

Metropolitan Transportation Commission

December 9, 2024

Agenda Item 6b - 24-1604

Endorsement of Proposed Transportation Revenue Measure Frameworks and Policy Provisions for Polling

Subject: Staff will seek approval to poll proposed transportation revenue measure frameworks and policy provisions and outline next steps.

Background:

Over the past year, MTC, transit agencies, county transportation agencies and local and regional stakeholders have been working towards enabling legislation for a Bay Area transportation revenue measure that could be placed on the ballot in 2026. After SB 1031 (Wiener/Wahab) – originally sponsored by MTC to fund public transportation, safe streets and mobility improvements – was paused last summer due to opposition from various sources, MTC convened the Transportation Revenue Measure Select Committee to seek consensus on the key components of a future measure that would: 1) avoid major transit service cuts; 2) advance customer-focused transit transformation priorities identified in the Bay Area Transit Transformation Action Plan ; and 3) garner legislator and voter support. The Select Committee, chaired by Commissioner Spering, included nine commissioners and seven representatives of key constituencies including the business community, labor, transit advocates and equity advocates, along with ex officio participation by staff from Senator Scott Wiener and Senator Aisha Wahab’s offices and legislative staff from Senate Transportation Committee Chair Dave Cortese and Assembly Transportation Committee Chair Lori Wilson also in regular attendance.

The Committee considered several key topics in its five months of deliberations, including:

- The measure’s expenditure framework and core goals (including funding level target for transit operations)
- Potential revenue mechanisms
- Duration of the measure
- Ensuring transparency and accountability

- Other policy considerations for accompanying legislation

What Was the Outcome of the Select Committee?

The Select Committee didn't reach consensus on a specific funding framework, but approved two motions that captured areas of agreement related to funding provisions, as detailed in Attachment A. Each member also scored features of a potential measure using a gradients of agreement method that provided insight into each member's priorities (see Attachment B). The table below summarizes the gradients of agreement preferences by Select Committee membership category.

Select Committee Members by Group	Summary of Preferences from Gradients of Agreement Survey
Commissioners	<ul style="list-style-type: none"> - Strong preference for measure on ballot in at least the four counties of Alameda, Contra Costa, San Francisco and San Mateo, with opt-in for other 5 counties (versus mandatory in all nine). - Strong preference for sales tax, but supportive of multiple sources in ballot measure and exploring a variable rate tax. - Strong preference for targeting adjusted fares as the basis for transit operating levels. - Split on duration but strong preference for 10 years among 4-county commissioners
Business & Building Trades	<ul style="list-style-type: none"> - Strong preference for measure on ballot in at least the four counties of Alameda, Contra Costa, San Francisco and San Mateo, with opt-in for other 5 counties (versus mandatory in all nine). - Strong preference for measure that includes capital investments (stated through comments) - Strong preference for sales tax; opposed to other sources and split on variable rate. - Strong preference for transit operating level targeting adjusted fares - Split on duration of measure (10 years vs. 30 years)
Transit Labor	<ul style="list-style-type: none"> - Slight preference for measure on ballot in at least the four counties of Alameda, Contra Costa, San Francisco and San Mateo, with opt-in for other 5 counties (versus mandatory in all nine). - Preference for 10-year duration - Preference for payroll tax, but willing to accept any source.

	<ul style="list-style-type: none"> - Support for multiple sources in ballot measure and split on variable rate
Transit & Equity Advocates	<ul style="list-style-type: none"> - Preference for 9-county measure - Strong preference for targeting operator reported shortfalls - Split on duration of measure. - Strong preference for parcel tax or payroll tax over sales tax - Support for multiple sources in ballot measure and variable rate

Policy Provisions Recommended to the Commission

The Select Committee also unanimously approved a motion related to policy components which conveyed support for including in the enabling legislation provisions related to transit agency accountability (both financial and related to progress with Transit Transformation) and authorization of a citizen initiative for the measure (see Attachment C). Staff is recommending the Commission endorse these policy provisions and incorporate questions related to them in the poll.

Recommended Options for Polling and Further Consideration

Throughout the Select Committee process, Commissioner Spering, staff and consultants held numerous meetings with local and state elected officials, local transit agency staff and board members, business and labor representatives, and representatives of other organizations with a strong interest in the subject to better understand their concerns and priorities with the ultimate goal of developing options that would **address the core objective of stabilizing public transit, advancing Transit Transformation and maximizing legislative and voter support**. While the Select Committee did not endorse specific frameworks, Chair Spering asked staff to take into consideration the input provided by the Select Committee, key stakeholders and the public and narrow the potential frameworks down to no more than two frameworks that staff viewed as 1) addressing the core problem we’re trying to solve and 2) responsive to what we’ve heard. Not surprisingly, there is no “perfect proposal.” Staff presented the following options to the Joint MTC/ABAG Legislation Committee last month for information **and continue to recommend they be advanced for polling and further consideration:**

- **Scenario 1A:** A transit-only measure in Alameda, Contra Costa, San Francisco and San Mateo counties (with Santa Clara County given the option to participate) lasting 10 years, funded by a ½-cent sales tax. Of the total, 10 percent of funds would go towards Transit Transformation, with half of that guaranteed to benefit the county in which the funds are generated. The remaining 90 percent of funds would go towards transit operations for operators facing deficits that serve the county in which the tax is imposed. As such, Scenario 1A represents a 95 percent “return to source.” The funding level would be based on “adjusted fares” – a measure of fare loss since 2019, partially adjusted for inflation. Staff believe Scenario 1A is the most viable path forward at this time.
- **Hybrid:** A 30-year measure in Alameda, Contra Costa, San Francisco and San Mateo counties plus an **opt-in** for the five counties of Santa Clara, Marin, Napa, Solano and Sonoma but *only if Santa Clara County opts into the measure*. This is because, of the five counties served by BART, only Santa Clara County commissioners expressed a preference for a 30-year measure over a 10-year measure. The Hybrid would be funded by a ½-cent sales tax and a \$0.09 per building square foot parcel tax. Like Scenario 1A, Hybrid reserves 10 percent of funds for Transit Transformation, with half of that guaranteed to benefit the county in which the funds are generated. With more revenue, the Hybrid generates sufficient funding to make investments in roadway, bicycle and pedestrian capital improvements in addition to providing a higher transit operating funding level. The sales tax would be distributed in the same manner as above with respect to only funding operators that serve the county where the sales tax is generated whereas 60 percent of the parcel tax would be treated as flexible regional transit funding (allocated based on need) with the remaining 40 percent distributed back to counties on a “return to source” basis for flexible county priorities (referred to as “County Flex.”)

Both options would avert the most severe service cut scenarios at BART, AC Transit and Caltrain and lay a foundation for a more unified, coordinated transit system that focuses on the customer, but Scenario 1A does so with a lower tax rate and smaller geography. It is important to note that substantial additional funding would be needed to avert significant service cuts at SFMTA under Scenario 1A (they would receive approximately \$100 million but their deficit is

estimated at approximately \$280 million in FY 2026-27 and that number represents a midpoint of a range, not the upper end). In addition, because Scenario 1A excludes the North Bay, it would leave the Golden Gate Bridge, Highway & Transit District's anticipated deficit unaddressed. Lastly, as a transit-only measure, Scenario 1A may not secure sufficient voter support considering prior polling has shown stronger support for a measure that includes a broader set of transportation improvements. On the other hand, the Hybrid scenario imposes a higher tax, includes a parcel tax and is a more complicated proposal which could make it harder to communicate.

Endorsement of these two scenarios for polling is not intended to shut the door on further discussion about the best way to address Bay Area transit agencies' critical needs. Polling is intended to shed light on the viability of each approach at a conceptual level and levels of relative support for each. Additionally, analysis and conversations about Scenario 1A (and variants thereof) are ongoing regarding the appropriate contributions that different counties should be making towards different operators, whether from the measure or from other local funds available to a given county. Santa Clara Valley Transportation Authority (VTA) sent a letter signed by their general manager and MTC's three Santa Clara County commissioners indicating their support for providing funding for Transit Transformation and Caltrain and their preference for raising funds through their own measure rather than joining a regional measure.

Staff is committed to continuing these conversations with the four core Scenario 1A counties with the goal of reaching an agreement that all parties deem fair. To that end, at the request of San Mateo commissioners and other stakeholders, staff are prepared to hire a financial consultant to provide an independent third-party review of current local contributions to BART and Caltrain operations from the counties they serve as well as transit agencies' deficit forecasts to ensure full transparency and consistent modeling. The goal of this work is to build trust among all parties in the data that underlies negotiations on how much each county should contribute towards BART and Caltrain's operations and verify the financial information transit agencies are providing related to their deficits.

Dialogue Continues to Find the Optimal Path Forward

A creative option that some members of the Select Committee and other stakeholders consider worthy of further consideration is a proposal developed by San Francisco Municipal Transportation Agency (SFMTA) and other operators that includes the use of variable tax rates by county; under this approach while there would be a single ballot measure with the same ballot question across multiple counties, the measure would authorize a higher tax rate in San Francisco (given its transit operating needs are much higher than other counties relative to the tax revenue it can generate), a lower tax rate in Santa Clara given the opposite set of factors (lower transit operating needs and higher tax base), and an equivalent rate in Alameda, Contra Costa and San Mateo counties (for a five-county measure). This proposal was presented to the Select Committee at its final meeting in October and can be found at this [link](#). The variable rate idea is a creative way to solve a challenging political math problem, but it is also an untested type of measure, which introduces new risks. At the time this memo was finalized, staff were in conversation with SFMTA about polling a variable rate option if they and other parties continue to believe it is viable and worthy of further exploration.

Polling:

Based on the Commission's action and feedback today, staff will develop a poll with EMC Research early in the new year with the goal of having results by the end of January/early February. Staff believe it is vital the poll be developed in a collaborative manner, including with the Commission, transit operators and other stakeholders to build credibility in the results. We envision a split sample that will assess voter support for the two scenarios (and potential variants) to provide insight into voter sentiment regarding key structural questions including the measure's expenditure plan (i.e., how funds will be used), duration of tax, revenue mechanism (i.e., type of tax); geography and key policy provisions (accountability and transit transformation). To ensure feedback from the "opt-in" counties in each option, staff recommend Scenario 1A be tested in Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties whereas the larger Hybrid option would be tested in all nine counties. Note that the calculation of votes for regional measures is the summation of total votes cast within the

geography of the measure. By testing in the most expansive geography envisioned for the two potential measures we will be able to understand voter sentiment in each county and see how their participation could affect the measure's chances.

Issues:

There continues to be varied perspectives on the best path forward to address the near-term public transit emergency and broader transportation needs. A few notable points of input include:

Policy Advisory Council: Support for the "Hybrid" scenario as it reflects the higher level of expectation referenced in the Policy Advisory Council's motion of August 27 with the note that there are still many gaps that need to be filled. The Council supports continued work that encourages all counties to participate and meet the goals of the transformation action plan.

County Transportation Agencies and Representatives: Recent letters from the county transportation agencies of Alameda, San Francisco, San Mateo, and Santa Clara are attached (Attachment D). These letters express various positions and concerns – including some expressing support for a short-term measure and others favoring a longer-term framework; preference for separate locally-sponsored measures with agreed upon policy provisions; and fairness in county contributions to BART and Caltrain.

Next Steps:

Should the Commission endorse the transportation revenue measure frameworks and key policy provisions for polling and further consideration, staff will update the Draft Select Committee Report to the Legislature to reflect this action and move forward with polling. Staff will return to the Commission in February with poll results, feedback on further conversations related to the funding frameworks, and a recommendation as to whether MTC should sponsor a bill, and if so, the specific funding and policy provisions that should be included in such legislation.

Recommendations:

- 1) Endorse the key policy provisions included in Attachment C and include questions related to them in the poll.

- 2) Endorse the proposed transportation revenue measure frameworks – Scenario 1A and Hybrid – for polling and additional refinement. Further, permit coordination on polling a variable rate option (if there is interest by partners) to ensure comparability of poll results.
- 3) Direct staff to return by February 2025 with polling results and sponsorship considerations for transportation revenue measure enabling legislation.

Attachments:

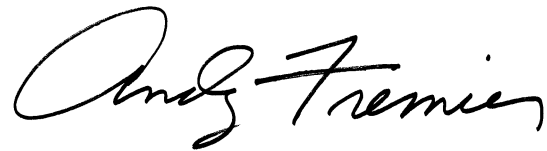
Attachment A: Funding Frameworks Motion Adopted by Select Committee in October

Attachment B: Gradients of Agreement Scoring

Attachment C: Policy Provisions Motion Adopted by Select Committee in October

Attachment D: Letters from CCTA, ACTC, SCVTA, SFCTA & SMCTA/SamTrans

Attachment E: Presentation



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