

Photo: Karl Nielsen

# Saving Transit Service: Understanding the Bay Area's Transit Operating Fiscal Crisis

Policy Advisory Council

April 12, 2023

# Overview



Regional Overview of Transit's Ridership and Financial Challenges since Pandemic



Outlook for Transit Agencies Over the Coming Years



Regional Initiatives to Enhance the Transit Experience & Expand Transit Ridership



A Regional Approach to a Looming Transit 'Fiscal Cliff'

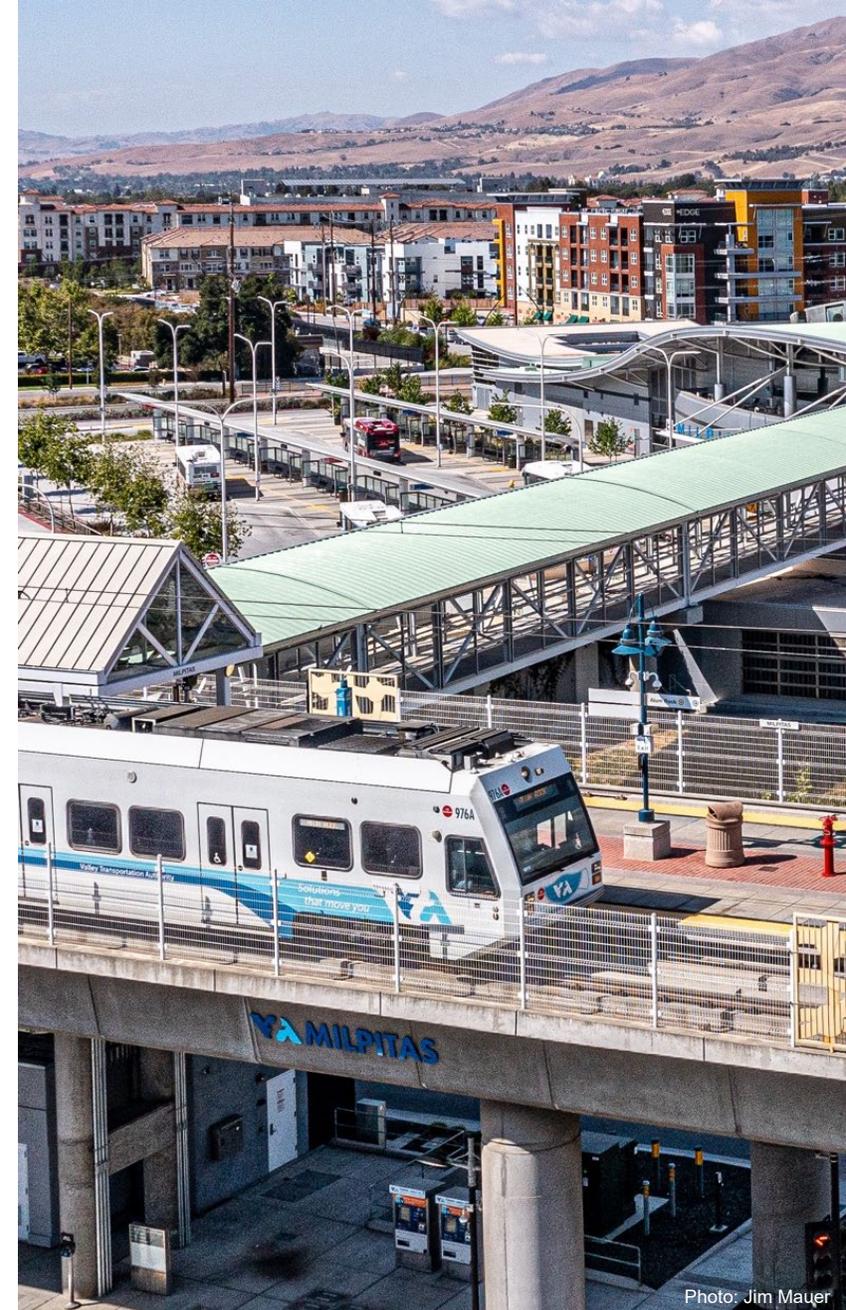
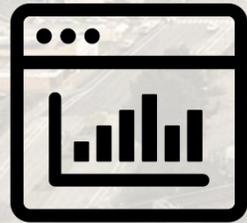


Photo: Jim Mauer



# Regional Overview of Transit's Ridership and Financial Challenges since Pandemic

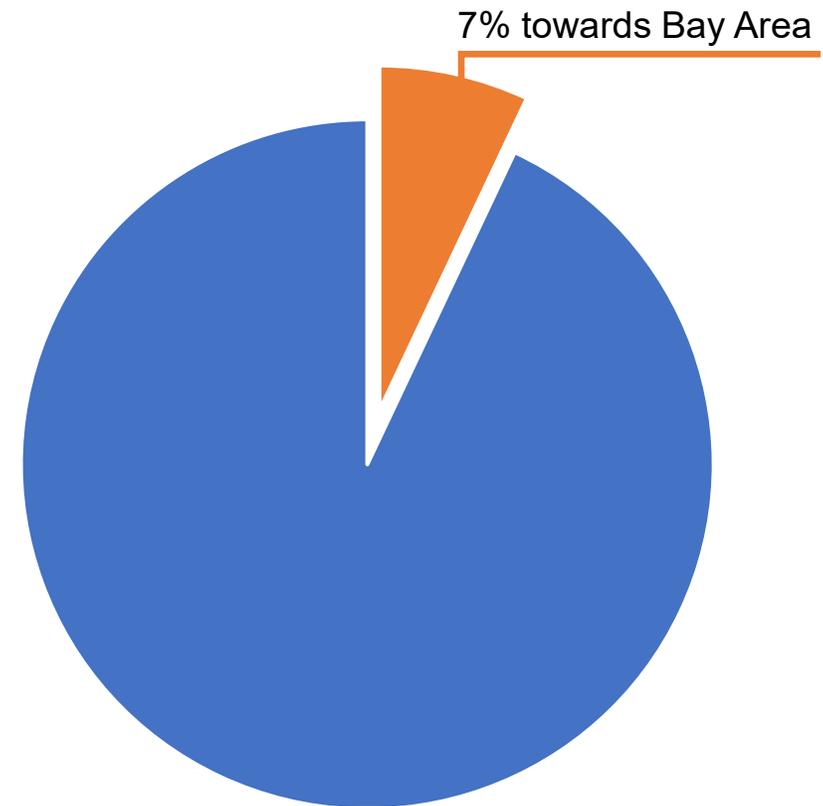
Photo: Karl Nielsen

# Federal Funds Have Been a Lifeline for Transit Service Since 2020; \$4.4 Billion in Bay Area



These funds have been critical for agencies dependent on passenger fares, bridge tolls, and parking revenues. Without federal relief the Bay Area would not have a functioning regional transit system.

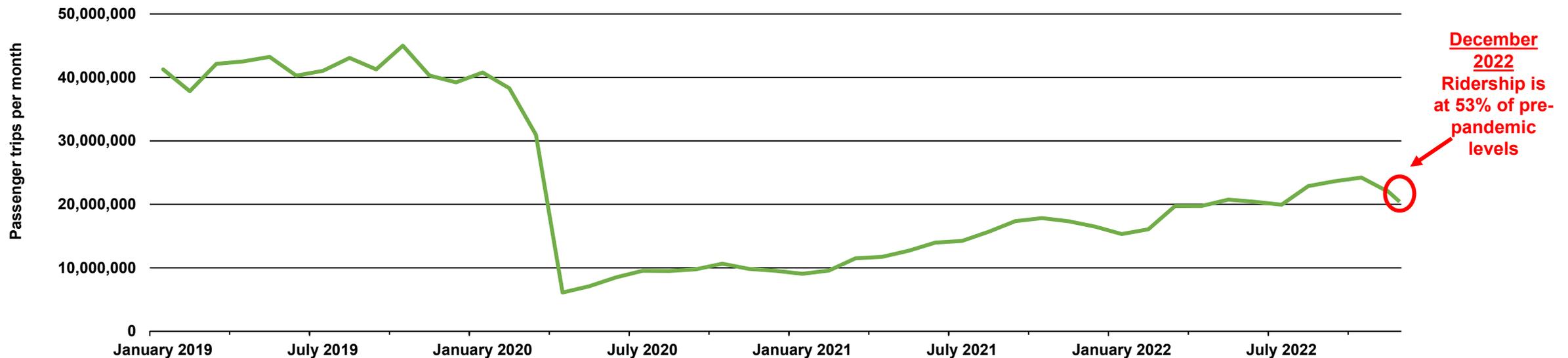
**\$68 billion provided nationwide**





# Transit Ridership – All Bay Area Operators

Transit ridership across the Bay Area remains at only 53% of pre-pandemic levels. But **over 20 million passenger trips were still taken on transit during the month of December 2022.**

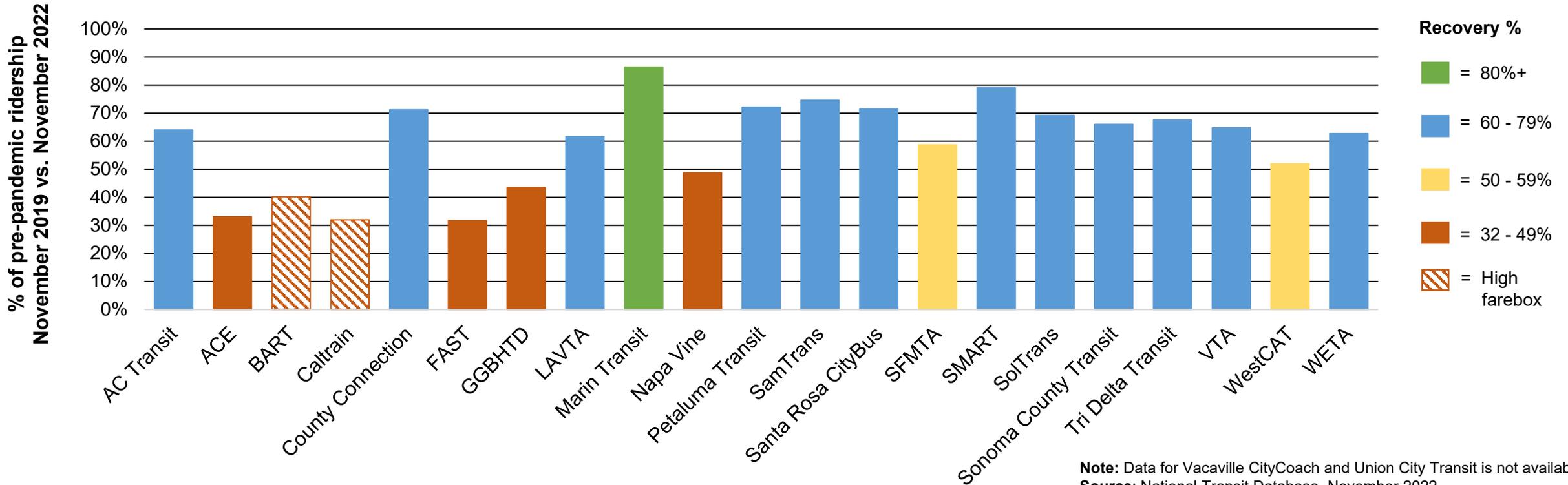


Source: National Transit Database



# Ridership Recovery Varies Greatly by Operator

Ridership recovery by operator generally reflects the type of destinations served and the demographics of riders of each agency. Operators primarily serving riders without access to other modes of transportation have seen the most robust recovery.



**Note:** Data for Vacaville CityCoach and Union City Transit is not available.  
**Source:** National Transit Database, November 2022.



# Outlook for Transit Agencies Over the Coming Years

Photo: Karl Nielsen

# The (Pre-Pandemic) Revenue Models of Bay Area Transit Operators



## User Fee Focused

Fares, Tolls, Parking Revenues

*Example Operators*  
BART, GGBHTD

## Sales Tax Dominates

Sales Taxes = 70% of Operations Rev.

*Example Operators*  
VTA, SamTrans

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

## 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

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



# A Challenged Business Model



## Population Loss

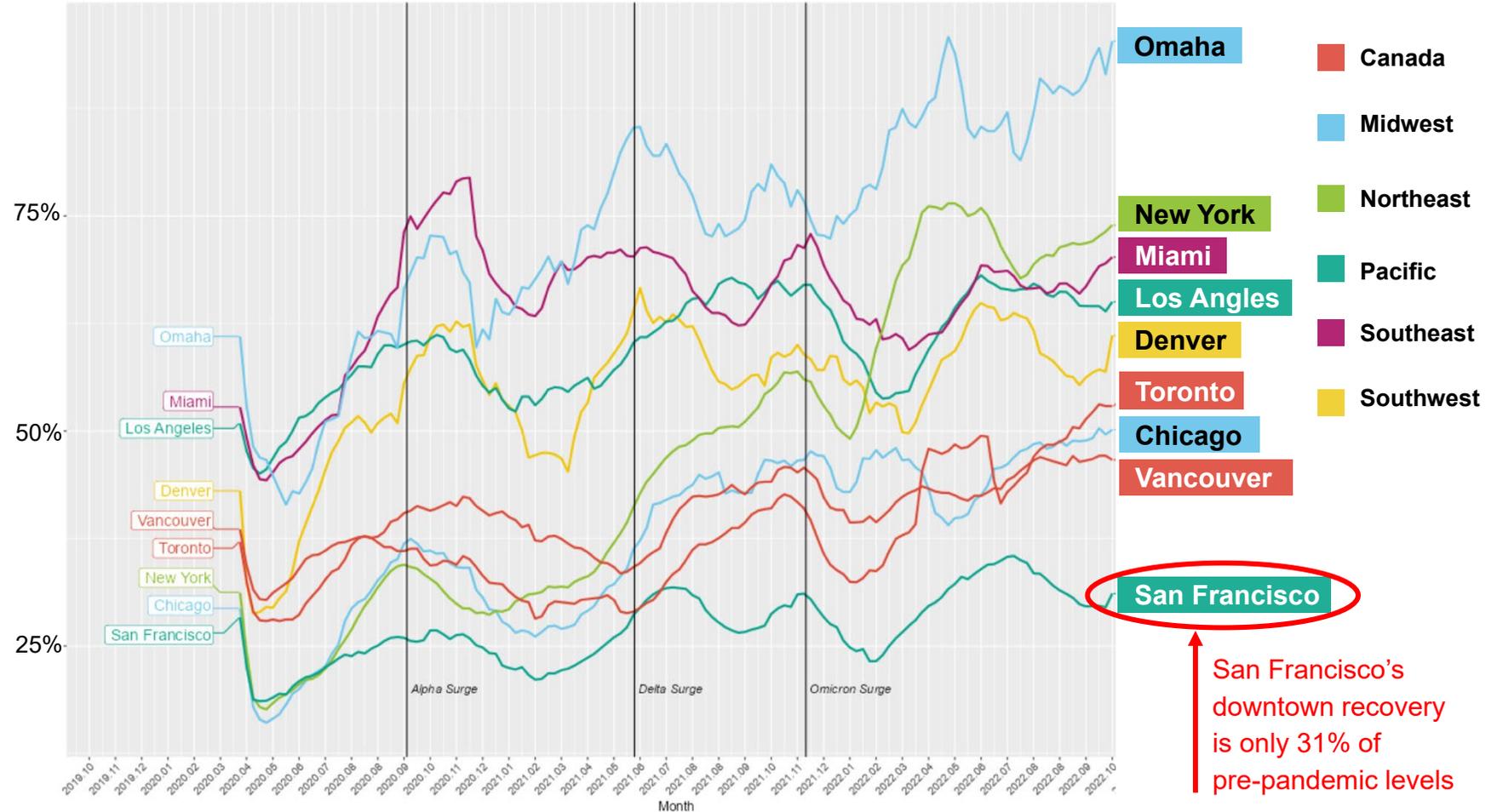
150,000 fewer people lived in the Bay Area 2022 than in 2015\*



## Workplace Changes

Downtown SF and Oakland have the *lowest rate of office in-person occupancy* in North America\*.

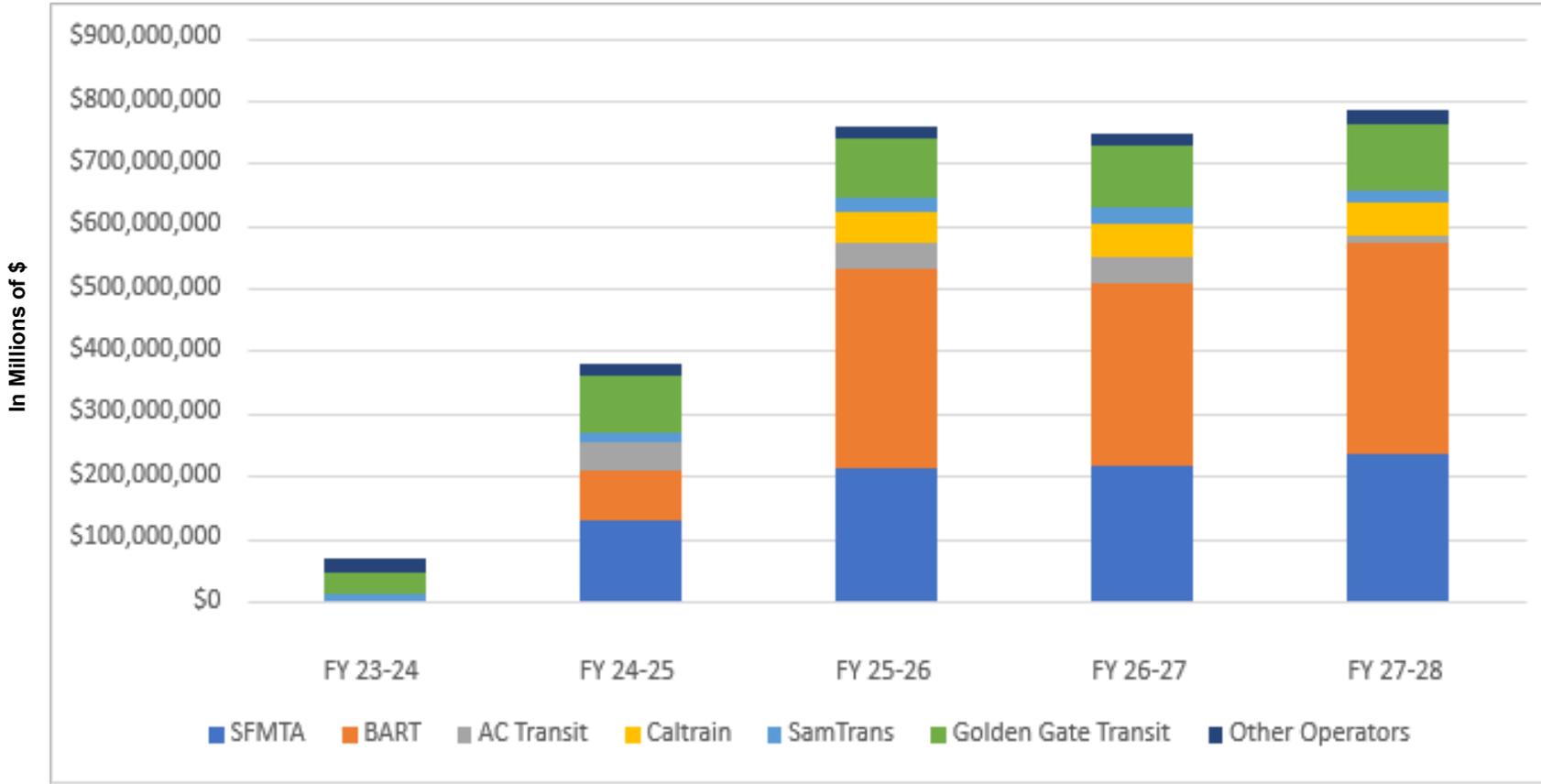
### UC Berkeley Downtown Recovery Quotient Trajectories in 9 Select North American Cities\*



San Francisco's downtown recovery is only 31% of pre-pandemic levels

\*Sources: UC Berkeley/U of Toronto - [Downtown Recovery Study](#); CA Dept. of Finance

# Forecast of Annual Operating Shortfalls by Operator



**Bay Area transit operators anticipate a cumulative operating shortfall of between \$2.5 - \$2.9 billion over next five years**

**This range of potential shortfalls reflects the uncertainty of the coming years. The lower end of the range would require making hard decisions like delaying the zero-emission bus transition, canceling key Vision Zero safety projects on streets, and delaying customer facing repairs for assets like escalators.**

# Key Themes from Short Range Transit Plans

*Fiscal and operating challenges vary dramatically across operators*

1. Farebox dependent operators remain acutely vulnerable to sluggish ridership recovery
2. 100% of pre-pandemic revenues would not be sufficient to restore 100% of pre-pandemic service
3. Fiscal cliff is not the only challenge. For some agencies, operator recruitment and retention are as significant a challenge, if not more so, than fiscal ones when it comes to restoring transit service to levels operated pre-pandemic



Photo: Karl Nielsen



**Regional Response:  
Implement Transit Transformation  
Action Plan to Enhance Transit  
Experience & Expand Ridership  
and Secure New Revenue**

Photo: Joey Kofica

# Creating a Better, More Integrated Transit System: Implementing the Transit Transformation Action Plan (TAP)

## I. Fares and Payment

Simpler, consistent, and equitable fare and payment options.



## II. Customer Information

Make transit easier to navigate and more convenient.



## III. Transit Network

Transit services managed as a unified, efficient, and reliable network.



## IV. Accessibility

Transit services for older adults, people with disabilities, and those with lower incomes are coordinated efficiently.



## V. Funding

Use existing resources more efficiently and secure new, dedicated revenue to meet funding needs.



# “Survive and Thrive” Coalition



**MTC, Transit Operators, Advocates, Business Community, Labor:** Working together to advocate in Sacramento and tell the story of transit riders and why protecting service is critical to California

“Backbone” committee of MTC, transit agencies, and community organizations collaborating to an unprecedented degree around “fiscal cliff”

State funding advocacy **today** is laying a foundation for a broad coalition to advocate for a regional measure **tomorrow**

Coordinating with other regions and CA Transit Association



Photo: Karl Nielsen

# Making the Case

## Addressing the Five Year \$2 Billion+ Shortfall

### Key Message:

State action needed for transit to survive & thrive

- Protect existing capital funding commitments
- Provide new source of operating funding on multi-year basis

**Presentations to Bay Area Legislative Caucus**

**Earned Media Coverage**  
(Local, State and National, coverage)

**Social Media Campaign:**  
**We Can't Afford to Lose Transit**

**Joint letters, on-line petitions, testimony at budget hearings**



Friday, March 10, 2023

The Honorable Steve Bennett  
Chair, Assembly Budget Subcommittee No. 3  
California State Assembly

**Re: Request to Protect Public Transit in FY 2023-24 State Budget**

Dear Chair Bennett,

In advance of your upcoming budget hearings this month, we are writing to share our concerns about the funding shortfalls facing transit operators across the state due primarily to the ridership declines caused by the COVID 19 Pandemic. We ask that your committees hear this issue to provide a forum for exploring solutions since it is not addressed in the Governor's proposed FY 2023-24 State Budget, which instead proposes \$2 billion in cuts to public transit capital funding that the Legislature approved just last year.

The undersigned organizations request your support to help the state's public transit systems avoid looming cuts to critical transit service that millions of Californians rely upon and that is foundational to our state's climate strategy. Transit operating shortfalls reflect the lingering impact of the COVID-19 pandemic, which has devastated transit agency budgets as a result of

# Transit is Foundational to California's Equity & Climate Goals

- Ridership may be down, but almost **24 million transit trips** are still being taken monthly on Bay Area transit systems – about 1 million trips per day.
- Transit riders are disproportionately low-income and people of color, even more so today than pre-COVID as many higher income riders are commuting less or not at all.
  - **Cutting transit disproportionately harms the most vulnerable**
- Transit is **essential** to state's climate goals
  - State's own plans note that reducing vehicle miles traveled is essential to reducing greenhouse gas emissions and transit must *improve* to achieve these goals.
  - **Decarbonizing the vehicle fleet won't happen fast enough to achieve California & region's climate goals.**

# The Legislature is Engaged

- Four hearings over last four weeks – two budget hearings and two policy hearings, included a focus on public transit.
- Multiple legislative sign-on letters from Bay Area legislators, including Senators Cortese, Dodd, Laird & Wiener and Assemblymembers Berman, Connolly, Lee, Haney, Papan.

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MENTAL HEALTH CAUCUS  
CHAIR

LEGISLATIVE JEWISH CAUCUS  
CO-CHAIR

COMMITTEES:  
HOLBROOK  
CHAIR

ARRIAGA & STUNNE

March 17, 2023

The Honorable Nancy Skinner  
Chair, Senate Budget and Fiscal Review  
Committee  
1021 O Street, Suite 8630  
Sacramento, CA 95814

The Honorable  
Chair, Senate J  
on Corrections  
Labor and Tra  
1021 O Street,  
Sacramento, C

Dear Senators Skinner and Durazo,

We write to you to propose for inclusion in the Fiscal Year 2023-24 help maintain and improve transit service, and ultimately, support t ambitious climate, equity, and mobility objectives.

In our letter to legislative leadership, dated January 18, 2023, we h across the state continue to struggle with the adverse and severe im pandemic on their ridership, revenue streams, staffing levels, and o one-time federal relief runs out for these agencies – for many, as se challenges will only grow, threatening essential transit service, and state is making in re-envisioning our transit systems and delivering Californians. Preliminary estimates from California transit agencie totaling between \$6 billion to \$8 billion over the next 5 years, with funding across the state. Without state assistance, transit agencies s make major service cuts, severely curtailing mobility for countless ridership and hampering the ability for agencies to fund operating e the need for funding to address those concerns have been noted at t federal levels, with President Biden’s recently released budget noti on transit operations funding.<sup>1</sup> Regrettably, the Governor’s propose to further compound the challenges already faced by transit agenci

<sup>1</sup> [https://www.whitehouse.gov/wp-content/uploads/2023/03/budget\\_fy20](https://www.whitehouse.gov/wp-content/uploads/2023/03/budget_fy20)

STATE CAPITAL  
SACRAMENTO, CA 95814  
(916) 951-4015



March 17, 2023

The Honorable Nancy Skinner  
Chair, Senate Budget Committee  
1021 O Street, Suite 8630  
Sacramento, CA 95814

The Honorable Phil Ting  
Chair, Assembly Budget Committee  
1021 O Street, Suite 8230  
Sacramento, CA 95814

The Honorable Maria Elena Durazo  
Chair, Senate Budget Subcommittee #5  
1021 O Street, Suite 7530  
Sacramento, CA 95814

The Honorable Steve Bennett  
Chair, Assembly Budget Subcommittee #3  
1021 O Street, Suite 4710  
Sacramento, CA 95814

**Re: Transit Funding in the FY 2023-2024 State Budget.**

Dear Chairs Skinner, Ting, Durazo and Bennett,

We, the undersigned, write in support of continued investment in transit – both transit capital and transit operations. Transportation remains one of the largest contributors to GHG emissions in California, therefore the state needs to remain committed to both capital investments and increasing transit operations funding.

First and foremost, we must keep the promise made last year and restore the \$2 billion in Transit and Intercity Rail Capital Program funds for capital projects to be cut as part of Governor Newsom’s January Budget proposal for FY 2023-2024. Funding for transportation capital projects must remain a top priority as a key to the state’s climate goals and a strategy to modernize the state’s economy and expand economic opportunity for all Californians. Transportation infrastructure projects can demonstrate significant return on the state’s investment, leveraging state and local funds to draw huge federal investments through the Infrastructure Investment and Jobs Act. VTA’s BART Extension, Silicon Valley is one such example where the state, regional and local contributions are poised to secure \$4.6 billion in

# Shaping the Ask Amidst Budget Challenges

To provide transit agencies the predictable funding they need, we are:

- Pursuing a multi-year package that minimizes negative impact on General Fund.
- Pursuing multiple revenue options so cost is borne across different sources/ programs.

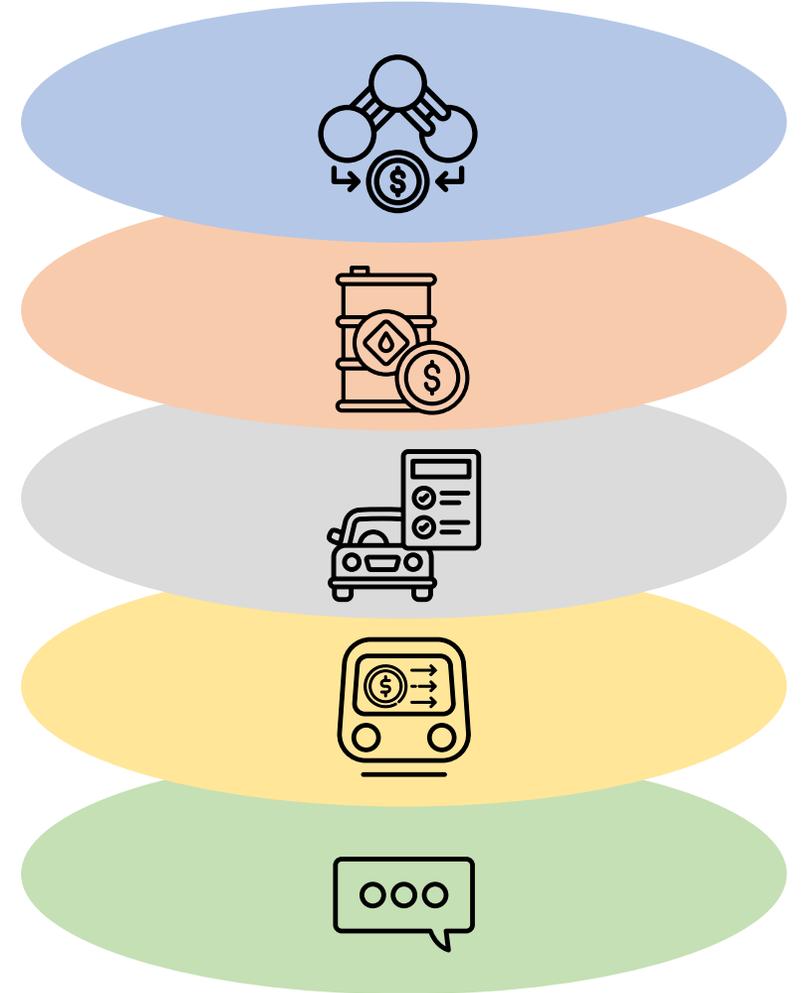
## Challenges

- Legislature wants to see that transit agencies are making hard choices too.
- Questions of accountability are arising – how can Legislature ensure transit agencies are doing their best to bring back riders?
- Trade-offs – options on table to shift transit capital funding to operating purposes.
- MTC is making the case that **new, multi-year transit operating funding** must be part of any meaningful transit recovery package.

# State Revenue Options to Close the Gap

## *Potential Funding Sources under exploration*

- Cap and Trade funding (35% discretionary portion that is not already accounted for by law)
- 2.5% diesel sales tax that does not already go towards transit
- Increase to Transportation Improvement Fee (vehicle registration charge)
- Shift some existing state highway funding to transit given significant recent increase in federal highway funds.
- Allow other existing programs to be used for transit operations, including:
  - Transit & Intercity Rail Capital Program (TIRCP)
  - Transit State of Good Repair
  - Low Carbon Transit Operations Programs



# Next Steps

## State Budget Calendar

- May 10: Governor releases May Revision of the budget
- May-June: Budget hearings and negotiations
- June 15: Legislature must adopt budget
- Post-June – September: Subsequent budget bills may be adopted reflecting tax receipts since deadline postponed.

## Planned Bay Area “Survive & Thrive” Coalition Actions

- MTC to consider adopting recommendations in April
- Organize a 3<sup>rd</sup> coalition sign on letter by early May
- Meetings with Legislature and Administration through April-May
- Sustained communications effort (social media campaign #2 in May)

An aerial photograph of a coastal town, likely San Francisco, showing a bay, a beach, and a densely populated hillside. The Golden Gate Bridge is visible in the distance. The text "Questions & Discussion" is overlaid in the center.

# Questions & Discussion