

## Transportation Revenue Measure Select Committee

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August 26, 2024

Agenda Item 4a

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### Transportation Revenue Measure Scenarios

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#### Subject:

Review of draft scenarios, including revenue sources and amounts, expenditure categories, geographic scope, and other attributes. Select Committee members will be asked to discuss and provide input to further refine the scenarios.

#### Background:

Based on the feedback received to date, staff have assembled two distinct scenarios and one alternative approach to addressing the transit operating funding challenges facing the Bay Area.

#### Scenario 1: Core Transit Framework

This approach is responsive to the often-heard perspective that we should “keep it simple” and “focus on the core problem,” rather than aiming to address a wider range of transportation objectives as a strategy to win greater support. It’s named the “Core Transit Framework” because it focuses on the largest operators in terms of ridership that are facing budget operating shortfalls, namely AC Transit, BART, Caltrain and SF Muni.

This 30-year, half-cent sales tax scenario assumes participation by the following counties as its baseline: Alameda, Contra Costa, San Francisco and San Mateo. A key feature of the Core Transit Framework is its “temporal” element.

For all 30 years, 10% of the funds generated in each county would support Transit Transformation. These funds would be allocated at the regional level for customer-focused improvements.

For the first eight years of the measure the remaining 90% of funds from the four baseline counties would go towards transit operations. This scenario uses “adjusted fares” as the transit operations funding target (or “problem we’re solving”). Specifically, this metric looks at the gap between fare revenue from FY 2019 actuals to FY 2024/25 budgeted levels and adjusts it by a 2 percent annual escalation factor to help account for cost growth since 2019.

This time provides an eight-year runway to address transit funding gaps through means beyond the Transportation Revenue Measure, including: growing ridership and fare revenue, especially with implementation of the Transit Transformation Action Plan; speed transit and reduce operating costs via transit priority measures; allow local sources of operating funds recover; and together seek additional support from the state and federal levels.

In years 9-15, the percentage to transit operations funding is reduced to 40%. The remaining 50% share of funds in years 9-15 will be suballocated directly to county transportation agencies as “County Flex” funds. These flex funds can be invested in any eligible use in Plan Bay Area 2050 or successor plans. This adjustment in year 9 recognizes that a number of counties face

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sales tax expirations starting around 2034, so by scaling down the transit service portion of the measure, this infusion of County Flex funding can serve as a potential backstop if a sales tax renewal effort is not successful by that time.

Note that in years 9-15, no dedicated core county funding would be provided directly to Muni, but San Francisco may use their County Flex funds to support transit.

Years 16-30 double-down on County Flex providing county transportation agencies with 90% of the funds but retaining the 10% for Transit Transformation.

Other counties could opt into Scenario 1 with a minimum of 10% contribution to Transit Transformation at a regional level and some degree of contribution towards transit operating deficits for operators serving their county, taking into consideration existing contractual agreements and subject to agreement with MTC. Counties would need to determine whether or not they want to participate before the legislation is finalized in 2025, given the importance of having certainty in order to build awareness and clear communication about the measure well before it goes to the voters.

#### **Scenario 2: Go Big Framework**

This scenario responds to requests by Voices for Public Transportation and Senator Wiener's office, among others, for a revenue measure that provides robust funding for transit operations over the life of the measure. The concept is also a 30-year measure, but with a higher level of funding, generating about \$1.5 billion per year with either a payroll tax or a per square foot parcel tax. The funding breakdown for scenario 2 is:

- 20% for Transit Transformation, split 50/50 between regional and county-based funds.
- 50% for transit operations
- 30% for County Flex

Ten percent of the measure, or \$150 million, dedicated to implement recommendations of the Transit Transformation Action Plan region-wide. The other 10% would be subvented directly to the counties and could be used on any project in the Action Plan or in Transit 2050+ or a successor plan.

Transit operations funding would be for operator reported funding gaps. This scenario funds all of the agencies with reported funding gaps, including the four agencies in Scenario 1 plus GGBHTD and small operators.

Scenario 2 provides significantly more funding to transit operating, both per year and especially over the life of the measure. By moving to operator reported shortfalls and to a parcel tax, Muni, in particular, receives significantly more funding. One of the biggest questions facing Scenario 2 is the viability of these funding sources at the ballot box.

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#### **Alternative Approach – Coordinated, Single-Agency Measures**

An alternative approach to a “regional measure” that was requested for the Committee’s consideration is one in which individual agencies facing funding gaps pursue their own measures. Such an approach may still require state enabling legislation for certain operators. In the counties of Alameda, Contra Costa and San Francisco, this could present voters with multiple measures (e.g. in Alameda County, voters could be asked to vote on both an AC Transit measure and a BART measure whereas in S.F., voters could be asked to vote on a BART, Caltrain and SF Muni measure potentially at the same election). The presentation details a range of potential revenue mechanisms that are possible under this approach.

#### **Issues:**

None identified.

#### **Recommended Action:**

Information.

#### **Attachment:**

Attachment A: Presentation (to be posted prior to meeting)

#### **Reviewed:**

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