Metropolitan Transportation Commission and Association of Bay Area Governments

Joint MTC ABAG Legislation Committee

April 12, 2024 **Agenda Item 3b**

Regional Transportation Measure Authorizing Legislation

Subject:

Senate Bill 1031 (Wiener/Wahab): Connect Bay Area Act (MTC-sponsored regional transportation revenue measure authorizing bill).

Background:

Legislative Update

On March 18, 2024, the first round of substantive changes to MTC's sponsored regional transportation measure authorizing legislation were amended into Senate Bill (SB) 1031 (Wiener and Wahab). The bulk of these amendments reflected the Commission's direction provided in January, with some significant exceptions. Attachment A compares Commission-directed provisions with those in print.

Consistent with Commission direction, the bill allows MTC to place a measure on the ballot in all nine Bay Area counties or a subset in November 2026 or later. The bill also identifies eligible expenditures consistent with the expenditure categories approved by the Commission (transit transformation, safe streets, connectivity, and climate resilience). One difference from the Commission-approved bill framework is a $750 million annual floor for transit operations investments. The Commission in January deferred details on an expenditure plan until further Commission and legislative discussions. However, as one of the joint authors, Senator Wiener prioritized including this transit operations floor in the bill.

The Commission in January directed that the regional measure authorizing bill help deliver on transit customer-focused outcomes. Specifically, the Commission directed that the authorizing legislation strengthen MTC's role as a network manager to accelerate the implementation of the Bay Area Transit Transformation Action Plan's rider-focused action items. The bill does this by establishing that MTC is responsible for implementing a seamless transit rider experience across the nine county San Francisco Bay Area and revises existing law requiring MTC to adopt rules and regulations related to the transit coordination. Specifically, it clarifies that MTC must adopt rules and regulations related to the following topics to promote the coordination of Bay Area public transit agencies:

1. Fares, including fare payment and fare integration
2. Schedules
3. Mapping and wayfinding
4. Real-time transit information
5. Other customer-facing operating policies that would benefit from a regional approach

Notably, current law already conditions the receipt of State Transit Assistance (STA) funds on compliance with MTC's coordination-related rules and regulations. MTC through Resolution 3866 additionally conditions Transportation Development Act Local Transportation Funds (TDA) funds and other regional transportation funds on coordination compliance, to the extent allowed by law. This bill cross references MTC's existing STA fund conditioning authority in the code section where its general transit coordination authority is provided for and further incorporates a reference to TDA funding and new funding that would be generated by a regional transportation revenue measure based on compliance with those rules and regulations. Attachment B provides a more detailed summary of the bill's network management-related provisions. Current policy related to coordination requirements are included in MTC Resolution 3866, which can be downloaded at this link (https://mtc.ca.gov/sites/default/files/RES-3866_approved.pdf).

Staff have been working with transit agency legislative staff on potential amendments to address concerns raised by transit agencies about the provisions strengthening MTC's network management authority. The amendments, which we have referred to as "guardrails" will be provided as a handout at your meeting for your consideration and approval.

Transit Consolidation Assessment & Plan

Another provision added to the bill on March 18 is a study requirement related to Bay Area transit agency consolidation. This language was added at the direction of the Senate President Pro Tempore McGuire and Senator Wahab, who is a joint author of SB 1031 with Senator Wiener. Notably, this provision runs counter to the Commission's direction in January where the consensus was that the bill should focus on strengthening transit agency *coordination*, not *consolidation*. The language would require the California State Transportation Agency (CalSTA) to select a transportation institute to assess the advantages and disadvantages of consolidation of Bay Area transit agencies in consultation with impacted stakeholders and prepare a consolidation plan to implement recommendations from the assessment. The language is problematic in that it predetermines that the assessment, followed by an implementation plan, will conclude that consolidation of Bay Area transit agencies is the preferred outcome without thoroughly weighing the pros and cons and furthermore implies that all agencies should be consolidated into a single agency. Not surprisingly, these provisions have raised a lot of concerns, contributing to Caltrain, SamTrans and Santa Clara Valley Transportation Authority (VTA) taking an "oppose unless amended" position on the bill last week.

Over the last several weeks, staff have been working closely with transit agency staff on potential amendments bill that could retain the requirement for an assessment and a study related to this topic but would also: 1) clearly define "consolidation" to include options that don't modify the governance of agencies (e.g. combining staff functionalities); 2) ensure the outcome of the assessment and plan aren't predetermined by the statute; 3) ensure options are examined based on a defined set of goals that are aligned with Plan Bay Area 2050 (e.g. increasing transit ridership and cost efficiency, among others); and 4) require consolidation options be compared to the benefits of regional network management coordination already underway as well as potential *enhanced* regional transit coordination. These draft amendments related to the transit consolidation assessment and plan are included for your review and referral to the Commission for approval as Attachment C.

Expenditure Plan Recommendations

Staff is seeking direction from the Committee on proposed amendments related to how and where funds will be spent, including guaranteeing minimum "return-to-source" provisions (share of funds to be reinvested for county benefit in which tax proceeds are generated) as well as proposed funding shares for transit and the bill's other expenditure categories. Attachment D provides more detail on the proposed principles and expenditure plan framework.

Expenditure Category	Share of Program	Method of Distribution
Transit Transformation	45%	Funds prioritized to avert transit service cuts & address transit operating deficits • 40% guaranteed to each county based on share of revenue generated ("return to source") • 60% regional discretionary distributed based on need
Safe Streets	25%	Distributed to county transportation agencies on 100% "return to source" basis
Connectivity	15%	100% return to source guaranteed over capital expenditure plan timeframe
Flex	15%	First priority is guaranteeing minimum "return to source" and meeting transit minimum guarantees. Second priority available for regional priorities (Transit Transformation or capital investments at Commission discretion)

When combined with an assumed $150 million available for public transit from the proposed employer Transportation Demand Management (TDM) requirement, this framework could provide transit operations with $750 million in a $1 billion/year measure and up to $1.1 billion from a $1.5 billion/year measure, as shown in Attachment D. Staff recommends this framework replace the current language in the bill that sets a minimum "$750 million" threshold for Transit Transformation given there is no guarantee that the tax measure will consistently generate a sufficient revenue stream to meet that dollar requirement under a severe recession or other unanticipated event. A percentage-based structure also ensures funding for the other expenditure categories of Safe Streets and Connectivity. This is the practice used to assign funds to transit operations and other purposes in local sales tax measures as well as Regional Measures 2 and 3.

Staff recommends that the proposed stand-alone Climate Resilience category that the Commission endorsed in January be integrated as an eligible expenditure within the Safe Streets and Connectivity Programs, similar to how federal law now allows federal transportation funds to be used to fund resilience needs. This also simplifies the program and creates more flexibility for each county to meet its diverse needs.

Return to Source Provisions

Ensuring that Bay Area taxpayers can count on receiving significant tangible benefits as a result of their contributions to any future tax will be critical to both SB 1031 and a future ballot measure's appeal to voters. Based on staff's analysis, we believe a nine-county ballot measure can fully address the standardized transit operating shortfalls while also providing a minimum 70 percent "return to source" benefit back to counties for the first five years, with the option to grow to 80 percent in years six and beyond. The trade-off with a higher "return to source" is more funding going to investments in counties served by transit systems with minimal operating shortfalls and less funding available to address operating deficits, regional Transit Transformation and/or other regional priorities.

How would the funding be distributed?

- Safe Streets – 25%

  Safe Streets funding is proposed to be directly suballocated to counties on the basis of how much they each generate in revenue and could be administered by the county transportation agency, augmenting any existing funding for local road repairs and bicycle and pedestrian enhancements. Under a $1 billion measure, this would provide $250 million/year regionwide, or $375 million under a $1.5 billion measure.

- Connectivity – 15%

  Connectivity funding is proposed to be a multimodal capital program administered by MTC with each county guaranteed their share of benefit from projects funded over a specified timeframe. Projects would be required to be included in Plan Bay Area 2050+ or successive plan. The new bonding authority proposed in the bill would allow MTC to accelerate delivery of the Connectivity Program.

- Transit Transformation – 45% + Revenues Generated from Transportation Demand Management Mandate

  With respect to Transit Transformation, the aim is to mitigate near-term transit fiscal cliffs and ensure resources are available to improve transit service, including for Bay Area transit riders who use systems without major operating deficits. The funds are proposed to be distributed 40 percent by formula on a return-to-source basis providing a guarantee that each county will receive at least 40 percent of the 45 percent allocated to transit, leaving 60 percent for MTC to allocate for transit network needs and regional priorities. Additionally, staff is proposing minimum guarantees to transit agencies as shown below, which would be the first call on the 40 percent formula portion.

Funding Guarantee	**Rider-Based Threshold**
$25 million/year	Operators serving > 5 million riders per year and/or carrying passengers more than 25 million miles per year
$10 million/year	Counties with small operators serving > 3 million riders per year
$5 million/year	Counties with small operators serving < 3 million riders per year

In the near term, the entirety of the 60 percent Transit Transformation regional discretionary portion is anticipated to be needed to meet known transit operating shortfalls, which the bill would specify is the top priority. The TDM mandate will be available to further supplement funding available for Transit Transformation by an estimated $150 million. In terms of how Transit Transformation funds are distributed, since closing the transit operating gap is MTC and the bill authors' top priority for the measure, our calculations of how much benefit a given county receives overall include funds provided to transit agencies providing service in those counties. Specifically, staff has analyzed this funding framework in the context of known transit operating shortfalls using morning boardings as the basis for determining the benefit a given county receives as a result of the measure averting service cuts in that county. For example, in determining how much benefit Alameda County would receive from the measure, since 44 percent of BART morning boardings are from stations in Alameda County, the county is assigned 44 percent of the roughly $250 million estimated for BART's 'standardized' annual operating shortfall.

- Flexible – 15%

  Last but not least, the program reserves 15 percent of the funds in a "Flex" category which serves a number of critical needs including 1) ensuring that each county receive a minimum Return to Source and 2) allowing the measure to address changing needs over time. After ensuring that minimum Return to Source targets are met as well as any backfill to meet transit operating deficits, the remainder would be available for regional priorities within the eligibility categories of Safe Streets, Connectivity or Transit Transformation.

Legislative & Bay Area Stakeholder Engagement

In addition to coordinating closely with the author's offices, staff have also been meeting regularly with the Connect Bay Area Working Group staff established to help inform the legislation and keep local stakeholders informed at each stage of the legislative process as well as separate meetings with legislative staff, transit operators, county transportation agency staff and MTC's Policy Advisory Council. This engagement informs the amendment recommendations staff will present at your meeting.

Committee Hearing Schedule

The bill has been referred to the Senate Transportation and Senate Revenue & Taxations Committees. However, we anticipate the bill will first be heard in the Senate Transportation Committee on April 23 followed by the Senate Revenue and Taxation Committee on April 24. These committees are chaired by Senator Cortese and Senator Glazer, respectively. Staff anticipates committee chairs would like as many outstanding policy issues addressed as possible before the bill is heard in their committees.

Recommendation:

Support Proposed Amendments / MTC Commission Approval

Attachments:

- Attachment A: MTC Adopted Provisions vs. SB 1031 Comparison Chart
- Attachment B: Overview of SB 1031 Network Management Provisions
- Attachment C: Draft Transit Consolidation Assessment Amendments to SB 1031
- Attachment D: Proposed Principles and Expenditure Plan Framework for SB 1031
- Attachment E: Summary of Proposed Amendments to SB 1031

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