

Regional Transportation Revenue Measure Update

Subject:

Update on a potential 2026 regional transportation revenue measure, including results of stakeholder engagement, public outreach (as well as voter opinion research), a proposed vision, goal and focus areas, expenditure priorities, revenue source options and potential reform concepts that could accompany enabling legislation.

Background:

Plan Bay Area 2050 (Plan) identified a regional transportation funding measure as one component of a suite of strategies to advance the Plan’s vision of a more “affordable, connected, diverse, healthy, and vibrant region for all.” In addition, the COVID-19 pandemic and economic disruption associated with it upended Bay Area transit agencies’ business models, which has persisted with the shift to remote work. It’s clear that a new sizable source of reliable, ongoing operating funding is needed to sustain and improve the Bay Area’s transit system.

At the Commission’s direction, MTC staff has conducted multiple rounds of stakeholder engagement over the last year and a half, two rounds of public polling on Bay Area voters’ priorities concerning transportation, as well as in-person and online public engagement activities across the region (as part of Plan Bay Area 2050+ outreach) to learn about Bay Area residents’ priorities. (See Attachment A for a county-by-county summary of what we heard during our public engagement, along with a presentation summarizing the most recent poll and the topline survey results.)

Our October 2023 poll found that Bay Area likely voters want to maintain and improve public transit – even if that means raising taxes – but also support investment in other transportation modes. Significant interest in making streets safer for bicycling and walking as well as repairing potholes (which were grouped together in a “Main Streets” category) was also evident through the public engagement activities.

Over the fall and early winter, MTC staff presented to the MTC ABAG Joint Legislation Committee (Legislation Committee) on this topic as well as to the California Senate Select Committee on Bay Area Transit and were challenged by Commissioners and legislators to

identify a strong vision and clear outcomes for what measure would aim to achieve. Commission leadership directed that the focus should be on delivering better outcomes for Bay Area residents and transit riders, who are currently served by 27 different transit operators, as well as benefits to non-transit riders. Relatedly, Commission leadership and several Legislation Committee members directed staff to identify "reform" concepts that could be paired with transportation measure enabling legislation to deliver maximum improvements to the region's transit system, such as helping to create a fully integrated transit system that provides a safe and seamless transit experience for Bay Area transit riders and implements the suite of actions recommended in the Bay Area Transit Transformation Action Plan.

What is the Regional Transportation Measure Trying to Achieve?

Commissioners have challenged staff to ensure we are focusing on "*the what*" we are trying to achieve, not just the "*the how*." To that end, staff proposes the following draft vision statement as a "North Star" to keep in focus for the entirety of the revenue measure process, from seeking authorizing legislation through implementation.

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.

Further, staff proposes the revenue measure's central goal be "**a climate-friendly transportation system that is safe, accessible and convenient for all.**" Further, staff recommends the following three focus areas for the measure based on need, feedback from Commissioners and legislators, stakeholders, public feedback, and polling. Note: Staff presented a version of these focus areas to the Legislation Committee in November and to partners

throughout the fall. Recommended revisions to integrate that feedback as well as takeaways from our most recent poll are reflected below. Text additions are displayed in *italics* and text removals are indicated with ~~strikethroughs~~.

- 1. 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.
- 2. Make Transit Faster, Safer, and Easier to Use.** Create a seamless and convenient Bay Area transit system that attracts far more riders by ~~making key investments to improve~~ *improving* public safety on transit and *implementing* the Bay Area Transit Transformation Action Plan.
- 3. Enhance Mobility & Access for All.** Make it safer and more accessible 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,; ~~traffic calming, signal timing, pothole repairs, improved truck access, and other needs.~~

Revenue Measure Funding – Revenue Amount, Expenditure Priorities and Fund Source

Throughout the year, staff received considerable feedback from stakeholders as well as input from the Legislation Committee on potential revenue options and expenditure priorities. Based on this feedback, staff recommends pursuing enabling legislation that would authorize Bay Area voters in 2026 or later to raise at least \$1 billion per year to invest in the following expenditure categories, which are described in more detail in Attachment B:

- 1. Transit transformation.** Sustain, expand and improve transit service, including through improving customer experience.
- 2. Safe streets.** Transform local roads to support safety, equity and climate goals, including through bike/ped infrastructure investments, safe routes to transit, other safety enhancements and pothole repairs.
- 3. Connectivity.** Fund mobility improvements that close gaps and relieve bottlenecks in the existing transit network in a climate-neutral manner.
- 4. Climate resilience.** Fund planning, design and/or construction activities Protect transportation infrastructure from rising sea levels, flooding, wildfires and extreme heat.

Potential Source of Revenue for a Future Measure

Regarding the revenue mechanism, staff recommends pursuit of a menu of revenue options, subject to a maximum rate, and an allowance for revenue options to be pursued sequentially over time. (This “menu” approach is modeled after the Bay Area Housing Finance Authority’s (BAHFA) enabling legislation, which the Legislature is familiar with, having just enacted AB 1319 (Wicks), a clean-up bill.) To date, Bay Area stakeholders have been supportive of this approach, especially the inclusion of options in addition to a sales tax.

MTC retained Sperry Consulting this summer to provide a range of revenue options for consideration as a potential funding source for a new regional transportation measure subject to voter approval. Based on that analysis, feedback from stakeholders, and recent polling, staff recommends the Commission pursue the following revenue options for inclusion “on the menu”:

- 1) Sales tax;
- 2) Income tax;
- 3) Payroll tax;
- 4) Square footage parcel tax;
- 5) Bay Area-specific vehicle registration surcharge with tiered rates based on the value of the vehicle; and
- 6) Road usage charge.

Note that neither a vehicle registration surcharge nor a road usage fee could be pursued in 2026 so these options will only make sense if the Legislature agrees to authorize sequential measures. This is because the DMV is undergoing an overhaul of their vehicle database and has shared that no Bay Area-specific change could be made to vehicle registration charges before this effort is completed in 2028. Moreover, initial analysis suggests that it would be challenging for a vehicle registration surcharge to contribute \$1 billion per year and be at a level that would be supportable by voters. A Bay Area-specific road usage charge would likely need to build on a state-level road usage charge, which is years away from implementation having not yet been authorized by the Legislature.

Policy Provisions to Deliver on Rider-Focused Outcomes

Policy provisions can also help deliver outcomes we want to see for the Bay Area traveling public. Staff recommends the Commission confirm the rider-focused outcomes to be achieved via a measure to guide your consideration of potential “reform” policy provisions for inclusion in authorizing legislation. MTC’s Blue Ribbon Task Force on Transit Recovery laid a solid foundation by identifying “Transformational Outcomes” that would help “reshape the region’s transit system into a more connected, more efficient, more user-focused mobility network across the entire Bay Area and beyond.” That list – provided below – could serve as the basis of the “rider focused outcomes” a measure should aim to achieve:

Fares & 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.

With these transit-rider focused outcomes in mind (as well as the other goals and focus areas of the regional measure mentioned above), "reform" options include strengthening MTC’s role as the regional transit network manager to deliver on these priorities as soon as possible and governance changes that could result in potential efficiencies, schedule coordination, fare integration, and mega-project delivery. Many other policy provisions could accompany the enabling legislation, including travel demand management (TDM) policies, such as a requirement for large employers to provide transit subsidies, to increase the incentive to ride transit.

Recap of Legislation Committee’s Reform & Accountability Discussion

At the December Legislation Committee, following a request made the prior month, staff provided a review the findings of past Commission studies and initiatives aimed at improving transit coordination and service delivery in the Bay Area and outlined an option for the Commission to seek strengthened authority as the regional transit network manager and/or

further exploration of institutional changes ranging from functional consolidation up to and including transit agency consolidations to support delivery of key customer-focused initiatives, such as those identified in the [2021 Bay Area Transit Transformation Action Plan](#) (TAP) and increased coordination and oversight of rail mega-projects.

At the meeting, staff was directed to keep all reform options on the table and return with 1) an analysis of areas where the Commission's authority could be strengthened if it wants clearer authority to improve rider-focused outcomes and 2) recommendations for reform concepts the Commission should consider including in authorizing legislation. Attachment C provides that side-by-side analysis of existing statutes that relate to MTC's transit coordination role along with options for statutory changes that could accelerate implementation of key TAP action items and potentially improve the efficiency of the transit system.

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, consistent with the option outlined at the December 8 Legislation Committee, by including statutory changes to accelerate implementation of key TAP action items. Specifically, the bill should build upon the region's new network management structure and designate MTC with responsibility for setting policies that are essential to the user experience of a seamless transit system and conditioning receipt of transportation funds on compliance with standards related to:

- **Fare payment** (how fares are paid)
- **Fare integration** (fare transfers, discounts, passes, etc.).
- **Schedule coordination**
- **Mapping & wayfinding** (includes directional signage and harmonious transit branding to make transit more accessible and recognizable across the region)
- **Real time information** (setting standards and mandating compliance so customers have at least as good info as with competing private mobility options like Uber and Lyft)

- **Other customer-facing operating investments** that would benefit from a regional approach, such as ambassadors to assist riders and support a safe atmosphere.

Appropriate safeguards to protect transit agencies' financial obligations would need to be incorporated into legislation to establish MTC as a network manager. **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: Explore Governance Changes

MTC Leadership and members of the Legislation Committee have also expressed interest in exploring governance changes that could result in potential efficiencies and accelerated implementation of improved schedule coordination, fare integration, and mega-project delivery. Governance ideas that were discussed at the December Legislation Committee are enumerated below.

- 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

Note that the Commission does not need legislative authorization to undertake analysis of any of the items above and existing statutes contemplate MTC doing so and even conditioning State Transit Assistance funds on operators adopting any recommendations related to functional consolidation and consolidation of services (See Attachment C, Item 4). However, based on past experience, timely progress on any governance-related studies, the extent to which such studies provide clear recommendations, and the actual implementation of any recommendations would likely require legislative direction. **Staff seeks Commission direction on whether to undertake analysis and develop recommendations related to any of the items listed above in 2024. In addition, staff seek direction on whether any of the above (or other) governance topics should be considered for potential inclusion in transportation measure enabling legislation.**

Next Steps:

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. We will integrate Commission direction as well as further feedback – including from Bay Area legislators – into the proposed outline presented to the Legislation Committee. The Legislature’s bill introduction deadline is February 16. Regarding legislative champions in Sacramento, Senator Scott Wiener has indicated that he is committed to authoring an MTC-sponsored regional transportation revenue measure bill and several other members of the Bay Area caucus have expressed an interest in being strong partners. Staff anticipates coordinating closely with the whole of the Bay Area delegation throughout the legislative process.

We look forward to your feedback and direction.

Attachments:

- Attachment A: Summary of Public Engagement and October 2023 Poll Results
- Attachment B: Draft Expenditure Priorities Under Consideration (Attachment A from Agenda Item 3a from November 2023 Legislation Committee)
- Attachment C: Table Illustrating MTC Existing Transit Coordination Authority & Opportunities for Strengthening
- Attachment D: Presentation
- Correspondence from Senator Wiener and Assemblymembers Papan and Berman



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