

Bay Area Near-Term Transit Shortfalls, Funding, and Accountability

Programming & Allocations Committee Meeting –
November 8, 2023



**METROPOLITAN
TRANSPORTATION
COMMISSION**

Upcoming Milestones



MTC and operators working simultaneously to implement customer-focused improvements in line with Transit Transformation Action Plan

MTC Draft Principles to Address Shortfalls



Use state and regional funds for transit operations to address most dire shortfalls and avoid service cuts



Prioritize high-ridership agencies and the provision of service for transit-dependent riders



Incentivize accountability of transit operators to improve coordination and customer experience



Preserve flexibility to adjust distribution year to year as circumstances change



Ensure consistency and level footing across operator shortfall forecasts



Minimize impact to non-operating/capital and state of good repair programs

Standardization: Assist With Funding Gap Estimates & Tool for Funding Distribution

- MTC worked with Bay Area transit operators to understand shortfall assumptions and build consensus around standardization
- Standardized needs are based on 2022 service levels, per SB 125 requirements – representing 1 million fewer service hours per year than the region has today
- Existing resources, operator contributions or new funding will need to be marshalled to help close the funding gap and cover the costs of completed and planned service restoration

Areas of Standardization/Adjustment

Consistent inflation assumption across operators

Baseline service levels / no service increases

Increase TDA/STA revenue annually by inflation

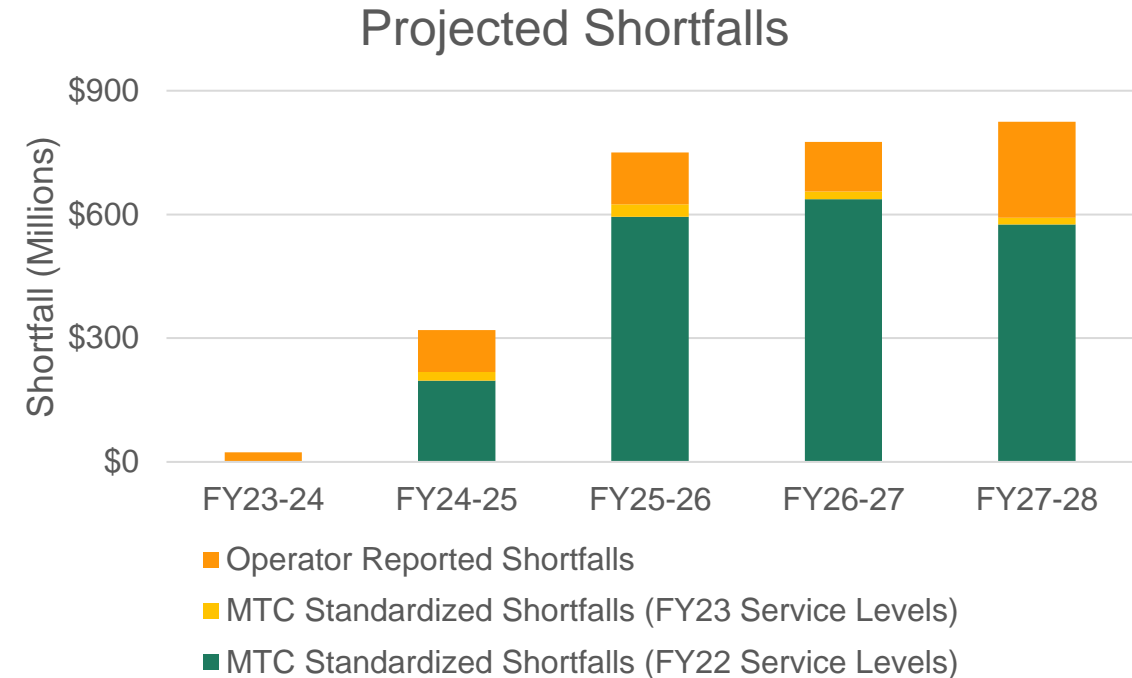
Limit deferrable operating to capital transfers

Labor vacancy assumptions

Identify additional potential local funding contributions

2022 Service Baseline Underestimates the Regional Need

- Standardized needs are based on 2022 service levels, per SB 125 requirements
- Of the large operators, AC Transit, Golden Gate Transit, and SFMTA have restored service beyond what was used to estimate standardized shortfalls
- MTC's rough estimates suggest that providing 2023 service could increase individual operators' shortfalls by 10 to 20%



5-Year Total Projected Shortfalls

- Operator Projected Shortfalls: \$2.7 billion
- Standardized Shortfalls (FY22): \$2.0 billion
- Standardized Shortfalls (FY23): \$2.1 billion

3-Year “Standardized” Need Framework



Confirm in 2024



Revisit in 2025

Amounts are reported in millions

	FY 23-24	FY 24-25	FY 25-26	Total (\$)	Total (%)
SFMTA	\$0	\$99	\$209	\$309	39%
BART	\$0	\$58	\$294	\$352	45%
AC Transit	\$0	\$4	\$29	\$33	4%
Caltrain	\$0	\$0	\$25	\$25	3%
Golden Gate Transit	\$0	\$3	\$38	\$41	5%
Other Operators	\$0	\$8	\$12	\$20	3%
Regional Network Management	\$0	\$2	\$0	\$2	0%
Bay Area Total	\$0	\$174	\$607	\$781	100%

The numbers in the table above represent the shortfalls forecasted under standardizing assumptions provided by MTC.

To adapt to changing circumstances, the distribution will be reassessed on a rolling basis, beginning prior to FY24-25.

State Funds Fall Short of Addressing the Bay Area's Funding Needs

- Resources are insufficient to cover shortfalls estimated by operators *beyond FY 25-26*.
- Additional revenues, lower costs or significantly higher ridership/fares needed to address gap beyond 2022 service levels

Amounts are reported in millions

	FY 23-24	FY 24-25	FY 25-26**	Total
Standardized Shortfall	\$0	\$174	\$607	\$781
Zero Emission Program/State Budget Funding	\$0	\$140	\$262	\$402
TIRCP*	\$0	\$34	\$11	\$45
Funding Gap (State Funds)	\$0	\$0	\$334	\$334

* TIRCP availability for operations support reflects October 2023 Commission action.

** Includes \$84M of FY26-27 ZETCP funding

Regional Contribution to Help Address Gap

- MTC Estimates \$300M *in Currently Unprogrammed Funds* Could be Redirected to Operations
- Redirection of Funds will Require Significant Trade-Offs/Opportunity Costs
- Final Regional Contribution Depends on Updated Shortfalls and Continued State Budget Advocacy

Fund Source	Amount (\$M)	% Share of Program	Typical Recipient	Typical Usage
Unprogrammed FTA Formula	\$125	~ 20% of annual funding	Transit Operators	Transit State of Good Repair
Surface Transportation Funding (STP/CMAQ)	\$80 - \$115	~ 10-15% of four-year cycle	CTAs/Local Jurisdictions/ MTC/Project Sponsors	OBAG – Bike/Ped, Other County Priorities, Regional Programs
Bridge Tolls	\$20 - \$30	N/A – Escrowed + some annual RM3 Express Bus Funding	Express Bus and Ferry Operators	Operations Funding
State Transit Assistance (Population-Based)	\$20 - \$30	N/A – Program balances + some on-going funds.	MTC to support regional transit programs	Regional Programs (i.e., Clipper, Fare Programs)
Total	\$245 - \$300			

Significant Gap Remains to Sustain Transit Service Until New Revenue Measure in 2026

- Resources are insufficient to cover shortfalls estimated by operators *beyond FY 2025-26*.
- Additional revenues, lower costs or significantly higher ridership/fares needed to address ongoing shortfalls or to provide for service levels beyond 2022 baseline

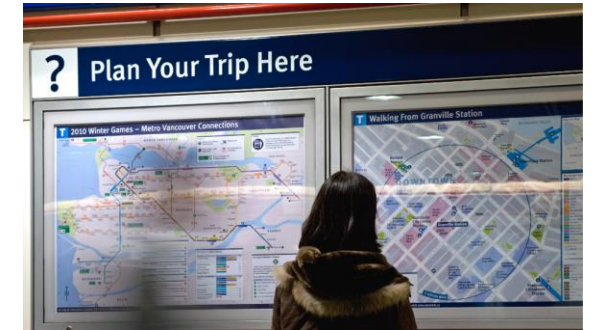
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<i>Funding Gap (State Funds)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$334</i>	<i>\$334</i>
Regional Funds (high-end of range)	\$0	\$0	\$300	\$300
Interest Generated on TIRCP Funds*	\$0	\$0	\$34	\$34
<i>Funding Gap (State + Regional Funds)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>

* Additional revenues could be brought to bear to reduce need for interest contribution.

State and Regional Funding Conditioned on Customer Experience & Efficiency Enhancements

- MTC and Operators to Collaborate on Delivery of Transit Transformation Action Plan and Other Improvements Including:
 - Fares and Payment Initiatives
 - Customer Information
 - Transit Network Priority
 - Accessibility
 - Safety and Security
 - Other (i.e., Service Coordination and Optimization)
- Progress Milestones to be met prior to distribution of funds
- Commission reserves the right to condition funds to delivering specific initiatives at a future date pending coordination with Regional Network Management Council
- Potential for MTC to augment funding to assist with implementation of customer experience & efficiency enhancements



Look-Ahead: Potential Regional Transportation Measure

- A regional transportation measure could generate meaningful revenue for transportation
- Approximately \$320M in additional funding will need to be identified to support operations through mid-FY2027 which is the earliest that funding from a new regional measure could become available
- New revenues could supplement state and regional funds discussed today to restore and sustain operations beyond the 2022 service baseline used to estimate the standardized shortfall

Upcoming Activities



Upcoming Milestones



MTC and operators working simultaneously to implement customer-focused improvements in line with Transit Transformation Action Plan

Staff Recommendation

- Approve MTC Resolution 4619 – *Senate Bill 125 Transit Operations Funding Principles, Distribution Framework, and Regional Accountability Measures*
- Funding distributions contained in MTC Resolution 4619 are contingent on future evaluations by MTC of transit operating shortfalls and may be updated with Commission approval
- Programming and allocation of state and regional contribution funds in alignment with MTC Resolution 4619 will be conducted as separate actions, based on fund source type and required timing
- Should alternate revenue be identified to address transit operating needs, staff will return with any necessary revisions to the regional funding contribution.