Metropolitan Transportation Commission
Policy Advisory Council

April 12, 2023 **Agenda Item 6**

Transit Fiscal Cliff Advocacy Efforts Update

Subject:

Update on MTC's efforts to secure stop-gap funding from the state to address the transit fiscal cliff and provide funding to assist in transit transformation.

Background:

Bay Area transit agencies face a significant fiscal cliff in the coming years as they struggle to recover their ridership from before the COVID-19 pandemic and face costs that are far outpacing revenue. Transit agencies rely on fare revenue, among other funding sources – such as sales taxes – to pay for their operating costs, including staffing, fuel/electricity, and maintenance. While almost a million trips are taken every day on transit in the Bay Area, overall recovery is around 55 percent of 2019 levels.

Ridership Recovery & Reasons for Fiscal Cliff Vary By Operator

In general, the Bay Area has embraced remote work more readily than any other region in North America and this is affecting ridership across the region, with the greatest impact on commute-focused systems and routes serving downtown San Francisco. As such, some operators face much greater financial challenges than others, with systems that were primarily serving commute trips, such as BART and Caltrain seeing the lowest ridership recovery rates at 40 percent and 32 percent, respectively. These agencies also had very high fare-box recovery ratios (the share of operating costs that were covered by fare revenue) making them especially vulnerable to the reduced number of riders.

Some agencies that didn't have especially high farebox recovery ratios are still greatly affected by the rise in remote work. For instance, Golden Gate Transit relied heavily on bridge tolls for its operating costs and with weekday trips into San Francisco down substantially and bridge maintenance taking priority over transit, their fiscal cliff is significant and will begin in FY 2023-24 one year before most agencies. In the case of S.F. Muni, which has recovered about 60 percent of their 2019 ridership, their budget relies partially on revenue from San Francisco parking receipts and traffic fines, both of which have dropped substantially due to significantly fewer work-related trips into San Francisco.

The upshot is that regionwide**, the Bay Area faces an estimated cumulative deficit in the range of $2.5-$2.9 billion over the next five years,** beginning with about $70 million in fiscal year (FY) 2023-24 but growing to almost $400 million in FY 2024-25 and then jumping to over $700 million in FY 2025-26. BART and S.F. Muni comprise roughly 2/3 of the total need.

Strategy:

Since last fall, staff has been organizing with key stakeholders, including transit agencies, transit rider advocacy organizations, the business community, labor, environmental advocates, equity advocates and more to develop a cohesive advocacy strategy and communications effort in support of state funding to address the fiscal cliff and fund transformative initiatives aimed at attracting new riders. Known informally as the "Survive and Thrive" coalition, this collaborative approach has resulted in two sign-on letters with close to or over 100 organizations (see Attachment A for most recent letter). This effort along with numerous meetings with legislators has helped attract significant attention to the topic in Sacramento. Notably, budget hearings held in both the Assembly and the Senate included specific discussion of the transit fiscal cliff and dozens of witnesses testified in favor of new transit operating funding at both hearings. Additionally, Bay Area senators have sent letters indicating their support for addressing the problem and offering some initial ideas about potential funding sources to be (and not to be) considered (see Attachments B and C).

Next Steps:

The next phase of the advocacy strategy is to **define and build support for a specific funding package** to help close the funding shortfall and support transit transformation as well as identifying and reaching consensus on how funds will be allocated. Staff has been participating in a California Transit Association (CTA) subcommittee formed on this issue to identify potential funding sources. Given the state's deficit and the need for multi-year funding, staff is advocating that the Legislature look to non-General Fund sources of revenue. The attached presentation includes information on the options that have been under discussion at CTA and in Sacramento in general. Staff looks forward to hearing the Council's feedback on these options and answering your questions in advance of bringing a recommendation to the Commission at its April meeting.

Attachments:

- Attachment A: Coalition Letter
- Attachment B: Sign-on Letter from Senator Wiener
- Attachment C: Sign-on Letter from Senator Cortese
- Attachment D: Presentation