

**Metropolitan Transportation Commission
Programming and Allocations Committee**

February 13, 2019

Agenda Items 3a. i.

MTC Resolution No. 4360. FY 2019-20 Fund Estimate

Subject: Annual Fund Estimate and proposed apportionment and distribution of \$894 million in Transportation Development Act (TDA) Local Transportation Fund, State Transit Assistance (STA), State of Good Repair (SGR) Program, Assembly Bill 1107 (AB 1107), transit-related bridge toll, and Low Carbon Transit Operations Program (LCTOP) funds for FY 2019-20.

Background: The following are highlights of the fund estimate for FY 2019-20:

1. **Economic Overview:** The Bay Area economy continues its robust performance with decreases in unemployment rates and continued growth in taxable sales. However, with the Bay Area economy entering its tenth year of expansion, the likelihood of an economic downturn is increasing based on historic economic cycles. With unemployment at an all-time low and population growth slowing, it is prudent for transit operators to budget cautiously should the economic outlook worsen in the coming year.
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 1st. A summary of the county auditors' mid-year estimates indicate that regional TDA revenue generation is expected to increase by nearly 8% in the current year of FY 2018-19, with an additional increase of 2% in FY 2019-20.

MTC advises that transit operators in all counties exercise caution when budgeting for FY 2019-20 as many of the county auditors are uncertain how actual FY 2018-19 revenues will come in due to changes in the way the state makes sales tax payments to the counties. These changes have resulted in revenue not coming equally between quarters and has disrupted a number of revenue models used by the counties.

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 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 adjusting the current-year FY 2018-19 estimate to \$89 million (a 3% increase over actual FY 2017-18 revenues). Staff also proposes an increase of 2% in FY 2019-20 (to \$91 million). This amount would be split evenly between San Francisco Muni and AC Transit per Commission policy.
4. **State Transit Assistance (STA):** Governor Newsom's proposed FY 2019-20 State Budget estimates \$772 million in STA funds statewide in FY 2019-20. Based on this estimate, the Bay Area would receive approximately \$284 million (\$208 million in Revenue-Based and \$75 million in Population-Based) in FY 2019-20 STA funds. If enacted, this would be a substantial increase over current year funds (\$251 million). Staff will return to the Commission to update the estimates following the state budget approval.
5. **State of Good Repair (SGR) Program:** Senate Bill (SB) 1 established the State of Good Repair (SGR) Program which will bring nearly \$40 million to

the Bay Area in FY 2019-20 for transit capital state of good repair projects. The funds from the SGR Program follow the same state-wide distribution policies as the regular STA program, with a Revenue-Based and Population-Based program. However, unlike regular STA program funds, recipients of SGR Program funds must have their projects pre-approved by Caltrans. MTC Resolution 4321 established policies to distribute SGR funds in the Bay Area. A revision to MTC Resolution 4321 is on this agenda as Item 3a. ii. to reflect changes in Caltrans' SGR Program guidelines.

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 2019-20 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 2019-20, the region is projected to receive \$44 million from the program based on an estimate from Governor Newsom's proposed FY 2019-20 State Budget. Apportionments of these funds are guided by Caltrans policies for the Revenue-Based program (which are the same as the STA Revenue-Based program) and by the MTC Commission for the Population-Based program through the MTC Cap and Trade Framework (MTC Resolution No. 4130, Revised).

Issues:

1. Last fall Assemblymember Jim Frazier and State Senator Jim Beall, the chairs of the transportation committees in each house of the Legislature, formally asked the California Transit Association (CTA) to convene a task force of stakeholders to draft a major overhaul of the TDA statutes. The task force begins meeting in February and will continue its work throughout 2019, with the goal of drafting legislation to modernize the TDA program and its performance measures. Ideally this legislation would be considered by the Legislature in 2020. MTC is a member of the task force.
2. The U.S. Supreme Court's ruling last year in *South Dakota v. Wayfair Inc.*, which allows states to require businesses without a physical presence in their state to collect sales tax from in-state customers, may result in additional sales tax funding for the region depending on how the state implements any new policies on sales tax collection.

Recommendation: Refer MTC Resolution No. 4360 to the Commission for approval.

Attachments: MTC Resolution No. 4360

Date: February 27, 2019
W.I.: 1511
Referred by: PAC

ABSTRACT

MTC Resolution No. 4360

This resolution approves the FY 2019-20 Fund Estimate, including the distribution and apportionment of Transportation Development Act (TDA), State Transit Assistance (STA), State of Good Repair (SGR) Program, Assembly Bill (AB) 1107 sales tax, Low Carbon Transit Operations (LCTOP) cap-and-trade auction revenues, and transit-related bridge toll funds.

Further discussion of this action is contained in the MTC Programming and Allocations Summary Sheet dated February 13, 2019.

Date: February 27, 2019
W.I.: 1511
Referred by: PAC

RE: Determination of Transportation Development Act (TDA) Area Apportionments and Proposed Distribution of Operating Funds for FY 2019-20

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4360

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 *et seq.*; and

WHEREAS, the Transportation Development Act (TDA), Public Utilities Code (PUC) Sections 99200 *et seq.*, provides that funds are made available from the Local Transportation Fund (LTF) for various transportation purposes; and

WHEREAS, pursuant to 21 California Code of Regulations Section 6620, the County Auditor for each of the nine counties in the Bay Area has submitted the revised and new TDA fund estimates for FY 2018-19 and FY 2019-20 as shown in Attachment A to this resolution, attached hereto and incorporated herein as though set forth at length; and

WHEREAS, MTC is required to determine and advise all prospective claimants, prior to March 1 each year, of all area apportionments from the LTF for the following fiscal year pursuant to 21 California Code of Regulations Section 6644; and

WHEREAS, all area apportionments of TDA funds for the 2019-20 fiscal year are shown in Attachment A to this resolution, attached hereto and incorporated herein as though set forth at length; and

WHEREAS, MTC has prepared a proposed distribution of operating/capital assistance funds, including TDA, State Transit Assistance (STA) pursuant to Public Utilities Code § 99310 *et seq.*, State of Good Repair (SGR) Program pursuant to Public Utilities Code § 99312.1, Low Carbon Transit Operations Program (LCTOP) pursuant to Health and Safety Code § 39719(b)(1)(B), the twenty-five percent (25%) of the one-half cent transaction and use tax collected pursuant to PUC Section 29142.2 (AB 1107), and estimates of certain toll bridge revenues (SHC §§ 30910 *et seq.*), in order to provide financial information to all prospective claimants to assist them in developing budgets in a timely manner; and

WHEREAS, the proposed distribution of such operating assistance funds is also shown in Attachment A; now, therefore, be it

RESOLVED, that MTC approves the area apportionments of TDA funds, and the proposed distribution of operating assistance funds for the 2019-20 fiscal year as shown in Attachment A, subject to the conditions noted therein; and, be it further

RESOLVED, that MTC intends to allocate operating assistance funds for the 2019-20 fiscal year, based on the area apportionments of TDA funds, the proposed distribution of operating assistance funds and upon the receipt of appropriate claims from eligible claimants; and, be it further

RESOLVED, that Attachment A may be revised by the MTC Executive Director or his designee to reflect funds returned to the Local Transportation Fund and expired capital allocations or by approval of the MTC Programming and Allocations Committee, except that any significant changes shall be submitted to the full Commission for approval.

METROPOLITAN TRANSPORTATION COMMISSION

Chair

The above resolution was approved by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, on February 27, 2019.