

# MTC Resolution No. 4556

## FY 2023-24 MTC Fund Estimate

MTC Programming and Allocations Committee

February 8, 2023



# 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 2023-24 given uncertainties around the ongoing impacts of COVID-19 on public transit
- **FY 2023-24 Fund Estimate identifies for distribution ~\$1 billion, mostly for transit operations**



# Fund Estimate Overview

	Program	Description	FY 2021-22 Actuals	FY 2022-23 Revised Estimates	FY 2023-24 Estimates
Sales Taxes and Tolls	Transportation Development Act (TDA) ¼ ¢ Sales Tax	¼ ¢ sales tax in each county	\$481M	\$508M	\$519M
	AB 1107 ½ ¢ Sales Tax	MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties	\$104M	\$104M	\$104M
	Bridge Tolls	MTC 2% Toll Revenues and 5% State General Fund Revenues	\$5M	\$5M	\$5M
STA Formula	State Transit Assistance (STA)	Sales tax on diesel fuel in CA	\$260M	\$350M	\$388M*
	State of Good Repair (SGR) Program	Transportation Improvement Fee (vehicle registration fee)	\$43M	\$44M	\$52M
	Low Carbon Transit Operations Program (LCTOP)	5% of Cap-and-Trade auction revenues	\$70M	\$47M	\$43M

Note: Estimated revenue amounts are rounded to nearest million.

\* There are inconsistencies with the underlying distribution factors. Staff is working to reconcile these issues.

# TDA Sales Tax Forecast FY 2023-24

- Estimates for each county prepared by individual county Auditor/Controllers
- FY23 (Current Year) estimates revised to **\$508M**
  - Up 5% from original \$484M FY23 estimate
  - Up 6% from FY22 Actuals (\$481M)
- FY24 estimates projected to be 2.1% higher at **\$519M**
  - Contra Costa, Napa, and San Mateo 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 2023-24

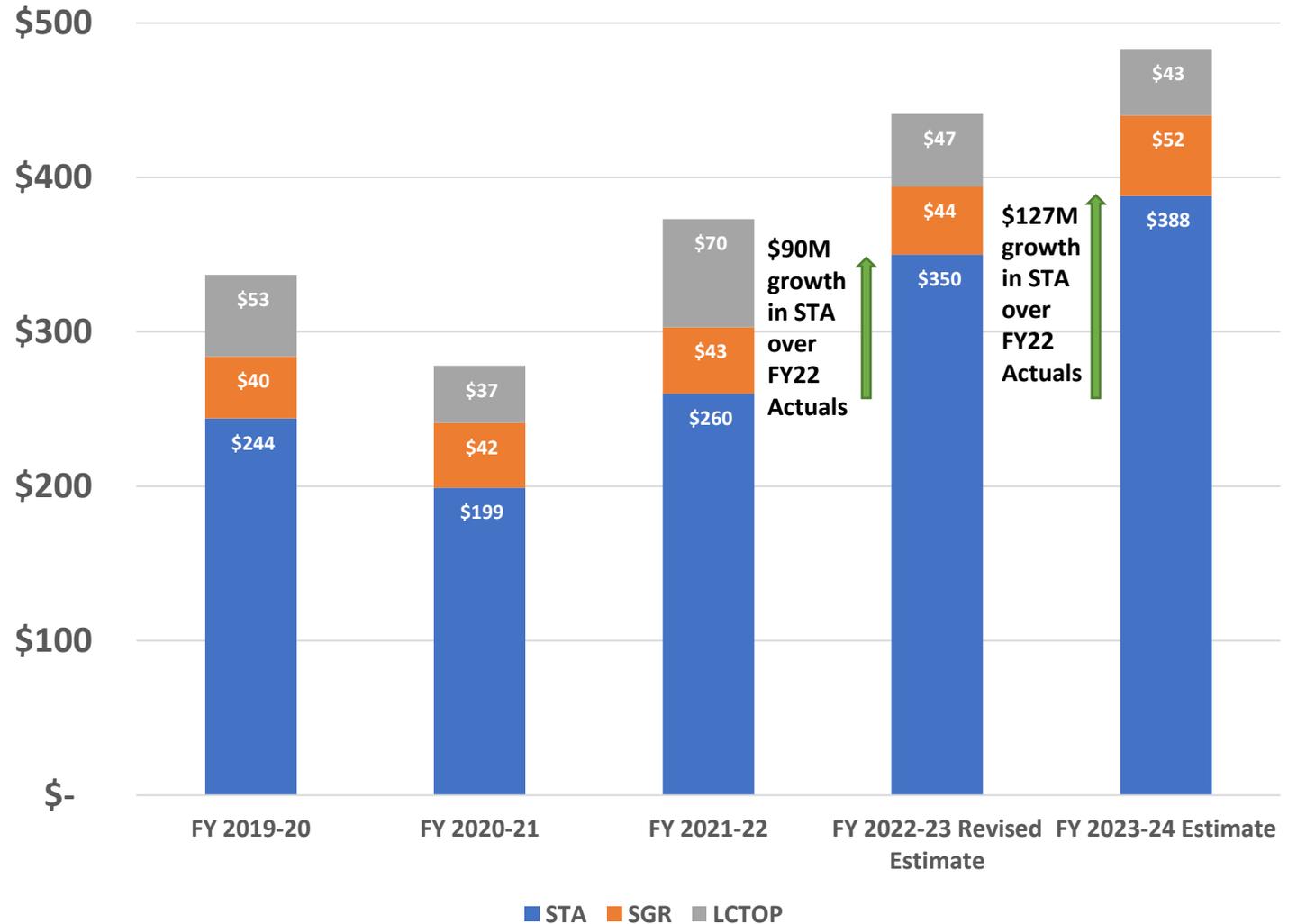
State Transit Assistance (STA) formula splits statewide revenue 50/50 between a Revenue-Based program and a Population-Based program

STA revenues are derived from a sales tax on diesel fuel. Increases in diesel prices in recent years have contributed to substantial increases in STA revenues compared to FY22

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% share of the state's population and are programmed by MTC

**FY 2023-24 forecast of \$483 million for the Bay Area** in STA, State of Good Repair (SGR) Program and Low Carbon Transit Operations Program (LCTOP) revenue



# Issues Related to TDA/STA Programs

## State Transit Assistance

- The STA Revenue-Based program uses distribution factors based on an operator's qualifying revenue
- Qualifying revenues have been frozen for several years to mitigate impacts due to the COVID-19 pandemic
- The freeze has been lifted for FY 2023-24, which is based on actual qualifying revenues from FY 2021-22
- Qualifying revenues for SFMTA are significantly different than expected, resulting in substantially lower estimates for SFMTA
- Staff is working with the State Controller's Office (SCO) and SFMTA to investigate and resolve the issue

## Feeder Bus Agreement

- A 1997 agreement establishes a funding mechanism for BART to support four East Bay bus operators using BART's STA Revenue-Based and TDA sales tax funds
- BART has expressed a desire to amend and restructure the agreement
- Discussions are on-going between all impact parties to reconcile issues and identify a new approach

# AB 1107 Sales Tax Forecast

## FY 2023-24

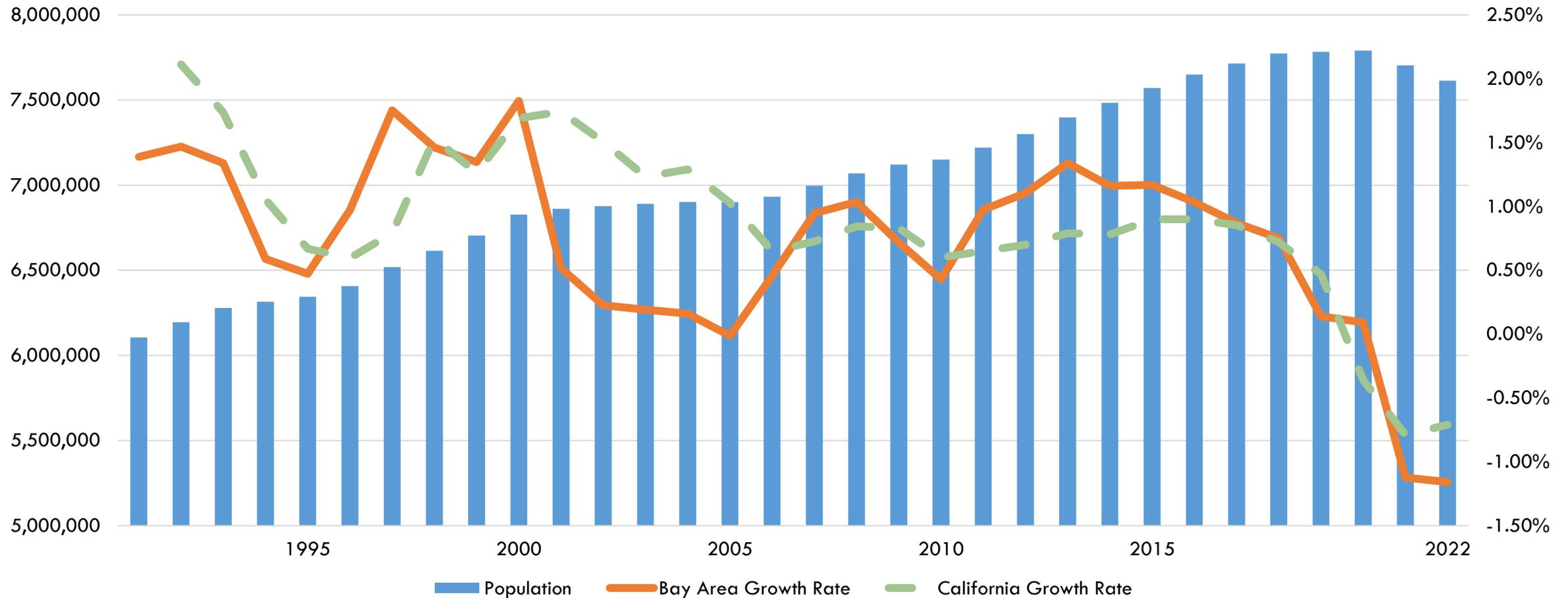
- 25% of total revenue from BART's sales tax in Alameda, Contra Costa, and San Francisco counties
- MTC estimates revenue and establishes funding policy
- Only AC Transit, BART, and SFMTA eligible to receive AB 1107 funds per state statute
- Historically, Commission policy is to distribute 50% of funds to AC Transit and 50% to SFMTA
- **FY 2023-24 forecast of \$104 million is in line with projected growth in TDA sales tax in Alameda, Contra Costa and San Francisco**

***FY 2022-23 forecast is revised upwards to \$104 million from \$100 million***



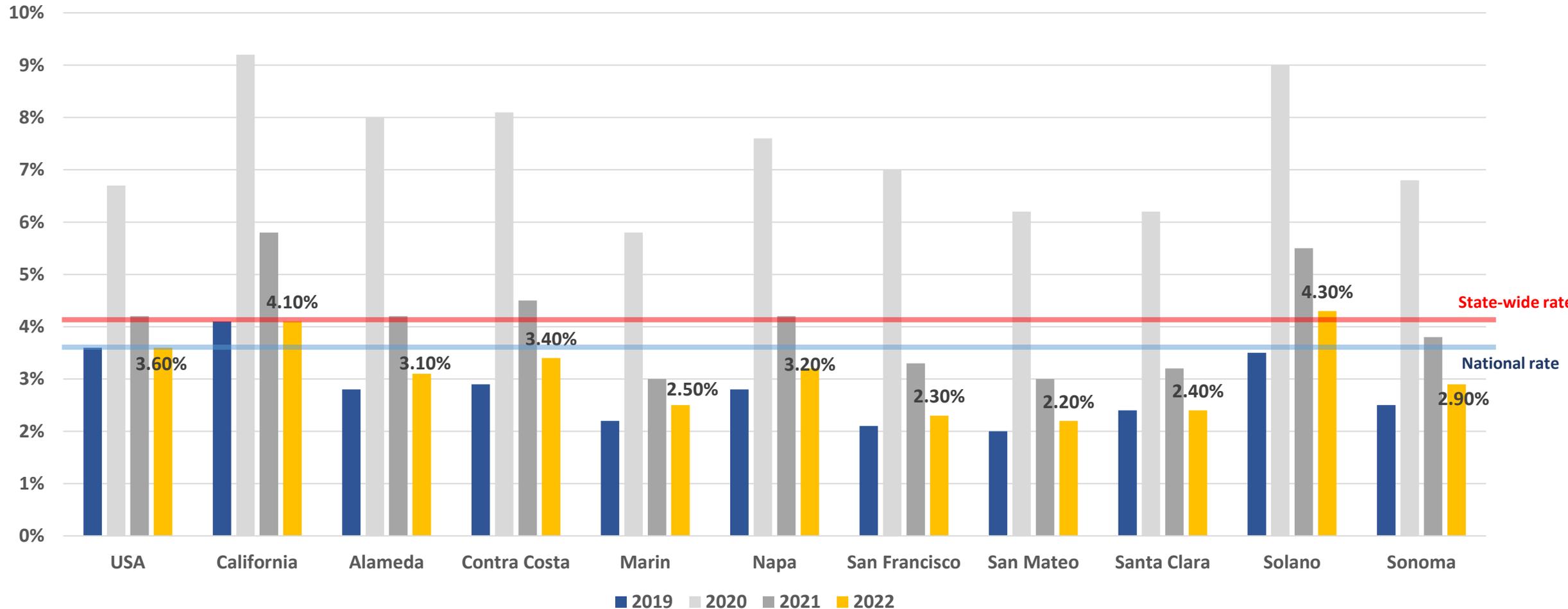
# Bay Area Population

- Bay Area Population has declined, now equal to 2015 levels
- The regional population is shrinking faster than the state population.



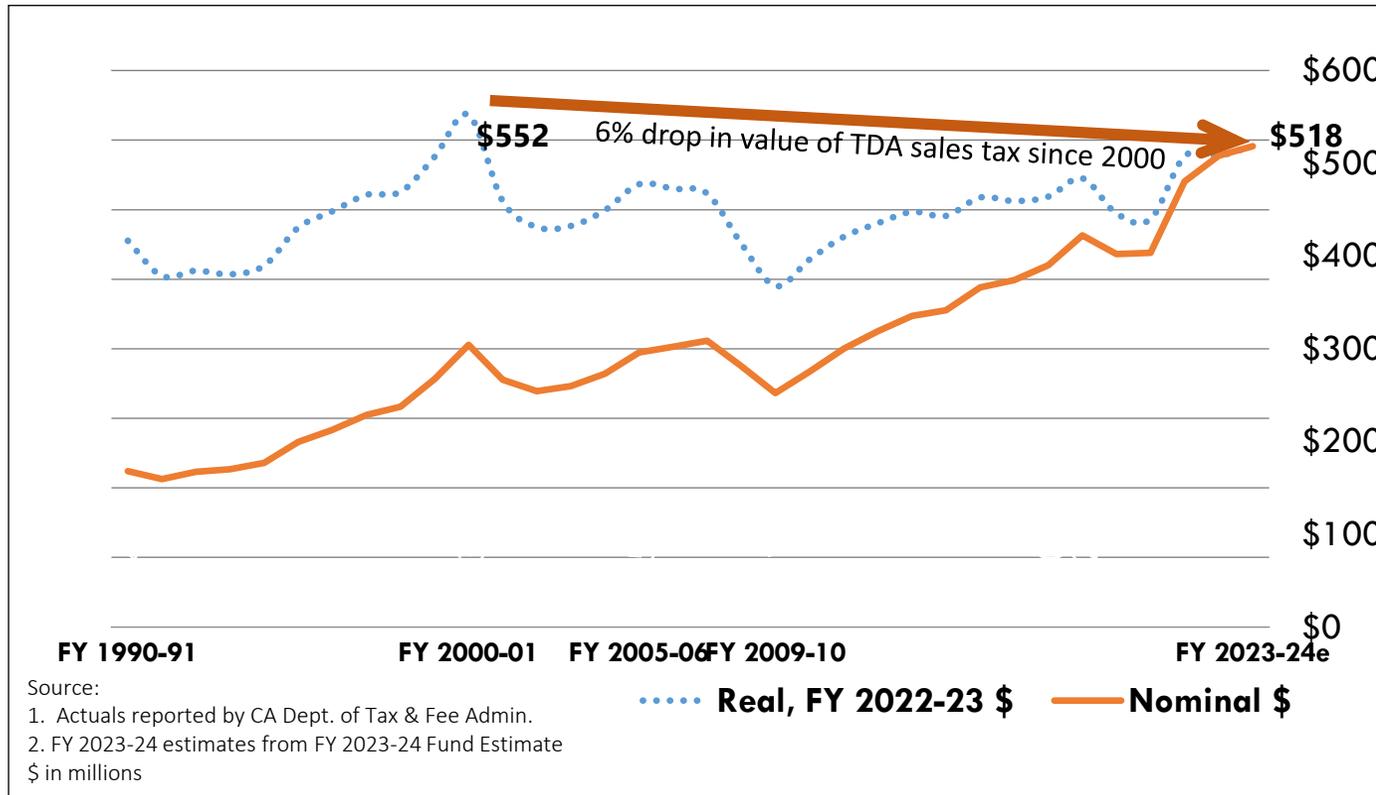
# Bay Area Unemployment Rate

- Unemployment rates have improved significantly, returning to or near pre-pandemic levels



Source: US Bureau of Labor Statistics, Local Area Unemployment Statistics  
Graph reflects November unemployment rates of each year

# Real Sales Tax Revenue: 6% 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 6%

# Staff Recommendation

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

MTC Resolution No. 4556 (FY 2023-24 MTC Fund Estimate)

