

**Metropolitan Transportation Commission  
Programming and Allocations Committee**

November 13, 2024

Agenda Item 3a-24-0773

**Senate Bill 125 Regional Accountability Measure Progress Update**

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**Subject:**

Adoption of the framework for the \$300 million regional contribution to complement Senate Bill 125 emergency transit operations funding and an informational update on the status of large operators' progress toward Senate Bill 125 Regional Accountability Measures.

**Prior Commission Action on Regional Funds**

In December 2023, the Commission acted to approve MTC's Short-Term Financial Plan for submittal to the California State Transportation Agency (CalSTA) in accordance with the requirements of Senate Bill (SB) 125. This plan identified that a regional contribution of \$300 million was necessary to address the standardized shortfall needs of transit operators through Fiscal Year (FY) 2025-26. The proposed revision to MTC Resolution No. 4619 operationalizes the action taken in December 2023 to make available \$300 million in regional funds to supplement SB 125 state funds.

**Senate Bill 125 Background**

Amendments to the California State Budget Act of 2023 provided immediate transit operating assistance to help avert the near-term transit operating fiscal cliff that has resulted from the COVID-19 pandemic and associated changes in travel patterns. Based on adopted formulas, the Bay Area is expected to receive an estimated \$400 million from the newly created Zero-Emission Transit Capital Program (ZETCP) and an additional \$770 million from the Transit and Intercity Rail Capital Program (TIRCP) between FY2023-24 and FY2027-28. State action allows these funds to be used flexibly for capital or operating purposes, pursuant to Regional Transportation Planning Agency (RTPA) discretion.

Consistent with prior MTC advocacy and supported by the possibility of leveraging between \$6 and \$8 billion in federal funds, a combined \$665 million in TIRCP funds will support capital expenses related to BART to Silicon Valley Phase II and BART Core Capacity, resulting in \$105 million in TIRCP and \$400 million in ZETCP available for operating purposes.

Over the course of summer and fall 2023, MTC worked with transit agency staff to identify a set of consistent assumptions that were used to calculate standardized shortfalls. These standardized shortfalls differ from shortfalls calculated by operators using their own assumptions for factors such as ridership recovery, inflation, and future service levels. The standardized shortfalls, totaling \$774 million through the end of FY2025-26, inform the distribution of SB 125 operating funds.

**Regional Funding Contribution for Transit Operating Assistance**

In accordance with prior commitments discussed with state legislators and partners, MTC has identified \$300 million in currently unassigned funds that can be made available as a one-time contribution to transit operations expenses. Regional revenues include those from the Surface Transportation Program/Congestion Mitigation and Air Quality Improvement Program (STP/CMAQ); Federal Transit Administration Section 5307/5337 (Transit Capital Program); State Transit Assistance Population-Based Program (STA Regional Program); and Regional Measure 3 Operating Program funds for express bus service, including annual funds and escrowed funds. Table 1 includes more information on the regional funding sources available. While the regional funds are currently uncommitted and the proposed funding framework would not affect any past programming commitments, making these funds available for transit operations does entail trade-offs, including a reduction in funding capacity in future years due to the drawdown of past unprogrammed balances.

*Table 1. Regional Funding Sources*

<b>Fund Source</b>	<b>Amount (\$M)</b>	<b>% Share of Program</b>	<b>Typical Usage</b>
Unprogrammed FTA Formula (5307/5337)	\$132	~ 20% of annual funding	Transit state of good repair
Surface Transportation Funding (STP/CMAQ)	\$93	~10% of four-year cycle	OBAG – bike/ped, other county priorities, regional programs
Bridge Tolls (RM3 Operating)	\$49	N/A – Escrowed _ some annual RM3 Express Bus funding	Operations funding
State Transit Assistance (Population-Based)	\$25	N/A – Program balances + some annual funds	Regional programs (e.g., Clipper, fare programs)
<b>Total</b>	<b>\$300</b>		

This month’s proposed revision to MTC Resolution No. 4619, Revised would add a new attachment, Attachment D, which summarizes the framework for matching regional revenues to operators based on factors such as fund source eligibility requirements, operators’ ability to make use of funds in a timely manner, and fair distribution of state and regional funds.

As noted in Attachment D, \$60 million in CMAQ funding assigned to BART will be programmed to the Transbay Core Capacity Program, enabling an equivalent \$60 million in SB 125 TIRCP funds to shift to address FY2025-26 operating needs. This swap will support the One Bay Area Grant (OBAG) program’s ability to fund a wider range of projects by spending down the less flexible CMAQ funds and

preserving the availability of more flexible STP funds. The swap is expected to have a negligible impact on interest earnings projections. Previously, BART intended to use \$60 million in SB 125 capital funds in FY2025-26, and now BART will use CMAQ funds for FY2025-26 capital expenses and will draw down \$60 million in SB 125 funds for operating expenses instead.

### **Regional Accountability Measures**

MTC Resolution No. 4619, Revised establishes a set of Regional Accountability Measures including customer experience and efficiency enhancements that operators must advance in exchange for SB 125 funding. For all operators receiving SB 125 funds, these requirements include participation in ongoing Transit Transformation Action Plan initiatives, and implementation of schedule coordination and real-time transit data improvements. Other accountability requirements are specific to individual operators and center around safety and security, fare evasion reduction, and comprehensive service improvements.

### **Summary of Interim Progress for Large Operators Receiving SB 125 Funds**

To support this informational update, the Alameda-Contra Costa Transit District (AC Transit), the San Francisco Bay Area Rapid Transit Authority (BART); the Peninsula Corridor Joint Powers Board (Caltrain); Golden Gate Bridge, Highway and Transportation District; and the San Francisco Municipal Transportation Agency (SFMTA) have submitted status updates outlining interim progress toward fulfillment of the SB 125 Regional Accountability Measures.

Summarized in greater detail in Attachment A, large operators receiving SB 125 funds have generally fulfilled or made satisfactory progress toward the SB 125 Regional Accountability Measures. Notably, participation in regional initiatives remains strong among large operators, with all operators fulfilling the requirements identified by MTC. Most operators have shifted to the common operator sign-up schedule (January and August), with the remainder on track to do so by early 2025. General Transit Feed Specification (GTFS) best practice adherence is an area for improvement, with most operators not meeting all best practices. Operators are generally making satisfactory progress toward longer-term initiatives focused on fare collection, service optimization, ambassador programs, and crisis prevention.

This is the first update on SB 125 Regional Accountability Measures provided by operators to the Programming and Allocations Committee. While many of the efforts are currently in-progress, MTC anticipates that operators will come into full compliance with the initiatives before future updates, and MTC will continue to monitor progress toward attainment of the SB 125 Regional Accountability Measures over the coming months.

**Next Steps**

Following Commission approval of the proposed regional funding framework, staff will return to the Programming and Allocations Committee in December to request approval of programming of these funds, and will work to make these funds available to operators by early FY2025-26.

Additionally, operators receiving SB 125 funds will continue to submit updates on the status of their assigned Regional Accountability Measures to MTC when submitting their annual claim of transit operating funds. Staff will continue to provide updates to this committee as those materials are provided, and if sufficient progress has not been demonstrated, staff will propose remedies including withholding allocations until SB 125 Regional Accountability Measures have been satisfactorily advanced.

Additionally, all operators will provide a mid-year update on the status of their Regional Accountability Measures in late 2024, with materials to be shared with this committee in early 2025.

**Issues:**

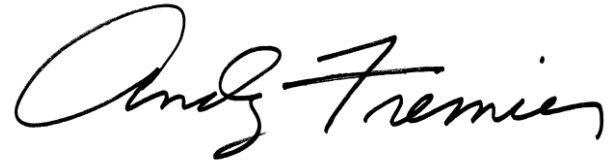
1. **Interest earnings:** State budgetary challenges delayed the release of the first tranche of SB 125 funds by over three months, and the California State Budget Act of 2024 codified the deferral of a portion of SB 125 disbursements to future years. Together, these two changes will reduce total interest earnings, which comprise a vital component of MTC's plan to meet operators' standardized needs. While MTC still anticipates being able to meet the cash flow needs of capital projects funded by SB 125 and fully disburse operating allocations, lower interest earnings mean less money available for investments to enhance transit service and a greater likelihood that the full \$300 million in regional funds will be needed.
2. **PEPRA:** This fall, the federal government is expected to start withholding federal transit funds from California transit operators with employees subject to the state's retirement reform known as the Public Employees Pension Reform Act (PEPRA) of 2013. If no change is made, this may affect operators' ability to receive regional funds for operations from federal sources including FTA Section 5307/5337 and STP/CMAQ. MTC's legislative staff, alongside staff from affected operators, have been advocating for relief from this decision and MTC staff are exploring opportunities to expedite the availability of these funds.

**Recommendations:**

Refer MTC Resolution No. 4619, Revised to the Commission for approval.

**Attachment:**

- Attachment A – Senate Bill 125 Regional Accountability Progress Summary
- MTC Resolution 4619, Revised
  - Attachment A: Principles to Inform the Distribution of Transit Operations Funding from Senate Bill 125
  - Attachment B: Senate Bill 125 Transit Operations Funding Distribution Framework
  - Attachment C: Regional Accountability Measures
  - Attachment D: Regional Funding Framework (*new*)
- Presentation



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