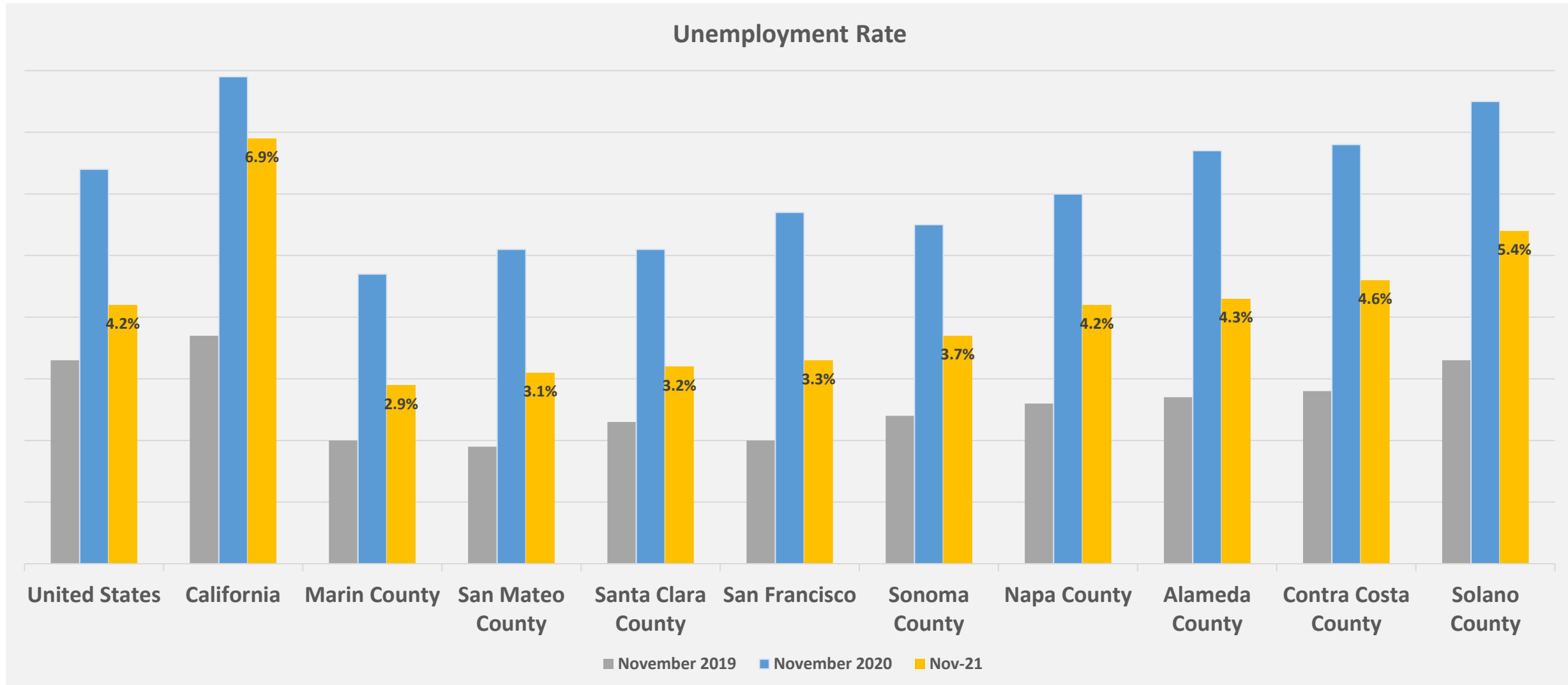
Bay Area Population

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

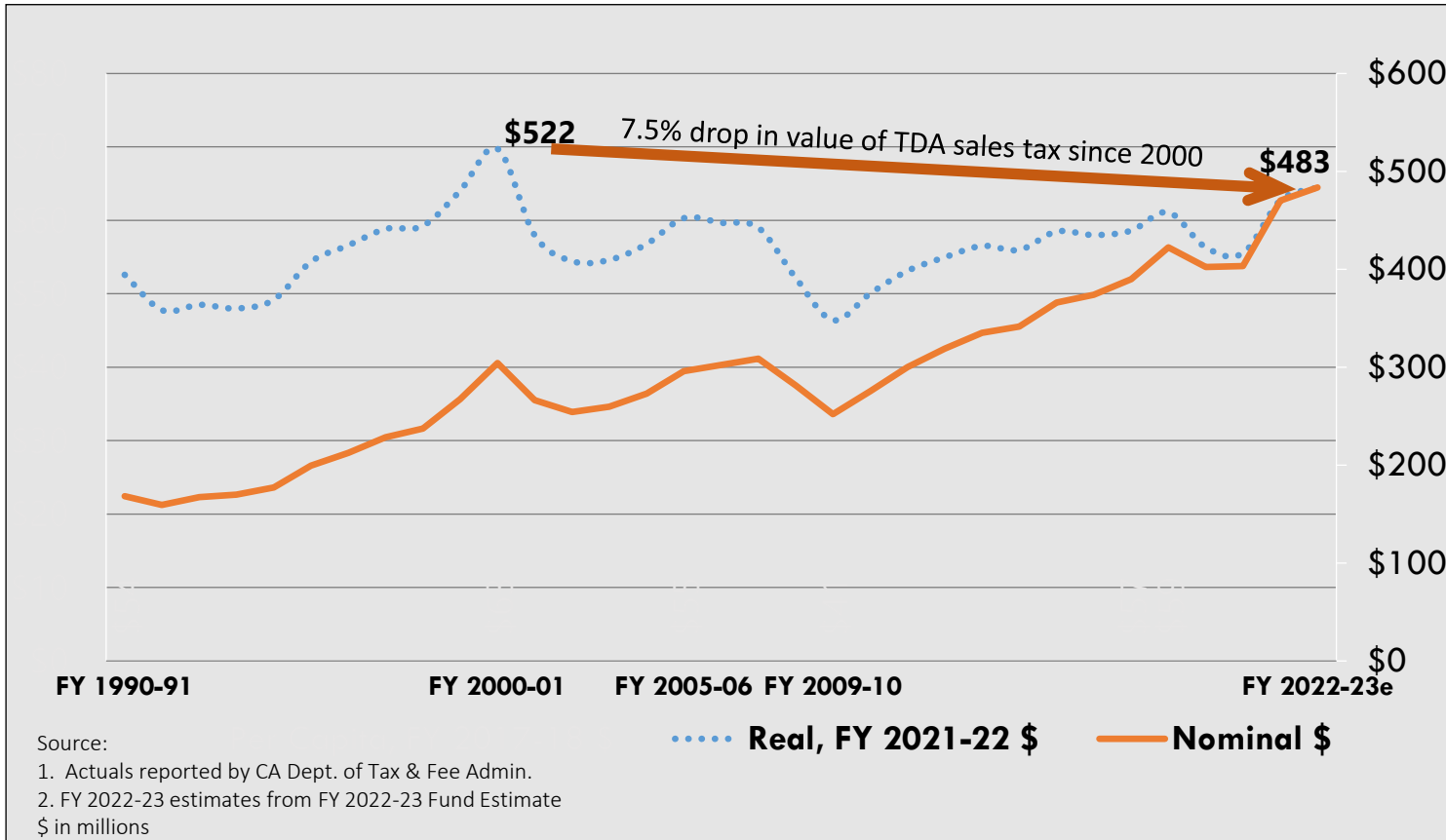


Bay Area Unemployment Rate

- 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)

