

**Metropolitan Transportation Commission  
Programming and Allocations Committee**

February 10, 2016

Agenda Item 4b

**Resolution No. 4220**

**Subject:** Annual Fund Estimate and proposed apportionment and distribution of \$626 million in Transportation Development Act (TDA), State Transit Assistance (STA) Population-Based funds, Assembly Bill 1107 (AB 1107), and transit-related bridge toll funds for FY 2016-17.

**Background:** The following are highlights of the fund estimate for FY 2016-17:

1. **Economic Overview:** The Bay Area economy continues its robust performance with gains in employment, decreases in unemployment rates, rising real estate values, and continued growth in taxable sales.
2. **Transportation Development Act (TDA):** State law requires county auditors to submit annual estimates of the ¼-cent TDA sales tax revenue generation to MTC by February 1<sup>st</sup>. A summary of the county auditors' mid-year estimates indicate that regional TDA revenue generation is expected to increase by 6% in FY 2015-16, with an additional increase of 2% in FY 2016-17. However some counties estimate significant decreases. Specific areas of note include:
  - The auditors in Contra Costa and Sonoma counties reduced their revised FY 2015-16 revenue estimates creating a lower base for the FY 2016-17 Fund Estimate.
  - The San Francisco auditor's revised FY 2015-16 forecast is 12% higher than actual TDA revenue for FY 2014-15. While San Francisco is experiencing strong sales tax growth, this level of growth may be optimistic. Staff is advising San Francisco TDA claimants to conservatively claim funds to avoid any possible rescissions.

Despite robust sales tax growth since the Great Recession and that the Bay Area is at all time highs of population and employment, overall sales tax revenue in inflation adjusted terms remains 13% below the "dotcom boom" peak reached in FY 2000-01 and 1% below the pre-recession peak reached in FY 2005-06. The Bay Area's challenge in returning to previous levels of sales tax revenue highlights significant structural changes in the regional economy away from goods (subject to sales tax) towards untaxed services. This structural change is significant as sales tax revenues account for 40% of operating revenues for transit and are the entire underpinning of the county-based self-help funding movement.

3. **AB 1107:** A portion (25%) of BART's half-cent sales tax revenue generated in Alameda, Contra Costa, and San Francisco counties is subject to allocation by MTC, and in turn, MTC staff is responsible for estimating the annual revenue generation. Based on trends in actual revenues, and this fiscal year's second quarter actual receipts, staff recommends increasing the current-year FY 2015-16 estimate from \$77.6 million to \$79.2 million (a 2% increase over actual FY 2014-15 revenues). Staff proposes an additional increase of 2% in FY 2016-17 (\$80.7 million).

4. **State Transit Assistance (STA):** Governor Brown's proposed FY 2016-17 State Budget estimates \$315.2 million in STA funds statewide in FY 2016-17. Based on this estimate, the Bay Area would receive approximately \$121.8 million (\$91.3 million in revenue-based and \$30.5 million in population-based) in FY 2016-17 STA funds. The Governor's proposed budget also includes a revised forecast for FY 2015-16 STA revenue of \$299.4 million, which represents a 28% decrease over the adopted current budget. Staff is concerned about the state's FY 2016-17 forecast due to the fact that the price of oil has continued to decrease since the start of 2016 and it seems unlikely that the price of diesel fuel, of which sales tax receipts provide the revenue source for STA, will increase significantly in the coming months.

In a major new development, the FY 2016-17 Fund Estimate only includes apportionments for the STA Population-Based program at this time due to changes the State Controller's Office (SCO) implemented to the Revenue-Based program in January 2016. See the issues section below for further details. Staff will return to the Commission as soon as possible to issue apportionments for the Revenue-Based program upon receipt of additional guidance from the SCO.

5. **BART Feeder Bus Agreements:** The transit coordination program allows funding to be transferred from BART's STA and TDA apportionments to cover local bus operator expenses for feeder bus services to BART stations. The FY 2016-17 feeder bus expenses are \$7.4 million, a 5% increase over FY 2015-16. Feeder bus expenses are indexed to the annual change in BART's ½-cent sales tax revenue generation.
6. **Bridge Tolls:** In April 2010, MTC Resolution No. 3948 resulted in a lump sum payment from BATA to MTC for an amount equal to the 50-year present value of AB 664, RM 1, and 2% Toll revenue. Future payments from these toll revenues will be made from this lump sum, in accordance with Commission policies established in MTC Resolution Nos. 4015 and 4022.
7. **Cap and Trade – Low Carbon Transit Operations Program:** The FY 2016-17 Fund Estimate includes details on funding that will flow to the region through the Low Carbon Transit Operations Program, which is a component of the state Cap and Trade program. In FY 2016-17 the region is projected to receive \$38.7 million from the program. Apportionments of these funds are guided by Caltrans policies for the Revenue-Based program and by the MTC Commission for the Population-Based program through the MTC Cap and Trade Framework.

**Issues:**

**State Controller's Office (SCO) Changes to STA Revenue-Based Program:**

For much of 2015, the SCO was engaged in a dispute with several unnamed transit agencies which had challenged the SCO's determination of eligible operators for receipt of STA Revenue-Based funding. As a result, the SCO in January 2016 significantly revised its procedures for issuing STA Revenue-Based allocations. These revisions were made with no stakeholder involvement and MTC was not informed in advance that the state would be altering the program.

Some of the SCO's revisions to the program include:

- The SCO is no longer issuing allocations by transit operator. Allocations are now only being made as regional totals to the Regional Transportation Planning Agencies (RTPAs) like MTC;
- The SCO is now including all "operators" in its calculation of the eligible Revenue-Basis allocations for each region of the state, regardless of whether the operators have been found to be eligible to receive STA funds. This has resulted in the addition of 21 entities to the Bay Area's revenue basis calculation, some of which are not even identifiable to us; and
- The SCO has changed the way it calculates operator revenue, which has significantly altered the amount of STA funds Bay Area operators are eligible to receive.

These changes present several challenges to MTC:

- Because of the inclusion of additional agencies in the calculation of MTC's regional revenue basis, many of which have not been recipients of STA funding previously, it is not possible to determine at this time which of these new agencies can legally receive funds without conducting a detailed review of each agency's STA eligibility.
- The lack of allocation detail by agency from the SCO makes the correct allocation of funds impossible without additional information on the changes the SCO has made to the regional allocation to account for operator-specific revenue adjustments.

Given the SCO's revisions to the STA Revenue-Based program for FY 2016-17, staff is only proposing to allocate the STA Population-Based program at this time. Staff will return to the Commission as soon as possible to apportion STA Revenue-Based funds to transit operators once additional information has been provided by the SCO.

These changes also affect the STA Revenue-Based funds for the current fiscal year. Staff is working with the California Transit Association to seek clarification from the SCO on this important statewide issue. We also are consulting with the transportation policy committees in both houses of the Legislature to determine whether a Legislative remedy might be necessary to help sort out this mess.

**Recommendation:** Refer MTC Resolution No. 4220 to the Commission for approval.

**Attachments:** Presentation slides  
MTC Resolution No. 4220