



We Can't Afford to Lose Transit: Proposed Transit Funding Budget Request

Metropolitan Transportation Commission

April 26, 2023

Overview



Latest Ridership Recovery Statistics & Deficit forecast for Bay Area Transit Agencies Over the Coming Years



Proposed Funding Details & Policy Principles for State Budget Request



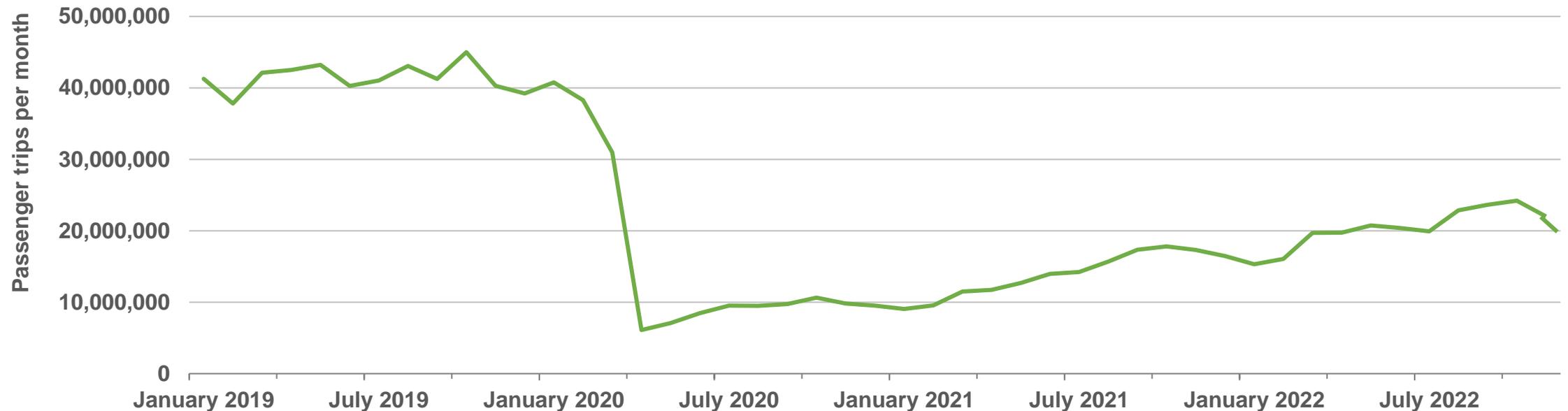
Photo: Jim Mauer



Transit Ridership – All Bay Area Operators

Transit ridership across the Bay Area remains at only 54% of pre-pandemic levels. But **an average of more than 21 million passenger trips were still taken on transit in December–Feb 2022.**

The drop is not explained **solely** by remote work: Of those who are **still commuting**, the share taking transit fell from 14% in 2019 to 5% in 2021 (2022 data not yet available). That gap is an opportunity.

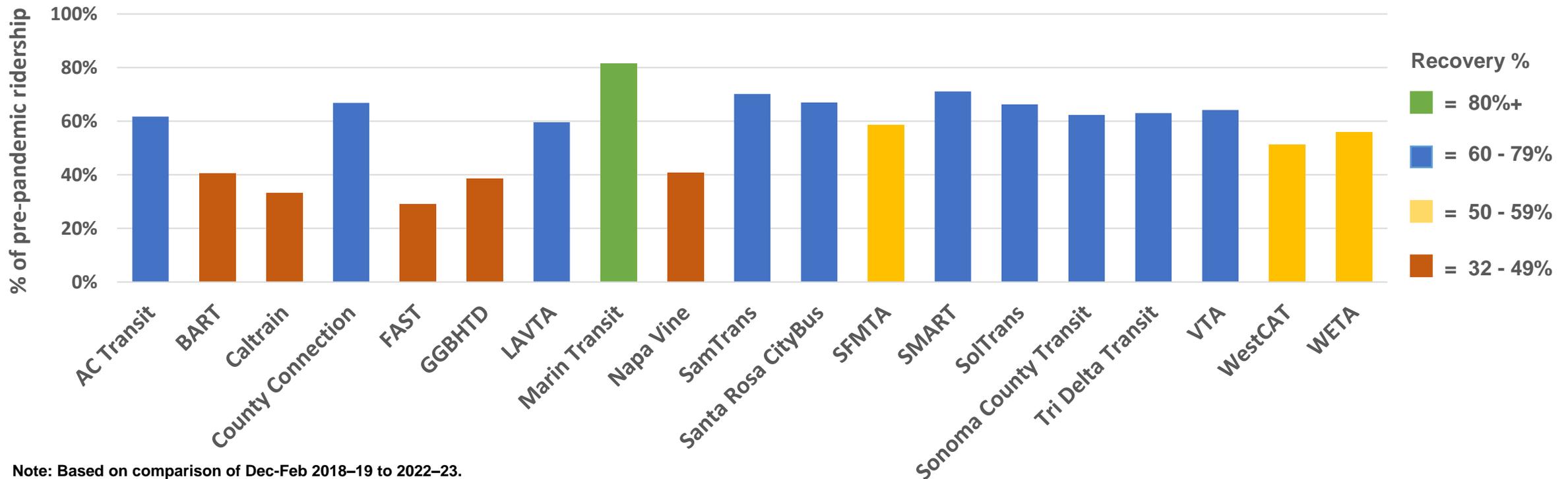


Source: National Transit Database



Ridership Recovery Varies Greatly by Operator

Ridership recovery by operator reflects the type of destinations served and the demographics of riders of each agency. Operators that serve the San Francisco commute have seen the greatest drop in ridership.



Note: Based on comparison of Dec-Feb 2018–19 to 2022–23.
Data for Vacaville CityCoach and Union City Transit is not available.
Source: National Transit Database.

Key Findings from Short Range Transit Plans

Fiscal and operating challenges vary dramatically across operators

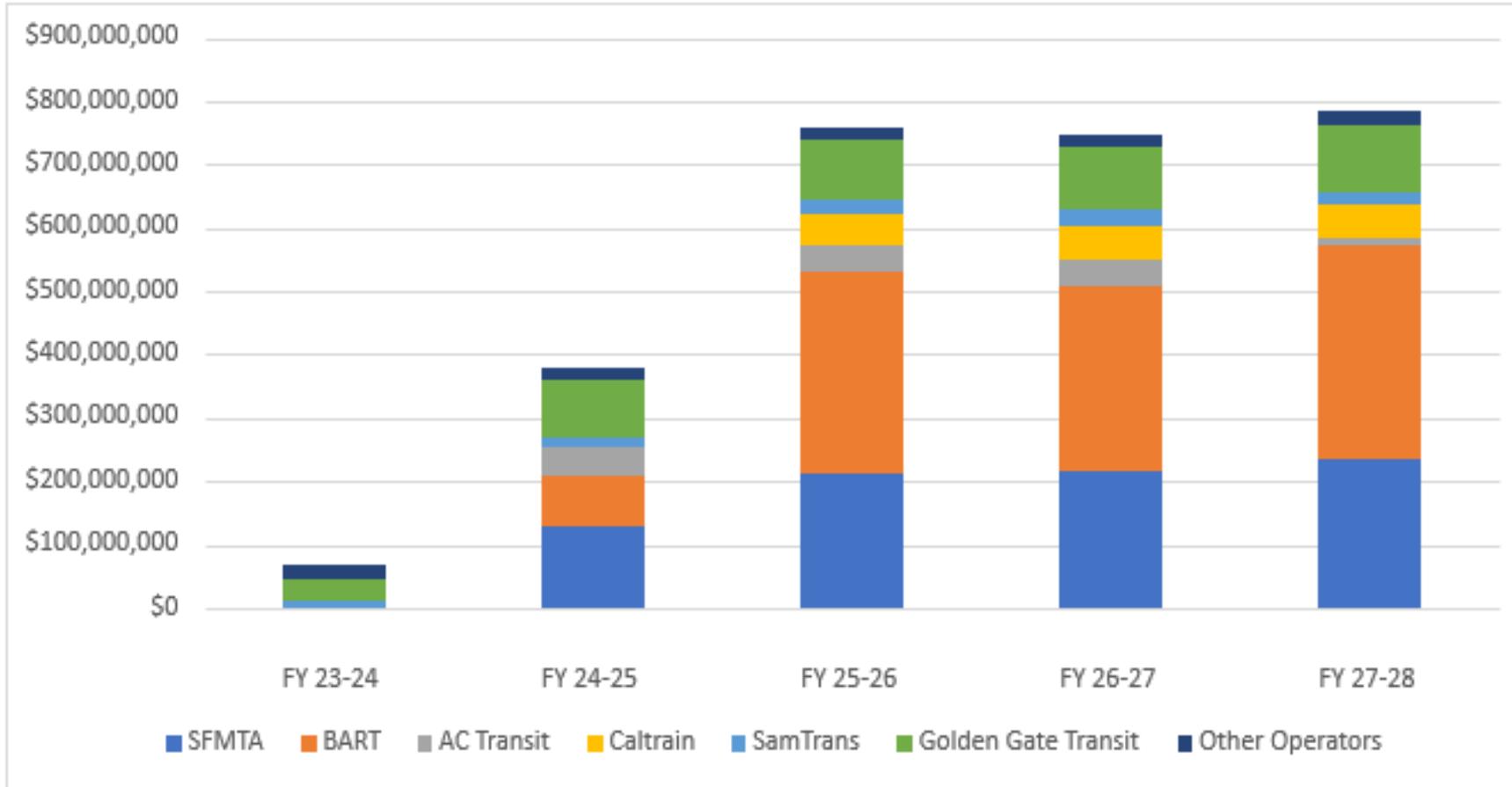
1. Farebox dependent operators remain acutely vulnerable to sluggish ridership recovery.
2. 100% of pre-pandemic revenues would not be sufficient to sustain current service due to operating cost increases.
3. Fiscal cliff is not the only challenge. For some agencies, operator recruitment and retention are as significant a challenge when it comes to restoring transit service levels.



Photo: Karl Nielsen
Photo: Jim Mauer



Bay Area Five-Year Annual Operating Deficit Forecast



Bay Area transit operators report a cumulative operating shortfall of approximately \$2.5 billion over next five years

- In most cases, the projected deficits are based on *current* service levels, but in some cases, service enhancements are assumed.
- To the extent state funds are insufficient to close budget gap, there will be trade-offs between service levels and capital (including maintenance) priorities.



Advocacy Framework for Distribution of State Transit Recovery Funds

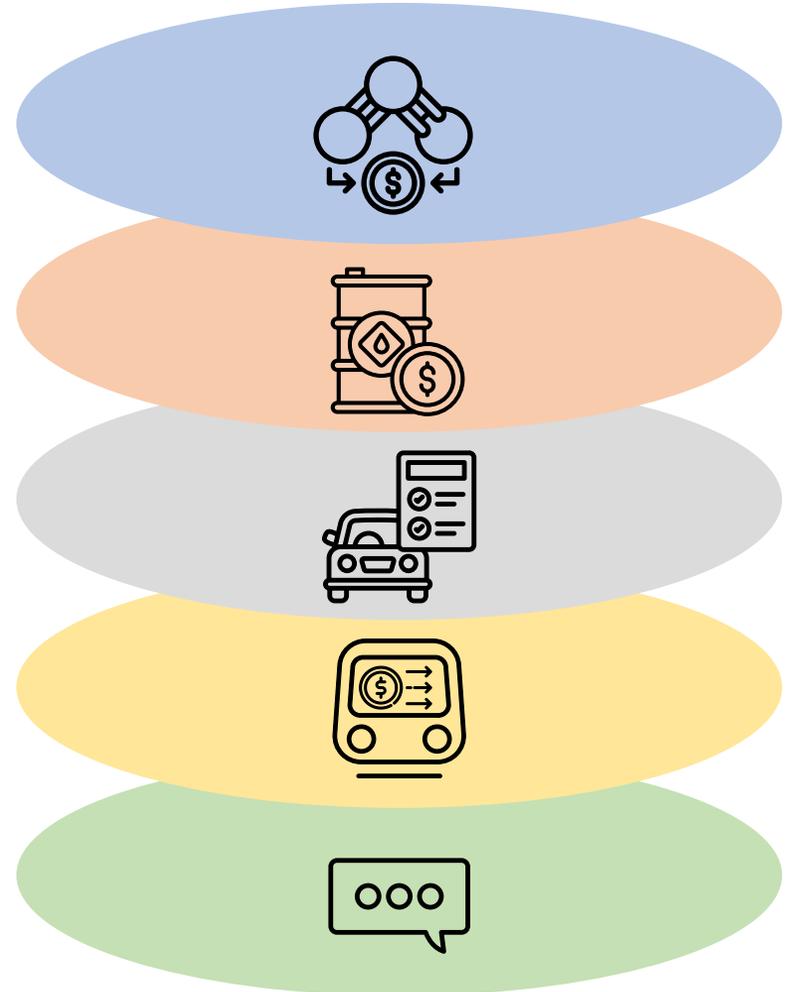
Photo: Joey Kotfica

The Case for State Assistance: Transit is a Key Part of California's Transportation System

- While public transit is operated locally, for decades California has recognized that a well-functioning and connected transit system is a core state interest.
- For the last 20 years, the state has invested \$6.5 billion in Bay Area transit expansion. To reap the benefits (climate & otherwise) of these investments, reliable service is essential, but the state's investment in transit *operations* has remained low by comparison to east coast states with robust transit systems like Chicago, PA and NY.
- Congress provided \$4.4 billion to the Bay Area to assist with transit operations while the state has provided no operating funding to address pandemic related impacts.
- Transit is foundational to the state's **climate** and **equity** goals.
 - Transit riders are disproportionately low-income, people of color, and renters. Transit riders are almost 5X more likely not to own a car than the general Bay Area population.

Key Concepts Guiding the Ask

- Seek **new funding for transit operations** by primarily shifting existing sources that minimize impact on the state's General Fund.
- Demonstrate that transit has **“skin in the game”** by staying neutral on flex options from transit capital funds to operating.
- Prioritize “Survive” funding and seek “Thrive” investment in **rider-focused transit enhancements**.
- Provide a **menu of options** to give Legislature more flexibility to weigh pros and cons and select preferred approach.
- Offer recommendations for how state can encourage improvements to **transit service**.



MTC Advocacy Principles for Distribution of Transit Recovery Funds

Principle 1: Ensure funding is available to address critical service needs for agencies with demonstrated deficits driven by revenue declines as well as for rider enhancements, consistent with our 2023 Advocacy Platform:

“Survive”: Transit Service Preservation

- Aimed at averting significant service cuts
- Require demonstration of need

“Thrive”: Retooling for the Future

- Enhancements to make transit more convenient, safe, reliable and clean and implement the *Bay Area Transit Transformation Action Plan*.

Advocacy Principles for Distribution of Transit Recovery Funds

Principle 2:

“Survive” funds should be distributed based on need, while “Thrive” funds could be distributed by formula to each region (using State Transit Assistance formula or region’s share of riders) or competitively.

Principle 3:

“Thrive” funds could be front loaded beginning in FY 2023-24 since investments to attract new riders may reduce out year deficits and more funds will be needed just to sustain current service (“Survive”) in FY 2024-25 to FY 2027-28.



Recommended State Funding Sources to Fund New Transit Recovery Program

Photo: Joey Kotfica

Menu of Potential Funding Sources Considered

Menu Item	NEW Transit Operating Source	CTA Committee Approved?	Five-Year Maximum Amount Statewide	Who Controls Now? / Percent of Fund Source
1	Cap and Trade Discretionary Funds	Yes	\$2.5 billion	Legislature/33%
2	Temporary Shift of SHOPP (federal highway) Funds	No	\$2.3 billion	Caltrans SHOPP/14%
3	Diesel Sales Tax Shift (2.5% portion)	Yes	\$1.3 billion	General Fund /100%
4	Increase TIF Vehicle Registration Charge	No	\$1.3 billion	NA –Tax Increase
	Subtotal		\$7.4 billion	
	FLEX Existing Transit Capital Funds			
5	LCTOP Redirection or make more flexible	Yes	\$1 billion *	STA Formula/100%
6	STA – State of Good Repair	Yes	\$0.6 billion *	STA Formula/100%
7	TIRCP General Fund Augmentation— pending budget appropriation	Yes	\$1 billion	MTC/ 25%
8	TIRCP (Future grant cycle)	Yes	\$0.3 billion	CalSTA/ 25%
	Subtotal		\$2.9 billion	

Endorse New Temporary Funding Sources for Transit to “Survive and Thrive”

- **Bottom Line:** These funding options total \$7.4 billion statewide, giving the Legislature meaningful options to address public transit’s needs at scale.
- **Cap and Trade:** Amount is just 1/3 of discretionary C&T and still allows Governor’s investment in ZEV and an estimated \$300M for other priorities.
- **SHOPP:** A temporary redirection of federal highway funds still supports a **19% increase** for highway maintenance thanks to boost from federal Infrastructure bill. State is currently on track to achieve highway performance targets.
- **Diesel Sales Tax:** About 80% of this tax is dedicated to transit already. Shifting 100% would be straightforward but would cost General Fund about \$280M/year.
- **TIF:** Proposed temporary rate increase takes a progressive approach, exempting 40% of lowest value cars; charging at most \$35 for vehicles valued over \$60,000.

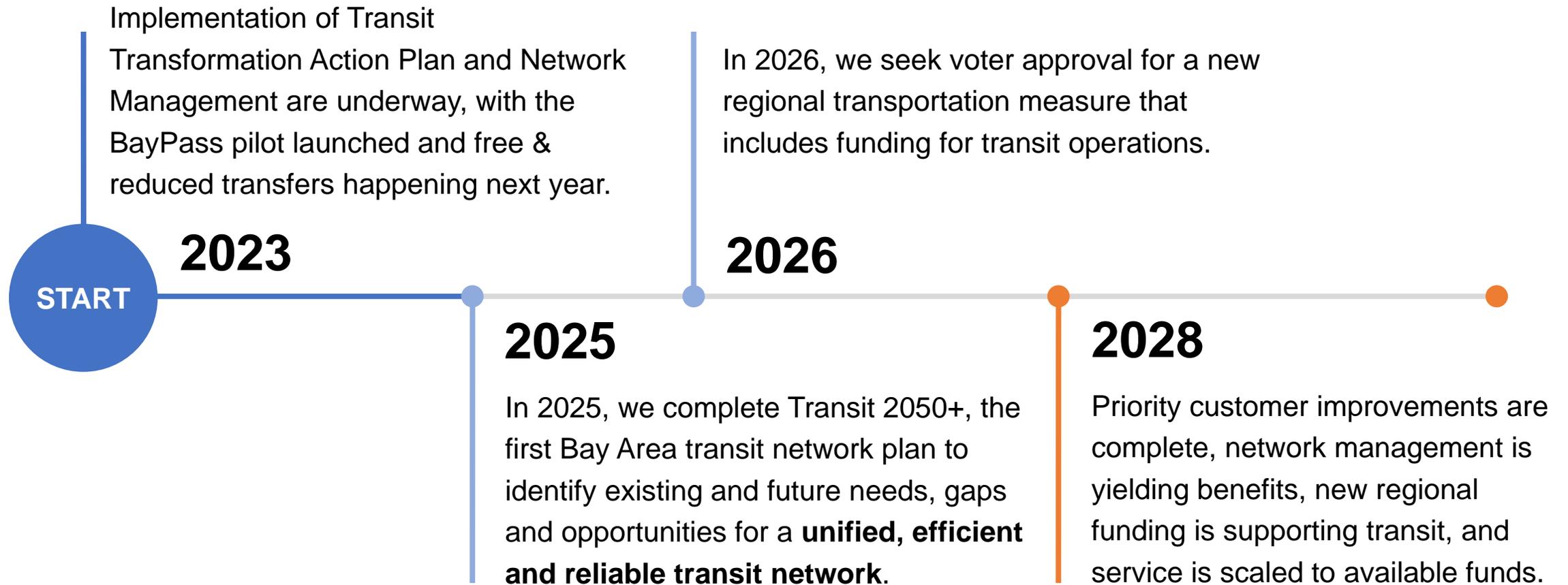
Stay Neutral on Transit Fund Shift Options

- Items 5–8 have been endorsed by California Transit Association and have potential to benefit transit agencies outside Bay Area.
- Bay Area operators are already using Items 5 & 6 for transit operations given short-term allowance so continuing that allowance is helpful but will not alleviate the region’s fiscal cliff.
- Shifting TIRCP (whether future “regular” TIRCP or proposed General Fund augmentation) puts at risk funding plans included in our **Major Project Advancement Policy** for priority projects in the pipeline that plan to use TIRCP to secure (or retain) **billions of \$ in federal funds**, such as BART to Silicon Valley Phase II, BART Core Capacity, the Portal, Valley Link, Zero Emission Bus Fleets & Facilities for SFMTA & AC Transit and more).

Funding Likely to Come with Strings: Policy Provisions to Help Transit Thrive

- The state has a strong interest in encouraging transit ridership and legislators have indicated an interest in establishing new rules in exchange for transit recovery funds.
- New policies should address rider priorities, such as:
 - ✓ **Safety**
 - Require use of best practices and regular reporting to state on efforts to keep riders safe.
 - ✓ **Convenience**
 - Agencies should regularly evaluate and adjust their service routes and/or schedules to align with/maximize ridership demand.
 - Large agencies, particularly those serving longer routes, should provide reliable real-time transit information & offer Wi-Fi service.
 - ✓ **Speed**
 - State could require bus operators to track travel time changes to identify good candidates for transit priority projects to bypass traffic and offer a competitive travel time.

The Path to a Financially Sustainable Business Model



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

- Organize a 3rd coalition sign-on letter in early May
- Meetings with Legislature and Administration through April–May
- Sustained communications effort (social media campaign #2)

An aerial photograph of San Francisco, California, showing the Golden Gate Bridge in the distance, a large body of water in the foreground, and a densely populated residential area on a hillside. The text "Questions & Discussion" is overlaid in the center.

Questions & Discussion