



Senate Bill 125 – Short-Term Financial Plan for the San Francisco Bay Area

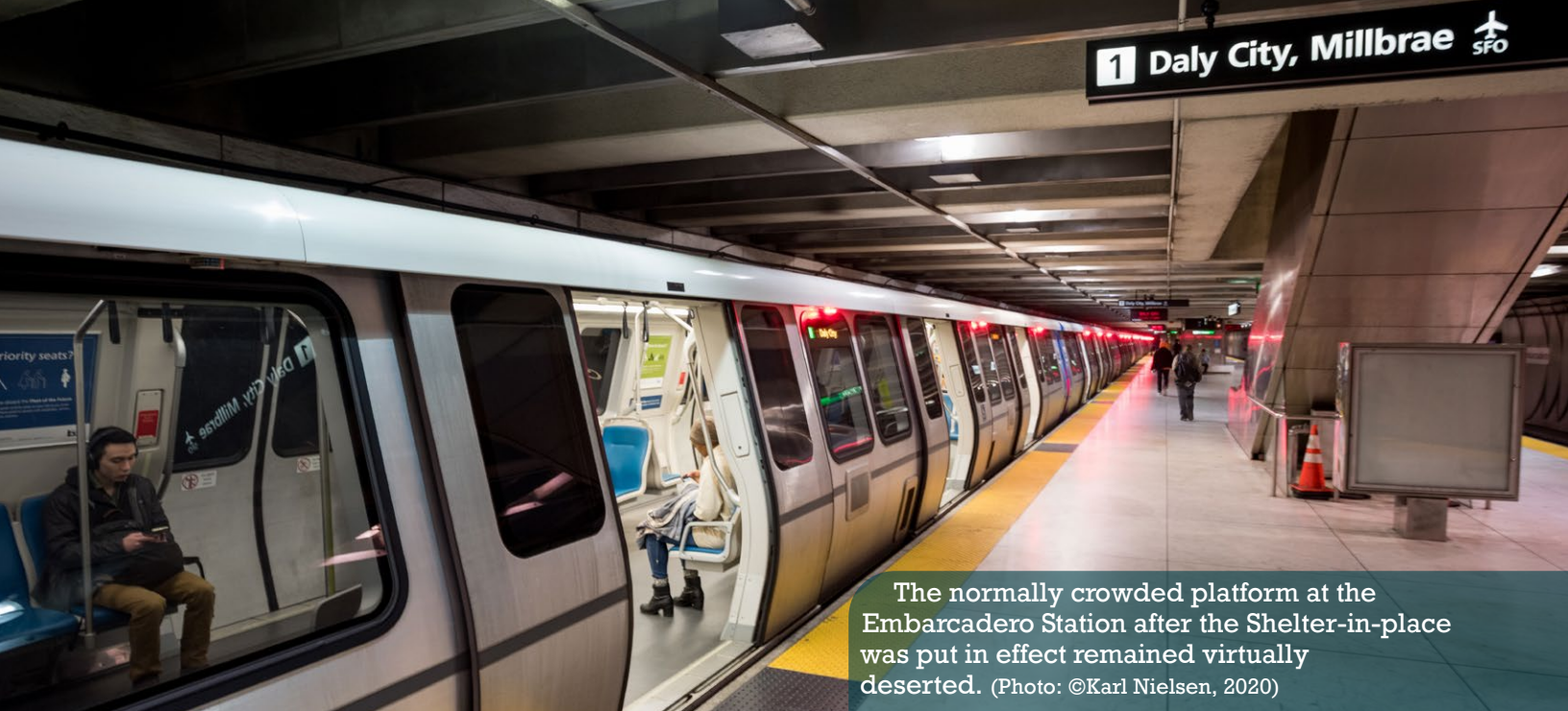
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METROPOLITAN
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COMMISSION

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The normally crowded platform at the Embarcadero Station after the Shelter-in-place was put in effect remained virtually deserted. (Photo: ©Karl Nielsen, 2020)

Introduction

COVID-19's Lasting Impact on Transit

The effects of COVID-19 and the pandemic's associated changes to travel behavior introduced an immediate shock to transit operators throughout the state and have had long-lasting effects on transit ridership and revenue collection. Now, nearly four years after the implementation of COVID-19 Shelter-in-Place orders, the ridership and revenue collection landscape continues to evolve, but the challenges faced by operators remain severe.

One of the most tangible changes to daily life was the shift to remote work for those whose jobs were able to be done from home. In 2019, data from the American Community Survey suggest that around 6.5% of Bay Area employees worked from home on a typical workday. By 2021, that share spiked to 33% of employees primarily telecommuting, with that share decreasing slightly to 25% in 2022. This increase in remote work emptied trains and buses that previously had been filled with commuters. Bay Area operators that were geared toward transporting office workers to and from job centers in downtown San

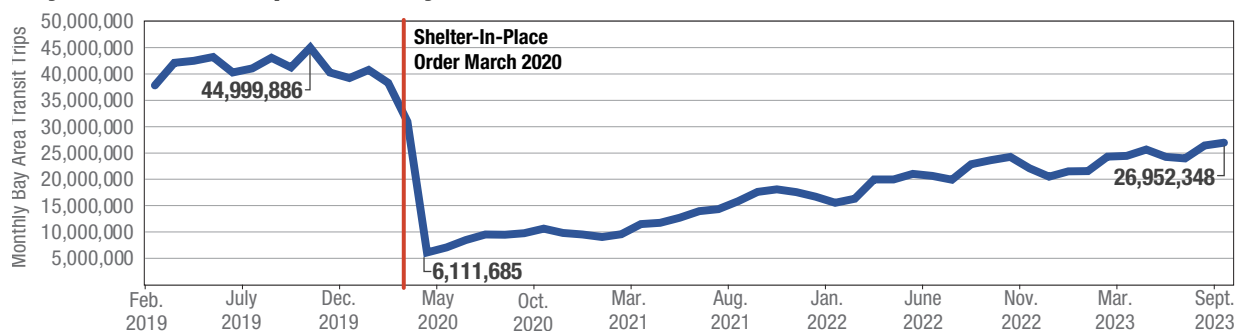
Francisco or the Peninsula were particularly impacted, though the effects were felt by all operators regardless of the market they serve.

Before COVID-19, Bay Area transit operators were serving around 40 million trips per month, a number that plummeted to 6 million trips in April 2020. Ridership slowly rebounded from this nadir, with Bay Area operators serving around 27 million trips in September 2023, representing a recovery to two-thirds of historic demand for transit. The future trajectory of ridership growth is unknown, but ridership is unlikely to fully recover in the short term given the continuing popularity of at-home work, persistent preferences for private transportation, and other legacies of the COVID-19 pandemic. While a complete recovery may be difficult to achieve within the next few years, opportunities exist to build ridership in the longer term through improvements to the transit system that enhance customer experience and competitiveness compared to other modes of travel.

Mirroring the trend in ridership changes over time, revenues that are correlated with

Introduction

Bay Area Ridership Recovery



Source: National Transit Database.

ridership – including fares and parking fees – also decreased sharply during the early months of 2020. In addition to decreases in ridership, some operators temporarily provided service fare-free to reduce contact between transit personnel and passengers while also providing mobility free of charge for those in need. Fare and parking revenues remain significantly lower than pre-pandemic levels across all operators, meaning less revenue available to fund ongoing transit operations. Other operating revenues from tolls and taxes derived from robust tourism and downtown economic activities are also yet to return to pre-pandemic levels. The challenges posed by sustained declines in transit operating revenues are intensified by recent cost increases stemming from inflation, a constrained labor market, supply chain blockages, and other economic pressures.

Bay Area Response to Sustain and Improve Transit

Within the first few months of the COVID-19 pandemic, MTC and Bay Area operators formed the Blue Ribbon Transit Recovery Task Force, tasking the body with understanding the scale of the crisis facing Bay Area transit systems, guiding the distribution of federal COVID relief funds, and determining a plan to

re-shape the region’s transit systems into a more efficient and customer-focused network. This group provided a forum for transit operators, labor representatives, equity advocates, environmental stakeholders, and other interested parties to regularly coordinate in response to rapidly changing conditions.

The Transit Recovery Task Force in July 2021 approved a list of 27 near-term actions to reform transit within the region, which formed the cornerstone of a formal Bay Area Transit Transformation Action Plan. To jumpstart the implementation of this plan, MTC assembled roughly \$150 million in funding from operator-controlled sources and regional revenues, representing the regional commitment to these transformative initiatives that span multiple operators’ jurisdictions. Work is now underway to implement these initiatives, led by MTC’s newly created Regional Network Management section in coordination with transit operators. In addition, MTC and transit operators identified safety and security as a key area of emphasis for continued ridership recovery. Operators are expanding the presence of police and unarmed ambassadors on transit and are deploying enhanced cleaning procedures on vehicles and in stations.

MTC also has acted to improve the



Transit ridership is on the rise thanks to actions taken by the Blue Ribbon Task Force.
(Photo: Rebecca Long, 2023)



Sustaining transit service ensures continued access to opportunity for transit-dependent riders.
(Photo: ©Noah Berger, 2023)

coordination of investments in major transit capital enhancements. The Commission's Major Project Advancement Policy established a framework for prioritizing, building and delivering the next generation of major Bay Area projects, balancing competing priorities in an environment of limited funding availability. The Major Project Advancement Policy leverages analysis from Plan Bay Area 2050, the Bay Area's Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS) to prioritize projects that are resilient to uncertainty and advance equity.

The policy prioritizes projects that already have amassed significant funding commitments from federal, state, or local sources. High-priority capital projects within the Major Project Advancement Policy include BART's Core Capacity initiative and BART to Silicon Valley Phase II.

These regional coordination efforts, together with slow but consistent growth in office commuting and other discretionary travel demand, have driven recent ridership recovery, yet challenges persist. As federal COVID relief funds for transit operations dwindle and fare revenue remains far below pre-pandemic levels, the need for new or enhanced revenue sources is evident. SB 125 provides critical gap funding to keep transit operators solvent through 2026, but the need remains for permanent support for transit operations in order to meet state climate and equity goals.

Regional Efforts to Sustain Transit Service Prior to SB 125

Approaches to Increase Revenue for Transit Operations

Bay Area transit operators have leveraged recent increases in Transportation Development Act (TDA) and State Transit Assistance (STA) revenues stemming from higher than anticipated fuel sales tax revenue. These revenues have provided a critical source of funding for operating, and to a lesser extent, capital expenditures, helping operators to weather contemporaneous increases in expenses due to factors such as inflation and supply chain blockages. If TDA and STA revenues had not kept pace with the cost increases, operators would have been forced to draw down on their federal COVID relief funds more quickly or otherwise consider reducing service or making other tradeoffs to reduce non-fixed expenses.

Additionally, Bay Area residents have approved multiple ballot measures to increase funding for transit operations at the county and regional levels over the past few years. Regional Measure 3, approved by residents of the nine-county Bay Area in 2018, approved three \$1 toll increases on Bay Area bridges to be phased in over a five-year period. In Fiscal Year (FY) 2022-23, Regional Measure 3 generated roughly \$34 million for operations of the Salesforce Transit Center Transbay Terminal and ongoing ferry and express bus operations. Local-level ballot measures such as Caltrain Measure RR (approved in 2020) and San Francisco Proposition L (approved in 2022) were approved following the onset of the COVID-19 pandemic to provide infusions of funding for transit operations and state of good repair projects.

Federal monies have also played a critical role in supplying revenue for transit operations nationwide. Early in the pandemic, federal

COVID-19 relief funds provided bridge funding to sustain transit service through the most severe periods of revenue loss. Funding from the 2021 Infrastructure Investment and Jobs Act (IIJA) has provided further assistance, supporting capital investments in transit infrastructure so that operators may dedicate flexible funding sources toward operations.

Approaches to Reduce Transit Operating Expenses

Over the past few years, Bay Area transit operators have implemented a number of approaches to mitigate operating shortfalls by reducing expenses without compromising on service quality or safety. Early in the pandemic, operators acted to right-size service to meet reduced demand while still providing lifeline service to frontline workers and other transit-dependent customers. Today, Bay Area operators have restored the vast majority of service, with some operators taking the opportunity to redeploy service to more efficiently meet changing demand patterns.

Bay Area transit operators have also reconsidered capital expenditures in light of diminished operating revenues, deferring or eliminating capital projects where possible to increase the amount of TDA, STA, and other local revenues available for operating purposes. However, operators still face significant state of good repair needs, and these critical projects to ensure the safety and continued operations of transit cannot be deferred indefinitely. Furthermore, delaying capital projects risks increasing project costs in the long-term, particularly in today's inflationary environment.



Bay Area Standardized Shortfalls

To inform the proposed distribution of SB 125 funding, MTC and Bay Area transit operators embarked on a monthslong collaborative effort to understand the factors contributing to the operating shortfalls and produce a set of standardized shortfalls using consistent assumptions across operators. The shortfalls referenced in this report are the standardized shortfalls produced using a regionally consistent methodology specified by MTC, and may not reflect the full extent of each operator’s need. However, the standardized shortfalls do allow the operators’ shortfalls to be assessed on a level footing and bring the shortfalls to a manageable level that can be addressed by the SB 125 funding available to the Bay Area.

Consistent with the SB 125 Guidelines, the standardized shortfalls reflect the expenses needed to maintain 2022 service levels with

no further restoration or expansion of service. Bay Area operators provided roughly one million more revenue vehicle hours of service in 2023 than they did in 2022, so the standardized shortfalls do not fully capture the funding needed to maintain today’s level of service, much less to continue to increase service to recruit and retain passengers. The standardized shortfalls also assume a consistent 2.7% annual inflation rate to be applied to non-labor expenses, a 2.7% annual growth in TDA and STA revenue, and the deferral of deferrable operating to capital transfers.

The standardized shortfalls for FY2023-24 through FY2025-26 are summarized below in Table 1.

Table 1. Standardized Shortfalls (Amounts Shown in Thousands)

Operator	FY2023-24	FY2024-25	FY2025-26	TOTAL (\$)	TOTAL (%)
BART	\$0	\$58,211	\$293,837	\$352,048	45%
SFMTA	\$0	\$99,477	\$209,328	\$308,805	40%
Golden Gate Transit	\$0	\$2,838	\$38,263	\$41,101	5%
AC Transit	\$0	\$4,000	\$28,569	\$32,569	4%
Caltrain	\$0	\$0	\$25,449	\$25,449	3%
ACE	\$0	\$1,777	\$1,829	\$3,605	<1%
WestCAT	\$0	\$0	\$3,113	\$3,113	<1%
NVTA	\$0	\$1,485	\$966	\$2,450	<1%
LAVTA	\$0	\$897	\$1,392	\$2,289	<1%
SolTrans	\$0	\$0	\$2,036	\$2,036	<1%
ECCTA	\$0	\$503	\$238	\$741	<1%
Bay Area Total	\$0	\$169,187	\$605,020	\$774,207	100%

Note: Numbers may not sum due to rounding.

Regional Approach to Addressing Standardized Shortfalls

SB 125 Utilization Strategy

SB 125 will provide roughly \$1.1 billion in funding for the Bay Area between FY2023-24 and FY2026-27. MTC developed its strategy to apportion this funding to capital and operating purposes based on regular consultation with Bay Area transit operators and in accordance with the legislative intent of SB 125.

Capital Investments

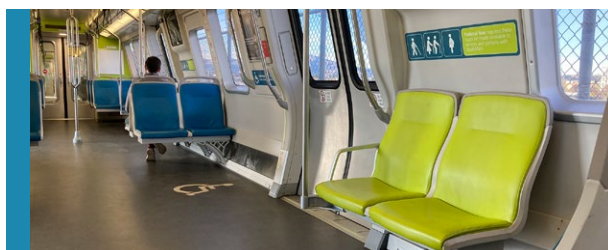
MTC has committed a combined \$725 million in the Transit and Intercity Rail Capital Program (TIRCP) funding that was distributed by formula as part of the FY 2023-24 state budget (with half to be provided in FY 2024-25) to two existing TIRCP projects to enhance and expand BART, a key component of MTC's regional rail network. BART represents an important regional rail spine, linking five Bay Area counties and currently serving over 4 million trips per month.

TIRCP capital funds from SB 125 will support the BART Core Capacity and BART to Silicon Valley Phase II projects. Prioritizing these two investments is consistent with MTC's longstanding advocacy for advancing these critical projects, and could unlock \$6 billion to \$8 billion in federal funding. Both the BART

Core Capacity project and Phase II of BART to Silicon Valley are essential to region's long-term strategy to grow transit ridership by incentivizing high-density housing and commercial development near BART stations; increasing reliability on existing BART lines; and extending BART to serve new destinations in jobs- and housing-rich areas in Santa Clara County.

Operating Investments

While the Bay Area has significant needs related to the zero-emission transit transition, MTC's priority is to retain service until more sustainable long-term funding solutions are identified. Understanding that the shortfalls forecast by Bay Area transit operators represent an existential threat to continued transit service, MTC will prioritize all of its Zero Emission Transit Capital Program (ZETCP) funding — and all but \$2 million of its remaining TIRCP funding — for operations. In total, MTC will make \$446 million in SB 125 funding available for transit operations, leveraging the standardized shortfalls as the framework to guide the Commission's distribution of operating funds between Bay Area transit agencies.



Project: **BART Core Capacity**

Sponsor: **BART**

Funding: **\$350M** (TIRCP)

Description: Modernize key components of BART's infrastructure to increase frequency and reliability. Core Capacity will upgrade BART's traction power and train control systems and support new rail cars and a new storage yard.



Project: **BART to Silicon Valley Phase II**

Sponsor: **VTA**

Funding: **\$375M** (TIRCP)

Description: Extend BART from its current terminus at Berryessa Station in northern Santa Clara County to connect to jobs and housing centers in downtown San Jose.

Table 2. Funding Plan to Cover Standardized Shortfalls (Amounts Shown in Thousands)

	FY 2023-24	FY 2024-25	FY 2025-26	TOTAL
Standardized Regional Shortfall	\$0	\$169,187	\$605,020	\$774,207
SB 125 Funding: ZETCP for Operations*	\$0	\$125,079	\$276,591	\$401,669
SB 125 Funding: TIRCP for Operations	\$0	\$44,109	\$0	\$44,109
Regional Contribution**	\$0	\$0	\$300,000	\$300,000
TIRCP Interest	\$0	\$0	\$28,429	\$28,429

Note: Numbers may not sum due to rounding

* Funding framework includes roughly \$84 million in FY2026-27 ZETCP funding shown in FY2025-26

** Regional funding contribution subject to future Commission action

Support for Regional Network Management Staffing

MTC will use the remaining \$2 million in SB 125 funding from TIRCP to support Regional Network Management and oversee implementation of the Bay Area Transit Transformation Action Plan. These activities in support of ridership recovery and retention will be further documented in the Long-Term Financial Plan required under SB 125.

Regional Funding Contribution to Support Transit Operations

With a standardized shortfall of \$774 million, the \$446 million in TIRCP and ZETCP made available for operating assistance falls far short of the total need under standardized assumptions. In discussions with state legislators leading up to the state budget funding for transit operations, MTC leadership indicated the potential to contribute up to \$300 million from a menu of funding sources to help address this gap.

Assembling this regional contribution will require tradeoff discussions related to shifting funding from future use for transit capital maintenance, regional coordination programs, or local implementation of transportation and land use strategies identified in MTC’s Regional Transportation Plan/Sustainable

Communities Strategy to transit operations. Sources under consideration include unprogrammed Federal Transit Administration (FTA) formula funds, eligible bridge tolls, population-based State Transit Assistance funds, and federal highway funds that are suballocated to MTC and support MTC’s One Bay Area Grant program. MTC has identified a maximum of \$300 million in currently unprogrammed funds that could be redirected to operations, meaning no existing funding commitments or future programming would be affected.

In addition to the envisioned \$300 million in regional funding for transit operations, MTC anticipates that TIRCP funding could generate significant interest earnings. Project delivery schedules indicate that TIRCP capital funding will be drawn down slowly over time, enabling MTC to invest these funds in accordance with the SB 125 Guidelines. MTC envisions using around \$28 million in interest generated by TIRCP funding to fully fund the standardized shortfalls through the end of FY2025-26. Table 2 provides a detailed breakdown of the projected shortfalls from FY2023-24 to FY2025-26 and MTC’s plan to fully cover the shortfalls using a combination of ZETCP operating funds, TIRCP operating funds, regional sources, and interest earned on TIRCP capital funds held by MTC.



If shortfalls are not addressed, MTC estimates that operators like SFMTA and BART would be forced to make significant service cuts.

(Photo: ©Noah Berger, 2023)

Future Service Level Projections

Conditions if Shortfalls are Not Addressed

If left unaddressed, the near-term operating shortfalls will require operators to make difficult decisions, further deferring capital investments in maintaining transit assets and reducing service levels to lower expenses to within forecasted revenue envelopes. Using financial data provided by operators, MTC prepared the following estimates of the impacts to service if shortfalls were not addressed, as well as the service retained with the contribution of funding from TIRCP and ZETCP.

The table below summarizes the impacts to service associated with the forecasted shortfalls for FY2024-25 and FY2025-26, compared to the 2022 service level baseline prescribed by SB 125. Because there is no shortfall projected for FY2023-24, operators would be able to provide service hours equal to or greater to 2022 levels.

Regionwide, MTC estimates Bay Area transit operators would need to cut service by over 800,000 hours (15%) relative to 2022 service levels in FY2024-25 and over two million hours (36%) in FY2025-26 if the shortfalls are

Table 3. MTC-Projected Service Cuts if Shortfalls Are Not Addressed

Operator	FY2021-22 Revenue Vehicle Hours (Baseline)	FY2024-25 Projected Hours at Risk of Elimination	FY2025-26 Projected Hours at Risk of Elimination
SFMTA	2,866,031	747,876	1,532,366
AC Transit	1,726,455	23,850	164,640
BART*	284,100	40,726	199,866
Golden Gate Transit	199,896	4,814	2,221
LAVTA	131,703	4,975	65,779
NVTA	125,121	5,562	8,244
SolTrans	108,423	12,790	8,101
ECCTA	100,714	0	13,192
WestCAT	92,000	0	23,545
Caltrain*	47,412	0	8,262
ACE*	20,455	2,952	2,930
Regional Total	5,702,310	843,545	2,029,145

Note: numbers may not sum due to rounding

* Train hours

Table 4. MTC-Projected Service Supported by SB 125

Operator	FY2024-25 Revenue Vehicle Hours		FY2025-26 Revenue Vehicle Hours	
	Projected Hours at Risk of Elimination	Projected Hours Retained by SB 125 Funds	Projected Hours at Risk of Elimination	Projected Hours Retained by SB 125 Funds
SFMTA	747,876	747,876	1,532,366	699,405
AC Transit	23,850	23,850	164,640	75,145
BART*	40,726	40,726	199,866	91,223
ECCTA	4,814	4,814	2,221	1,014
Golden Gate Transit	4,975	4,975	65,779	30,023
LAVTA	5,562	5,562	8,244	3,763
NVTA	12,790	12,790	8,101	3,697
SolTrans	0	0	13,192	6,021
WestCAT	0	0	23,545	10,746
Caltrain*	0	0	8,262	3,771
ACE*	2,952	2,952	2,930	1,337
Regional Total	843,545	843,545	2,029,145	926,146

Note: Numbers may not sum due to rounding

* Train hours

not addressed. Service cuts would be particularly severe for agencies such as BART and SFMTA that have large total shortfalls.

The need for such significant cuts could force operators to eliminate service on nights and weekends when ridership is relatively lower, negatively affecting off-peak travelers who are more likely to have low incomes and to be transit dependent, or to eliminate lower productivity routes. In addition to these negative equity impacts, service cuts would further reduce the attractiveness of transit, leading to more auto use for those with access to a car and lower accessibility to important destinations like work, education, or healthcare for all residents.

Service Retained Using SB 125 Funds

As outlined in Table 2, operations funding from TIRCP and ZETCP is sufficient to fully cover standardized shortfalls in FY2024-25 and would address 46% of the standardized shortfalls in FY2025-26. MTC envisions that regional funding and TIRCP interest would be used to fund the remaining standardized shortfall in FY2025-26.

Table 4 summarizes MTC’s estimates of the number of service hours that would be retained by Bay Area operators using SB 125 funding, relative to the hours projected to be eliminated if shortfalls are not addressed detailed in Table 3. Thanks to SB 125, Bay Area operators are projected to retain over 800,000 service hours in FY2024-25 and more than 900,000 service hours in FY2025-26. The remaining service hours at risk of elimination in FY2025-26 would be retained using regional funds and TIRCP interest earnings.

Next Steps

The much-needed gap funding provided by SB 125 gives Bay Area transit operators and MTC additional time to advance customer-focused efficiency and customer experience enhancements to attract riders back to transit, while simultaneously reorganizing for efficiency and capacity and exploring alternatives to financial sustainability such as new revenue sources for transit operations.

Regional SB 125 Accountability Measures

In addition to the accountability measures established in SB 125, MTC established a set of regional accountability measures to provide incentives for operators to enhance efficiency and improve the customer experience. For all operators receiving funding, these requirements will include participation in ongoing Transit Transformation Action Plan initiatives,

Operator	Accountability Requirement
All Operators	<ul style="list-style-type: none"> • Active Participation in: <ul style="list-style-type: none"> • Regional Network Management Council and advancement of the initiatives in the Transit Transformation Action Plan. • Transit Fare Policy and Integration Pilots • Mapping and Wayfinding – Prototype and regional standards development • Accessibility – Support for county-based mobility management efforts, and regional and local efforts to improve ADA paratransit service • Schedule Coordination – Participation in short-term and longer-term strategies to improve connections • General Transit Feed Specification (GTFS) – Perform audit to identify quality of delivery and usage
AC Transit	<ul style="list-style-type: none"> • Report on interim findings from “Realign” project and how effort could increase ridership
Golden Gate Transit	<ul style="list-style-type: none"> • Active participation and collaboration in efforts to optimize North Bay transit service.
BART	<ul style="list-style-type: none"> • Implementation of new fare gates systemwide to meet end of 2025 completion timeline.
SFMTA	<ul style="list-style-type: none"> • Report on fare collection procedures and opportunities for reducing fare evasion
BART, SFMTA, and Caltrain	<ul style="list-style-type: none"> • Report on effectiveness of Ambassador/Crisis Prevention program(s) and recommendations for improvement and/or expansion, and assessment of opportunities for coordination with connecting agencies



MTC will require active participation in innovative transit fare integration pilots and other regional initiatives in order to receive SB 125 funds.

(Photo: ©Noah Berger, 2023)

and implementation of schedule coordination and real-time transit data improvements. Other accountability requirements are specific to individual operators and center around safety and security, fare-evasion reduction, and comprehensive service improvements. Operators will be required to satisfy or make significant progress toward these accountability measures in order to receive SB 125 funds.

Ridership Recovery: Transit Transformation Action Plan Implementation and Regional Network Management

MTC and regional transit stakeholders will remain focused on opportunities to improve coordination across operators and to enhance service, including considering the potential for service restructuring and the elimination of service redundancies. The Transit Transformation Action Plan will guide the process for implementing improvements to customer experience and efficiency of transit service. Activities are organized around five thematic areas: fares and payment; customer information; transit network; funding; and accessibility. The Transit Transformation Action Plan also lays the groundwork for MTC's Regional Network Management (RNM) framework, which was approved by the Commission in February 2023 and is currently

being rolled out by MTC and transit operators.

Over summer and fall 2023, MTC facilitated the establishment of three bodies – each with their own purpose – to guide regional network management activities and provide forums dedicated to regional transit coordination. The MTC Operations Committee transitioned to the RNM Committee in July 2023, adding ex-officio members that represent transit agency boards and the State and taking on the additional responsibility of guiding regional network management activities. Shortly after, the RNM Customer Advisory Group – which provides diverse customer perspectives to help shape regional transit policy and implementation – held its first meeting in October 2023. Finally, the RNM Council, comprised of MTC and transit agency executives with expertise in transit operations, held its inaugural meeting in November 2023. Members of the RNM Council bring a deep understanding of transit operations; can represent the interests of their stakeholders; deliver critical input on regional transit policies; develop actionable implementation plans; and provide regional leadership. The RNM Council's work plan, currently under development, is anchored in the Transit Transformation Action Plan and focuses on initiatives that will provide tangible outcomes for riders.



Regional planning initiatives and transit priority infrastructure aim to reduce wait times and increase transit service efficiency.

(Photo: Joey Kotfica, 2023)

Considering opportunities for service restructuring and eliminating service redundancies will require more information-gathering, analysis and coordination with relevant stakeholders. Within the Transit Transformation Action Plan, several near-term priorities were identified, including: developing a Connected Network Plan (currently underway through the Transit 2050+ initiative); providing funding for Sonoma, Solano and Contra Costa counties to complete their Integration Efficiencies initiatives; furthering the availability and reliability of regional real-time transit data (which facilitates both better customer information and better data to inform service restructuring); and improving regional paratransit trips through one-seat ride pilot projects and better coordination on cross jurisdictional paratransit trips. Concurrently, operators have worked together to advance bid alignment and targeted schedule coordination efforts to reduce transfer wait times.

The Transit 2050+ initiative, a priority identified in both the Transit Transformation Action Plan and the Plan Bay Area 2050 Implementation Plan, will produce a first-of-its-kind roadmap to re-envision the future Bay Area public transit network. This effort will consider various capital enhancement

projects and options to realign existing transit service, weighing the cost effectiveness and equity outcomes of candidate projects. Together, the project management team comprised of MTC and transit operator representatives will put forward a comprehensive, fiscally constrained set of prioritized projects to be advanced between now and 2050.

The aforementioned efforts to improve the efficiency of transit delivery are complemented by a host of initiatives identified in the Transit Transformation Action Plan that focus on the transit customer experience. Recent milestones include pilot phases of innovative fare products such as the Clipper BayPass institutional pass for colleges, universities, and employers; preparatory work to inform a potential free transfer pilot; coordination with transit operators to identify congestion hotspots where transit priority investments can help transit to run more quickly; and work to inform the future development of consistent regional mapping and wayfinding standards.

Potential Regional Transportation Revenue Measure

Starting in FY 2026-27, in order for Bay Area operators to provide 2022 service levels upon which the standardized shortfalls and SB 125 funding framework are based (let alone sustain higher current levels of service) additional revenues will be needed to supplement the state and regional contribution considered in this report. Recognizing the need for additional long-term sources of revenue to support transit operations – including but not limited to resources generated at the regional level – the Commission directed staff to explore the potential for a 2026 regional transportation revenue measure.

MTC staff have conducted multiple rounds of stakeholder engagement, completed two rounds of public polling on Bay Area voters' priorities concerning transportation, and conducted public engagement activities in all nine counties to better understand residents' priorities for a future transportation measure.

Based on this feedback, staff identified four potential expenditure priorities for the regional measure: transit transformation (including support for operations); safe streets; connectivity; and climate resilience. Together, this suite of enhancements will build toward a regional transportation system that is more equitable, resilient, and climate-friendly for the years to come.

Simultaneously, MTC has engaged with an outside consultant to assess a variety of potential revenue generation options, including a sales tax, an income tax, and a payroll tax. MTC commissioned a poll of registered voters that will assess voters' attitudes toward a transportation revenue measure using each of these three revenue

generation mechanisms with rates set at a level that would generate approximately \$1 billion annually for transportation.

MTC anticipates leveraging the findings of this poll to put forward a proposed outline of legislation that would enable a regional transportation revenue measure to be put on the ballot for Bay Area voters' consideration as early as 2026. Should a measure be approved in 2026, revenue generation likely would not begin until 2027, leaving a gap between the depletion of SB 125 funding and the start of revenue generation from this new source of funding. More work will be needed to identify additional funding to address operators' anticipated shortfalls during this intermediary time period, such as existing operator reserves, or augmentations of local, regional, or state support.



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