



# Transportation Revenue Measure Select Committee

July 29, 2024

# Questions for Committee Discussion

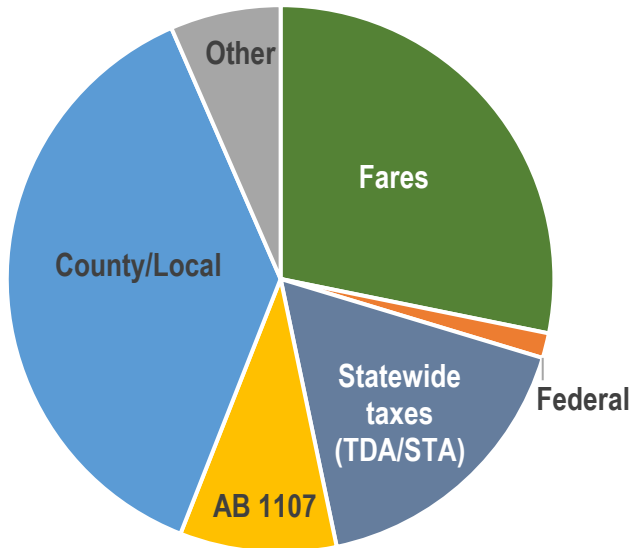
1. **What revenue mechanisms should the Committee continue to advance**, given constraints of political viability?
2. **How much funding should be provided for transit operations** to avert major service cuts, and should that change over time?
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4. **How large a revenue measure should the Committee be exploring**, and for what time period?



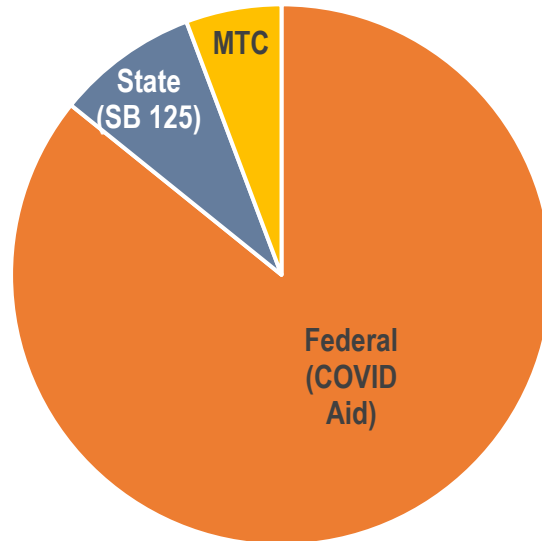
# Funding Bay Area Transit Service Has Always Been a Partnership



## Pre-COVID Transit Operating Revenue Mix (FY2018-19)



## COVID Emergency Assistance (Federal Aid, SB 125 and \$300M MTC Commitment)



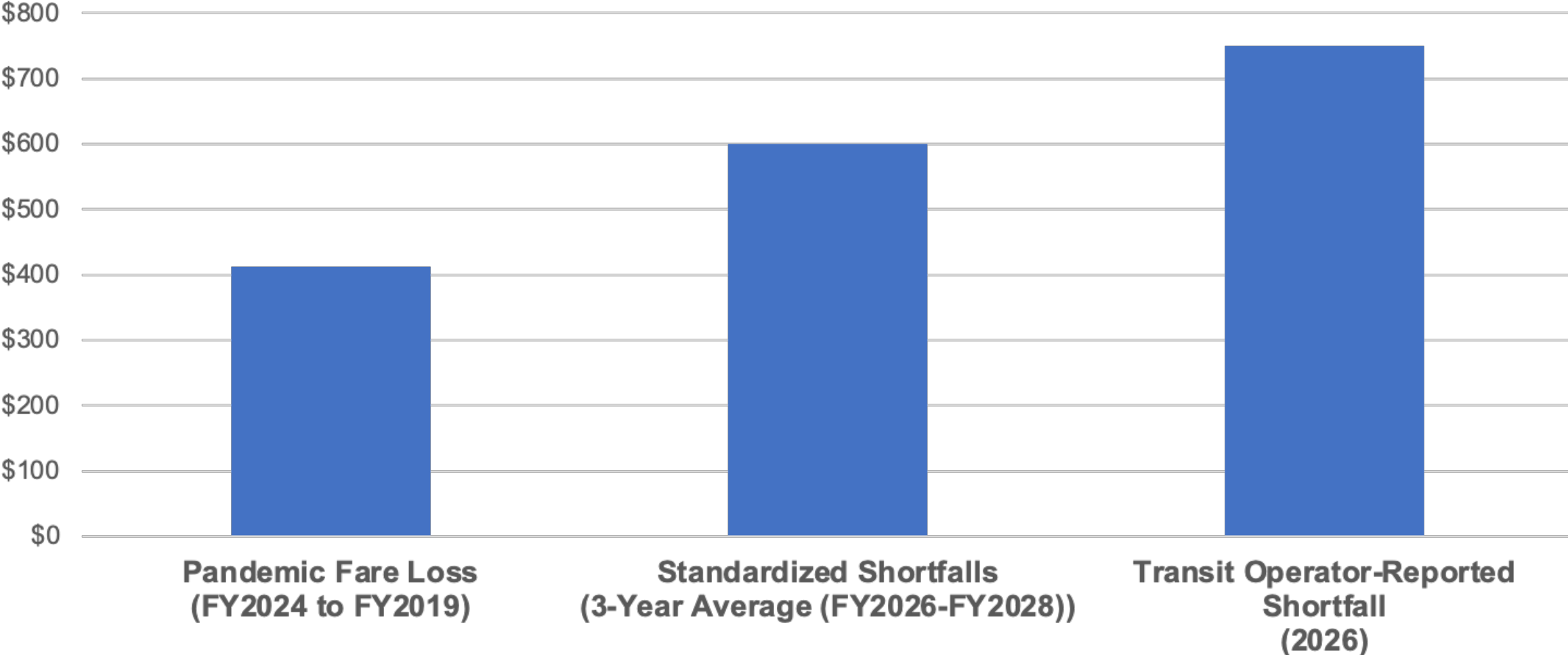
## New Ongoing Revenue Sources (Examples of range of ongoing revenue sources)

- ▶ **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?

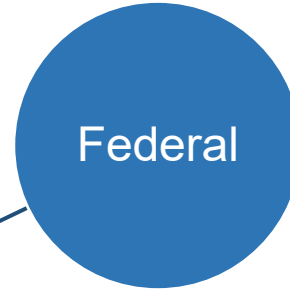
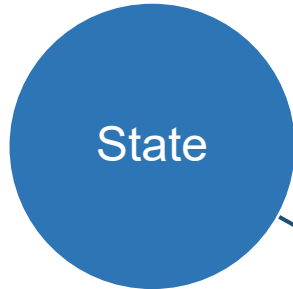
## Bay Area Transit Operating Shortfalls

\$ in millions



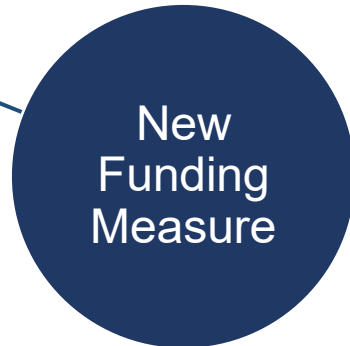
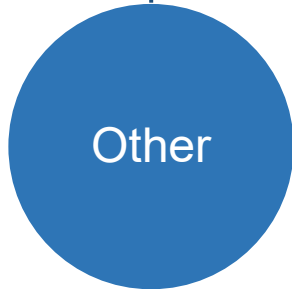
# Continued Partnership Necessary for Future Transit Operating Funding Picture

**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



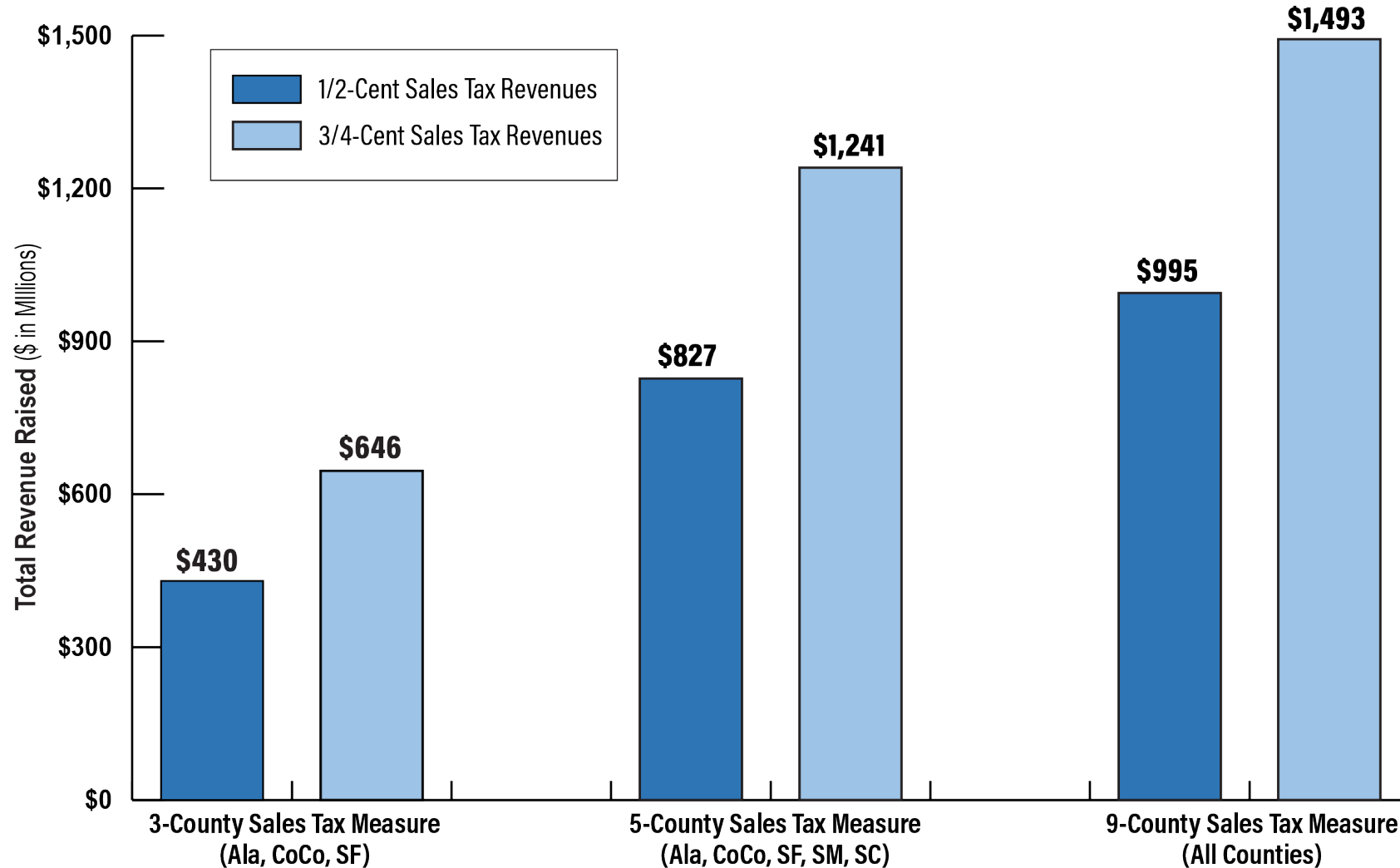
# Many Options Studied but Few Politically Feasible

Tax Type	Summary	Equity	Political Feasibility
<b>Sales tax</b>	Regional sales tax on the sale of tangible items. Some groceries are exempt.	Most regressive	High
<b>Parcel tax</b> (per building sq. ft.)	Per square foot assessment on parcels of real estate. Can include exemptions.	Moderately progressive	Medium
<b>Payroll tax</b>	Employer-based tax on wages paid to employees. Can be structured to exempt small businesses.	Moderately progressive	Medium – Low
<b>Vehicle Registration Surcharge</b>	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)
<b>Income tax</b>	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 <b>(Not in SB 1031)</b>
<b>Vehicle Miles Traveled Fee</b>	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 <b>(Not in SB 1031)</b>
<b>Corporate Head Tax</b>	Based on total number of employees at companies in the Bay Area with more than 50 employees.	Progressive	Low <b>(Not in SB 1031)</b>

# Tax Revenue Options with Tax Rates for a Nine County Measure

<b>Tax Type</b>	<b>Rate for \$1 billion</b>	<b>Rate for \$1.5 billion</b>	<b>Comments</b>
<b>Sales tax</b>	0.5 cents	0.75 cents	Some opposition due to equity concerns but very common source for transportation in CA
<b>Parcel tax</b> (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.
<b>Payroll tax</b>	0.36%	0.54%	Could be split 50/50 employee/employer
<b>Income tax</b>	0.17%	0.25%	Strong opposition from businesses, wealthy households
<b>Corporate Head Tax</b>	\$216/employee	\$324/employee	Strong opposition from businesses
<b>Vehicle Registration Surchage</b>	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.
<b>Vehicle Miles Traveled Fee</b>	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

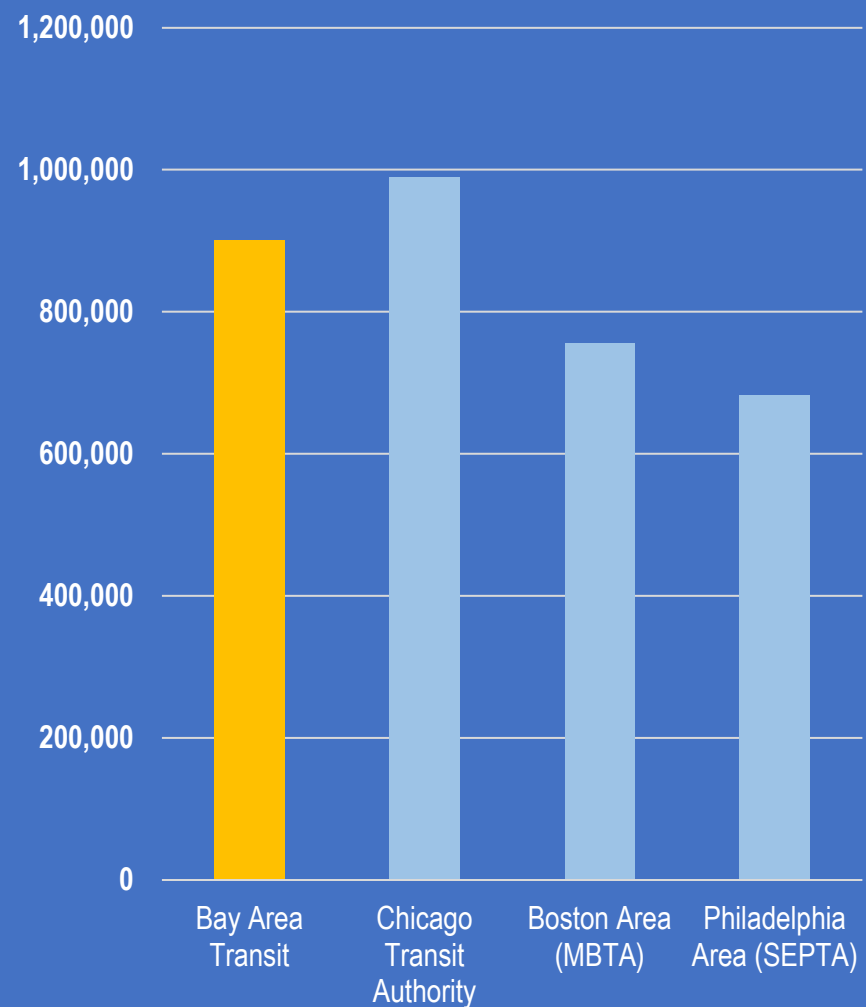
## Reforms

- 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 <sup>11</sup>

Fall 2023 Daily Boardings in Bay Area and Other U.S. Metro Areas



## Who Depends on Bay Area Transit?



People:  
**900,000 daily riders** in Sept. 2023

Schools:  
**Tens of thousands of K-12 students** rely on public transit to get to school.



Economy:  
The Bay Area's more than **\$1 trillion economy** depends on a well functioning transit network

Workers:  
**15,000 Transit Workers** throughout the Bay Area



# Bay Area Climate Goals Depend on Transit

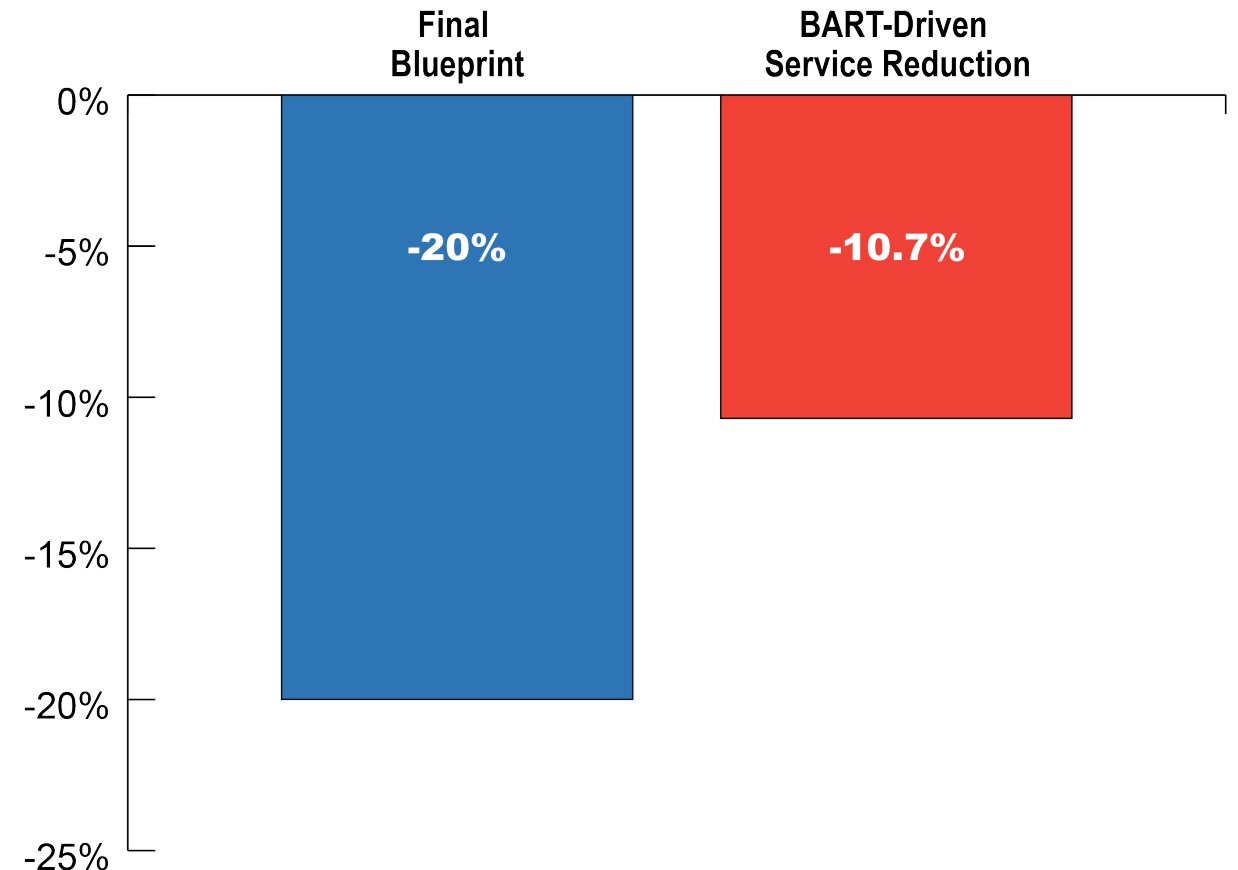
The Bay Area cannot achieve state climate goals without transit. A transit “doom spiral” would mean driving increases and the Bay Area misses our climate target by half.\*

**Final Blueprint** Plan Bay Area 2050 alternative that achieves SB 375 target of 19% per capita CO<sub>2</sub> 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.

Total 2035 Per-Capita CO<sub>2</sub> Emissions in Relation to 2005



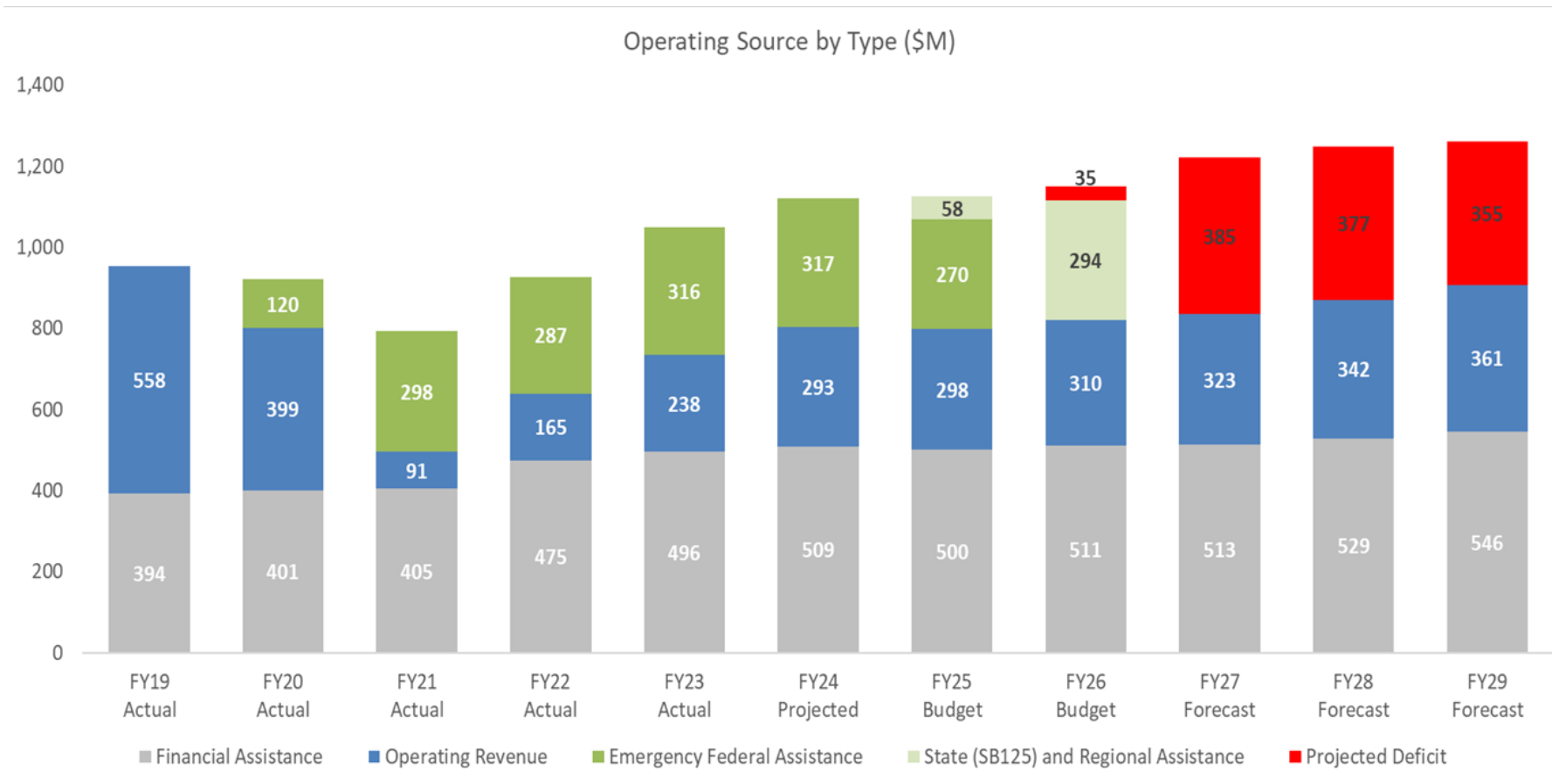
# Transit is Foundational to the Bay Area's Housing Strategy

- 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

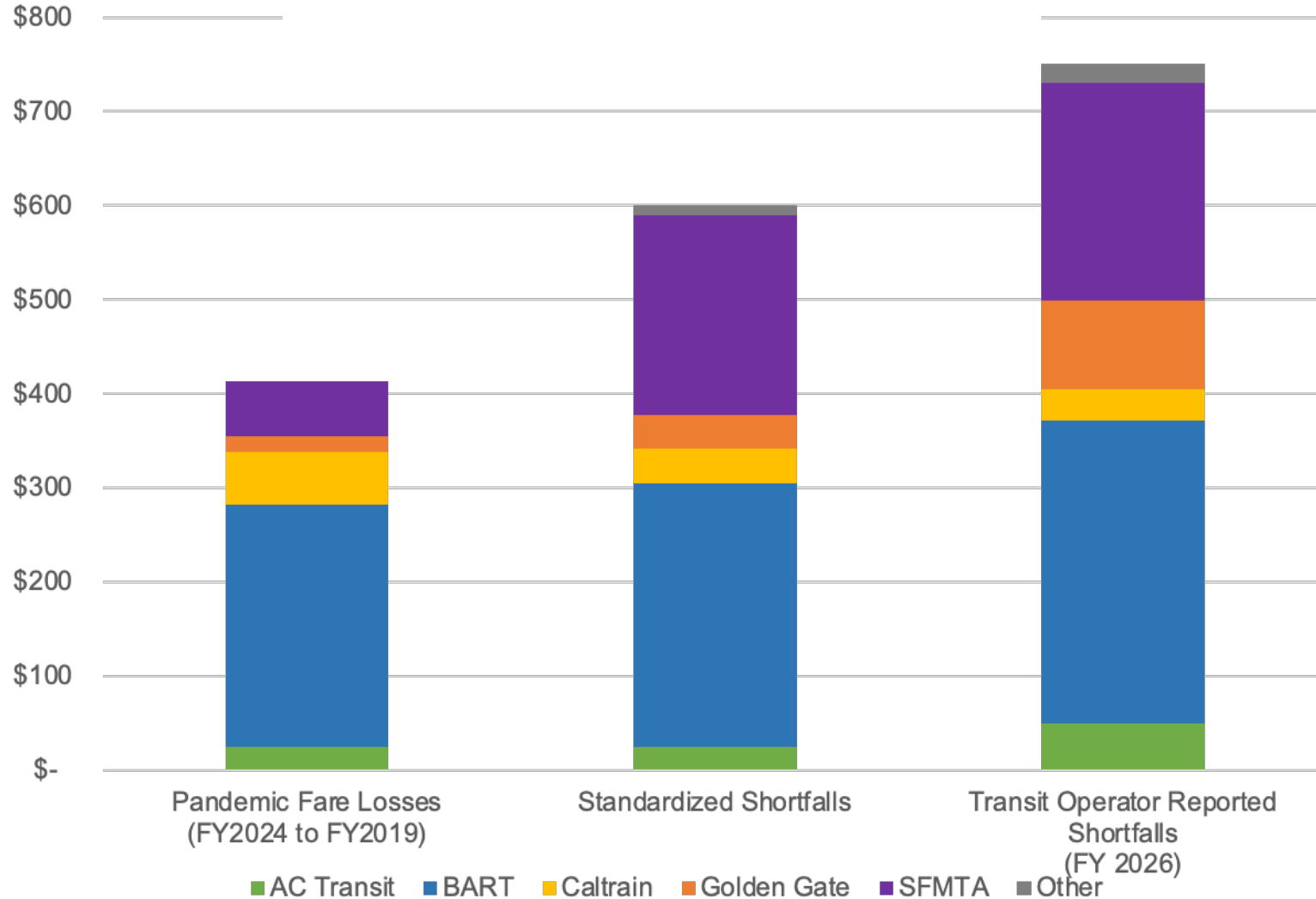
# MTC Has Prioritized Bus Service for Regional Discretionary Operating Funds

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
<b>Transportation Development Act</b>	\$518M	\$0	\$285M*	AC Transit, SFMTA, SamTrans, Contra Costa County operators
<b>BART District Tax</b> (25% Discretionary – AB 1107)	\$109M	\$0	\$109M	SFMTA, AC Transit
<b>MTC State Transit Assistance</b> (Population-Based Funds)	\$112M	\$1M	\$112M	County Block Grant, MTC regional programs
<b>MTC Low Carbon Transit Operations Program</b> (Population-Based)	\$10M	TBD	\$10M	TBD
<b>Total Discretionary</b>	<b>\$749M</b>	<b>\$1M</b>	<b>\$516M</b>	

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

# What Problem Are We Trying to Solve?



## Considerations:

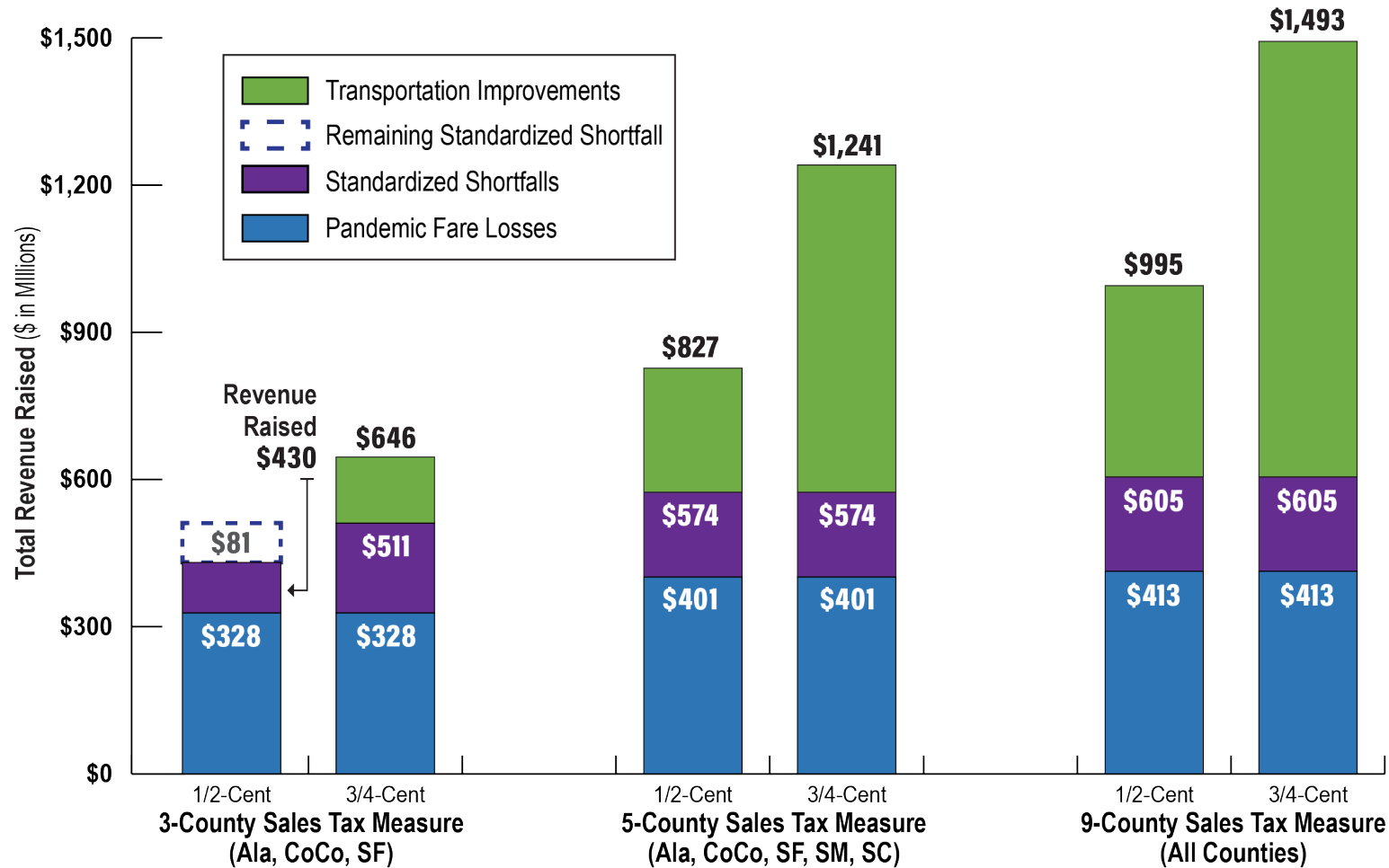
Cost outpacing revenue growth is an historic problem and not necessarily COVID-19 pandemic related

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**  
**1/2-cent could cover**  
 COVID-caused fare revenue losses

**3/4-cent option** could fund standardized shortfalls for AC, BART and SFMTA as well as other transportation improvements

**5- & 9-County Measure**  
**1/2-cent option** could fund standardized shortfalls for all operators and fund investments

**3/4-cent option** would provide significant funding for improvements

# Transit Transformation Action Plan – Investing in a Better Transit Experience

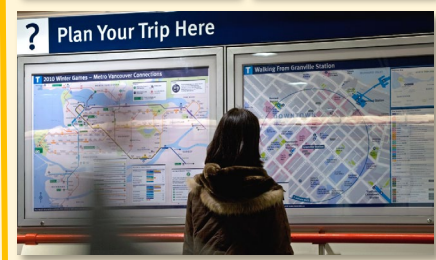
## I. Fares and Payment

Simpler, consistent, and equitable fare and payment options.



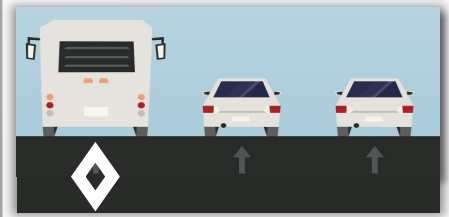
## II. Customer Information

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*



**Free and Discounted Transfers**

### Customer Information

*Make transit easier to navigate and more convenient*



**Regional Mapping & Wayfinding Project**

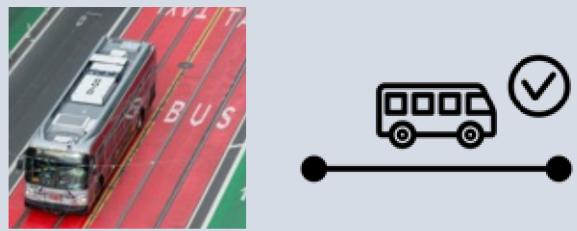


## TRANSIT TRANSFORMATION ACTION PLAN

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