Transportation Revenue Measure Select Committee

September 23, 2024

METROPOLITAN TRANSPORTATION COMMISSION

Meeting Goals

1. Review comments about the scenarios and discuss potential improvements.
2. Rate the scenarios, using gradients of agreement.
3. Review and seek feedback on companion policy ideas.

Timeline

DATE	ACTION
September 23	Select Committee refines scenarios, discusses companion policies
October 21	Select Committee votes on the framework(s)
November - December	MTC Commission votes to advance to the legislature
January	Bill introduced with goal to pass in 2025 legislative session
Nov. 2026	Voters decide

Overview of Scenarios from Aug. 26 meeting

Scenario 1:
Core Transit Framework

30-year, ½-cent Sales Tax

- Includes Alameda, Contra Costa, SF & San Mateo Counties
- Opt-in for other counties, with required contribution to Transit Transformation and funding for operating gaps, subject to negotiation with MTC.
- **Generates $540 million/year** in the four base counties, approx. $1 billion/year in all nine counties.

Scenario 2:
Go Big Framework

30-year

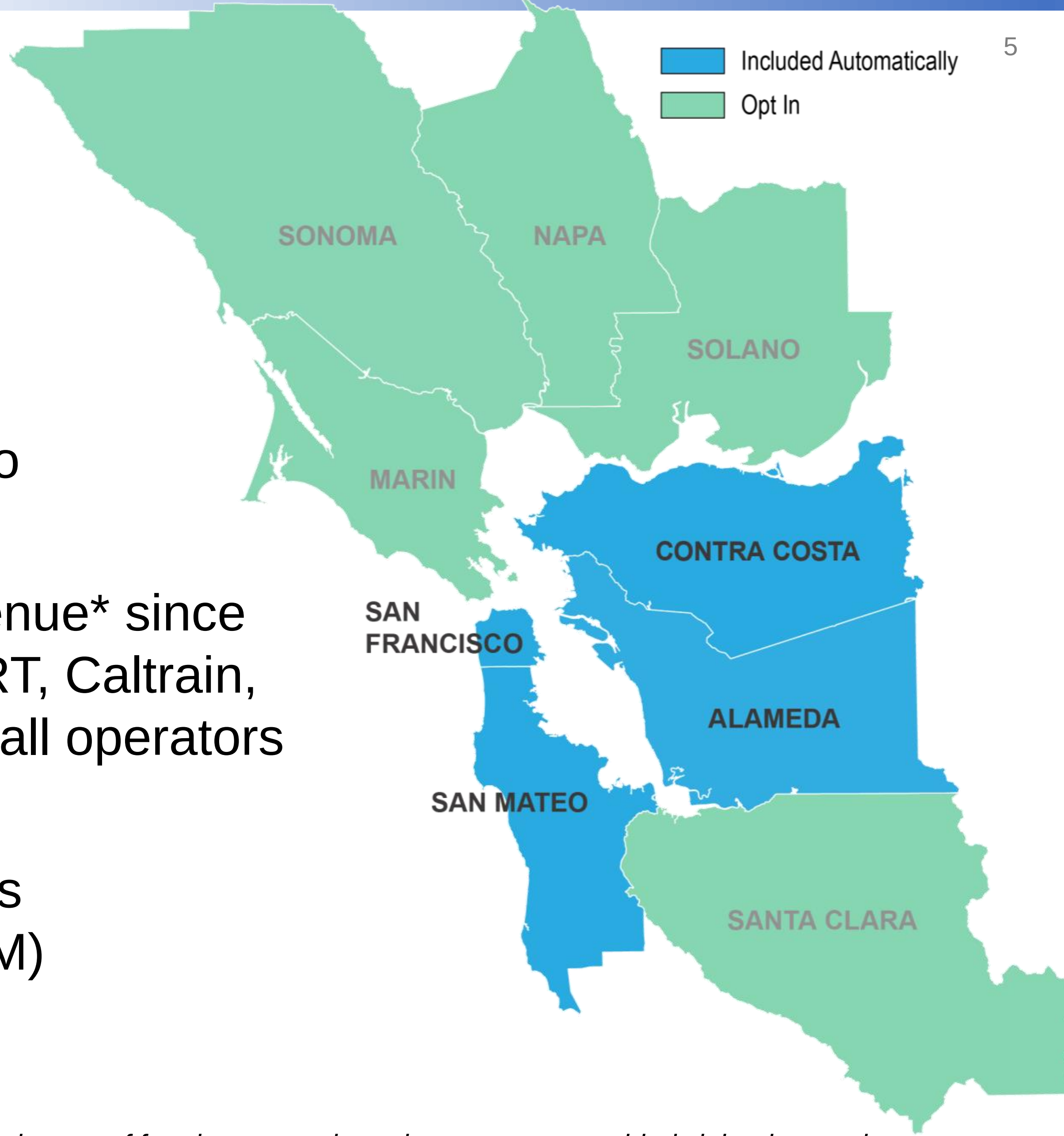
- All nine Bay Area counties
- **Generates $1.5 billion/year** through either a $0.28 per square foot parcel tax or a 0.54% payroll tax.*

**Data for scenarios provided by NBS (parcel tax) based on July 2023 assessment data and Sperry Consulting (payroll tax) based on 2022 taxable wages and 2022 taxable sales.*

Scenario 1 Review:
Core Counties

Applies to Alameda, Contra Costa, S.F. and San Mateo

- 10% per year for Transit Transformation to grow ridership for entire measure.
- **Years 1- 8**: 90% to offset loss of fare revenue* since 2019 and mitigate service impacts at BART, Caltrain, AC Transit, and Muni, plus funding for small operators in AL and CC counties ($490M/year).
- **Years 9-15**: 40% to transit operating funds ($220M/year), 50% to County Flex ($270M)
- **Years 16-30**: 90% to County Flex

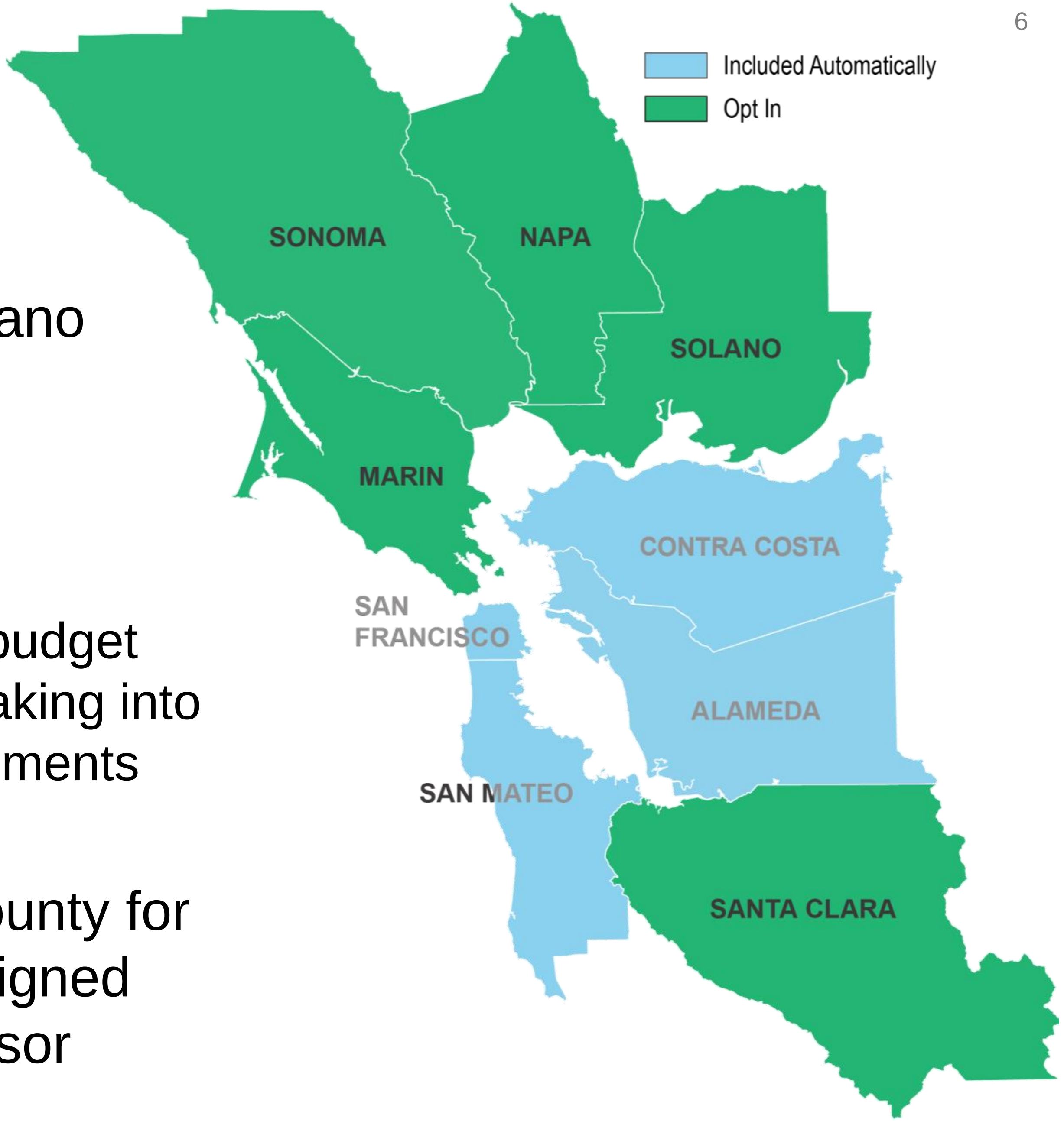


* *Estimates of fare losses are based on operator provided claim data and compares FY19 fare revenue(indexed at 2% annually) to FY24 or FY 25 budgeted fare revenue,*

Scenario 1 Review:
Opt-In Counties

Applies to: Marin, Napa, Santa Clara, Solano and Sonoma

- Commitments:
  - 10% Transit Transformation
  - Transit operating support to help close budget gaps for operators serving the county, taking into consideration existing contractual agreements and subject to agreement with MTC.
- Remaining funds are at discretion of county for any transportation priority as long as aligned with Plan Bay Area 2050+ (and successor plans).



Scenario 1 Comments

1. The decrease in transit operating funds in year 9 is too steep.
2. Muni's proposed funding is inadequate.
3. There should be more funding dedicated to transit overall.
4. Santa Clara should help to close Caltrain's deficit.
5. Consider a shorter measure that focuses exclusively on transit.

1: The decrease in transit operating funds in year 9 is too steep

Original proposal:

In years 9-15 Transit operations funding would decrease from $490m/year to $220m/year

New proposal:

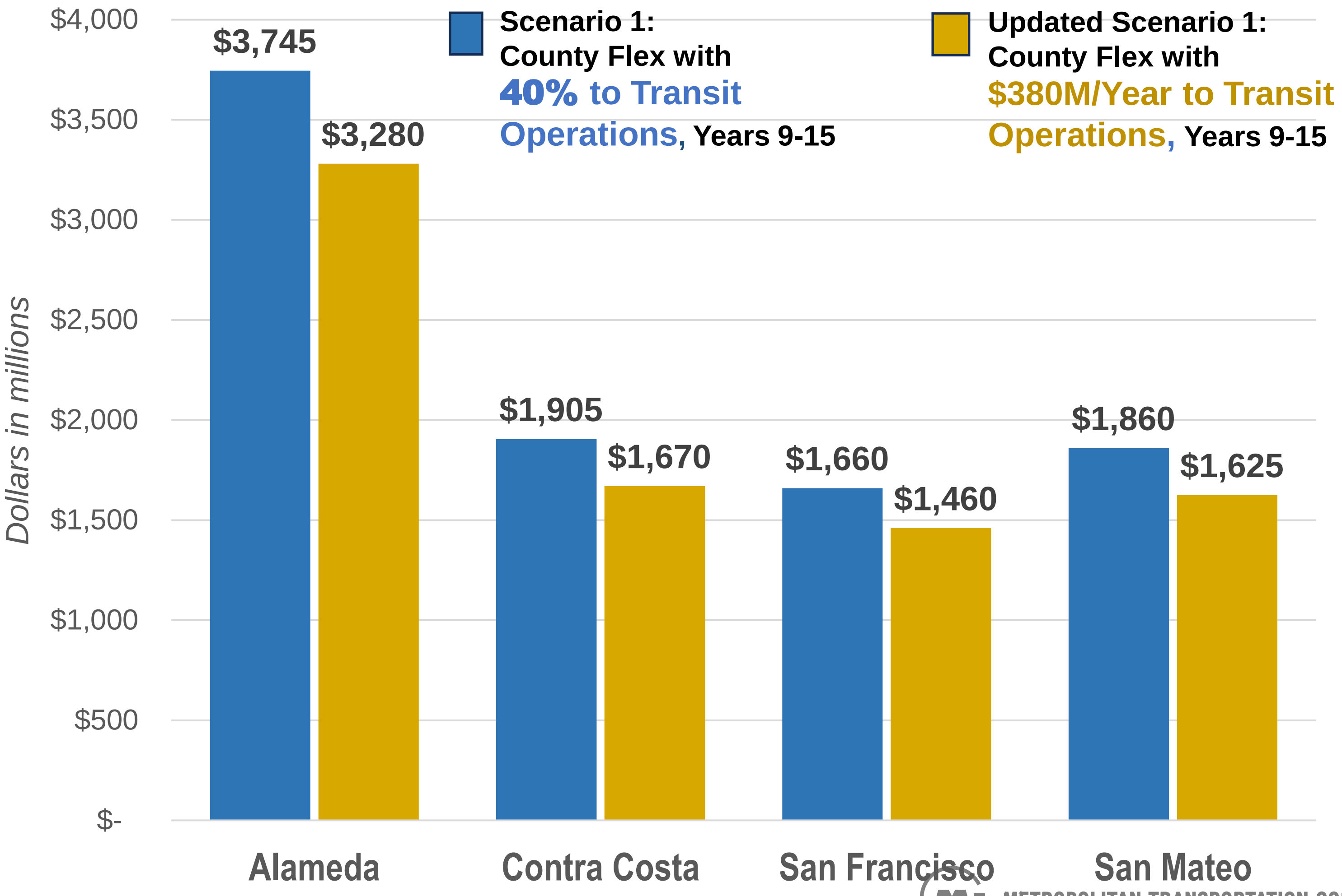
Guarantee at least $380M/year from transportation revenue measure or other new non-local ongoing funding source.

Proposed Change: Increase minimum transit operating funding for Years 9-15 from $220m/year to $380m/year.

- Instead of dropping dedicated transit operating funding to $220M/year, 40% of the measure, ensure that agencies get at least $380M/year in Years 9-15 from a combination of **new measure** or **additional (non-local) sources.**
  - Substantially higher, more stable funding for AC Transit, BART and Caltrain - nearly 90% of Years 1-8 funding level.
  - Dedicated Muni funding of $30M plus $20M option from County Flex (instead of no dedicated funding and $50M County Flex)
  - In the event more than $160M/year is raised from additional sources, measure would still provide floor of $220M/year.

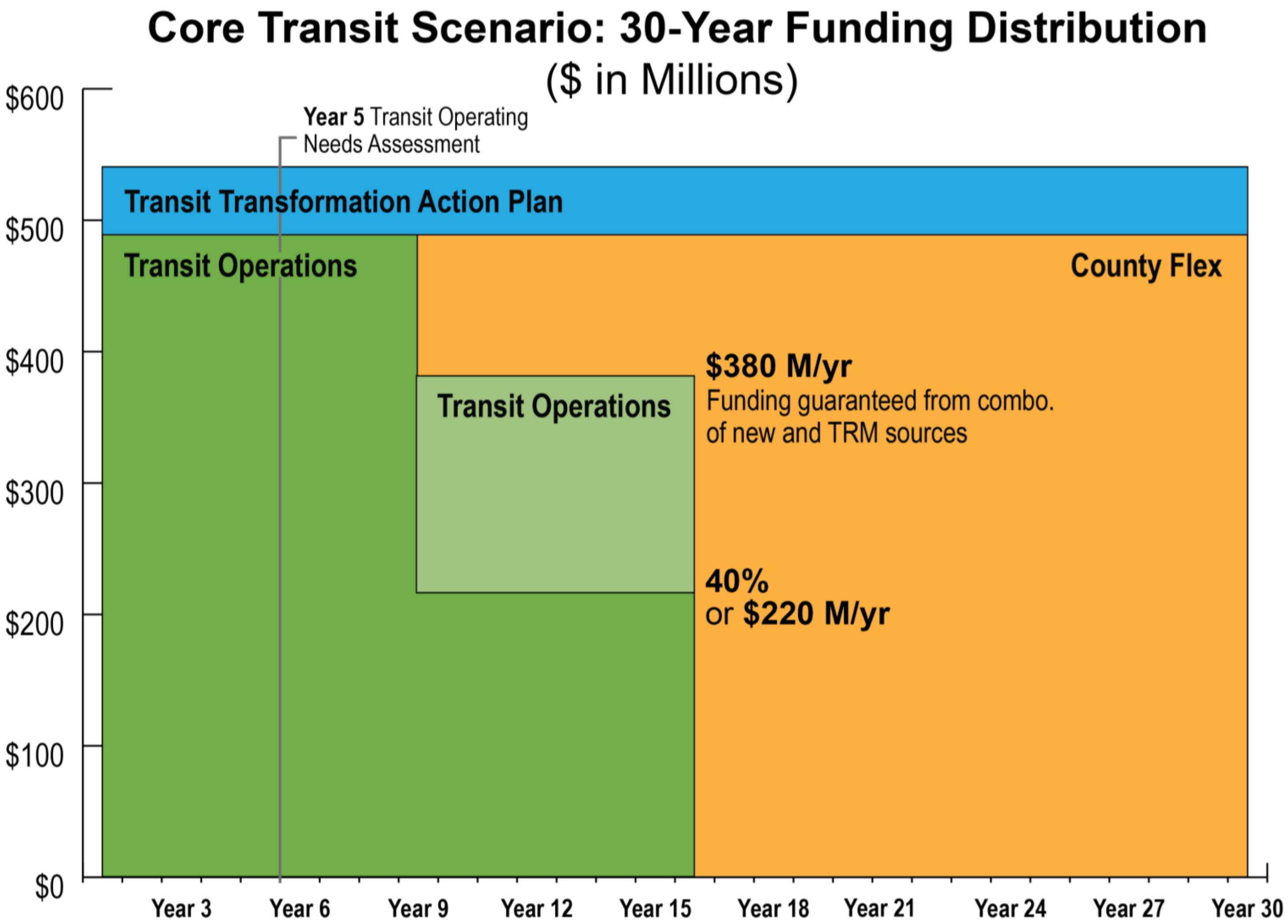
County Flex Funding Significant for Core Counties (30-Year Totals)

The bar graphs for each county represent their minimum and maximum County Flex over the life of the measure.



Protecting against a large drop in transit operating funds after year 8

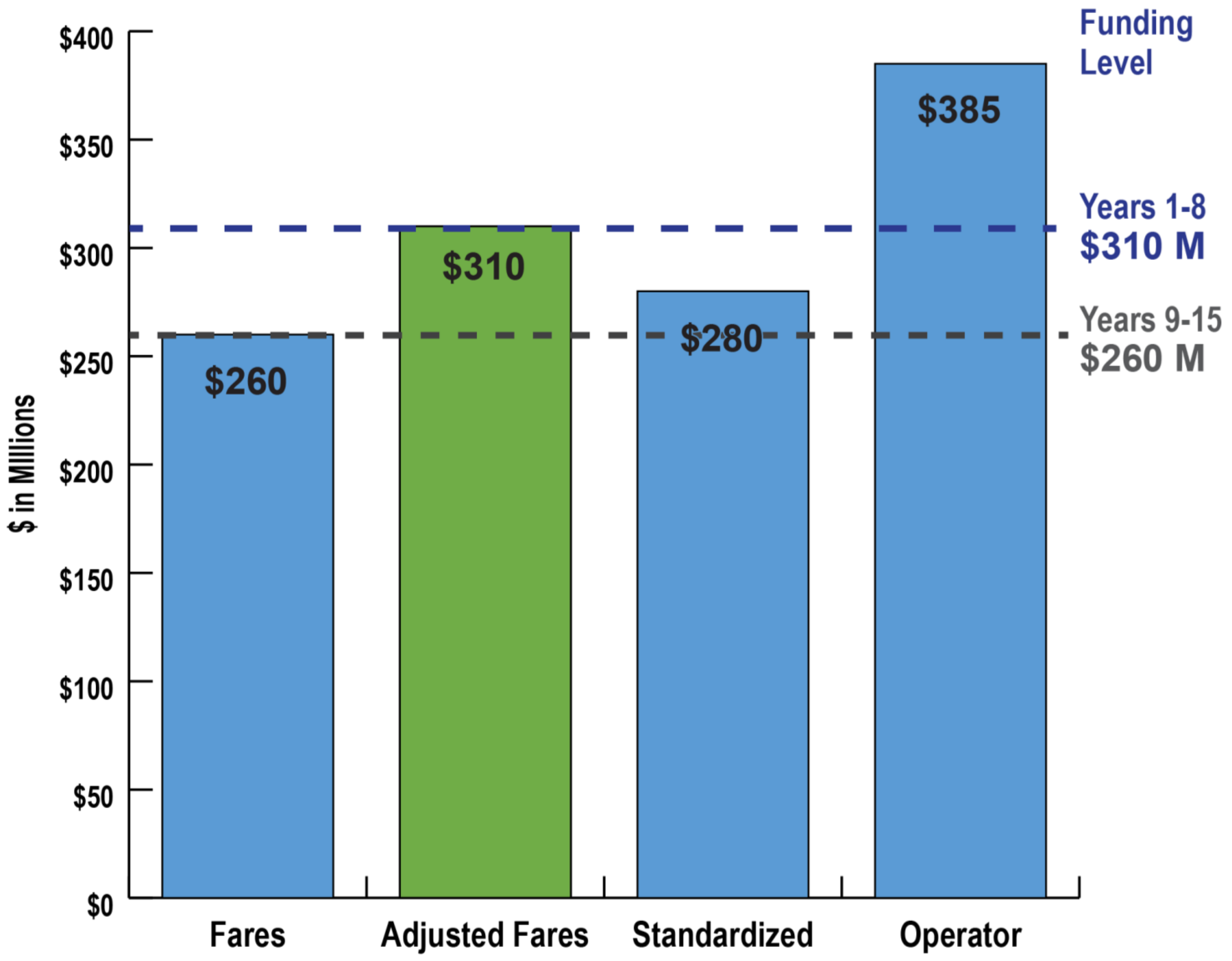
The contingent funding approach would cushion against severe cuts in Years 9-15 while retaining a strong incentive to secure funding from other sources.



Scenario 1 Revised:
BART Annual Funding

Under the revised Scenario 1, BART would be guaranteed approx. $260M/year in Years 9-15 from the measure **or** other new (non-local) operating funds.

County Flex funds could increase in proportion to new ongoing operating funding received.

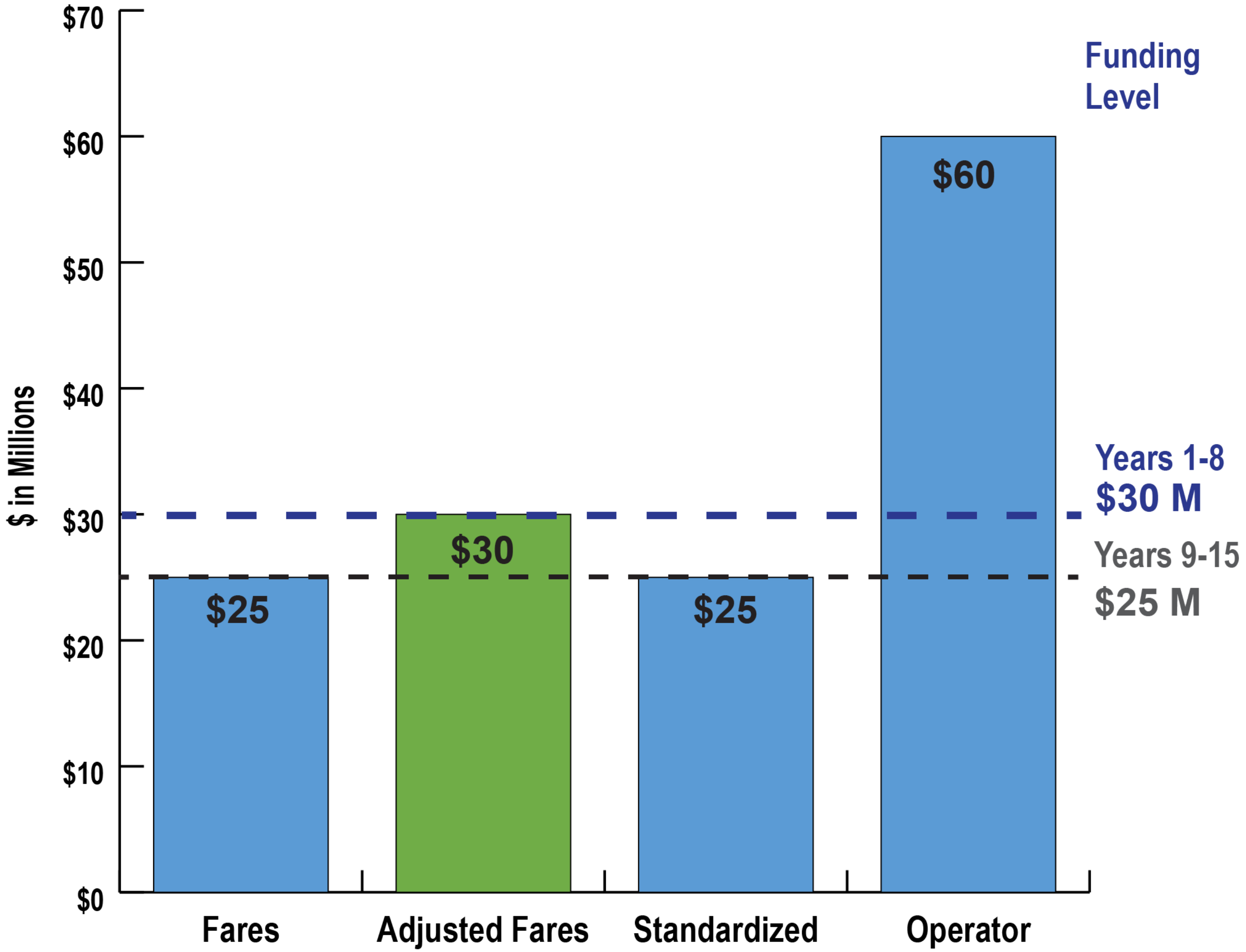


Note: "Operator" denotes operator provided forecasts of FY 2026-27 based on the most recent information provided to MTC in August of 2024.

Scenario 1 Revised:
AC Transit Annual Funding

Under the revised Scenario 1, AC Transit would be guaranteed approx. $25M/year in Years 9-15 from the measure **or** other new (non-local) operating funds.

County Flex funds could increase in proportion to new ongoing operating funding received.

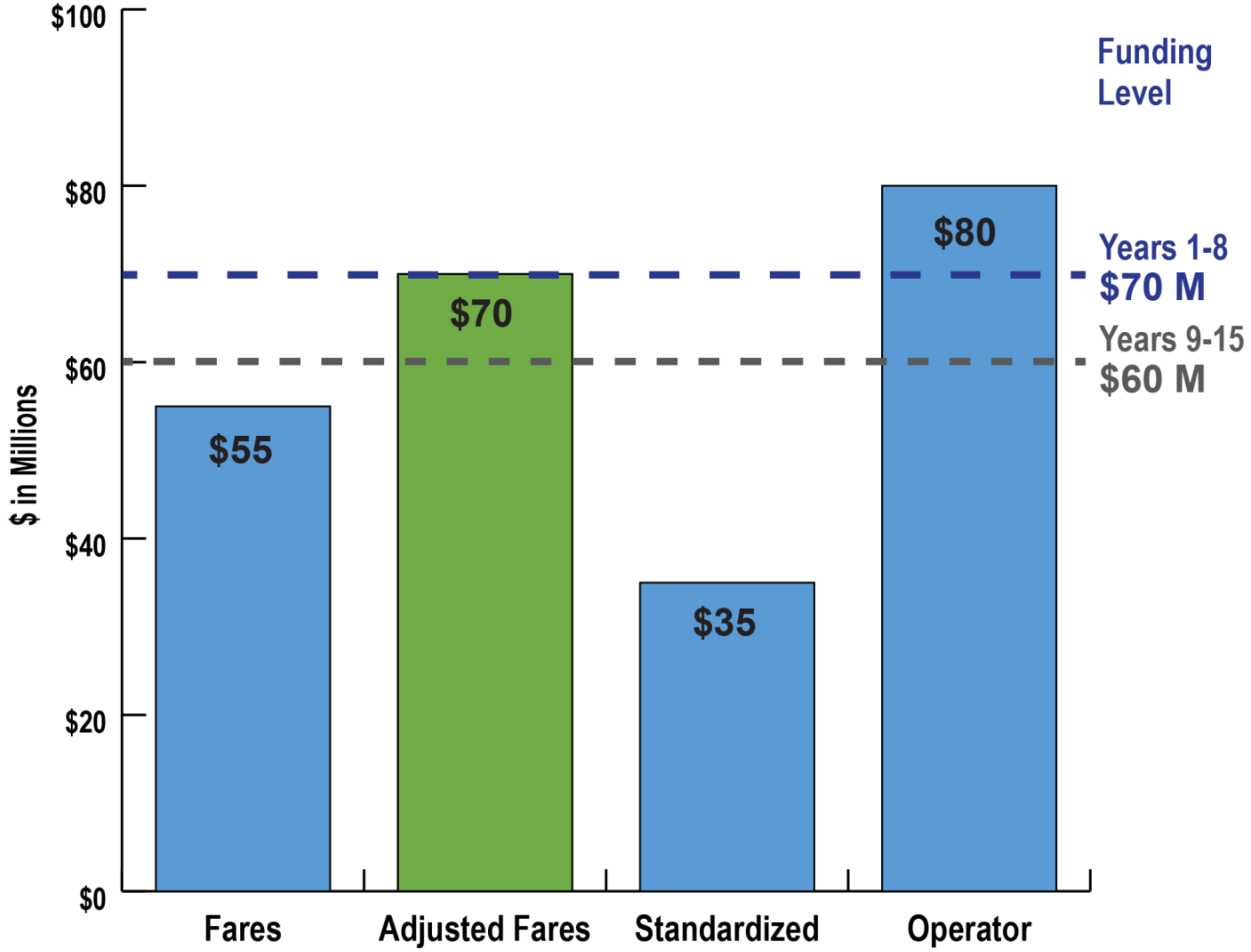


Note: "Operator" denotes operator provided forecasts of FY 2026-27 based on the most recent information provided to MTC in August of 2024.

Scenario 1 Revised:
Caltrain Annual Funding

Under the revised Scenario 1, Caltrain would be guaranteed approx. $60 M/year from the measure **or** other new (non-local) operating funds in Years 9-15.

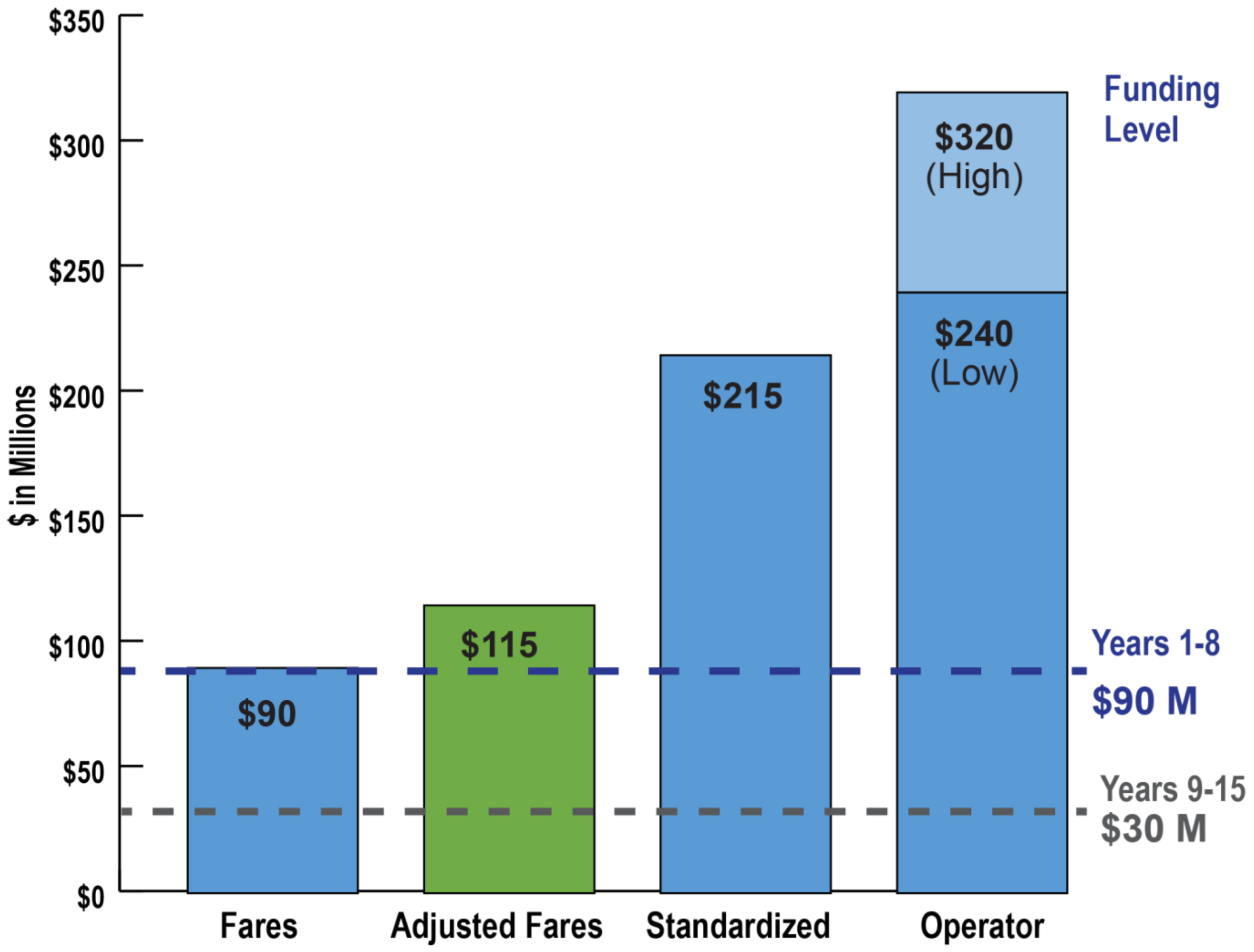
County Flex funds could increase in proportion to new ongoing operating funding received.



Note: "Operator" denotes Caltrain's forecast of seven-year average deficit starting in FY 2026-27 as of August of 2024. Update anticipated in November 2024 after full month of electrified service. Caltrain funding level assumes additional contribution from Santa Clara County per Slide 17.

Scenario 1 Revised:
SF Muni Annual Funding

In the revised scenario, Muni would receive a minimum of $30M/year in dedicated transit funding and the potential for an additional $20M in County Flex unless new non-local funds are secured.



Note: SFMTA eligible to receive an additional $20M in Years 9-15 from county flex. "Operator" denotes operator provided forecasts for FY 2026-27 based on the most recent information provided to MTC in August of 2024. SFMTA's deficit for forecast ranges from a low of $240M to a high of $320M in FY 2026-27.

2: Muni's proposed funding is inadequate

Response: Support Muni's efforts to secure additional operating funding sources.

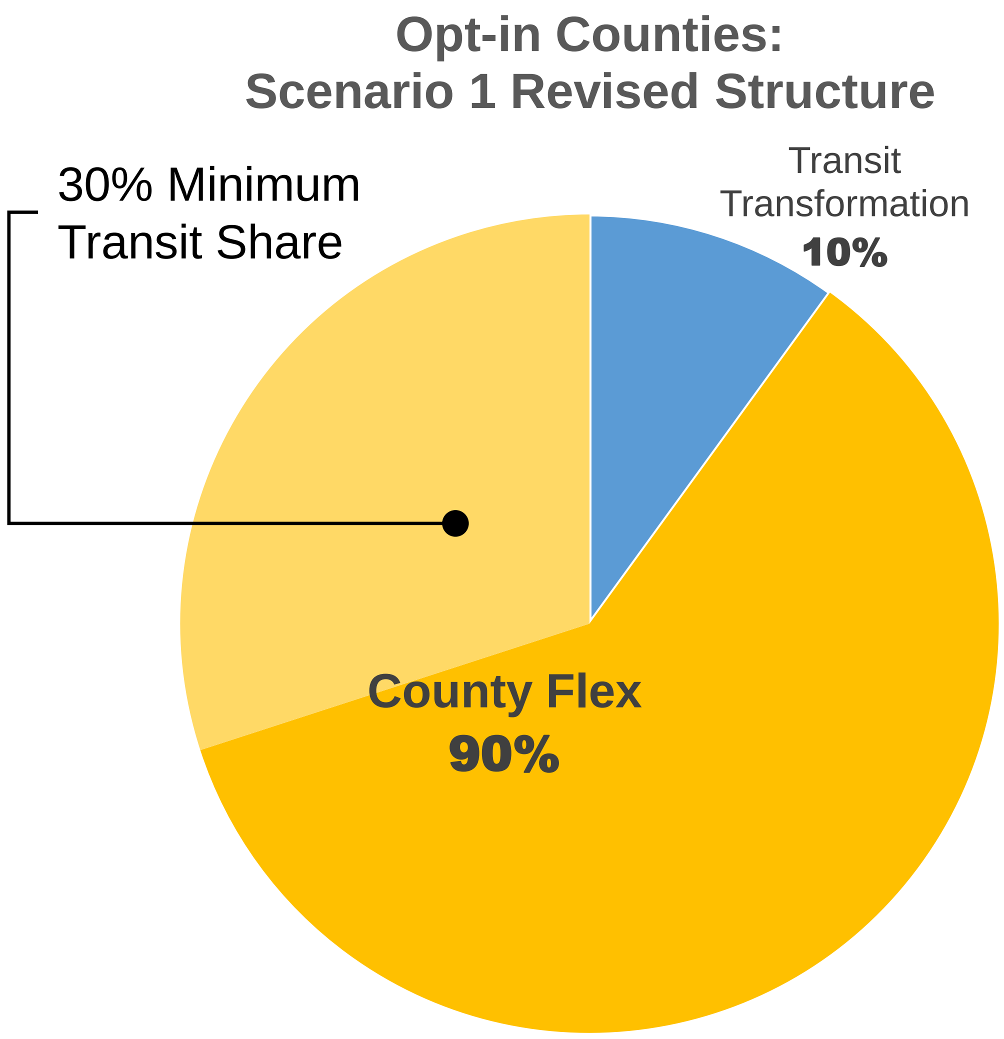
- City and County of S.F. is convening a working group to explore funding options for Muni in addition to a regional measure.
- Illustrative examples of taxes that could supplement Muni's funding shown at right.

Potential Supplemental Local Tax	Rate	Amount	Notes
Sales Tax	0.5%	$100M	Every .25% sales tax would generate ~$50M
Parcel Tax (BSF)	$0.16/BSF	$100M	Every additional $0.08 parcel tax generates ~$50M

3: There should be more funding dedicated to transit overall

Proposed Change: For Opt-in Counties, increase support for transit by setting a minimum transit investment.

- Require at least 30% of the County Flex to be invested in transit capital, operations or maintenance over the life of measure.
- Funding for the county's operator shortfalls, as agreed to with MTC, would count towards the 30% County Flex transit investment.



4: Santa Clara should help to close Caltrain's deficit

Summary of Concern:

- Scenario 1 closed Caltrain's projected deficit without further Santa Clara County contribution, raising fairness concerns given significant ridership, service and track miles in the County.

New Proposal:

- As an opt-in requirement, Santa Clara County would support Caltrain in proportion to their share of Caltrain's deficit for first 15 years.
- If they don't opt in, assume Santa Clara will still assist Caltrain through other means.

5: Consider a shorter measure that focuses exclusively on transit

- Various county transportation sales taxes expire in 2034, 2035 and 2036, leading to suggestion that the measure could be shortened to 10 years to avoid conflict with these sales taxes.

- **Proposed Response:**
  No change. Keep the proposed 30-year time frame

- There are significant downsides to a short measure, including:
  - Less time for operators to adapt to new business model and secure additional funding sources.
  - Harder to organize a strong coalition in support.
- While dedicated funding for transit is phased out in Year 16, operators remain eligible to receive County Flex funding in latter half of measure.

Recap of Scenario 1 (Including Updates)

- Robust transit operating funding through Year 15 to backfill adjusted fare losses post-pandemic.
- Opt-in counties must contribute 10% to Transit Transformation plus at least 30% towards transit serving their county (capital or operating) over life of measure.
- Provides significant levels of County Flex over life of measure, with funds beginning in Year 9.
- Funds Transit Transformation over 30 years to grow ridership and fund customer priorities.

Scenario 2 Comments & Concerns

Scenario 2 provides more funding for transit, and for longer, but the funding sources and approach have generated significant concerns.

1. **Parcel tax** would be in direct conflict with BAHFA's affordable housing bond (both funded by property tax).
2. **$1.5 Billion Payroll tax** will generate business community opposition, potentially with significant funding behind it.
3. **Raising $1.5B from any single tax is difficult** so consider using multiple funding sources.

1: Remove Consideration of a Property-Based Tax for Regional Transportation Measure

- Concerns that if a transportation measure uses a property-based tax in 2026, it will undermine a regional affordable housing bond backed by a property tax.
- Given importance of affordable housing and homelessness to the region – *Bay Area voters' top priority* – property-based taxes should be set aside to avoid conflict with a future regional housing measure.

2: Don't rely solely on a payroll tax as it may generate opposition

- With remote work now popular, many companies are downsizing in the region or moving. There is concern a regional payroll tax could accelerate that trend.
- Early indications are that a regional payroll tax would generate opposition, especially if it is the only funding source.
- Whether a citizen initiative subject to a majority vote or a traditional ballot measure subject to 2/3, the potential for funded opposition poses real risk.

Two funding sources in a single measure are rarely tried. It requires much of the 75-word ballot question to be dedicated to describing the taxes, not the public benefits of the new revenue.

Legal analysis ongoing regarding inclusion of multiple funding sources in a single regional or local ballot measure.

This approach could benefit from changes to the state Election Code.

3. Raising $1.5B from any single tax is difficult so consider using multiple funding sources.

Example: Two Fund Sources

YES 30 Schools & Local Public Safety Protection Act

- **Prop 30** (2012) placed a ¼ **cent sales tax *plus* an income tax on high-earners** to support state budget and avoid cuts to education for seven years.
- Passed with 55% statewide

New Hybrid Scenario: Bringing Together Elements of Scenarios 1 and 2

- Nine-county measure for $1.5 Billion annually
- Transit funding level aims to sustain current service levels and close operator-reported deficits.
- Combines ½ cent sales tax ($1 billion annually) and the expenditure plan from Scenario 1 with a payroll tax of 0.18% ($500 million annually)*
- Modest payroll tax supports employee commuter benefits (40%) and transit operations (60%).

*Revenue estimates are from a 2023 Sperry Consulting analysis and are based on 2022 taxable wages and 2022 taxable sales.

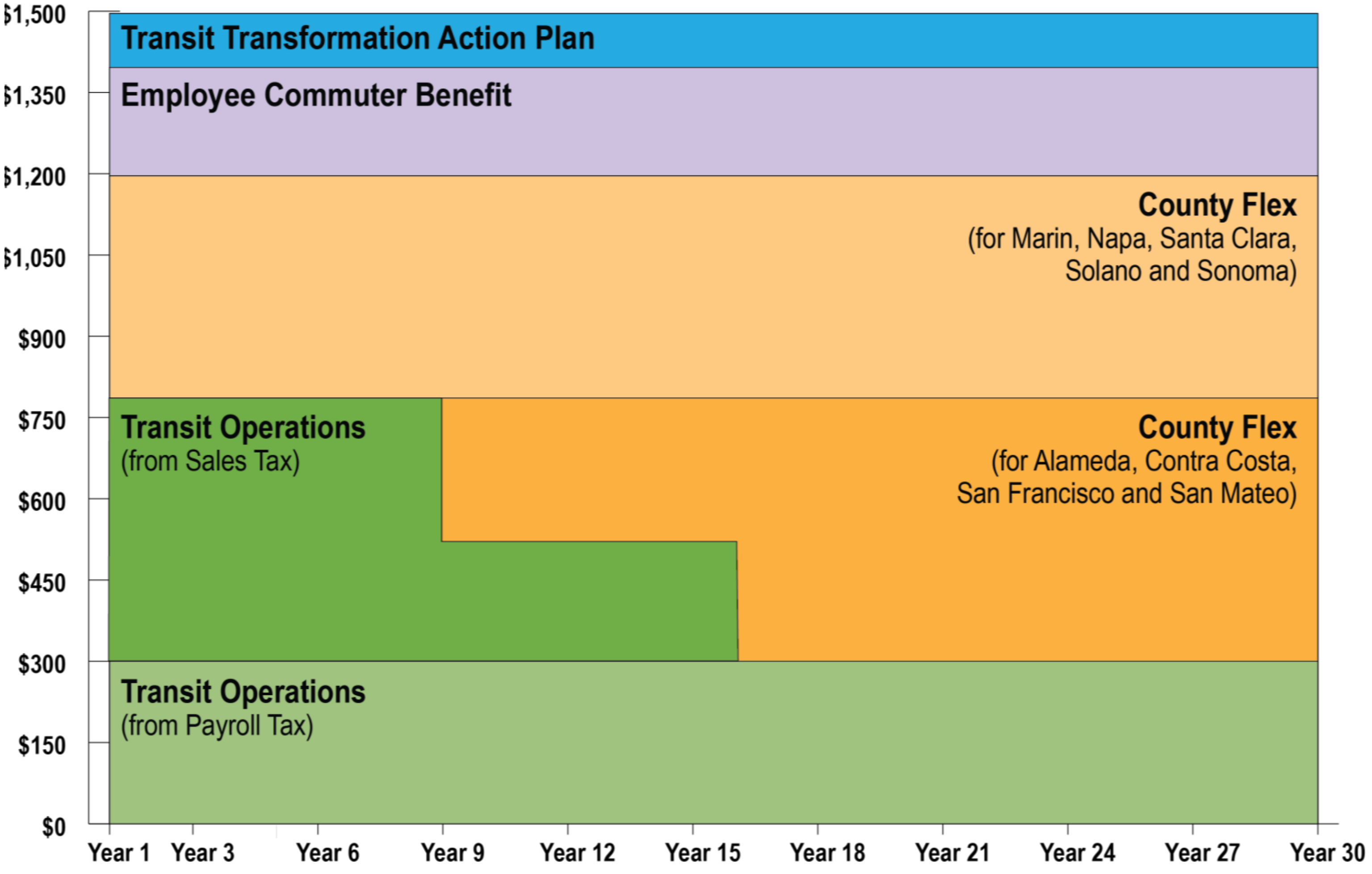
New Slide

Hybrid Provides Support for Transit, County Needs, and Employees

Hybrid Scenario framework builds on Scenario 1 with three new layers:

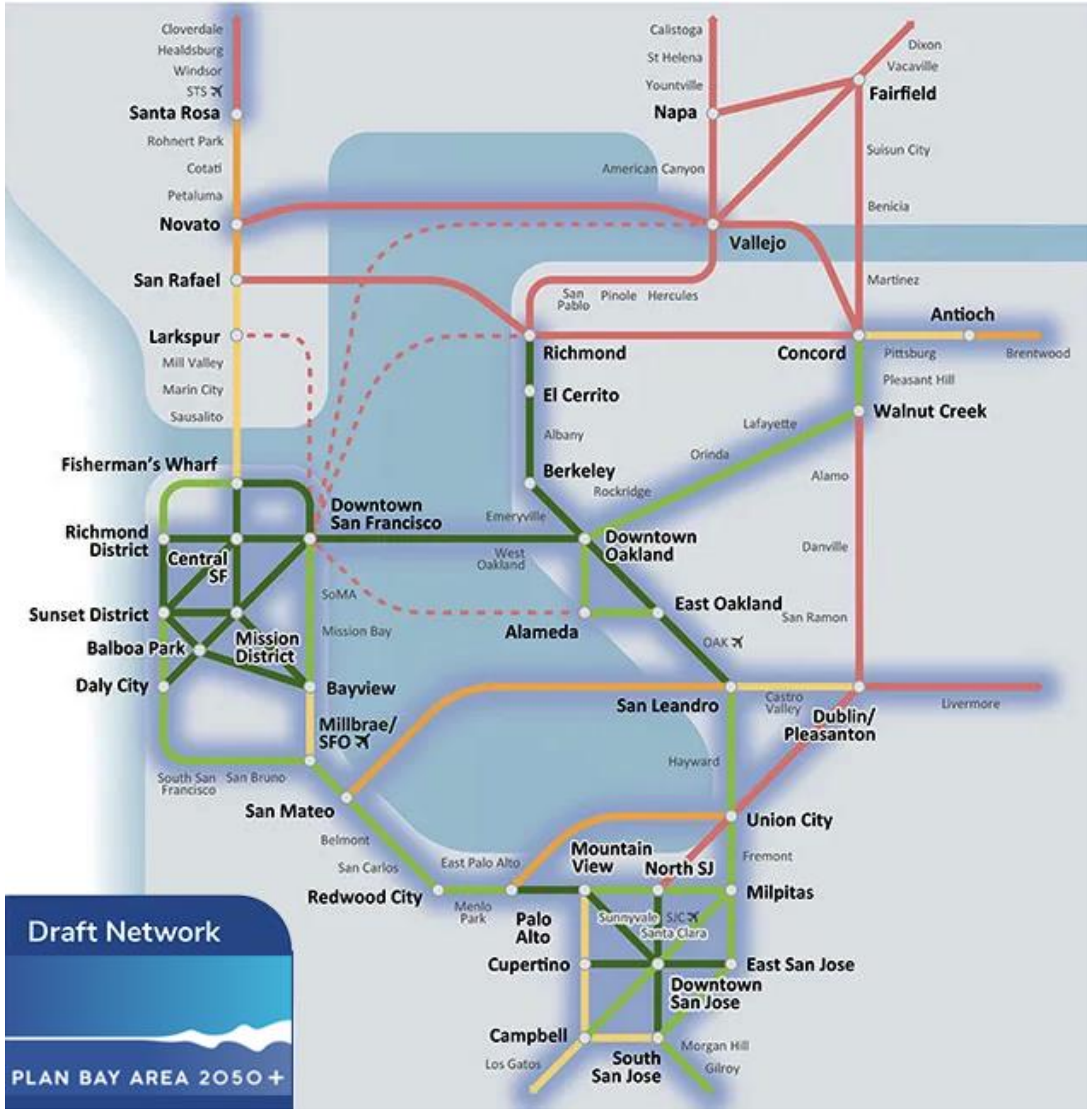
- Adds new payroll-tax funded Employee Commuter Benefit Program
- Adds County Flex funding for five counties that were previously "opt in"
- Adds new payroll tax-funded Transit Operations layer

Hybrid Scenario: 30-Year Funding Distribution
($ in Millions)



Hybrid Scenario: Additional $300 Million for Transit Operations

- Our transit system is regional.
- Greatly reduced service from BART, Golden Gate, Caltrain service, and others would degrade traffic congestion across the region, increase climate emissions and increase costs for residents and workers.
- To integrate our systems with Transit Transformation, we need to at least sustain current service levels.
- 60% of the funding from the payroll tax would fund service levels across all 30 years.



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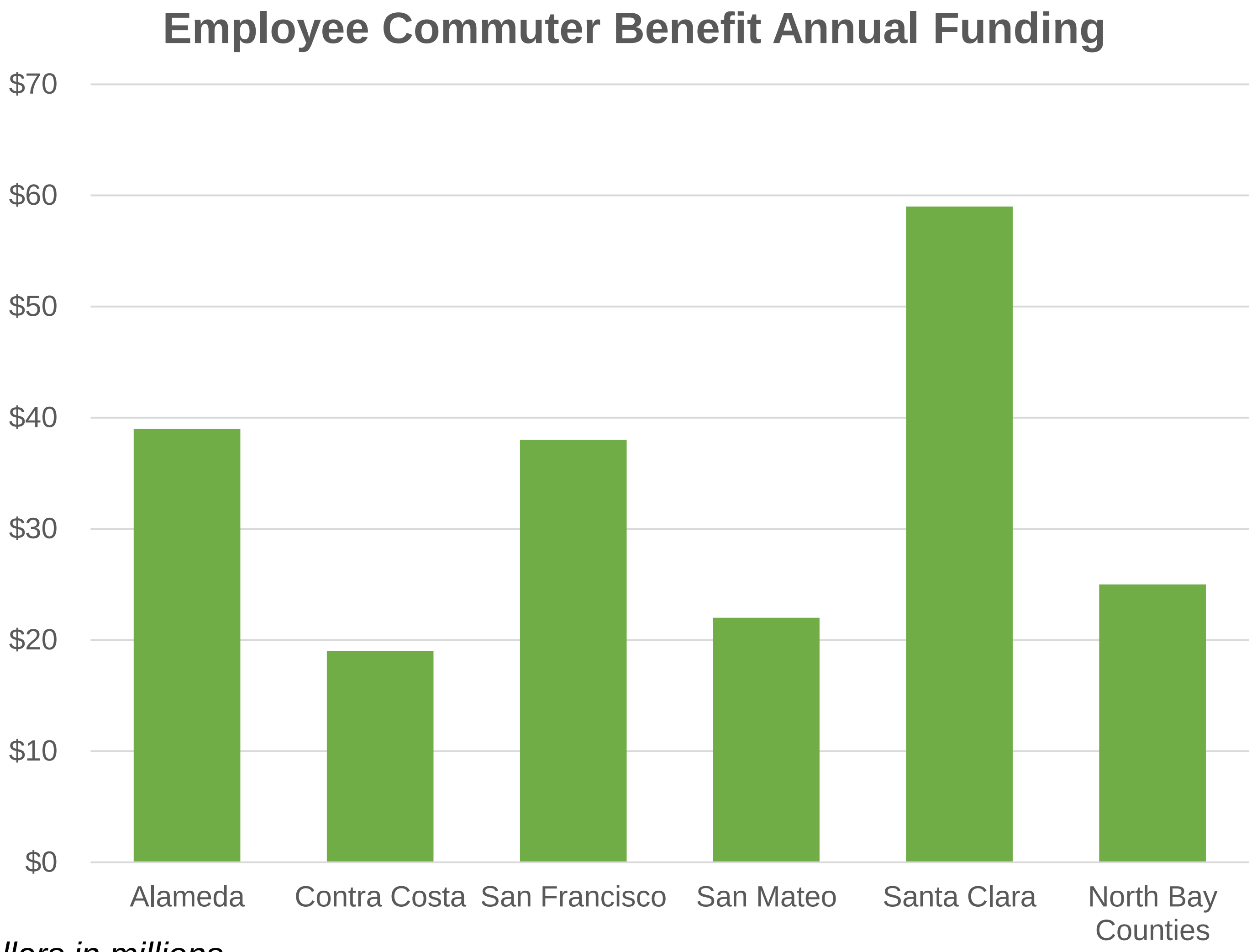
Hybrid Scenario: Employee Commuter Benefit Program receives $200 million per year

New Employee Commuter Benefit program would be distributed to each county, based on amount of the tax collected in that county.

Program would allow funding for programs that promote transit and other non-single occupant vehicle commuting, e.g. vanpool, carpool or active transportation incentives.

Helps with recruitment and retention, providing a direct benefit to employers.

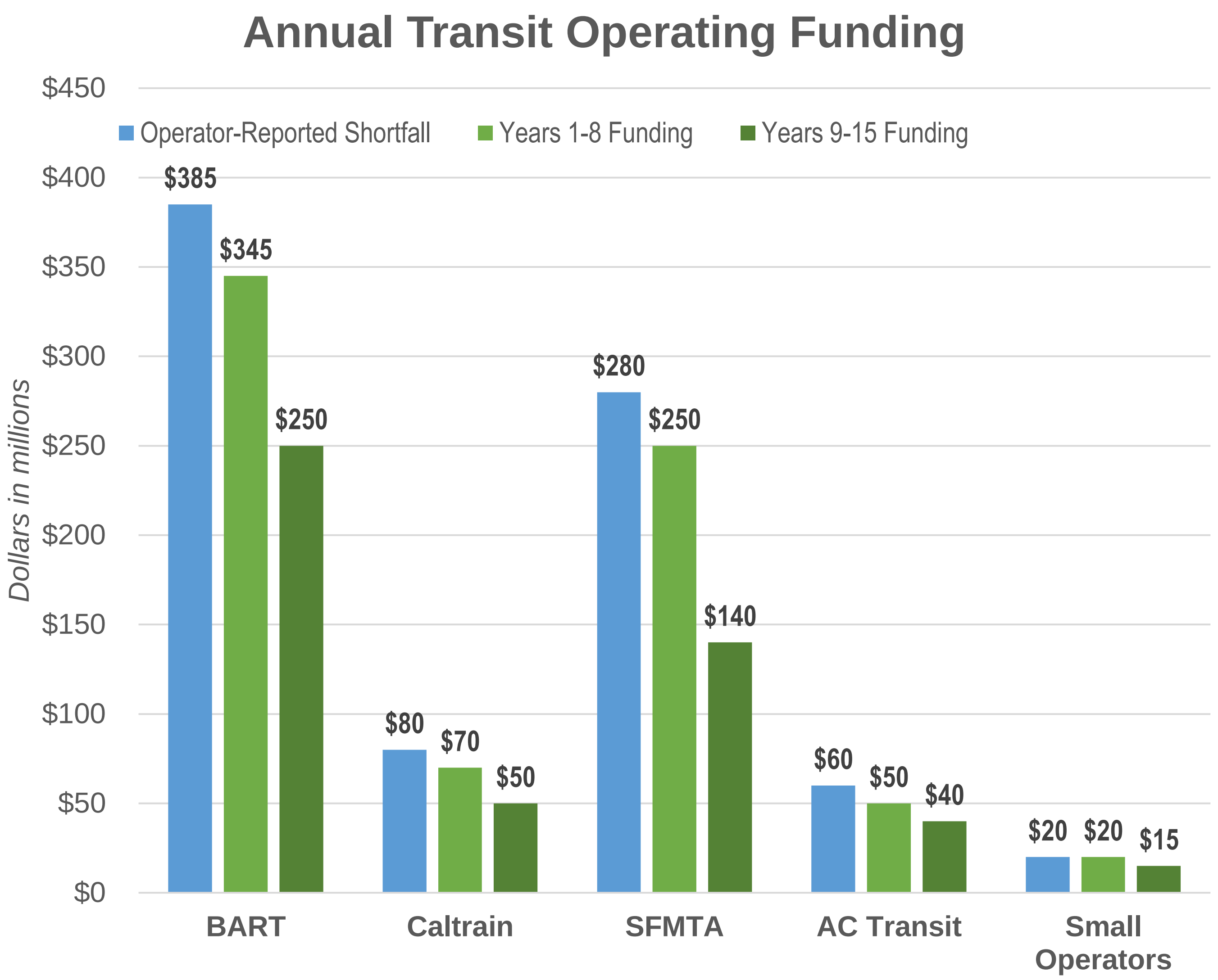
Specifics of programs at discretion of County Transportation Agencies.



Dollars in millions

Hybrid Scenario: Transit operations funding

Providing $300 million more annually for Transit Operations than Scenario 1, the Hybrid Scenario can cover 90% of the most recent operator-reported shortfalls in Years 1-8.



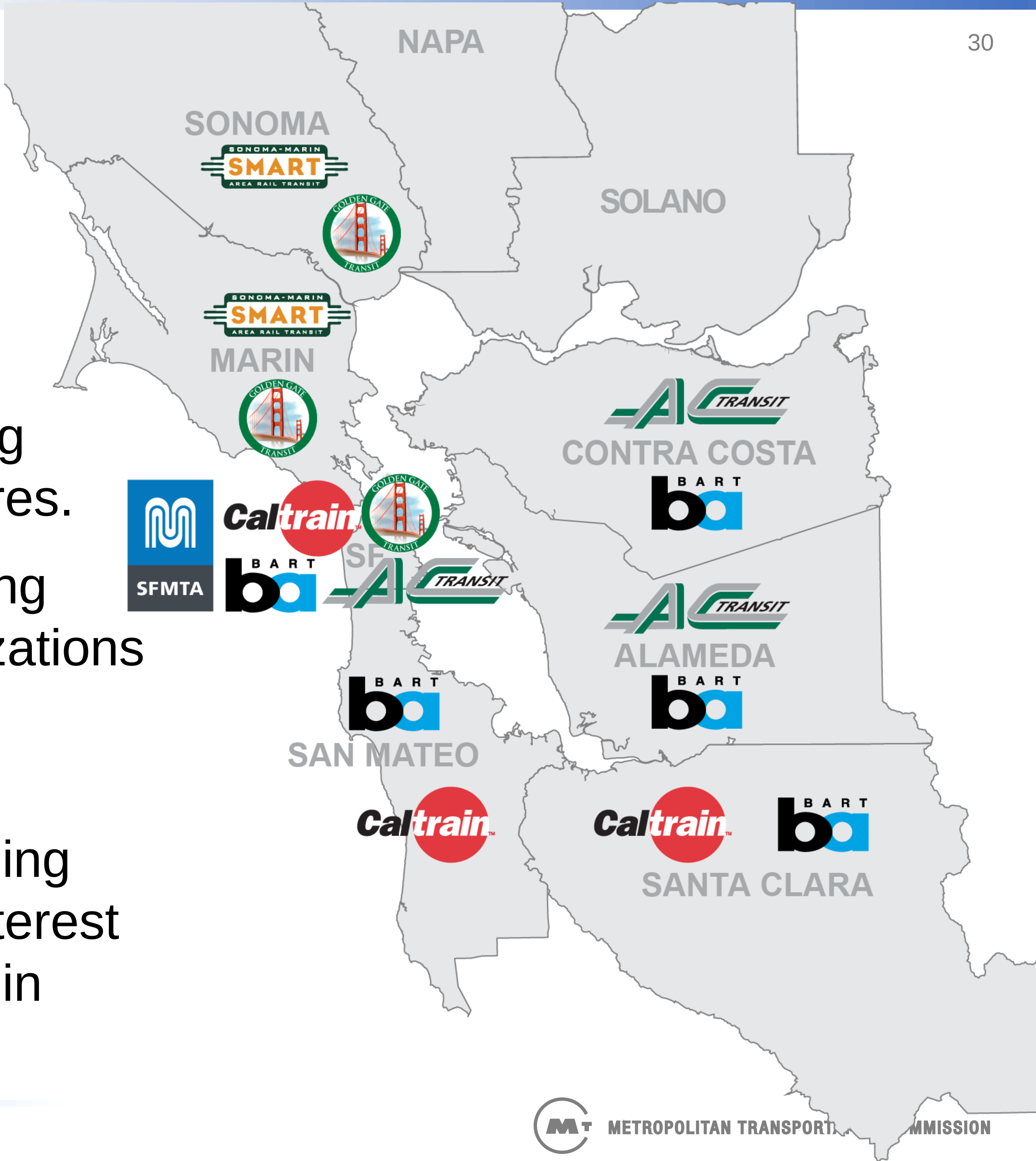
Note: Operating funding for Golden Gate Transit to be developed in consultation with Marin and Sonoma county agencies and the Golden Gate Bridge, Highway & Transportation District.

Marin/Sonoma County Considerations

- **SMART tax renewal** – sufficient funding would be generated to more than backfill SMART's ¼-cent sales tax.
- **Golden Gate Transit** – the allocation of sales tax and payroll tax to help address Golden Gate Transit's deficit is subject to further discussion.

Potential for Separate Measures

- As mentioned in August, there is the potential to have the five agencies projecting substantial operating funding gaps pursue their own funding measures.
- Some of these agencies are considering moving forward with their own authorizations as a "Plan B" in the event the regional measure does not move forward.
- Given the stakes and challenging funding environment, MTC understands the interest in fallback strategies being developed in parallel to a larger regional measure.



Gradients of Agreement

Level of Agreement		Verbalized as...
1	**Strongly Agree**	I am very pleased and fully support this decision.
2	**Agree with Reservations**	I am mostly satisfied and can support this decision.
3	**Neutral or Abstain**	I will go along with the will of the group.
4	**Disagree but Will Go Along**	I have serious reservations but respect that we are focused on the regional needs and compromising where needed for the greater good.
5	**Strongly Disagree**	I do not agree with this decision.

Questions for Committee Discussion

1. **What clarifying questions do you have?**

2. **Were the changes to the scenarios responsive to comments provided?**

3. **What is your rating on each scenario and why? If you have significant concerns, are there changes that you'd suggest?**

4. **Do you favor a single path forward or advance two options** for polling and potential inclusion in enabling legislation?

THE END