

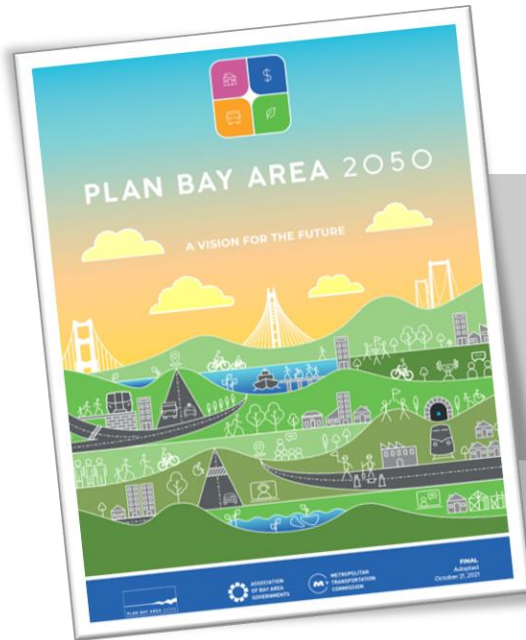
Preparing for a 2026 Regional Transportation Measure: Outline of Proposed Enabling Legislation & Next Steps



**METROPOLITAN
TRANSPORTATION
COMMISSION**

Metropolitan Transportation Commission
December 20, 2023

Why a New Regional Transportation Measure?



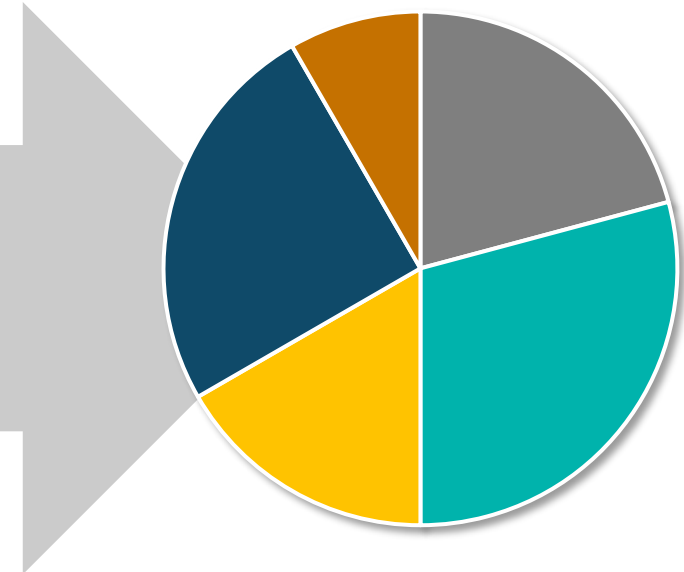
Plan Bay Area 2050

The Plan identified a \$110 billion funding gap to realize the plan's bold vision



Transit's Future Depends on New Funding

New reliable funds are needed to sustain service and improve the rider experience



Deliver Results

Regional funds can incentivize key regional policy goals & improve access and mobility regionwide

Throughout 2023: Listening & Learning

STAKEHOLDER ENGAGEMENT



Transit Operators



County Transportation Agencies



Regional Agencies
BCDC, BARC, BAAQMD, etc.



Business Organizations



Labor Organizations



Advocacy Organizations

- Environment
- Equity
- Persons with Disabilities
- Older Adults
- Active Transportation

PUBLIC ENGAGEMENT



Public Polls

- Spring 2023: Sought to understand public perception of public transit & support for potential measure
- Fall 2023: Goal to learn voter priorities for a potential measure and gauge reception to various revenue mechanism options.



Pop-Up Workshops

- 15 events in all nine counties during summer 2023



Online Survey

- Sought feedback from public on same questions as in-person events
- Offered in English, Mandarin, Spanish, and Vietnamese consistent with 2023 PPP

EMERGING THEMES

Most stakeholders, and the public at-large, want to **maintain and improve public transit** but also want to **see investments in other transportation modes**.

There is a broad recognition that the Bay Area's post-pandemic trajectory is uncertain and that **having the flexibility to modify priorities over time will be key**.

Simply **maintaining the status quo is not sufficient** – the public wants to see new revenues used to help transform our transportation system.

Most Bay Area Voters Think Transit is Important But Support for a New Tax Currently Below 2/3

- Survey of 2,700 Bay Area registered voters across nine counties conducted in mid-October.
- Designed to inform enabling legislation, not test viability of passage.
- Voters feeling pessimistic (62% say Bay Area on wrong track)
- Support for tax to improve transit, repair potholes and make streets safer for walking and biking averages 53% across three tax options.

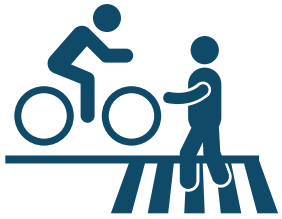
Voters value the following investments most:

- Repairing potholes, improving sidewalks and bike lanes to make getting around easier by car, bike and on foot (81%)
- Making transit safer, more reliable, affordable and connected (80%)
- Improving safety and cleanliness on BART and other public transit (79%)
- Avoiding cuts to current transit service to make sure it's available to those who rely on it. (75%)

Draft “North Star” Vision Statement



“The Bay Area has a **world-class, reliable, affordable and connected** transportation network that meets the needs of Bay Area residents, businesses, and visitors and **combats** the climate crisis.



The public transit network is accessible, easy to navigate, affordable, and gets transit riders where they want and need to go. Service, fares, schedules, customer information and transit identity are coordinated and consistent across transit systems.



Transit, biking and walking are reliable and safe alternatives to driving, resulting in increased transit ridership, biking and walking and reduced growth in vehicle miles traveled. The Bay Area has the resources needed to sustain and enhance multimodal transportation options (including associated infrastructure improvements) and accountability to ensure the region’s infrastructure and services are dependable, efficient and safe.”



Regional Measure Goal & Focus Areas

Note: Modifications from version presented to Legislation Committee in November are reflected in Agenda Item 9a summary sheet.

Goal: Create a climate-friendly transportation system that is safe, accessible and convenient for all



Protect and Enhance Transit Service

Protect existing service – including through ensuring existing resources are maintained and used effectively – and enhance frequency of service and areas served where needed and financially sustainable.

Make Transit Faster, Safer and Easier to Use

Create a seamless and convenient Bay Area transit system that attracts far more riders by improving public safety on transit and implementing the Bay Area Transit Transformation Action Plan.



Enhance Mobility & Access for All

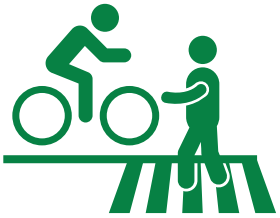
Make it safer and easier for people of all ages and abilities to get to where they need to go by preserving and enhancing access for all transportation system road users, including people walking, biking and wheeling.

Proposed Funding Categories



Transit Transformation

Sustain and/or expand transit service levels on bus, rail, and ferry lines to serve both current and future riders. Accelerate Transformation Action Plan improvements to the customer experience improve safety on transit and help fund the zero-emission transit transition.



Safe Streets

Transform local roads to support safety, equity and climate goals, including through including through bike/ped infrastructure investments, safe routes to transit, other safety enhancements and pothole repairs.



Connectivity

Fund mobility improvements that close gaps and relieve bottlenecks in the existing transportation network in a climate-neutral manner. Example project types include express lanes, rail-grade separations, rail extensions, rail safety, and interchange modernizations.



Climate Resilience

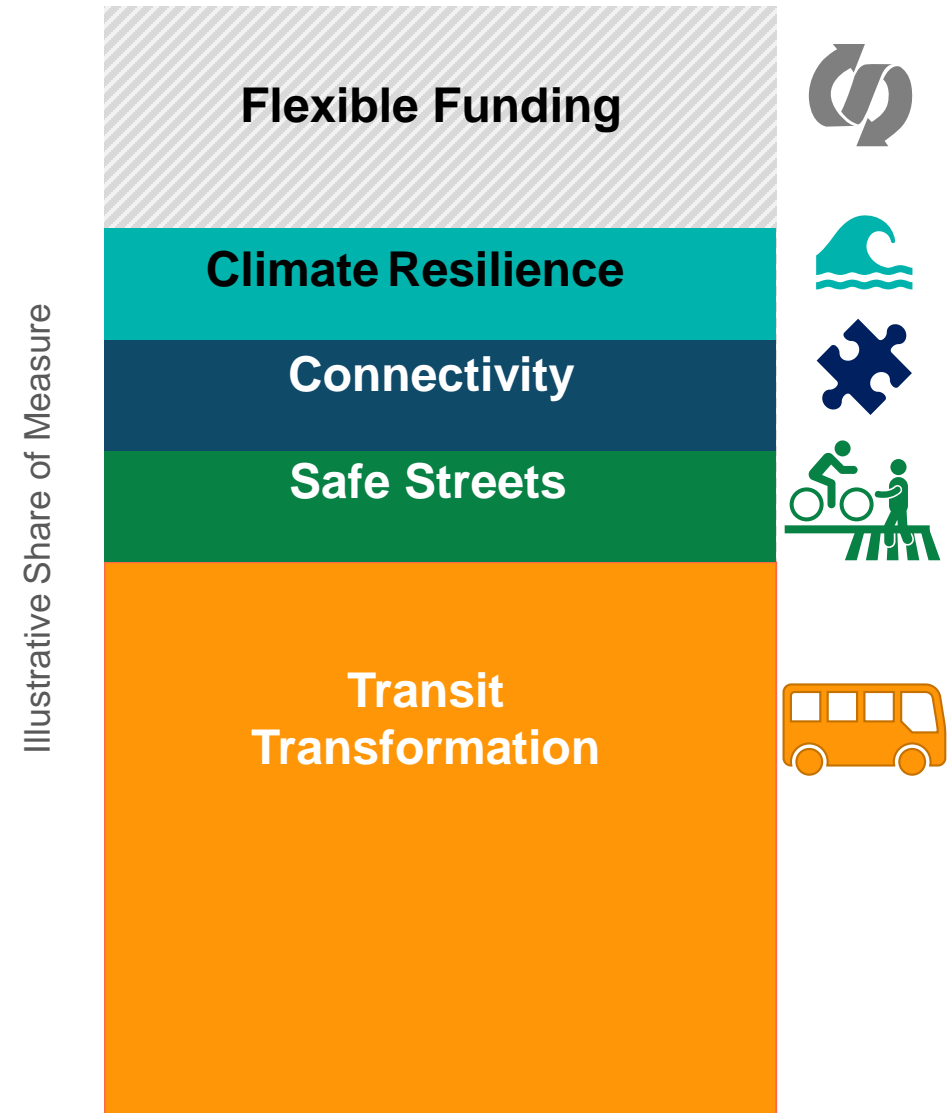
Fund planning, design and/or construction activities that protect transportation infrastructure from rising sea levels, flooding, wildfires, and extreme heat.

Core Elements of Proposed Enabling Legislation

| Topic | Background | MTC Staff Recommendation |
|-------------------------------------|--|---|
| Geographic Area of Tax | State enabling legislation for regional gas tax and Bay Area Housing Finance Authority (BAHFA) include option for voter approval by all nine counties or a subset. | Authorize MTC to place on ballot within the nine counties or a subset. |
| Timing of Ballot Measure | Enabling statutes for LA Metro & other county transportation measures authorize placement on the ballot, but rarely tie authorization to a single election. | Allow on ballot November 2026 or later with no sunset. Permit subsequent ballot placement if unsuccessful. Duration to be determined by MTC. |
| Revenue Options & Amount | BAHFA authorized a menu of options; many county measure bills leave rates undetermined, but prescribe a maximum rate | Authorize a menu of revenue options subject to a maximum rate (equivalent to at least \$1 billion/year). Allow revenue options to be pursued sequentially. |
| Expenditure Priorities | Bridge toll measure enabling legislation has included detailed expenditure plans in the bills, whereas county sales tax measure authorizing statutes delegate expenditure planning to local level. | Specify core goals of measure and expenditure categories in legislation. Likely include minimum shares by category after legislative and stakeholder consensus is achieved. |
| Funding Distribution | Subject to further discussion. Considering a combination of competitive programmatic categories and formula funding, including by “return to source.” | Leave open subject to further discussion of expenditure priorities. |
| Accountability | Strong interest in accountability, oversight and reform to help ensure funding delivers results. | At a minimum, strengthen MTC’s network management role. Oversight committee to ensure funds spent according to statute and ballot measure. |

Expenditure Plan Concept: Adaptable

- **Concept:** Specify a minimum share for each spending category but allow percentages to be adjusted over time, subject to public input and demonstration of need.
- **Flexible Funding:** Reserve portion of funds for a “flexible” category to enhance ability of measure’s revenues to be responsive to future needs.
- **How Much for Each Category?** *Shares shown at right are for illustration purposes only.* Likely include minimum shares by category after legislative and stakeholder consensus is achieved.



Analysis of Potential Funding Sources

- MTC evaluated six revenue options based on the following criteria:
 - Revenue volatility
 - Equity impacts
 - Economic impacts
 - Administrative burden
 - Co-benefits/disbenefits
- Tax rates were estimated for each revenue source based on rate needed to generate approximately \$1 billion/year.

Practical considerations:

- Ultimately, what's most popular with voters and what's most politically feasible will determine which options to pursue.
- The “menu” approach in AB 1487 (Chiu, 2019) – establishing the Bay Area Housing Finance Authority – enables revenue mechanism on the ballot to be informed by polling closer to when a measure would go to the ballot.

Summary of Tax Revenue Options Analyzed

| Tax Type | Description | Tax Rate |
|---------------------------|---|---------------------|
| Sales tax | Regional sales tax on the sale of tangible items. Some groceries are exempt. | 0.5-cents |
| Income tax | 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) | 0.17% |
| Payroll tax | Employer-based tax on wages paid to employees, like Social Security. Can be structured to exempt small businesses. | 0.36% taxable wages |
| Corporate head tax | Employer-based tax per employee. Can be structured to exempt small businesses. | \$216/employee |
| Parcel tax | Flat tax per parcel of real property, can exempt certain taxpayers (e.g., seniors). Note: option to impose per square foot which would lower rate for average homeowner. | \$467/parcel |
| Road usage charge | Tax based on miles driven. Also known as a Vehicle Miles Traveled (VMT) fee. Only exists on a pilot, voluntary basis today. | 1.52-cents/mile |

Note: Tax rates based on rate needed to generate approximately \$1 billion per year

Revenue Options Recommendation

- **Revise parcel tax to square footage basis and remove corporate head tax from menu; keep all others on the list.**
- **Explore a Bay Area-specific vehicle registration surcharge**
- **Rationale:**
 - **Parcel tax** – flat rate of \$467/year is too high to be politically viable, but some stakeholders recommend exploring a “per square foot” rate and split roll approach that could result in lower tax rate for most homeowners.
 - **Corporate head tax** – high administrative burden for MTC with no simple tax to “piggyback” upon. Additional concerns identified that a flat tax per employee is less equitable than a payroll tax (from employer standpoint) and options to mitigate those concerns would be administratively burdensome and hard to communicate.
 - **Registration surcharge** has nexus to transportation and would be a stable, new funding source. Limitation is major upgrade to DMV vehicle database makes this option not viable before 2029, according to DMV.

Policy Provisions – Rider-Focused Outcomes

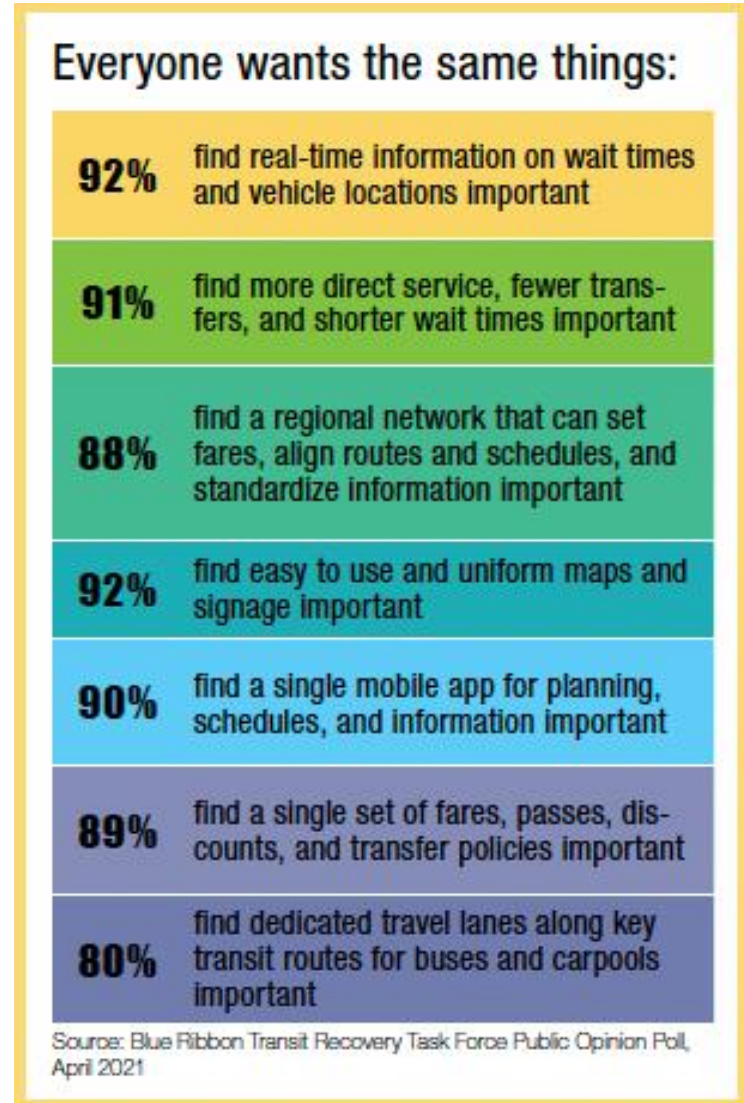
- Policy provisions – including “reforms” – can help deliver better outcomes for the Bay Area traveling public
- MTC’s Blue Ribbon Task Force on Transit Recovery (Task Force) identified five categories of “transformational outcomes” that would help deliver a more coordinated, customer-friendly transit network.
- The Commission could confirm these as rider-focused outcomes a measure should aim to achieve.

| Transformational Outcomes | |
|-----------------------------|--|
| Fares and Payment | Simpler, consistent, and equitable fare and payment options attract more riders. |
| Customer Information | Integrated mapping, signage and real-time schedule information makes transit easier to navigate and more convenient for both new and existing riders. |
| Transit Network | Bay Area transit services are equitably planned and integrally 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. |
| Funding | The Bay Area's transit system uses its existing resources more efficiently and secures new, dedicated revenue to meet its capital and operating needs. |

Source: Bay Area Transit Transformation Action Plan (2021)

Polling Results Reinforce Need for Rider-Focused Outcomes

- MTC's October 2023 poll showed Bay Area likely voters think provisions to create a more integrated transit system are important to include in a measure.
 - **80 percent support** oversight and accountability to ensure effective & efficient management of transit
 - **73 percent strongly support** creating a seamless Bay Area transit network with coordinated fares, routes, schedules and signage
 - **61 percent support** one regional agency responsible for setting transit fares, coordinating different service schedules and creating consistent transit maps and signage
- Results track with Blue Ribbon Transit Recovery Task Force's 2021 public opinion poll (summarized at right)



Reform Concept 1: An Empowered Network Manager (Paired with New Funding) Could Make Significant Progress Toward Achieving Rider-Focused Outcomes

- Staff recommends authorizing legislation include provisions to strengthen MTC's role as a regional transit network manager, including through statutory changes to accelerate implementation of key Transformation Action Plan action items.
- **Staff seeks Commission direction on this recommendation to inform our proposed outline of the legislation that we will bring forward next month.**



Reform Concept 2: Governance Changes

Goals include increased efficiency, accelerated implementation of customer priorities and improved mega-project delivery.

- Consolidation of bus operators in counties where there is more than a single local bus operator
- Functional or institutional consolidation of BART and Caltrain with a focus on addressing enhanced schedule and fare coordination
- Governance structures to enhance coordination and oversight in the delivery of rail capital mega-projects

Staff seeks Commission direction on whether to undertake analysis and develop recommendations related to any of the items listed at left in 2024.

In addition, staff seeks direction on whether any of the governance topics at left (or other topics) should be considered for potential inclusion in transportation measure enabling legislation.

History suggests legislative direction could be necessary for timely and meaningful action, whether analysis and recommendations or implementation.

What's Next?



Commission Actions

Staff anticipates bringing a proposed outline of the enabling legislation to the Legislation Committee on January 12, 2024, and seeking Commission approval on January 24.



Legislative Outreach

Continue briefing Bay Area legislators on partner and public input, share analysis, and seek feedback to shape the proposed legislation. Legislature's bill introduction deadline is February 16.



Partner/Stakeholder Engagement & Communication

Continue regular engagement with partners/stakeholders, including through the staff-level Transportation Revenue Measure Working Group. Initiate leadership-level Steering Committee to advise working group. Develop webpage and communication channels for public to stay informed and engaged throughout development of enabling legislation.