



# Update on Regional Transportation Revenue Measure

## BART Board of Directors

### September 12, 2024



# Today's Agenda

## 1. BART Context and Funding Priorities

- Need for New Funding Model
- Priorities in a Revenue Measure

## 2. Metropolitan Transportation Commission (MTC) Regional Transportation Measure Discussions

- Measure Variables and Inputs
- MTC Revenue Measure Scenarios & Alternative Framework
- BART Staff Assessments

## 3. Operator-Led Revenue Measure Concepts

- BART Taxing Authority & Statutes
- Operator-Led Scenarios for Discussion
- Elements of Potential Legislation

## 4. Look Ahead

- BART Polling
- Key Milestones & Timeline

# BART Context and Funding Priorities

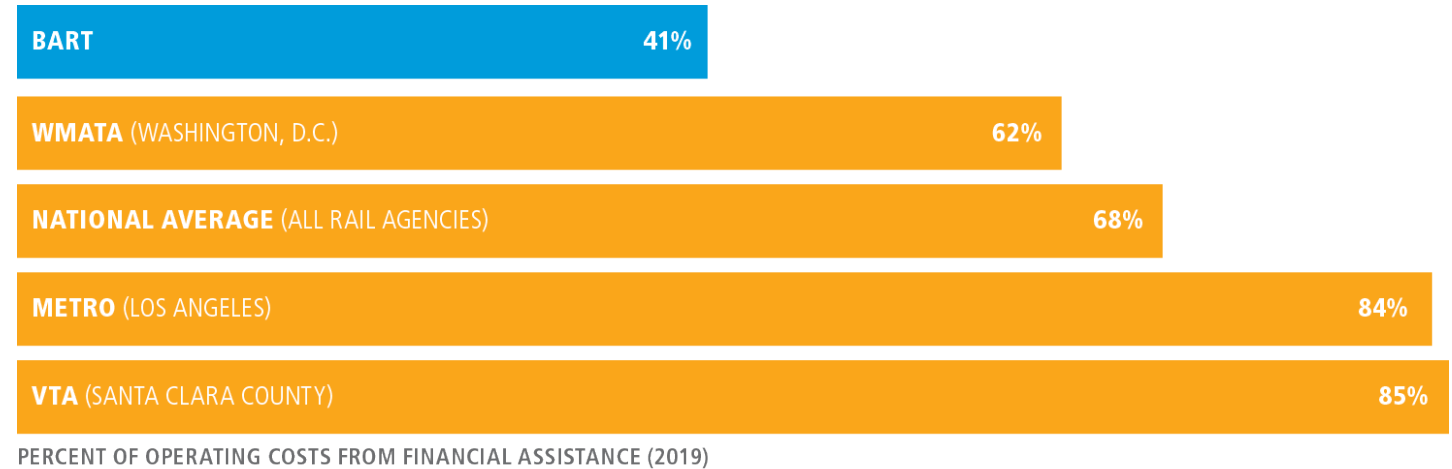
# BART's Five-Year Fiscal Outlook

(\$Millions)	FY25 Adopted Budget	FY26 Adopted Budget	FY27 Forecast	FY28 Forecast	FY29 Forecast
Operating Revenues	298	310	323	342	361
Financial Assistance	500	511	513	529	546
<b>Total Regular Revenues</b>	<b>798</b>	<b>821</b>	<b>836</b>	<b>871</b>	<b>907</b>
Operating Expense	1,034	1,043	1,085	1,112	1,147
Debt Service & Allocations	92	107	136	136	115
<b>Total Uses</b>	<b>1,126</b>	<b>1,150</b>	<b>1,221</b>	<b>1,248</b>	<b>1,262</b>
<i>Operating Result</i>	<i>(328)</i>	<i>(329)</i>	<i>(385)</i>	<i>(377)</i>	<i>(355)</i>
Federal Emergency Assistance	270	0	0	0	0
State/Regional Emergency Assistance	58	294	0	0	0
<b>Total Net Result</b>	<b>0</b>	<b>(35)</b>	<b>(385)</b>	<b>(377)</b>	<b>(355)</b>

# Need for New Funding Model: Operating Revenues

- Pre-pandemic, BART's reliance on financial assistance for operating was below national average at 41%.
- Today, remote work and changing travel patterns have resulted in significant loss fare revenue, creating a need for a new funding model.
- BART's forecasted need for financial assistance is now on par with national average at approximately 70%.

## BART PRE-PANDEMIC FINANCIAL ASSISTANCE COMPARED TO OTHER AGENCIES



# Need for New Funding Model: Local Financial Assistance

- In addition to fares and other operating revenue, BART’s operating sources include local funding, state/regional assistance, and one-time federal emergency aid.
- Local funding currently makes up nearly 40% of the FY25 budget (\$435M).
  - San Francisco, Alameda, and Contra Costa contribute 91% of local funding and receive 85% of service hours.
  - San Mateo contributes 1% of local funding and receives 12% of service hours.
  - Santa Clara contributions derived from operating and maintenance agreement with VTA for extension.

Local Operating Funding by County (\$M)	San Francisco	Alameda	Contra Costa	San Mateo	Santa Clara	Other/Regional	Total
BART District sales tax	82	148	90	0	0	0	320
BART District property tax	22	24	18	0	0	0	64
Other local assistance	0	8	0	4	35	2	50
<b>Total</b>	<b>\$103</b>	<b>\$180</b>	<b>\$109</b>	<b>\$4</b>	<b>\$35</b>	<b>\$2</b>	<b>\$435</b>
<b>% of local funding</b>	24%	42%	25%	1%	8%	1%	100%

	San Francisco	Alameda	Contra Costa	San Mateo	Santa Clara	Other/Regional	Total
<b>% of service hours</b>	21%	46%	18%	12%	3%	NA	100%
<b>% of riders (exits)</b>	44%	34%	14%	6%	2%	NA	100%
<b>% of passenger miles *</b>	36%	33%	19%	9%	4%	NA	100%

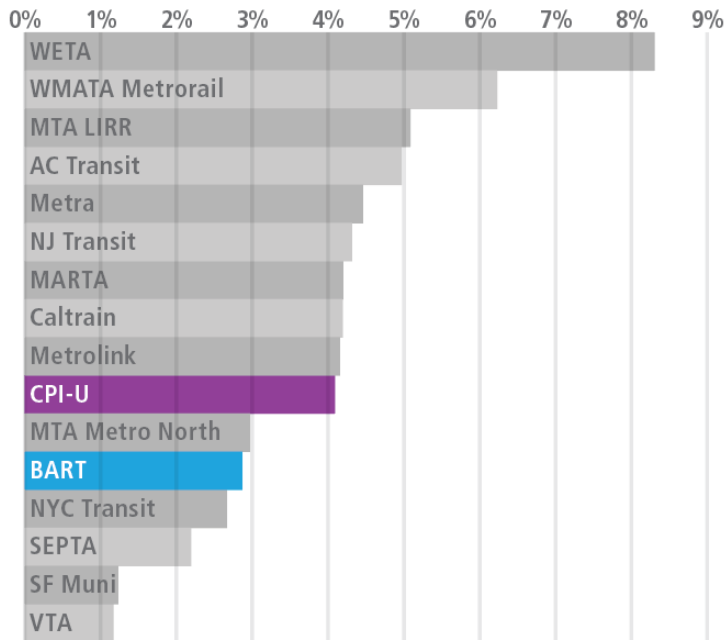
\* Attributed to the county of exit station

# Need for New Funding Model: Cost Efficiencies

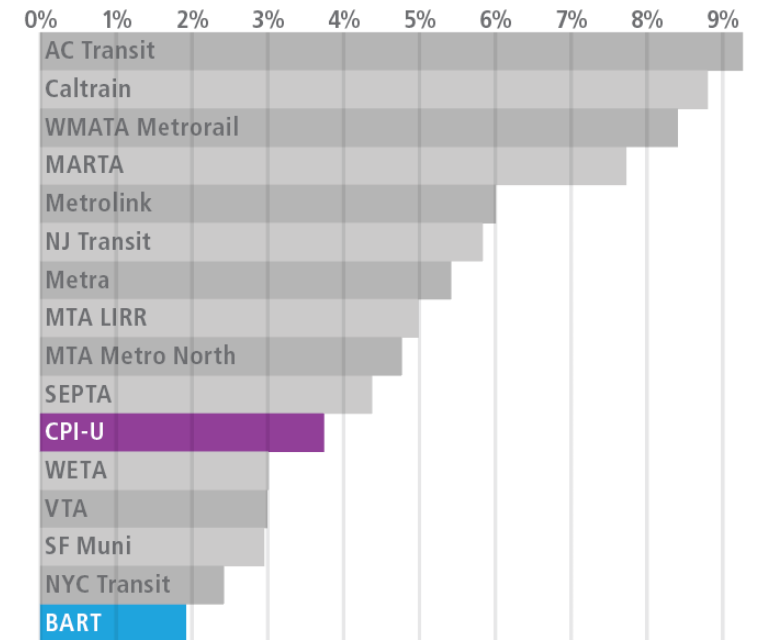
- BART cannot cut our way to a balanced budget.
- Working to reduce costs without impacting service, but savings are relatively minor.
- Over the past 5 years, BART has effectively contained costs compared to peer agencies.

## OPERATING EXPENSE GROWTH FOR BART AND PEER TRANSIT AGENCIES

2019 vs. 23 Average Annual Operating Budget Growth



2019 vs. 2023 Growth in Cost Per Service Hour



# BART Priorities in a Revenue Measure

- **Sustain Operations.** Sustainable funding source for operations over the long-term to ensure safe, reliable transit service for the region.
- **Regional Connections.** Funding to support service improvements and regional network coordination to make transit a more viable alternative to driving.
- **Equity Focus.** Keep transit accessible to transit-dependent riders, equity priority communities, and riders of all abilities.
- **Prioritize Transit.** Priority for transit operations and projects over roadway investments.
- **Enhanced Service.** Funding for increased service as ridership demand grows.



# MTC Regional Transportation Measure Discussions

# MTC-Led Regional Discussions to Date

- In June, MTC established an 18-member Transportation Revenue Measure Select Committee tasked with building consensus for state legislation in 2025 that would authorize a regional measure to preserve and enhance public transit.
- A 20-member Transportation Revenue Measure Executive Group was also convened to play an advisory role to the Select Committee. It consists of representatives from transit operators and county transportation authorities.
- Each group will convene 5-6 times through late October.
- Three meetings of the Select Committee have been held to date (June 24, July 29, Aug. 26).
- November target date for Commission to consider Select Committee recommendations on legislative approach.

# Revenue Measure Variables and Inputs

- Defining “problem” - i.e., pandemic fare loss, standardized shortfalls, operator reported shortfalls
- County participation (all or subset)
- Revenue mechanism (source of funds; specific or menu of options)
- Size and duration
- Level of funding for operations, capital, and other priorities
- Return to source
- Funding shifts over time
- Political viability
- Competing measures

# MTC Select Committee Meeting 1: June 24

## Confronting the Challenge

- Bay Area transit ridership recovery at 66% relative to peak in 2019.
- Ridership recovery uneven across operators due to differences in service area and rider demographics.
- Fare revenue recovery slowest for agencies most reliant on fares (BART, Caltrain, Golden Gate).
- Operator costs have grown by over 4% annually.
- Trends add up to significant regional operating shortfall.
- Each operator funds operations differently, resulting in unique variables.
- Highest priority identified among committee members was solving for the transit fiscal cliff.

# MTC Select Committee Meeting 2: July 29

## Opinion Research Summary (3/23 – 1/24)

- Voters are in a pessimistic mood and sensitive to tax increases.
- Widespread belief that public transit is important to Bay Area.
- Support for a transportation revenue measure has been measured at 51-63%.
- Support consistent across various revenue mechanisms.
- Voters want outcomes that will sustain and improve transit while also providing traffic relief and road improvements.

## Revenue Permutations

- Many revenue options (sales, parcel, payroll, income, etc.) studied, but few deemed politically feasible.
- Varying sales tax rates and geographies examined for revenue generation.
- Direction provided to MTC staff to review a 30-year measure consisting of four counties with opt-in for others.
- Desire to look at sales, parcel, and payroll tax.

# MTC Select Committee Meeting 3: August 26

## Constructing the Path(s) Forward

- Changed political landscape with withdrawal of Bay Area housing bond measure from November 2024 ballot.
- Two distinct transportation revenue measure options presented:
  - Scenario 1 – Core Transit
  - Scenario 2 – Go Big
- Key factors in designing scenarios: transit funding needs, transit transformation, and county funding needs.
- Information provided on alternative framework of separate but coordinated measures.
- Further refinements expected to scenarios based on committee input.

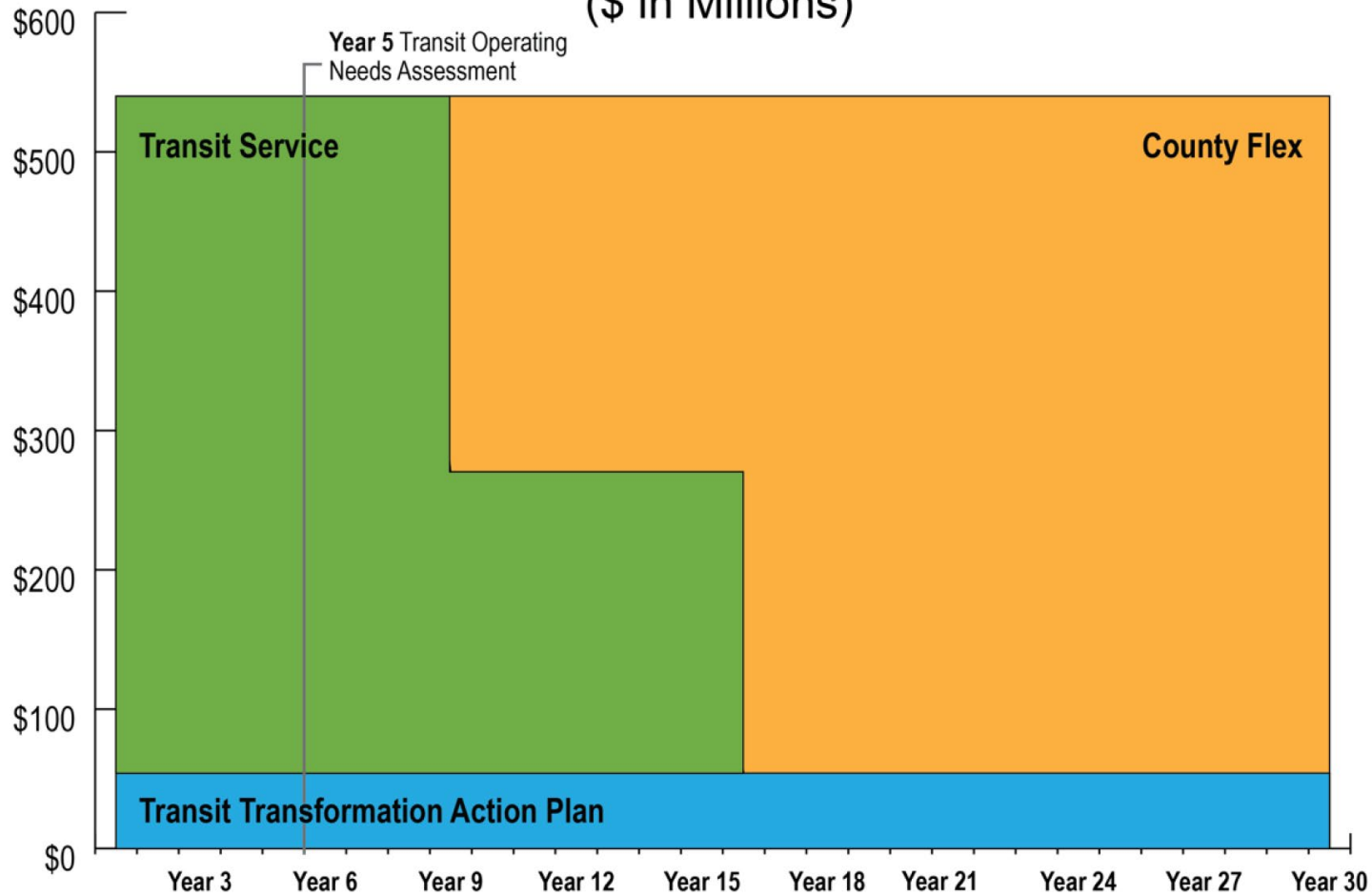
## Scenario 1 – Core Transit

- 30-year, half-cent sales tax. Projected to raise \$540M/year (2022 revenue).
- Includes Alameda, Contra Costa, San Francisco, and San Mateo. Others may opt-in.
- \$54M/year (10% of revenues) to Transit Transformation for entirety of measure.
- Funding distribution shifts over time:
  - **Years 1-8:** \$490M/year to offset lost fare revenue/mitigate service impacts at BART, Caltrain, AC Transit and MUNI, plus funding for small operators in Alameda and Contra Costa County.
  - **Years 9-15:** Transit operations funding reduced to \$220M/year. Remainder to County Flexible funds.
  - **Years 16-30:** All funding shifts to County Flex, except the 10% for Transit Transformation.
- Transit operations remains eligible expenditure under County Flex.

# Scenario 1 – Core Transit

## Core Transit Scenario: 30-Year Funding Distribution

(\$ in Millions)



Graphic adapted from "Scenarios Presentation," Item 4a, MTC Select Committee meeting of August 26

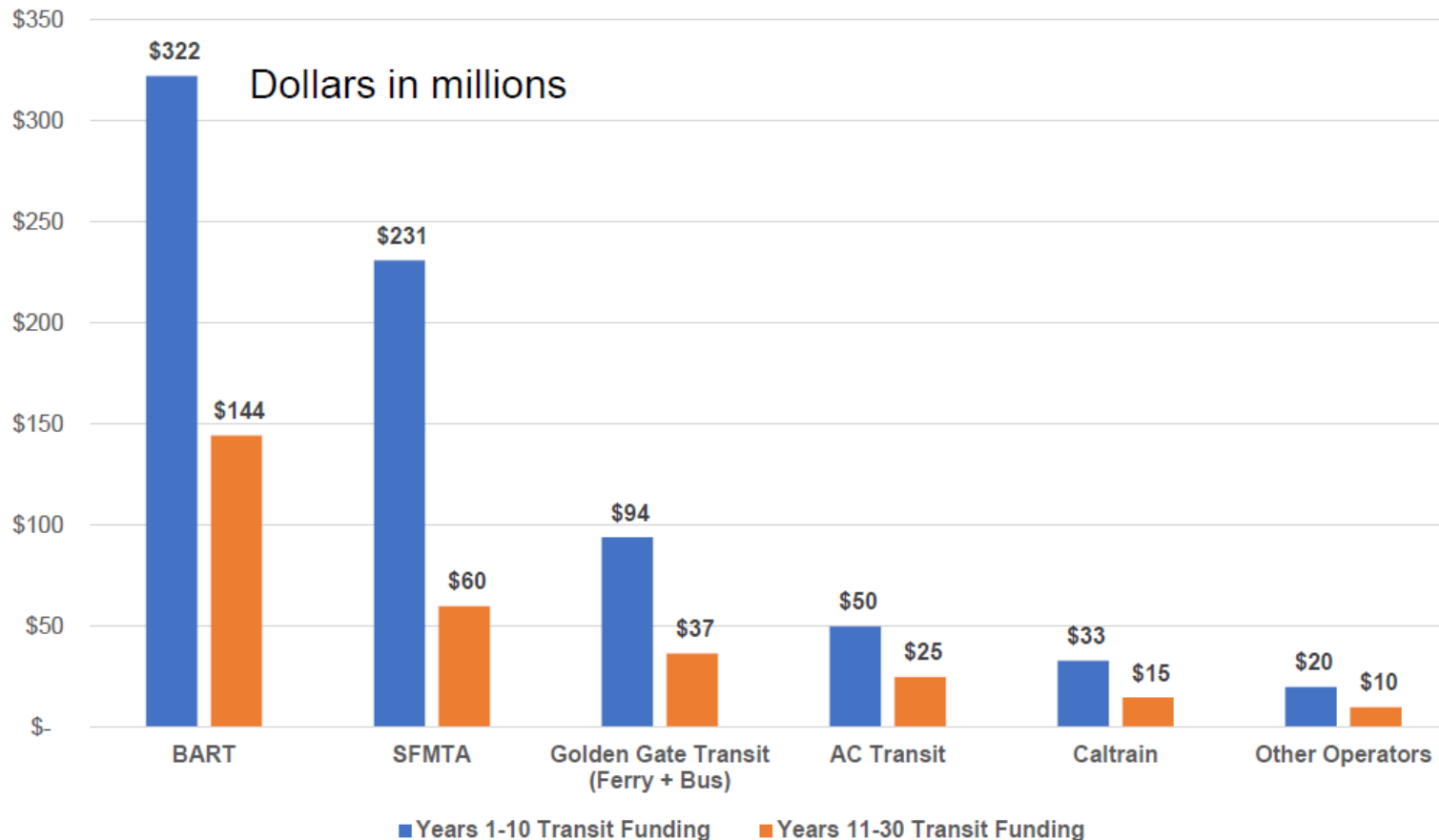
- FY26 transit operator reported shortfalls total ~\$740M.
- **Years 1-8:** BART would receive \$300M/year in operating funds leaving ~\$50 – 80M/year gap.
- **Years 9-15:** BART would receive \$160M/year in operating funds leaving ~\$150M/year gap.
- **Years 16-30:** BART would receive no guaranteed operating funds.



## Scenario 2 – Go Big

- \$1.5B/year measure raised from a 30-year payroll or parcel tax in all nine counties.
  - \$0.28/square foot parcel tax on building area or 0.54% payroll tax.
- Annual expenditure framework:
  - **20% for Transit Transformation (\$300 million)**
    - \$150M allocated at the regional level.
    - \$150M allocated to counties to spend on any project in Transit 2050+ or Transit Transformation Action Plan.
  - **50% for Transit Operations and Improvements (\$750 million)**
    - After first 10 years, less funding is dedicated to offsetting deficits, with more funds available to invest in transit enhancements by operators not facing funding gaps.
  - **30% for County Flex (\$450 million)**
    - Expenditures must align with Plan Bay Area 2050+ or successor plan with transit service as an eligible expense.

## Scenario 2: Dedicated Annual Transit Operating Funding Levels by Operator



### Years 1-10

Each operator receives funding to cover portion of reported funding gap to sustain service levels. This totals 50% of all revenues or \$750 million per year.

### Years 11-30

Transit funding is sustained, but less is dedicated to offset deficits, and more funds are available to invest in county level transit improvements.

## Proposed Alternative Framework: Separate Measures

- Four agencies facing substantial operating gaps could each pursue their own individual measures.
- MTC could play a supporting role in managing a single bill that includes any legislative authorizations.
- While AC Transit and Caltrain would need relatively small sales taxes, BART and MUNI would need substantially larger measures.
- No funding to advance Transit Transformation at a regional level.

Agency	Counties Included in Calculation	Sales Tax to cover "adjusted fares" funding gap	Sales tax to cover operator-reported funding gap
AC Transit	Alameda, Contra Costa	0.05%	0.09%
BART	Alameda, Contra Costa, SF	0.36%	0.45%
Caltrain	SF, San Mateo, Santa Clara	0.07%	0.08%
Muni	SF	0.58%	1.43%

Graphic adapted from "Scenarios Presentation," Item 4a, MTC Select Committee Meeting of August 26

# BART Staff Assessment of Select Committee Proposals

- No long-term solution to modernize BART's funding model with new local revenue.
- Scenarios partially address BART's deficits and put agency back into fiscal crisis in eight years.
- 30-year timeframe limits BART's ability to seek additional funding beyond period that prioritizes transit operations.
- Concerns with county flex dollars flowing to BART to support operations.
- Support framework that reassess transit operator need over time with sustained funding from County Flex if operators meet set accountability measures.
- Desire to see MTC polling on both scenarios.
- Multiple measures could lead to failure of one or more among tax-weary voters.

# Operator-Led Revenue Measure Concepts

# BART Taxing Authority and Statutes

## Transaction and Use (Sales) Tax

- The BART Board, via ordinance, may place transactions and use (sales) taxes on the ballot in the three counties of the District.
- Combined rate of all local taxes imposed in any county must not exceed 2% unless specifically authorized by statute.
- According to the State Department of Tax and Fee Administration, Alameda and Contra Costa Counties have reached their 2% sales tax cap.
- Any increase to the sales tax requires a 2/3 vote of the electorate in the District.

## Property Tax

- District Act provides authority to levy up to \$0.05 per \$100 of assessed valuation on properties within the District.
- Authority limited by California Constitution, which imposes a 1% overall limit on property taxes in the state.
- Exception to the 1% for property taxes approved by 2/3 of the electorate to pay debt service on a general obligation bond to fund capital programs.

# BART Taxing Authority and Statutes

## Parcel Tax

- The District does not currently have authority to impose parcel taxes and would need to seek authority through legislation.
- Parcel taxes are taxes assessed at a flat rate or against some characteristic other than value, such as lot size, square footage of improvements, etc.
- If such authority were granted, a parcel tax would require a 2/3 vote of BART's electorate.
- Parcel taxes are generally levied for a period of 6-10 years.

## Annexation

- District Act outlines process for annexing any Bay Area county not included within the boundaries of the district, including a county which has withdrawn.

# Operator-Led Scenarios for Discussion

<b>SALES TAX</b>	<b>Scenario A – 5 County</b>	<b>Scenario B – 4 County</b>	<b>Scenario C – 3 County*</b>
<b>Scope of Measure</b>	BART District + San Mateo + Santa Clara	BART District + San Mateo	3-County BART District
<b>Sales Tax Rate</b>	½ cent	½ cent	½ cent
<b>Est. Annual Revenue (2026)</b>	<b>\$920M</b>	<b>\$600M</b>	<b>\$479M</b>

<b>PARCEL TAX</b>	<b>Scenario A – 5 County</b>	<b>Scenario B – 4 County</b>	<b>Scenario C – 3 County*</b>
<b>Scope of Measure</b>	BART District + San Mateo + Santa Clara	BART District + San Mateo	3-County BART District
<b>Annual Parcel Tax (flat rate)</b>	\$524	\$476	\$452
<b>Est. Annual Revenue</b>	<b>\$920M</b>	<b>\$600M</b>	<b>\$470M</b>

*\*Scenario C would require new financial terms with San Mateo County.*





# Possible Elements of Enabling Legislation

## **Legislation for an operator-led measure may need to include:**

- Exemption of a measure's tax from the county sales tax cap of 2% *OR* special authorization to exceed the cap in certain counties.
- Parcel tax authority.
- Expenditure framework for multiple operators.

Look Ahead

# BART Polling

- Engage voters within the five-county BART service area (Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara).
- Solicit opinions from voters on BART and Bay Area transit.
- Poll half-cent sales tax to help fund transit operations, regional coordination, and means-based fare programs for train and bus operators in the 5-county region.
- Polling begins in mid-September.
- Report results at the end of October.

# Key Milestones & Timeline

