

# Potential Regional Transportation Measure

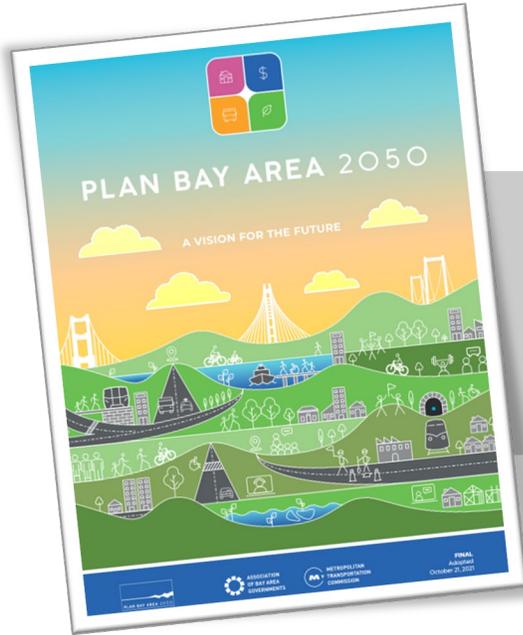
Draft Goals, Guiding Principles,  
Funding Priorities & Revenue Options



**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

**Policy Advisory Council  
September 22, 2023**

# Why a New Regional Transportation Measure?



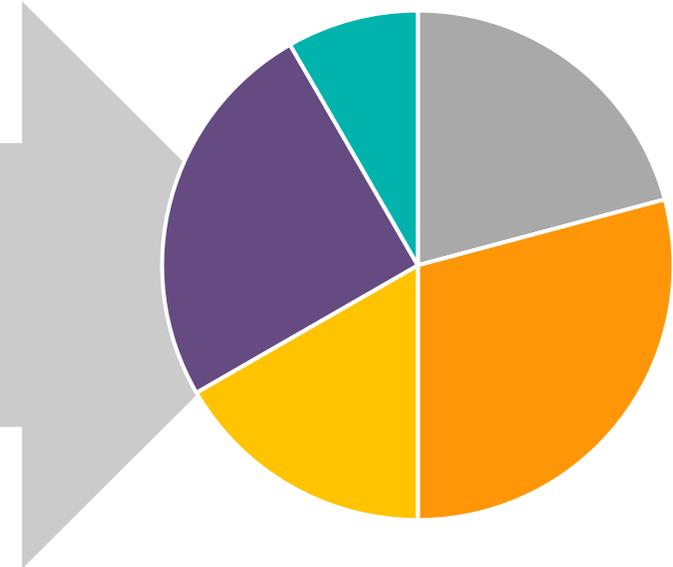
## Plan Bay Area 2050

The Plan identified a \$110 billion funding gap to realize the plan's bold vision



## Transit's Future Depends on New Funding

New reliable funds are needed to sustain service and improve the rider experience



## Deliver Results

Regional funds can incentivize key regional policy goals & improve access and mobility regionwide

# Throughout 2023: Listening & Learning

## STAKEHOLDER ENGAGEMENT



**Transit Operators**



**County Transportation Agencies**



**Regional Agencies**

*BCDC, BARC, BAAQMD, etc.*



**Business Organizations**



**Labor Organizations**



**Advocacy Organizations**

- *Environment*
- *Equity*
- *Persons with Disabilities*
- *Older Adults*
- *Active Transportation*

## PUBLIC ENGAGEMENT



**Public Poll**

- *Conducted in spring 2023*
- *Sought to understand public perception of public transit & support for potential measure*



**Pop-Up Workshops**

- *15 events in all nine counties during summer 2023*
- *Integrated with Plan Bay Area 2050+ and Transit 2050+ public engagement*



**Online Survey**

- *Sought feedback from public on same questions as in-person events*
- *Offered in English, Mandarin, Spanish, and Vietnamese consistent with 2023 PPP*

## EMERGING THEMES

Most stakeholders, and the public at-large, want to **maintain and improve public transit** but also want to **see investments in other transportation modes**.

There is a broad recognition that the Bay Area's post-pandemic trajectory is uncertain and that **having the flexibility to modify priorities over time will be key**.

Simply **maintaining the status quo is not sufficient** – the public wants to see new revenues used to help transform our transportation system.

# Draft Regional Measure Goals & Focus Areas

In order to advance the broader vision of a more affordable, connected, diverse, healthy, and vibrant region for all residents, the Bay Area needs to...



## Stabilize Transit Funding

Improve financial sustainability by establishing a long-term transit operating funding source, offsetting farebox revenue declines spurred by changing post-pandemic travel patterns.



## Make Transit Faster, Safer, and Easier to Use

Fund priority programs building upon the Transit Transformation Action Plan, in order to quickly transform transit to respond to customer needs and ultimately grow ridership.



## Enhance Mobility and Access for All

Implement cost-effective and resilient solutions beyond transit that make it easier for people of all ages and abilities to get to the places they want to live, work, and play.

# Draft Guiding Principles for Expenditure Plan



## Equitable

Prioritize funding in every investment category toward Equity Priority Communities, as well as other underserved demographic groups such as persons with disabilities, older adults, etc.



## Climate-Friendly

Ensure funding only flows to GHG-reducing or GHG-neutral projects by avoiding any investments that expand roadway capacity, which would make it more difficult to achieve our ambitious climate goals.



## Adaptable

Recognize the future of the Bay Area remains highly uncertain; craft funding programs that can be adjusted to maximize progress toward regional goals by avoiding rigid project-specific expenditures.



## Cohesive

Create an expenditure plan that is greater than the sum of its parts, both to maximize regional impact but also to be able to clearly communicate to the public what the measure will deliver.

# Potential Funding Priorities



## Transit Operations

Sustain and/or expand transit service levels on bus, rail, and ferry lines to serve both current and future riders.



## Transit Transformation

Accelerate investments to improve the customer experience, such as transit fare integration, harmonized mapping & wayfinding, ambassador programs, expanded paratransit services, etc.



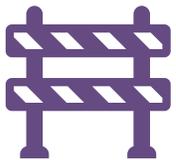
## Main Streets

Transform arterials and collectors to better address safety, equity, and climate goals through improved pavement, safety enhancements, expanded sidewalks and/or protected bicycle infrastructure.



## Climate Resilience

Fund planning, design and/or construction activities that benefit transportation infrastructure and nearby communities by protecting them from rising sea levels, flooding, wildfires, and extreme heat.



## Priority Projects

Close funding gaps for GHG-reducing or GHG-neutral projects being impacted by rapid inflation, accelerating delivery of high-priority voter-approved capital investments.

# Public Feedback on Potential Priorities

At pop-up workshops held through late August, participants shared their priorities for a future measure:

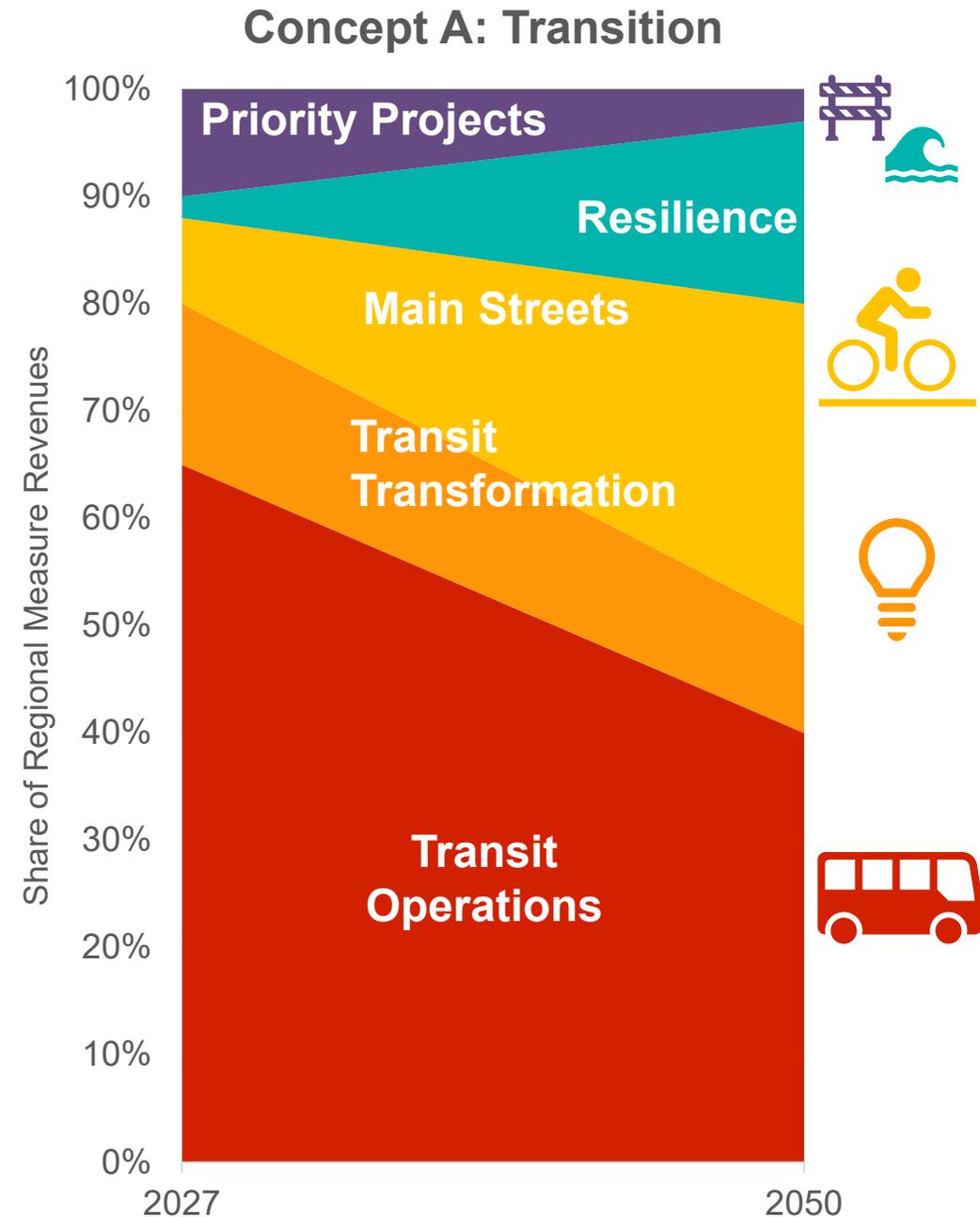
- 1 Main Streets
- 2 Transit Transformation
- 3 Transit Operating
- 4 Climate Resilience
- 5 Priority Projects

Additional data, including online survey results, will be shared later this fall.



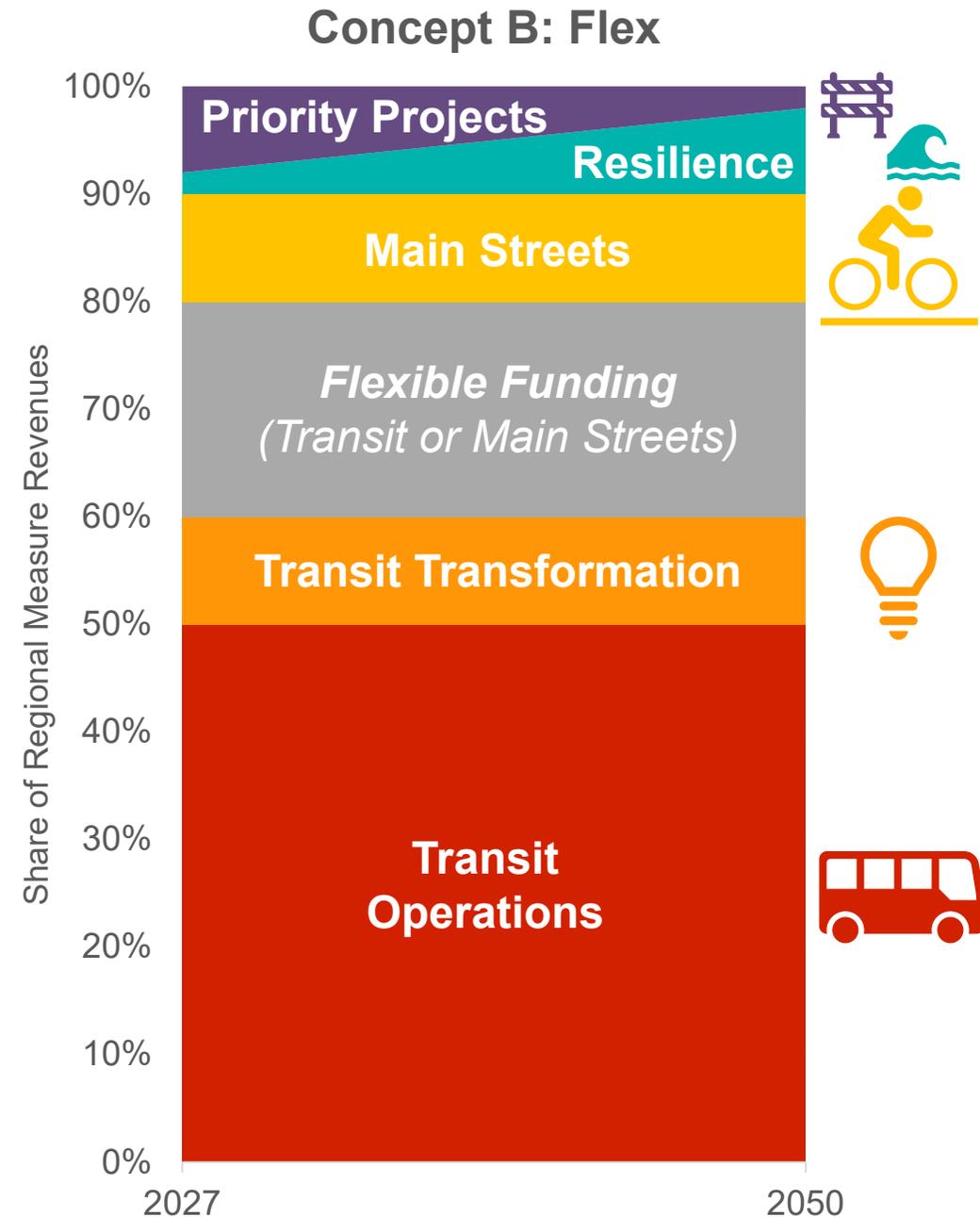
# Expenditure Plan Concept A: Transition Priorities over Time

- **Premise:** Transit Operations and Transit Transformation prioritized in early years, given substantial near-term funding needs – but gradually transition to a more multimodal approach
- **Transition Funding:** Gradually reduce reliance upon regional funding for transit operations & transformation through increased fare revenue, state or local funding, allowing regional measure to support other transportation needs
- **Projects:** Priority Projects prioritized in early years to accelerate completion, then increase funding of resilience investments as climate impacts worsen in decades ahead



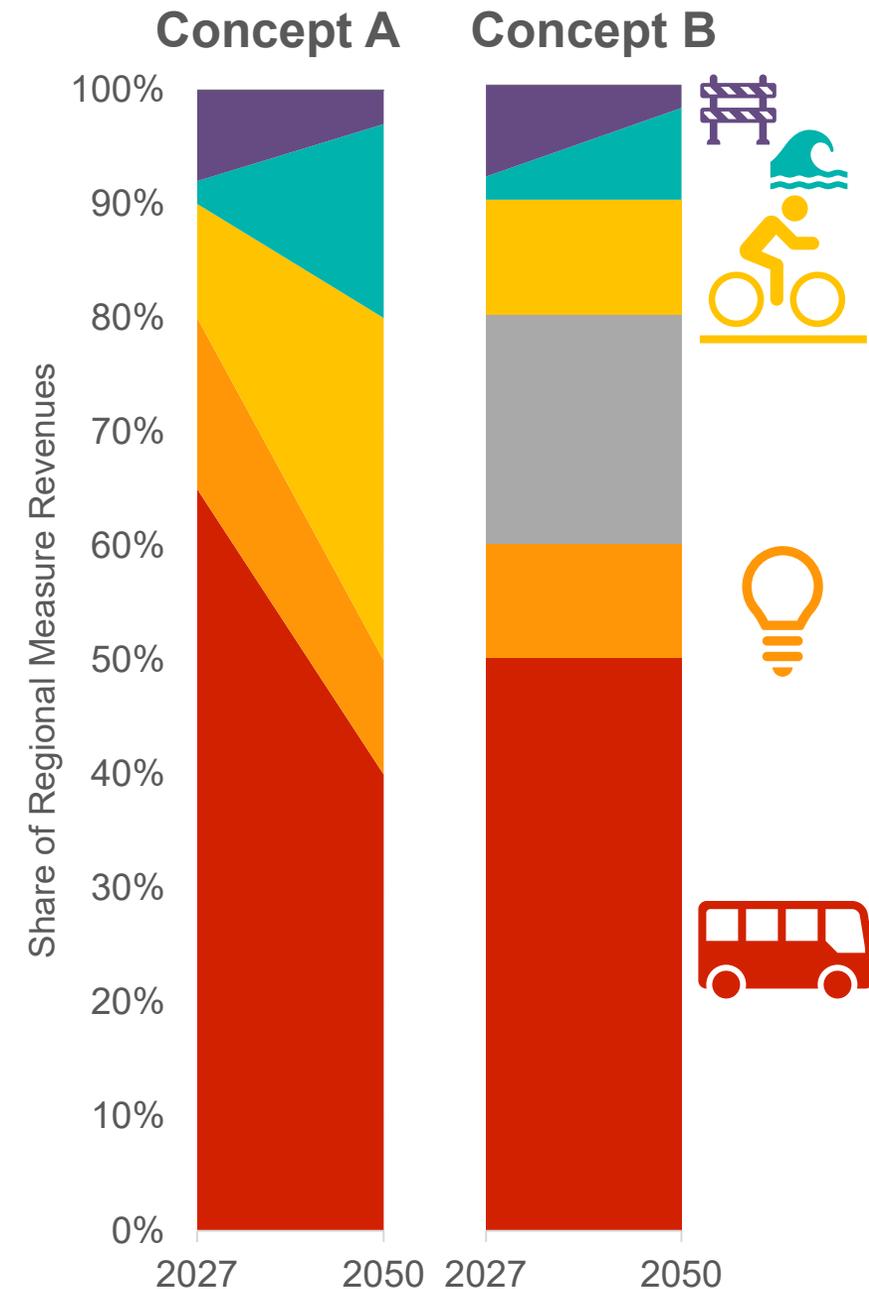
# Expenditure Plan Concept B: Lean into Flexible Funding

- **Premise:** Transit operations and transit transformation receive a minimum of 60% annually and a minimum of 20% for Main Streets, Priority Projects, and Climate Resilience combined
- **Flexible Funding:** Reserve some funds to respond to evolving multi-modal needs and policy goals over time; funds could help achieve regional and state policy goals through grant criteria and/or performance thresholds
- **Projects:** Priority Projects receive more funds in early years, transitioning to funding more resilience investments as climate impacts worsen in decades ahead (*similar to Concept A*)



# Expenditure Plan Concepts: Strengths of Each Approach

- **Concept A (Transition)**
  - Greater ability to preserve existing service levels, especially in early years of revenue measure
  - Helps make the case for increased state and/or local transit operating funds and attracting new riders
  - Clearer pathway toward a more multimodal investment plan as post-pandemic effects diminish
- **Concept B (Flex)**
  - Transit operating funding is predictable, supporting greater budget certainty
  - Non-transit riders will see greater near-term direct benefits
  - Flexible category provides useful cushion to respond to future circumstances/economic conditions



# Analysis of Potential Funding Source

- Research and analysis ongoing of potential revenue options
- Tax rates derived based \$1 billion/year scenario for illustrative purposes
- **Draft evaluative criteria:**
  - Revenue volatility
  - Equity impacts
  - Economic impacts
  - Administrative burden
  - Co-benefits/disbenefits
- **Practical considerations:**
  - Ultimately, what's most popular with voters and what's most politically feasible will determine which options to pursue.
  - Possible to follow approach in AB 1487 (Chiu, 2019) – establishing the Bay Area Housing Finance Authority – providing a menu of options vs. a single revenue source.

# Summary of Tax Revenue Options Analyzed

Tax Type	Description	Tax Rate
Sales tax	Regional sales tax on the sale of tangible items. Some groceries are exempt.	0.5-cents
Income tax	Regional supplemental income tax paid by taxpayer – withheld from paycheck (can be limited to those with an income above a specified threshold and/or include tiered rates)	0.17%
Payroll tax	Employer-based tax on wages paid to employees, like Social Security. Can be structured to exempt small businesses.	0.36% taxable wages
Corporate head tax	Employer-based tax per employee. Can be structured to exempt small businesses.	\$216/employee
Parcel tax	Flat tax per parcel of real property, can exempt certain taxpayers (e.g., seniors). Note: option to impose per square foot.	\$467/parcel
Road usage charge	Tax based on miles driven. Also known as a Vehicle Miles Traveled (VMT) fee. Only exists on a pilot, voluntary basis today.	\$0.0152/mile

# Sales Tax

- Widely used for local transportation needs today
- Eight of the nine counties, plus BART, Caltrain, and Samtrans rely upon dedicated sales taxes.
- Every county also has a 0.25% sales tax for transit known as TDA (Transportation Development Act).
- Local taxes are capped at **2%** above the uniform 7.25% and require an exception to go above.
- **Pros:** familiar, easy to administer, relatively low tax rate, strong record of success at ballot.
- **Cons:** social equity concerns, impact on retail sales within region, increases reliance upon single revenue source subject to economic cycle, potential opposition from cities and counties.

County	Current Sales and Use Tax Rate
Alameda	10.250%
Contra Costa	8.750%
Marin	8.250%
Napa	7.750%
San Francisco	8.625%
San Mateo	9.375%
Santa Clara	9.125%
Solano	7.375%
Sonoma	8.500%

**A 1/2-cent sales tax across nine counties generates about \$1 billion/year.**

# Income Tax

- Imposed on taxpayers based on taxable income and can be charged at the federal, state, and even local level.
- In California, income taxes are paid based on a graduated scale (e.g., higher income taxpayers typically pay at higher tax rates than lower income taxpayers)
- **Pros:** low tax rate with flat rate and could be structured to be even more progressive through graduated rates based on income; diversifies revenue portfolio.
- **Cons:** No precedent for a local or regional income tax in CA and currently prohibited by statute. Politically challenging.

County	Adjusted Gross Income (AGI) (\$B)
Alameda	\$103.2
Contra Costa	\$60.8
Marin	\$28.5
Napa	\$6.7
San Francisco	\$86.7
San Mateo	\$90.7
Santa Clara	\$187.1
Solano	\$15.2
Sonoma	\$21.4
<b>Total</b>	<b>\$ 600.2</b>
<b>Tax</b>	<b>0.17%</b>
<b>Annual Revenue</b>	<b>\$1.0B</b>

<b>Example Household</b>	<b>\$100,000</b>
<b>Tax</b>	<b>0.17%</b>
<b>Annual Tax Payment</b>	<b>\$167</b>

# Payroll Tax

- Payroll taxes can be imposed on employers, employees or both and are based on taxable wages.
- A regional payroll tax could potentially “piggy-back” upon the state’s system.
- A variant on a payroll tax could be a TDM mandate, such as a requirement that large Bay Area employers purchase a regional transit pass for their workforce.
- **Pros:** Diversifies revenue mix by taxing businesses to support region’s transportation system. Avoids further *direct* taxes on consumers. Potential for tax burden to be shared by employee and employer.
- **Cons:** Could hurt job growth and business climate, exacerbating businesses leaving the region. No precedent for local/regional payroll taxes in California. Politically challenging.

County	2022 Taxable Wages (\$B)
Alameda	\$53.8
Contra Costa	\$25.9
Marin	\$7.3
Napa	\$5.4
San Francisco	\$52.5
San Mateo	\$30.2
Santa Clara	\$81.3
Solano	\$8.3
Sonoma	\$14.2
<b>Total</b>	<b>\$278.8</b>

<b>Total Taxable Wages</b>	<b>\$278.8B</b>
Tax	0.36%
<b>Annual Revenue</b>	<b>\$1.0B</b>

# Corporate Head Tax

- A business tax imposed on a **per employee** basis.
- The administrative costs for this tax appear especially high as there is no straightforward state or regionwide county tax structure to piggy-back upon.
- The tax could be a flat rate, or graduated based on business size, as shown in table.
- **Pros:** Diversifies revenue mix by taxing businesses to support region’s transportation system. Avoids further *direct* taxes on consumers and residents.
- **Cons:** Could hurt job growth and business climate, exacerbating businesses leaving the region. High administrative cost with no state-level per employee tax to piggy-back upon. Equity concerns across business types/valuations. Politically challenging.

Hypothetical Graduated Rate Change			
Employer Size	Total # of Employees by Size	Rate	Annual Revenue (M)
1000+	3,503,331	\$261	\$915.6
500-999	280,978	\$131	\$36.7
100-499	623,818	\$65	\$40.8
50-99	213,408	\$33	\$7.0
<b>Total</b>	<b>4,621,535</b>		<b>\$1,000</b>

<b>Number of Employees</b>	<b>4,621,535</b>
Tax per Employee	\$216
<b>Annual Revenue</b>	<b>\$1.0B</b>

# Parcel Tax

- Type of flat tax imposed on real property that is not based on the property’s value.
- Can be imposed on a per parcel or per square foot basis, with different rates based on property type (i.e., residential or commercial). Due to data limitations, only a flat rate was analyzed.
- Commonly used by school districts and special districts, but two Bay Area transit agencies authorized to impose parcel taxes (BART and AC Transit).
- S.F. Bay Restoration Authority precedent but only \$12/parcel.
- **Pros:** Stable, would diversify revenue mix, paid only by property owners rather than general population, so less regressive than sales tax.
- **Cons:** High tax rate, likely opposition from local government and school districts and other “frequent users” of parcel taxes. Could compete with future regional housing measure (it’s an existing option for Bay Area Housing Finance Authority).

County	Parcel Count
Alameda	403,549
Contra Costa	386,791
Marin	96,145
Napa	53,186
San Francisco	217,537
San Mateo	227,533
Santa Clara	463,807
Solano	143,969
Sonoma	185,038
<b>Total Parcel Count</b>	<b>2,177,553</b>
<b>Tax per Parcel</b>	<b>\$467</b>

# Road Usage Charge

- California's Road Usage Charge (RUC) journey began with 2014 California Road Charge Pilot (SB 1077). Since then, 13 states have begun exploring one.
- RUC pilots vary in revenue collection methods, such as plug-in devices, telematics, and odometer readings.
- Based on 2019 vehicle-miles traveled (VMT) data, a RUC of 1.52 cents/mile will generate approximately \$1 billion annually.
- This equates to about \$150/year for a vehicle driven 10,000 miles.
- **Pros:** Diversifies revenue mix, stable funding source, strong nexus to regional goal of reducing VMT/single-occupancy vehicle travel and promoting transit and active transportation.
- **Cons:** Major administrative challenge to establish; privacy concerns; enforcement challenges; equity concerns for those who have to commute long distances. Statewide program likely a decade away from full implementation. Politically challenging.

County	2019 Daily VMT (M)
Alameda	42.5
Contra Costa	25.7
Marin	8.6
Napa	3.4
San Francisco	9.1
San Mateo	20.1
Santa Clara	43.1
Solano	14.8
Sonoma	12.9
<b>Total Daily VMT</b>	<b>180.3</b>

<b>Total Annual VMT (B)</b>	<b>65.8</b>
RUC/mile	\$0.0152
<b>Annual Revenue</b>	<b>\$1.0B</b>

# What's Next?



## Further Analysis of Funding Options & Outcomes

Integrate financial data to understand alignment of revenue options with financial needs for different expenditure categories, leveraging draft data from Plan Bay Area 2050+ to be shared with the Joint MTC Planning/ABAG Administrative Committee later this fall.



## Continue Stakeholder Outreach

Continue dialogues with partners and stakeholders on tradeoffs associated with expenditures, revenue options, and potential policy requirements; brief the region's state and federal elected officials on key concepts.



## Public Opinion Poll this Fall

Conduct a randomized poll of Bay Area voters to seek feedback on measure's goals, potential revenue options and expenditure plan priorities to inform enabling legislation.

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