Transportation Revenue Measure Select Committee

July 29, 2024

METROPOLITAN TRANSPORTATION COMMISSION

Questions for Committee Discussion

1. **What revenue mechanisms should the Committee continue to advance**, given constraints of political viability**?**

2. **How much funding should be provided for transit operations** to avert major service cuts, and should that change over time?

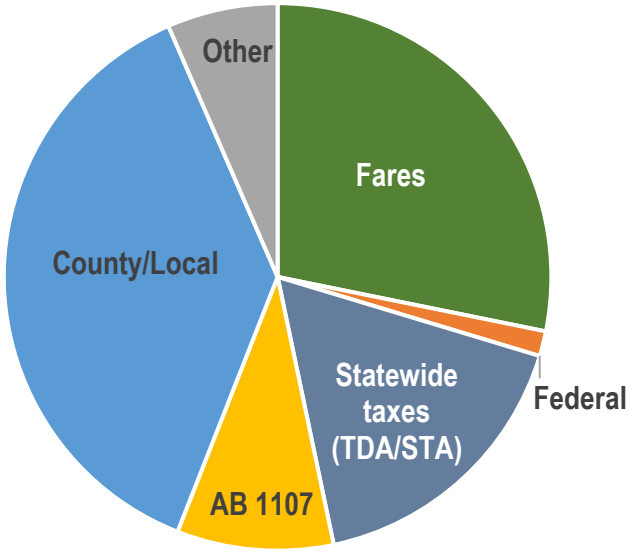
3. **Are there other investment priorities** the Committee may want to include in any scenario?

4. **How large a revenue measure should the Committee be exploring, and for what time period?**

Funding Bay Area Transit Service Has Always Been a Partnership

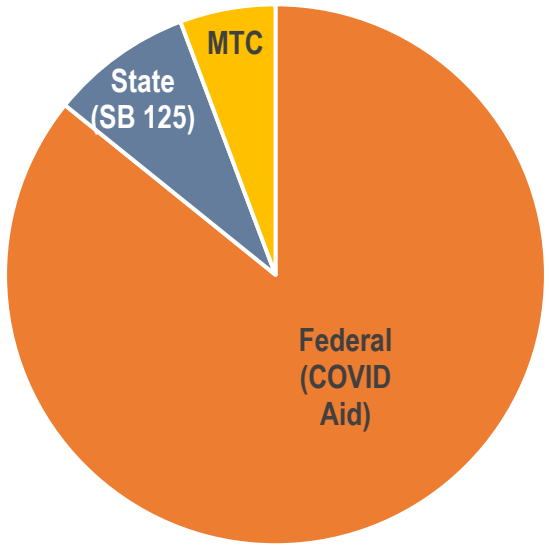
Pre-COVID Transit Operating Revenue Mix

(FY2018-19)



COVID Emergency Assistance

(Federal Aid, SB 125 and $300M MTC Commitment)

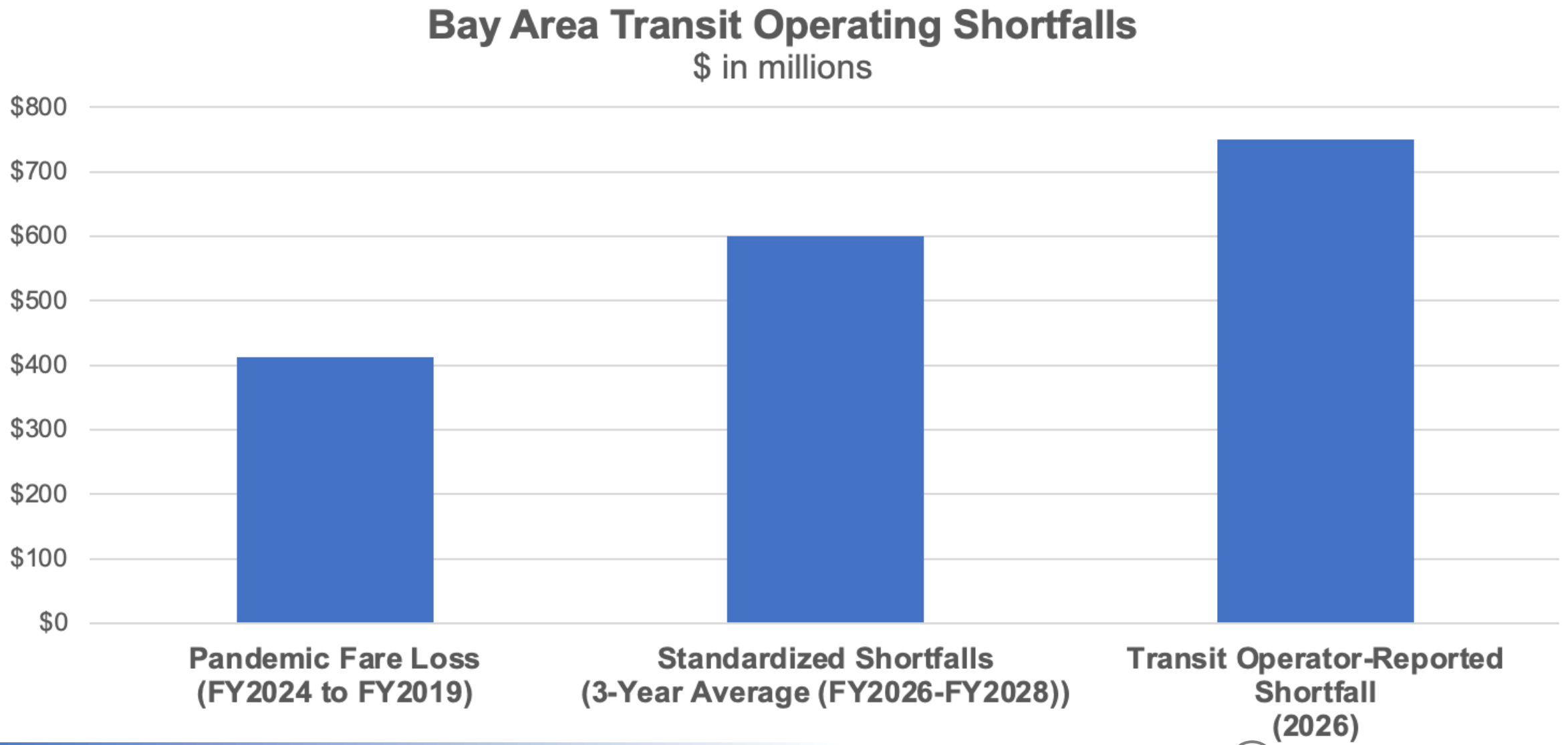


New Ongoing Revenue Sources

(Examples of range of ongoing revenue sources)

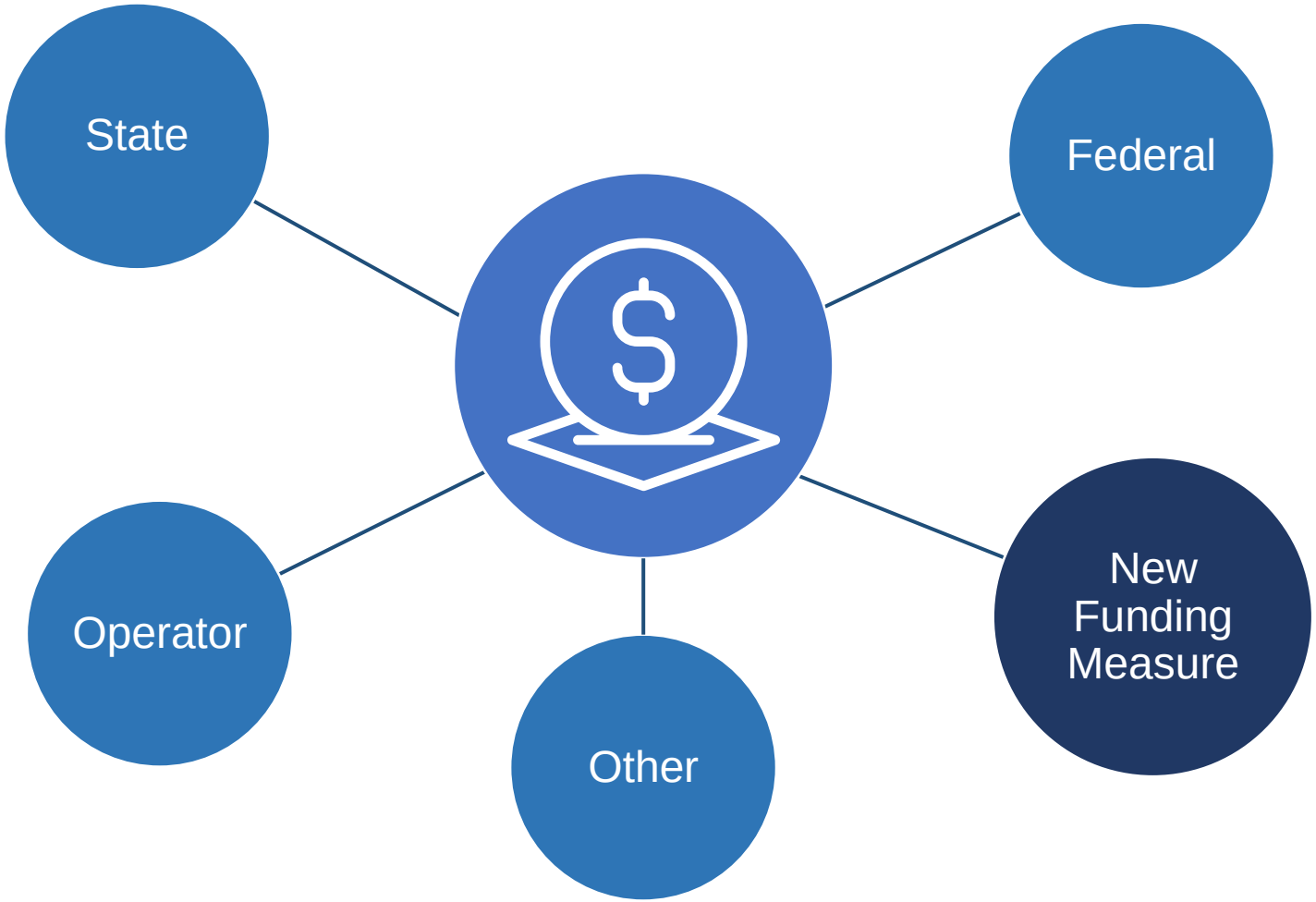
- **Fares**: BART 5.5% increase
- **County/Local**: Caltrain Measure RR ($120M/year)
- **Other**: RM 3 (up to $52M/year); Golden Gate Bridge toll increase (up to $37M/year)

What Problem Are We Trying to Solve?



Continued Partnership Necessary for Future Transit Operating Funding Picture

SB 125 TASK Force identifying and evaluating potential new revenue sources



CONGRESS is beginning to explore increasing and expanding federal transit operating assistance. (H.R. 3744/S. 1330)

TRANSIT OPERATORS exploring fare increases and other local revenues (parking fees and fines); ongoing service adjustments & improvements

BAY AREA VOTERS via a transportation revenue measure

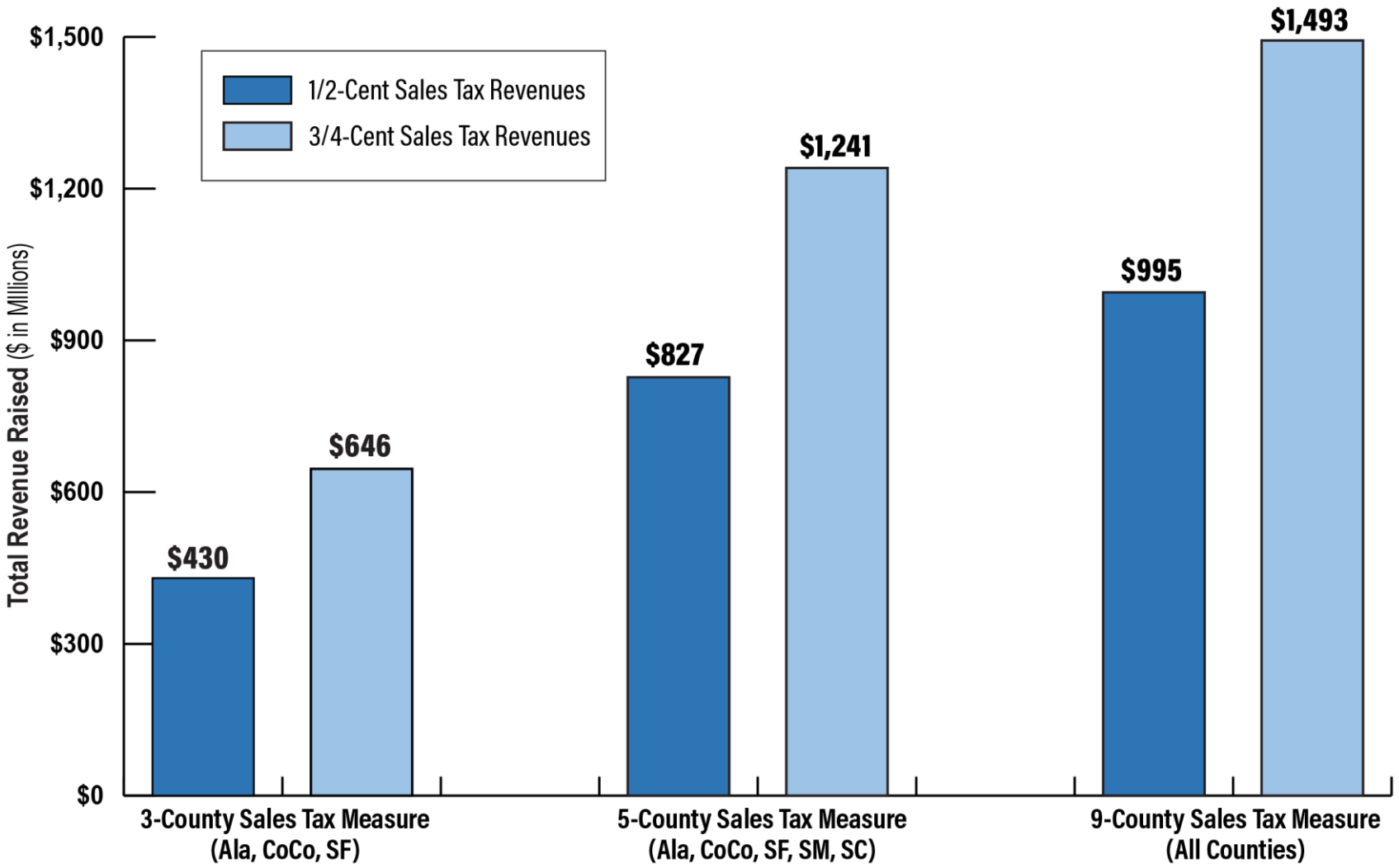
Many Options Studied but Few Politically Feasible

Tax Type	Summary	Equity	Political Feasibility
Sales tax	Regional sales tax on the sale of tangible items. Some groceries are exempt.	Most regressive	High
Parcel tax (per building sq. ft.)	Per square foot assessment on parcels of real estate. Can include exemptions.	Moderately progressive	Medium
Payroll tax	Employer-based tax on wages paid to employees. Can be structured to exempt small businesses.	Moderately progressive	Medium – Low
Vehicle Registration Surcharge	Tiered rates based on value of vehicle, similar to SB 1. Would not be considered until 2030.	Varies – progressive if tiered based on vehicle's value	Low (very high rate)
Income tax	Regional supplemental income tax paid by taxpayer – withheld from paycheck (can be limited to those with an income above a specified threshold and/or include tiered rates)	Generally progressive (if not a flat tax)	Low **(Not in SB 1031)**
Vehicle Miles Traveled Fee	Tax based on vehicle miles traveled (VMT). Would not be considered until State of California adopts a road usage charge to replace the gas tax.	Moderately regressive	Low **(Not in SB 1031)**
Corporate Head Tax	Based on total number of employees at companies in the Bay Area with more than 50 employees.	Progressive	Low **(Not in SB 1031)**

Tax Revenue Options with Tax Rates for a Nine County Measure

Tax Type	Rate for $1 billion	Rate for $1.5 billion	Comments
Sales tax	0.5 cents	0.75 cents	Some opposition due to equity concerns but very common source for transportation in CA
Parcel tax (per building sq. ft.)	$0.186/sq. ft.	$0.279/sq. ft.	Some precedent in transportation but not a typical source in CA. Common source for K-12 education.
Payroll tax	0.36%	0.54%	Could be split 50/50 employee/employer
Income tax	0.17%	0.25%	Strong opposition from businesses, wealthy households
Corporate Head Tax	$216/employee	$324/employee	Strong opposition from businesses
Vehicle Registration Surcharge	Range of $100-$600/year	Range of $150-$900/year	Rate would vary based on vehicle's value. A challenge is over 40% Bay Area's vehicles are valued below $5K.
Vehicle Miles Traveled Fee	1.52-cents/mile	2.28-cents/mile	Politically very challenging, not supported by public

Revenue at Varying Geographies and Tax Rates (Sales Tax Example)



Bay Area Sales Tax Rates Today

County	Current Sales and Use Minimum Tax Rate	Current Sales and Use Maximum Tax Rate	Increment for Transportation (excluding TDA ¼-cent)	County Transportation Sales Tax Nearest Sunset Date (FY)
Alameda	10.250%	10.750%	1.5%	2045
Contra Costa	8.750%	10.250%	1.0%	2035
Marin	8.250%	9.250%	0.75%	2049*
Napa	7.750%	8.250%	0.5%	2043
San Francisco	8.625%	8.625%	1.125%	Post-2050
San Mateo	9.375%	9.875%	1.625%	2034
Santa Clara	9.125%	9.375%	1.75%	2036
Solano	7.375%	9.250%	NA	NA
Sonoma	8.500%	9.500%	0.5%	2045*

* Includes Sonoma Marin Area Rail Transit ¼-cent sales tax, which expires in FY 2029

Top Bay Area Voter Priorities (Consolidated)

Prepared by EMC Research and presented in Agenda item 4a

Transit

- Safety
- Cleanliness
- Avoiding cuts
- Reliability
- Affordability
- Simplified/coordinated pricing
- Connectedness
- Schedule coordination

Roads

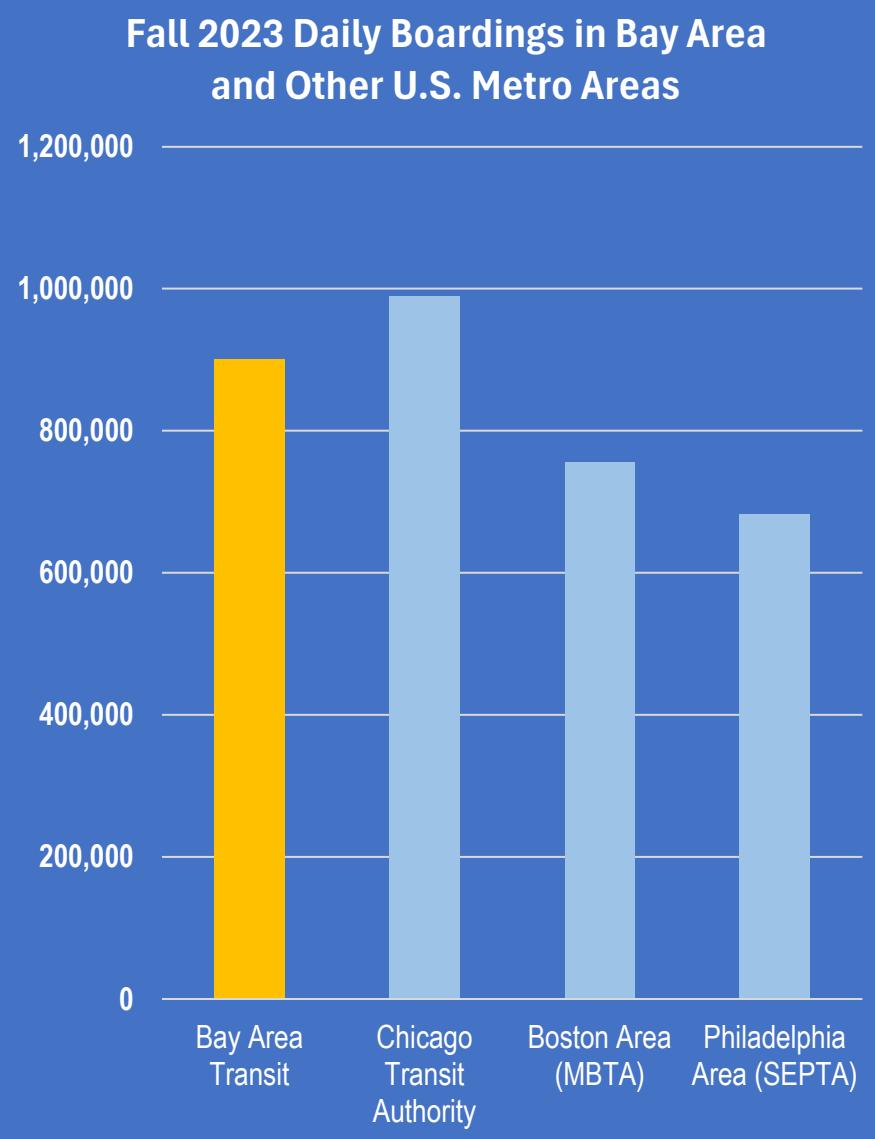
- Road maintenance & pothole repair
- Sidewalk & bike lane improvements
- Reduce traffic congestion

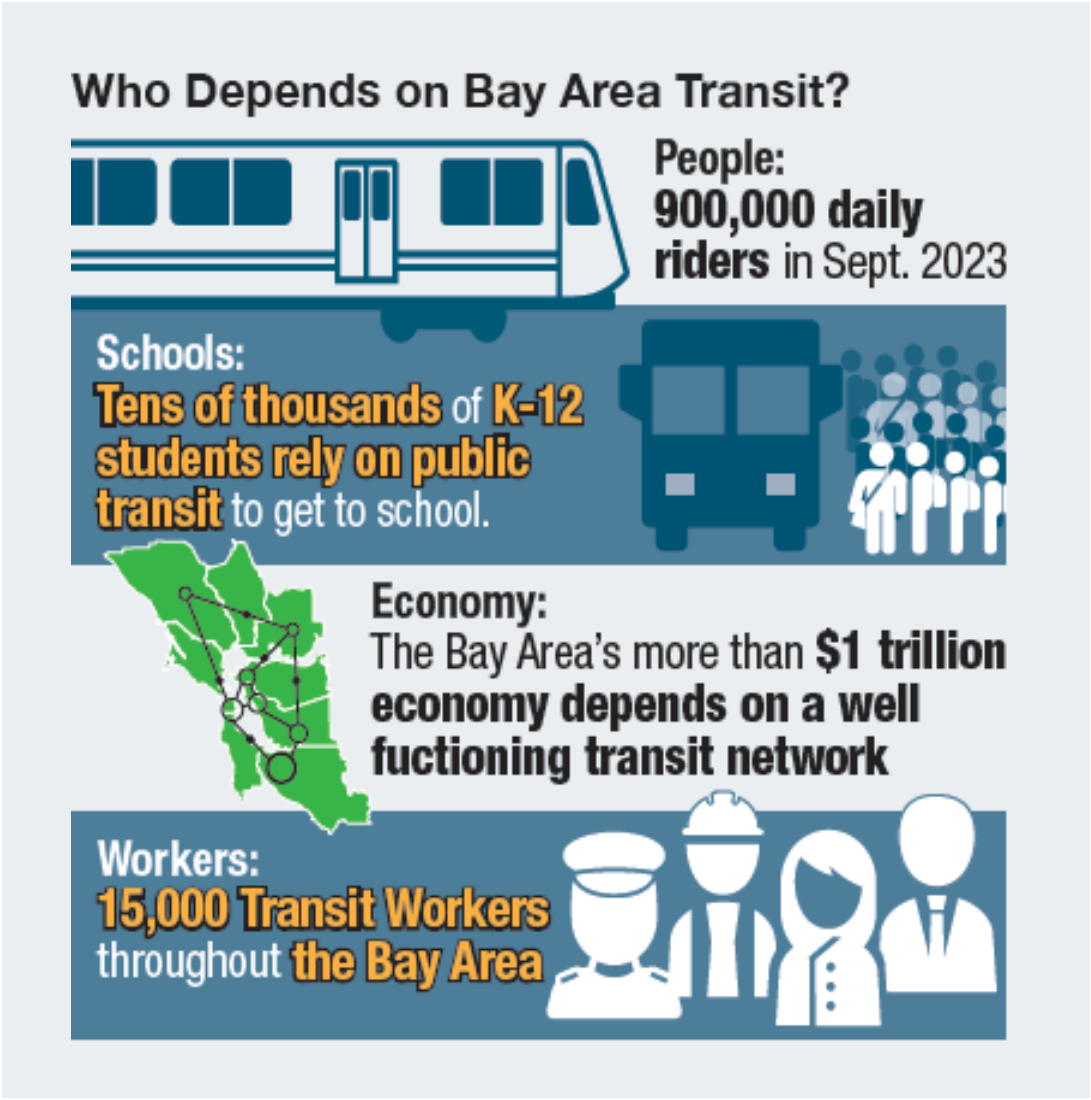
Reforms

- Transit oversight and accountability
- Clear plan with flexibility for changes
- Financial transparency

Data sources: MTC 2023 Transportation Surveys; SPUR Sept 2023 Survey; CA Alliance for Jobs Dec. 2023 Survey; Seamless Jan 2024 Survey

Bay Area Residents, Jobs and Economy Depend on Transit





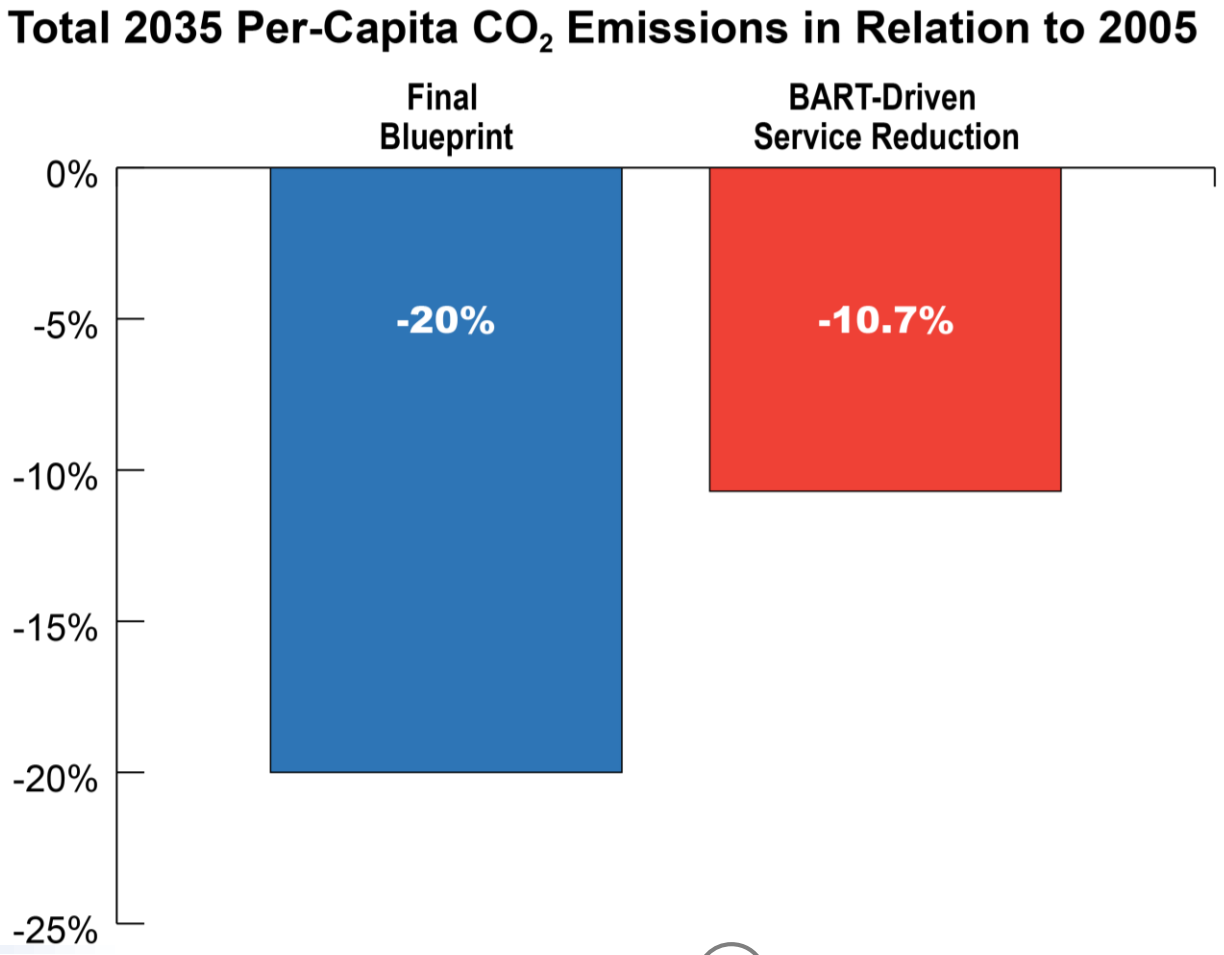
Bay Area Climate Goals Depend on Transit

The Bay Area cannot achieve state climate goals without transit. A transit "doom spiral" would mean driving increases and the Bay Area misses our climate target by half.*

Final Blueprint Plan Bay Area 2050 alternative that achieves SB 375 target of 19% per capita CO2 emissions (relative to 2005).

BART-Driven Service Reduction This alternative (2035) represents BART service cuts to one-hour headways, line closures, and holds other transit service to early 2023 levels. It also excludes service improvements and expansions in the Final Blueprint.

*Consistent with SB 375 greenhouse gas emissions methodology.

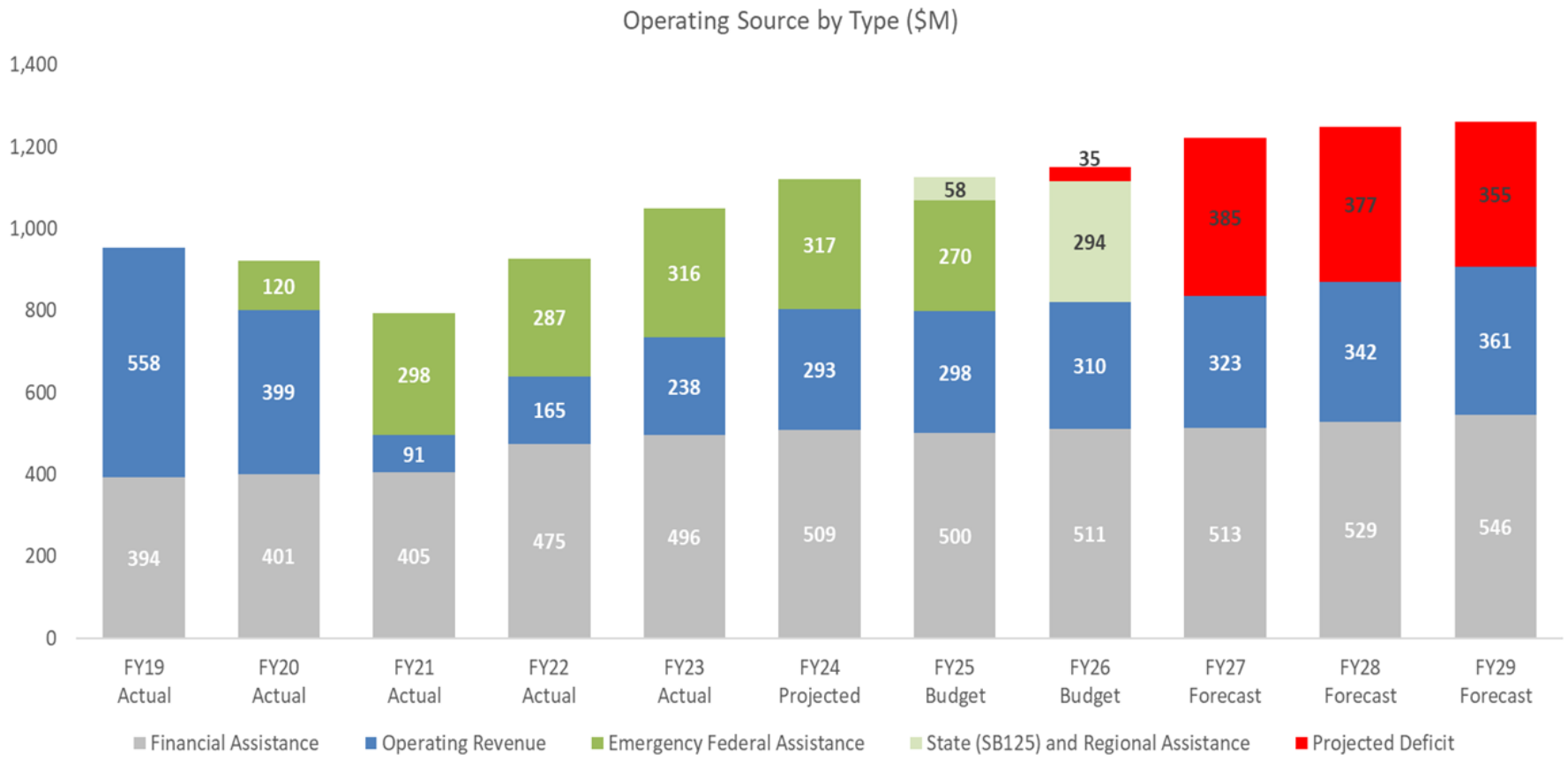


Transit is Foundational to the Bay Area's Housing Strategy

- Plan Bay Area 2050 assumes significant growth around BART stations.
- Today, nearly 500,000 people live in the 200,000 homes located within ½ mile of a BART station.
- By 2050, the number of homes is projected to more than double, growing to nearly 550,000.
- Nearly 70% of that new housing is projected to be affordable (deed restricted).

BART Operating Outlook

Prepared by BART and presented to July 10 PAC



- Pre-pandemic, BART covered 60-70% of expenses with passenger revenues
- Pandemic loss of ridership made this funding model unsustainable
- Federal, SB 125, and regional funds extend runway to FY26
- Thereafter, additional stable operating funds are needed

Significant Impacts from BART Shortfalls

Prepared by BART and presented to July 10 PAC

- BART's focus – enhancing safety, increasing ridership, growing revenues, decreasing expenses
- However, forecast shortfalls ($300M - $400M annually) are too big for BART to cover alone
- High fixed costs mean 20% reduction in operating costs requires 65% cut in service.
  - **A 30% reduction in operating cost leads to 85% cut in service.**
- If a stable source of funding is not secured, BART service options under consideration include:
  - 60-minute train frequencies
  - 9pm system closure
  - Station closures
  - Eliminate line(s) of service
  - No weekend service
- Even these cuts would not fully close the gap and would result in further loss of ridership & fare revenue

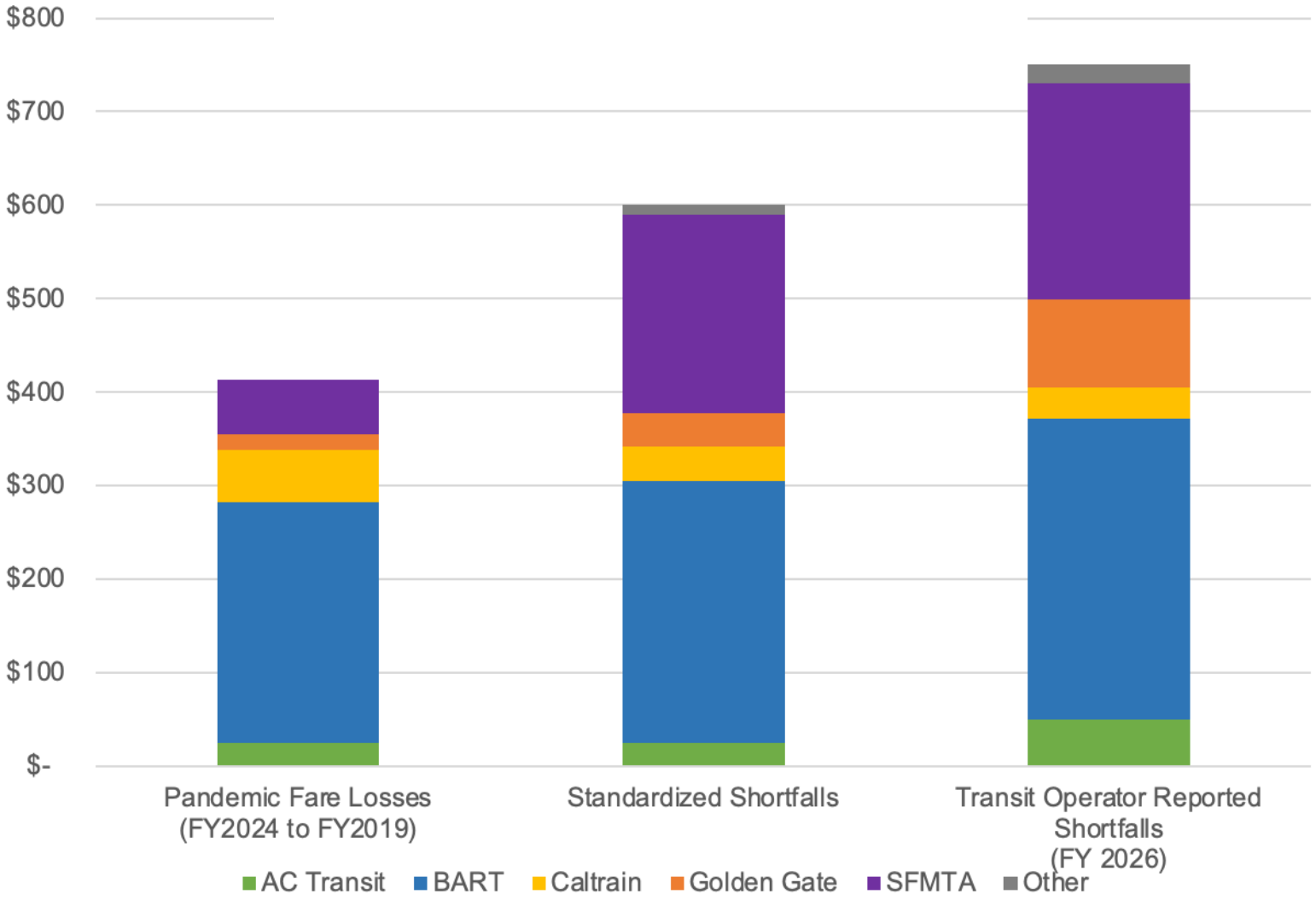
MTC Has Prioritized Bus Service for Regional Discretionary Operating Funds

Looking at BART as one such example, a nominal amount of regional discretionary fund sources support operations, given historical reliance on operator-controlled resources

Fund Source	Revenue Estimate (FY2023-24)	BART Operating (Status Quo)	BART Eligibility	Current Recipients
Transportation Development Act	$518M	$0	$285M*	AC Transit, SFMTA, SamTrans, Contra Costa County operators
BART District Tax (25% Discretionary – AB 1107)	$109M	$0	$109M	SFMTA, AC Transit
MTC State Transit Assistance (Population-Based Funds)	$112M	$1M	$112M	County Block Grant, MTC regional programs
MTC Low Carbon Transit Operations Program (Population-Based)	$10M	TBD	$10M	TBD
Total Discretionary	**$749M**	**$1M**	**$516M**	

*Excludes Santa Clara County TDA portion given Santa Clara VTA agreement with BART.

What Problem Are We Trying to Solve?



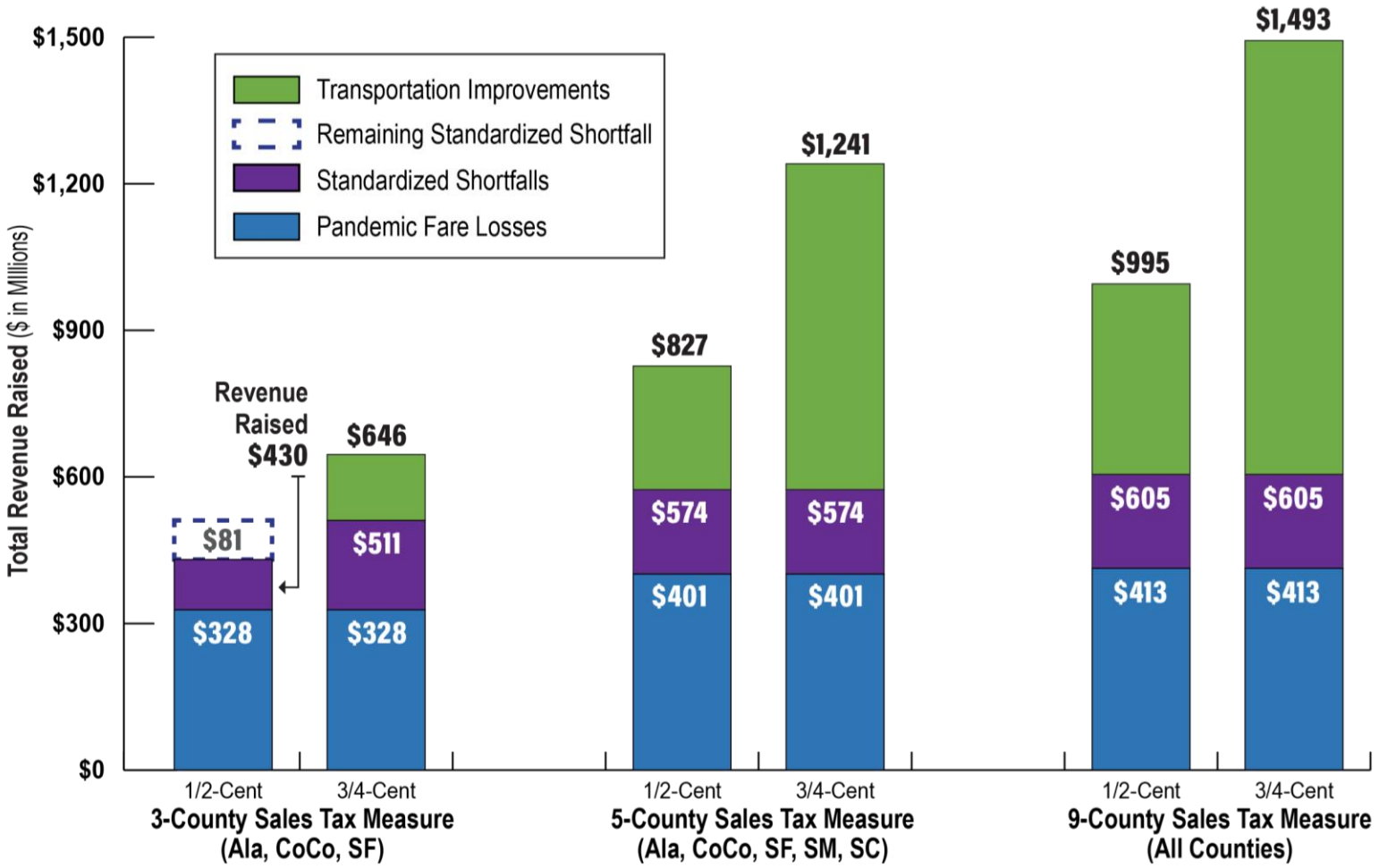
Considerations:

Cost outpacing revenue growth is an historic problem and not necessarily COVID-19 pandemic related

Using a standardized shortfall constrains service to FY 2022 levels

Only covering fare losses relative to pre-pandemic does not account for cost growth but does deal with direct pandemic impact.

Revenue vs. Funding Levels at Varying Geographies & Tax Rates
(Sales Tax Example)



Note: For illustrative purposes, each county's share of operating deficits is proportionate to AM boardings originating in that county.

3-County Measure

½-cent could cover COVID-caused fare revenue losses

¾-cent option could fund standardized shortfalls for AC, BART and SFMTA as well as other transportation improvements

5- & 9-County Measure

½-cent option could fund standardized shortfalls for all operators and fund investments

¾-cent option would provide significant funding for improvements

Transit Transformation Action Plan – Investing in a Better Transit Experience

I. Fares and Payment

Simpler, consistent, and equitable fare and payment options.

CLIPPER BayPass

CLIPPER START

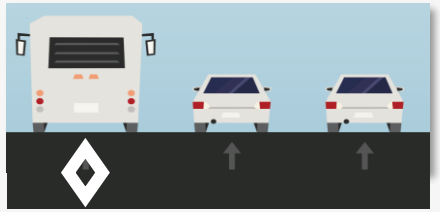
CLIPPER

II. Customer Information

Make transit easier to navigate and more convenient.

III. Transit Network

Transit services managed as a unified, efficient, and reliable network.



IV. Accessibility

Transit services for older adults, people with disabilities, and those with lower incomes are coordinated efficiently.

V. Funding

Use existing resources more efficiently and secure new, dedicated revenue to meet funding needs.

Transforming Transit Now and Tomorrow

MTC and transit operators are investing **$100 million+** in one-time funding to kick start the transformation of the rider experience

Both ongoing annual operational funding and one-time capital funds are needed to fulfil and fully deploy the transformative actions identified in the Transit Transformation Action Plan

Fares & Payment

Simpler, consistent, and equitable fare and payment options

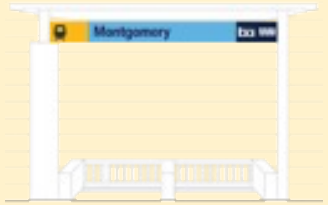
CLIPPER BayPass

CLIPPER START

Free and Discounted Transfers

Customer Information

Make transit easier to navigate and more convenient



Regional Mapping & Wayfinding Project

TRANSIT TRANSFORMATION ACTION PLAN

Examples of ongoing initiatives

Transit Network

Transit services managed as a unified, efficient, and reliable network

Accessibility

Transit services for older adults, people with disabilities, and those with lower incomes are coordinated efficiently

Near-term improvements to paratransit user experience

Concerns About Long-Term Focus on Operating Shortfalls

Key Concerns Raised:

- Agencies that cut service pre-pandemic are penalized for "doing the right thing" and don't receive funds to expand service.
- Measures that can improve efficiency or cuts costs are discouraged.
- Some counties would get extraordinary additional benefits while others would be large payees.

While the pandemic affected travel behavior for all agencies...

- Operators providing long-distance regional commutes have lost the most riders, whether bus or rail, and had historically highest farebox.
- Rail systems are much less adaptable, with high fixed costs and more limited reductions in operating costs from reducing service levels.

Questions for Committee Discussion

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