

BLUE RIBBON



TRANSIT RECOVERY TASK FORCE

Agenda Item 4b

STAGE 2: TRANSIT RECOVERY FUNDING + OUTLOOK

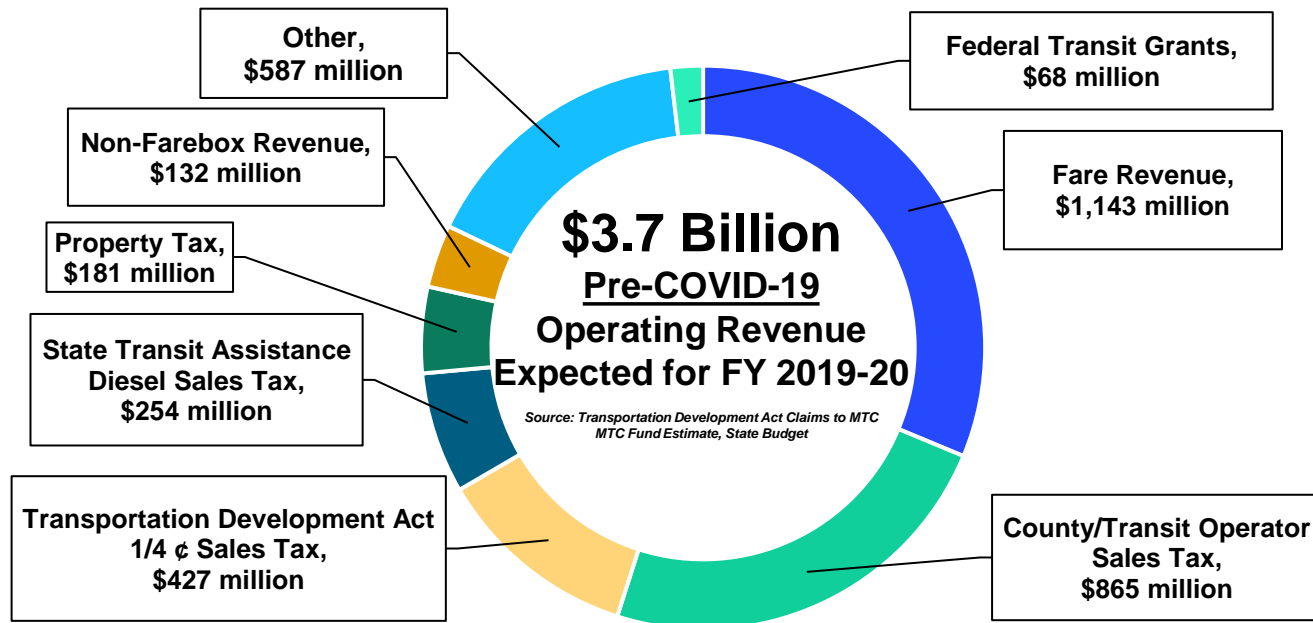
Therese McMillan
MTC
October 26, 2020

TRANSIT OPERATING REVENUES BEFORE COVID-19

\$3.7 Billion in Transit Operating Revenues Generated Annually Before the COVID-19 Pandemic

Prior to the pandemic the Bay Area's 25 Federal Transit Administration-eligible transit operators expected to generate or collect approximately \$3.7 billion in operating revenues in Fiscal Year 2019-20.

Fare revenues represented the largest share of overall revenues at 31%, followed by county and transit operator sales taxes at 24%.

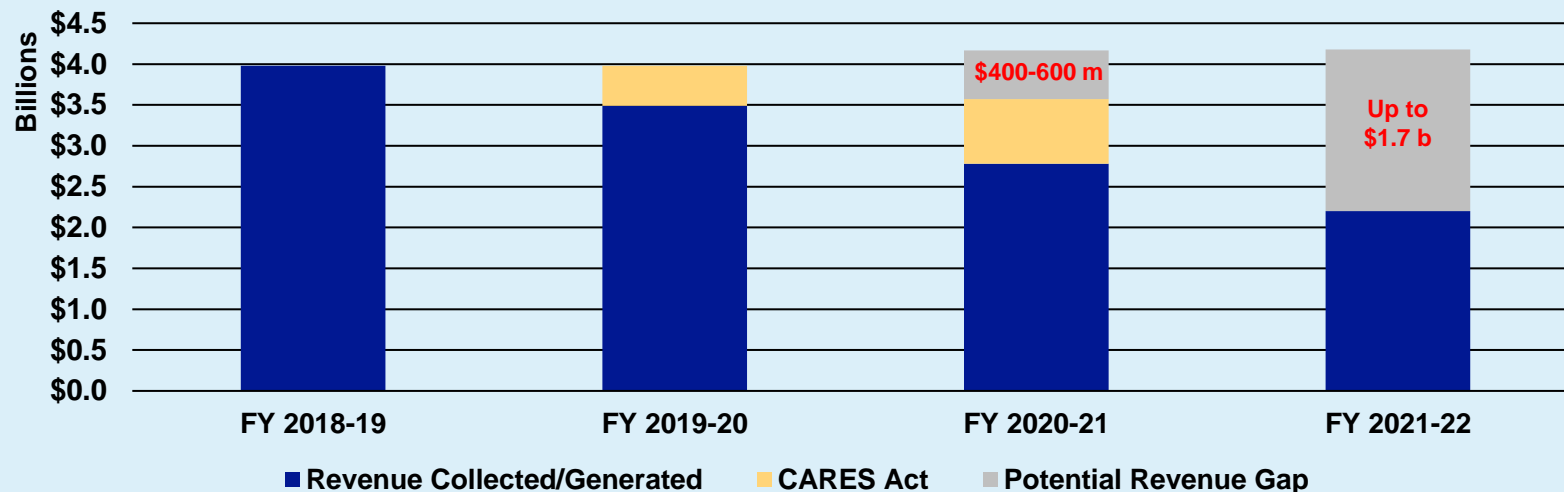


COVID-19 IMPACTS ON REVENUE

COVID-19 and the Bay Area's shelter-in-place orders have impacted almost all sources of transit revenues, especially fare, sales tax, toll, and parking revenues. Allocations from the CARES Act have helped to address the full deficit for FY 2019-20 and will help *reduce* the shortfall in FY 2020-21.

Even with the support of the CARES Act, transit agencies still expect a gap of **\$400-\$600 million** between the revenue available in their operating budgets and what those budgets would have looked like in FY 2020-21 without the COVID-19 pandemic. Looking forward to FY 2021-22 and without additional federal support (such as the U.S. House-approved HEROES 2 Act), transit agencies may face revenue losses of up to **\$1.7 billion**. **We are approaching a financial cliff that is not possible to close through local/regional action alone.**

Annual Bay Area Transit Operating Revenue

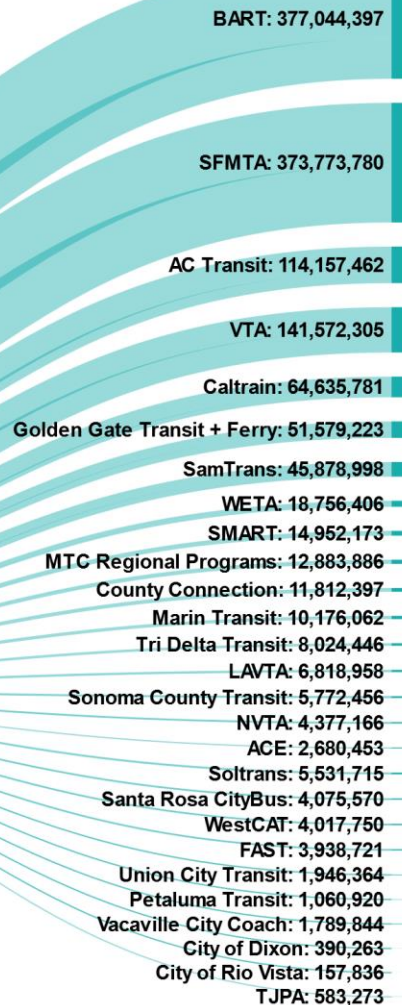


CARES ACT

Bay Area CARES Act Distribution \$1.3 billion

MTC Resolution 4420

Funds allocated in two phases in
April & July 2020



The CARES Act was
based on the
assumption that travel
patterns and the
economy would begin
to return to “normal” in
Q4 of 2020.

That has not happened.

QUESTIONS TO CONSIDER BEFORE CONSIDERING REDIRECTING FUNDS TO TRANSIT OPERATIONS

**What level of transit service
are we able to operate?**

Agencies have reduced operating expenses during the pandemic through a variety of measures. Will the redirected funding allow more service to be operated and where?

**What steps and approvals
are needed to redirect a
fund source?**

Can MTC approve redirecting a fund source to transit operations? What other approvals are necessary?

**When will redirected funding
be available?**

Is the fund source available in FY 2020-21, FY 2021-22, or later?

**What programs, projects, and/or
jobs would be impacted by
redirecting funds?**

By redirecting funds other investments will be postponed or canceled. What are the impacts of these other investments?

**Does the amount of
funding available
from a fund source
help address the
operating need in a
meaningful way?**

Many fund sources may not have enough funding available that can be redirected to transit operations to make a meaningful impact on the operating shortfall, especially considering the barriers to redirecting funds

WHAT FUNDING MANAGED BY MTC COULD BE REDIRECTED TO SUPPORT TRANSIT OPERATIONS

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Transit Capital Priorities Program (FTA Formula Funds)

\$466M/year*

Redirecting funds for capital state of good repair projects and replacements to assist with operating needs

Trade Offs

- Funds not available until FY 2022
- Capital project delay
- Capital project job losses
- Safety and reliability concerns

**FTA limits the use of capital formula funds to preventive maintenance. Operators may not be able to absorb their full apportionment for this purpose.*

Federal Highway Infrastructure Program STP / OBAG 2 & 3

\$97M/year

Redirecting OBAG 2 or OBAG 3 projects to support transit "preventive maintenance".

Trade Offs

- Only \$56 million in total available in FY 2021
- Annual funds not available until FY 2023
- Bike/Ped/Street re-paving/TLC projects/
- Safety and seamless connectivity projects
- MTC regional programs
- CTA planning support
- Delays to county priority projects
- Capital job losses

State of Good Repair Program

\$35M/year

In 2020 the State Legislature authorized use of SGR Program funds for operations

Trade Offs

- Funds available in FY 2021
- Capital project delay
- Capital project job losses
- Safety and reliability concerns

CARES Act MTC Allocation

\$12 million

Trade Offs

Already programmed to:

- Clipper START Pilot Program
- Transit Recovery Planning

WHAT ABOUT OTHER EXISTING FUND SOURCES?

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County Sales Taxes

Up to \$10s of millions

Operators, MTC, and county sales tax authorities can explore what flexibility exists in county transportation sales tax expenditure plans to direct funds to transit operations

Trade Offs

- Funds not available until FY 2022+
- Likely limited legal authority to redirect funds without seeking voter approval
- Capital project delay
- Could be seen as breaking commitments to voters when measures were approved

Regional Measure 3

Up to \$10s of millions

Assuming the CA Supreme Court upholds RM3, requires State Legislature approval to redirect funds from the Regional Measure 3 bridge toll program or public hearing to re-direct funding from specific operations expenditures to general operations

Trade Offs

- Funds likely not available until at least FY 2023
- Could be seen as breaking commitment to voters when measure was approved
- Delays to voter approval capital projects
- Possible impacts to financing capacity for RM3 program

SB 1 Non-Transit Ops. Programs

Up to \$100s of millions

(statewide)

Requires State Legislature approval and/or constitutional amendment to redirect SB 1 funds from non-transit operating uses such as Transit and Intercity Capital Program, highway/road funds, or state and local partnership program funds

Trade Offs

- Funds not available until at least FY 2022
- Impacts to other transportation needs, city and county budgets
- Capital project job losses
- Could be seen as breaking commitments to voters when Prop. 6 was rejected in 2018.

Cap and Trade Revenues

Up to \$100s of millions

(statewide)

Requires State Legislature approval to use unprogrammed cap and trade revenues for transit operations

Trade Offs

- Funds not available until at least FY 2022
- Impacts to other state low carbon priority investments

SCALE OF OPERATING NEED DWARFS AMOUNT OF FUNDS THAT COULD BE REDIRECTED

Bay Area transit operators may need **over \$2 billion** over the next two fiscal years to fully make up for lost revenue.



At most, the region could redirect around **\$600 million starting in FY2022** to transit operations which would come at enormous cost to state of good repair, safety, and jobs.



Significant political consensus and advocacy would be needed to redirect local sales tax or state funding. Even then, a revenue shortfall of \$800 million to \$1 billion would likely remain.

We don't know how long this crisis will last and what ridership or the economy will look like afterwards

Additional federal support for transit operations is critical, the proposed HEROES 2 Act a positive sign

Transit operators, MTC, the state, we all must be prepared to continue to pivot and adjust to this changing landscape

MTC is here to work with operators to provide flexibility for funding programs the agency manages



THANK YOU.

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www.mtc.ca.gov/mtc.ca.gov/blue-ribbon-transit-recovery-task-force