

Saving Transit Service: Understanding the Bay Area's Transit Operating Fiscal Crisis

Presentation to West Contra Costa Transportation Advisory Committee (WCCTAC)

March 17, 2023

Overview



Regional Overview of Transit's Ridership and Financial Challenges since Pandemic



Outlook for Transit Agencies Over the Coming Years



Regional Initiatives to Enhance the Transit Experience & Expand Transit Ridership



A Regional Approach to a Looming Transit 'Fiscal Cliff'



Photo: Jim Mauer



Regional Overview of Transit's Ridership and Financial Challenges since Pandemic

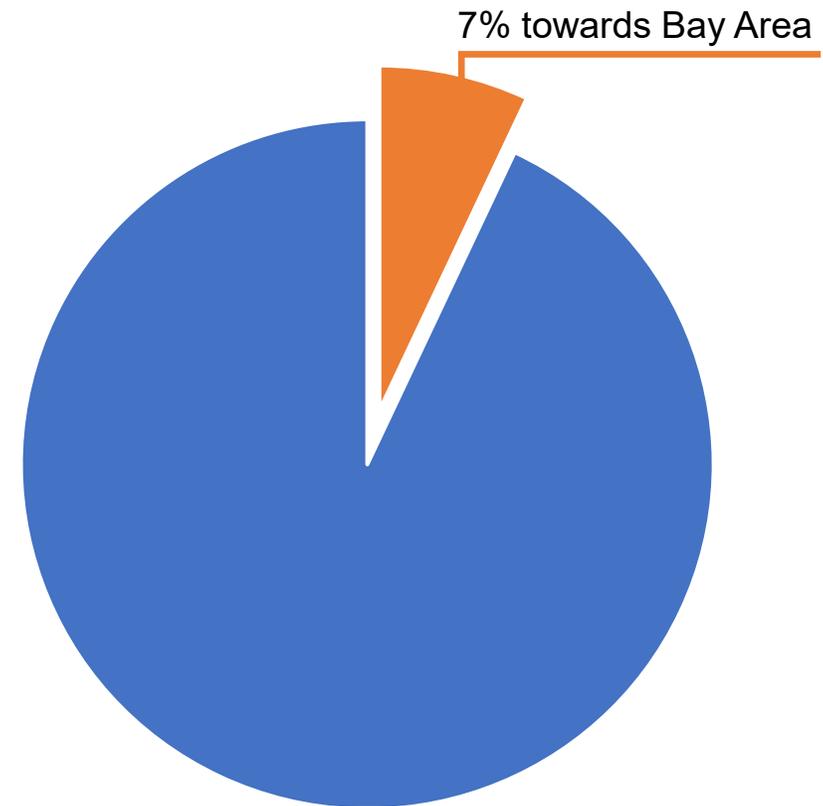
Photo: Karl Nielsen

Federal Funds Have Been a Lifeline for Transit Service Since 2020; \$4.4 Billion in Bay Area



These funds have been critical for agencies dependent on passenger fares, bridge tolls, and parking revenues. Without federal relief the Bay Area would not have a functioning regional transit system.

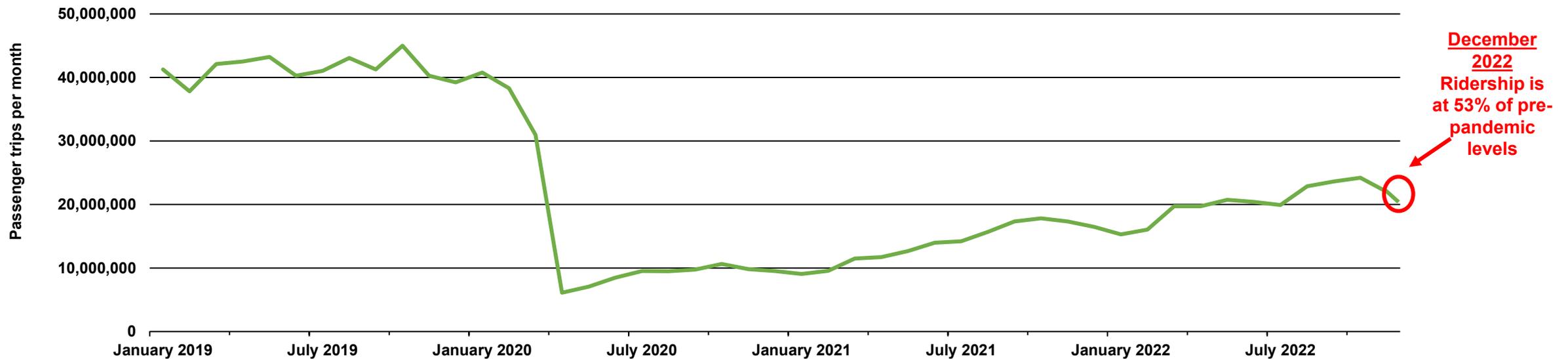
\$68 billion provided nationwide





Transit Ridership – All Bay Area Operators

Transit ridership across the Bay Area remains at only 53% of pre-pandemic levels. But **over 20 million passenger trips were still taken on transit during the month of December 2022.**

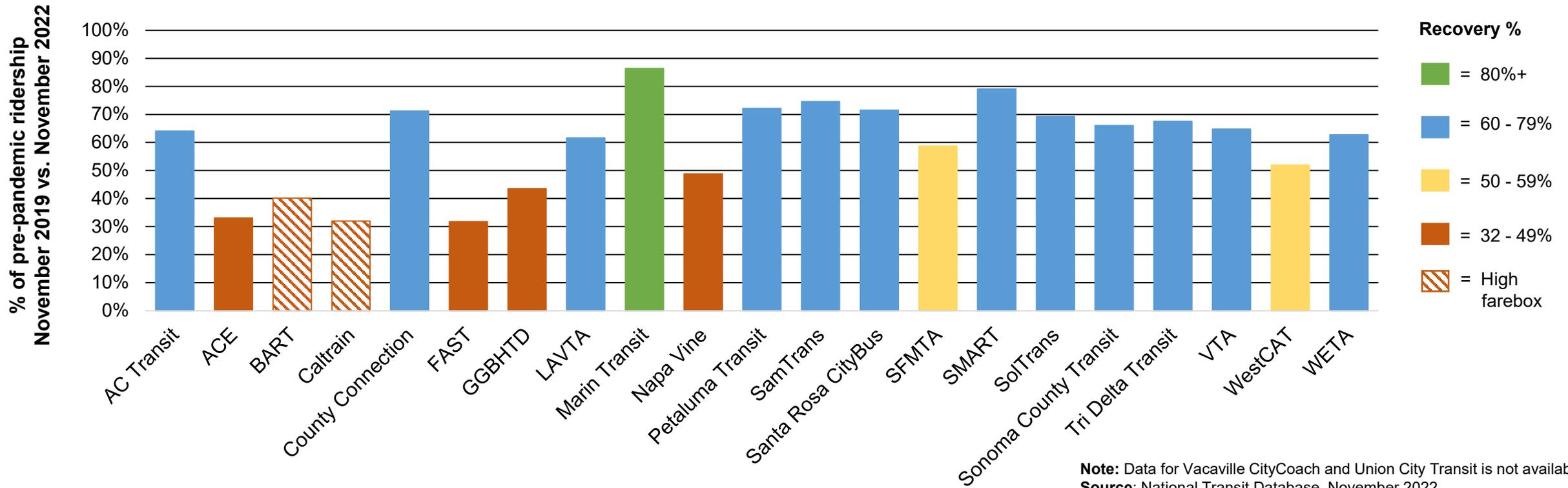


Source: National Transit Database



Ridership Recovery Varies Greatly by Operator

Ridership recovery by operator generally reflects the type of destinations served and the demographics of riders of each agency. Operators primarily serving riders without access to other modes of transportation have seen the most robust recovery.



Note: Data for Vacaville CityCoach and Union City Transit is not available.
Source: National Transit Database, November 2022.



Outlook for Transit Agencies Over the Coming Years

Photo: Karl Nielsen

The (Pre-Pandemic) Revenue Models of Bay Area Transit Operators



User Fee Focused

Fares, Tolls, Parking Revenues

Example Operators
BART, GGBHTD

Sales Tax Dominates

Sales Taxes = 70% of Operations Rev.

Example Operators
VTA, SamTrans

The financial position that Bay Area transit operators find themselves in today is closely tied to the type of **pre-pandemic revenue model** used by the agency to support operators

Mix of Tax-Based Sources

Property/Parcel Taxes, Sales tax

Example Operators
AC Transit, Marin Transit

Unique Funding Mix

City General Fund, Special Agreements, MOUs

Example Operators
SFMTA, WestCAT, ACE

Transit operators' **business model** (*the type of service they provide and the demographics of riders they target*) is also key to understanding their current financial position



A Challenged Business Model



Population Loss

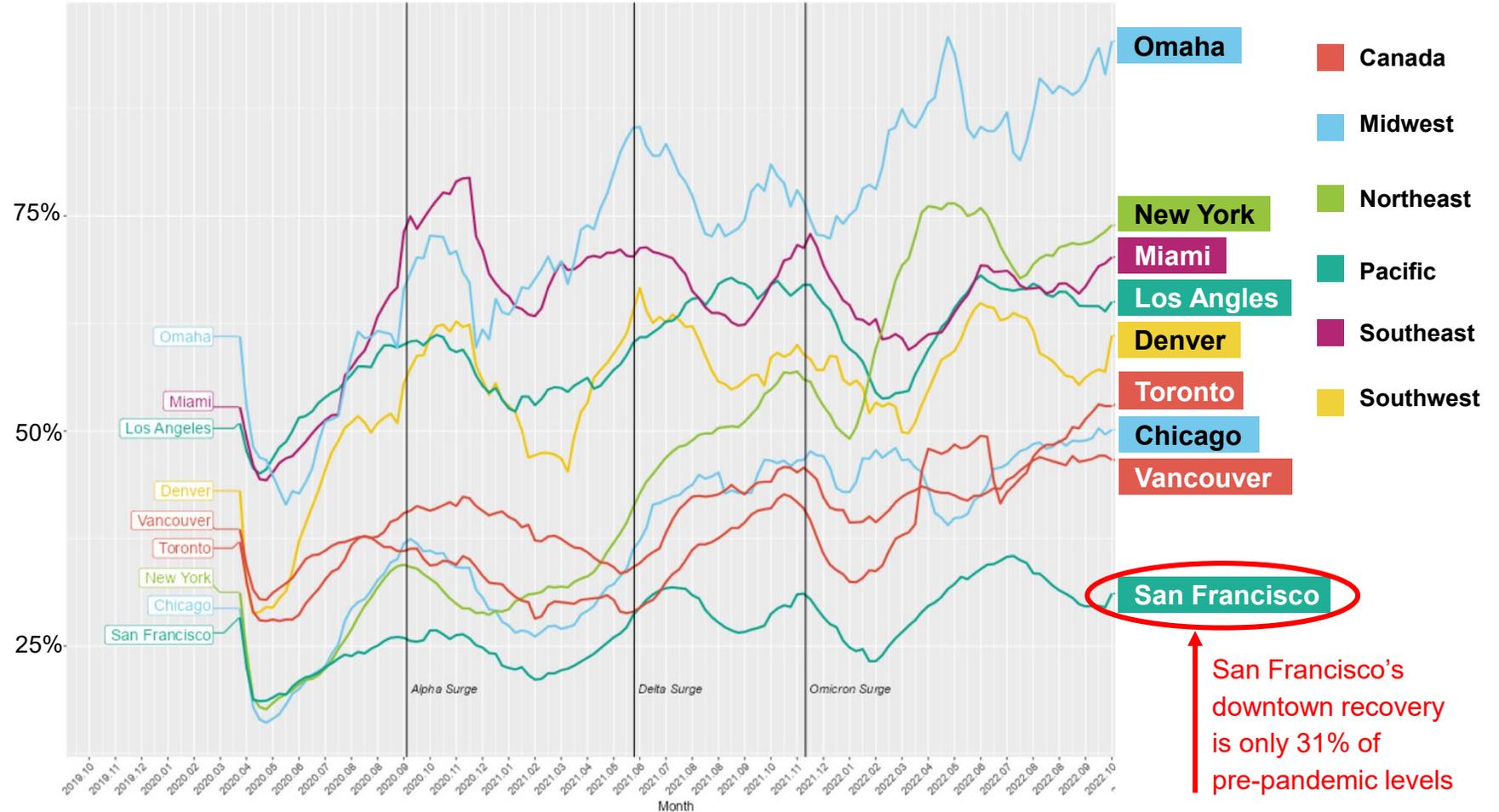
150,000 fewer people lived in the Bay Area 2022 than in 2015*



Workplace Changes

Downtown SF and Oakland have the *lowest rate of office in-person occupancy* in North America*.

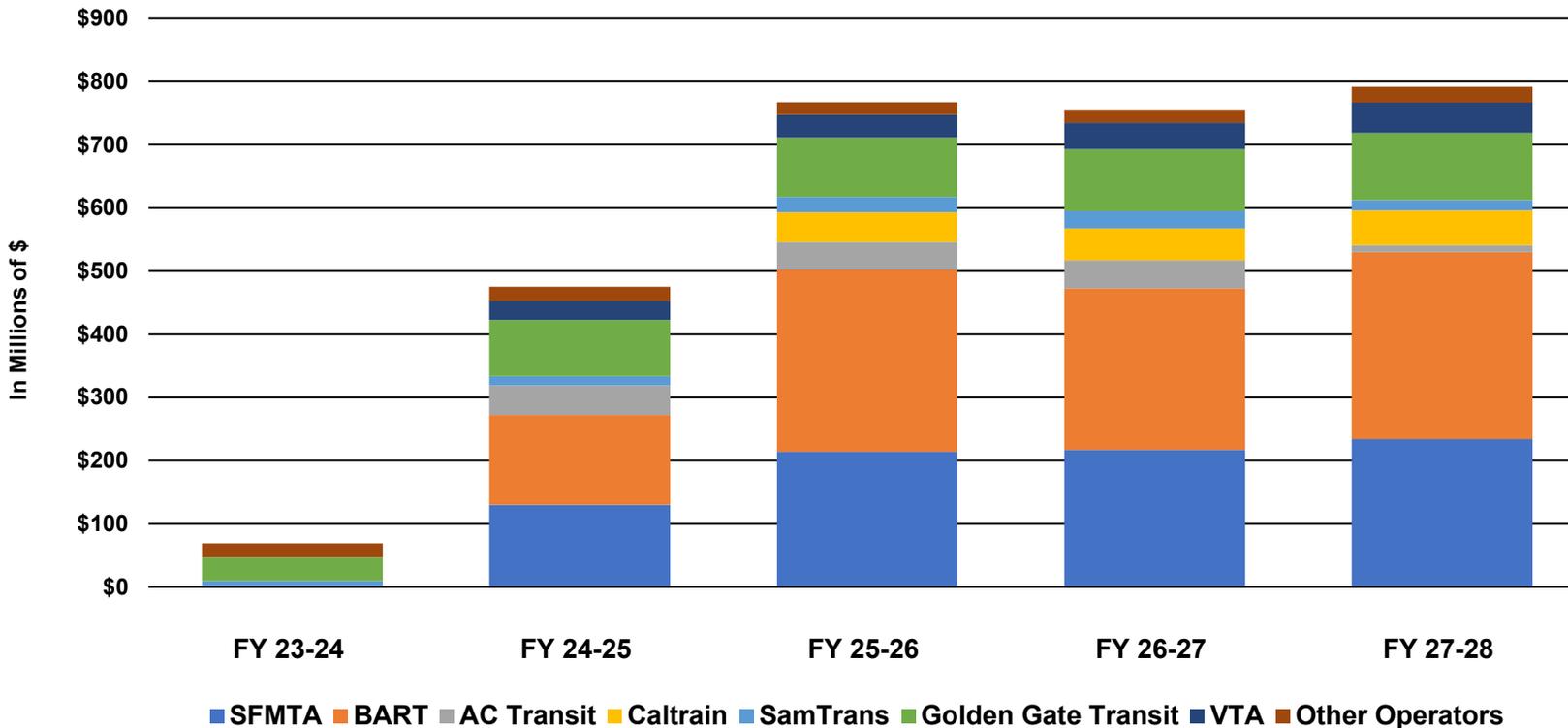
UC Berkeley Downtown Recovery Quotient Trajectories in 9 Select North American Cities*



San Francisco's downtown recovery is only 31% of pre-pandemic levels

*Sources: UC Berkeley/U of Toronto - [Downtown Recovery Study](#); [CA Dept. of Finance](#)

Forecast of Annual Operating Shortfalls by Operator



Bay Area transit operators anticipate a cumulative operating shortfall of between \$2.5 - \$2.9 billion over next five years

This range of potential shortfalls reflects the uncertainty of the coming years. The lower end of the range would require making hard decisions like delaying the zero-emission bus transition, canceling key Vision Zero safety projects on streets, and delaying customer facing repairs for assets like escalators.

Note: Amounts shown in table represent high end of possible shortfall forecast.

Source: Operator forecasts provided the California Transit Association

Key Themes from Short Range Transit Plans

Fiscal and operating challenges vary dramatically across operators

1. Farebox dependent operators remain acutely vulnerable to sluggish ridership recovery
2. 100% of pre-pandemic revenues would not be sufficient to restore 100% of pre-pandemic service
3. Fiscal cliff is not the only challenge. For some agencies, operator recruitment and retention are as significant a challenge, if not more so, than fiscal ones when it comes to restoring transit service to levels operated pre-pandemic



Photo: Karl Nielsen



**Regional Response:
Implement Transit Transformation
Action Plan to Enhance Transit
Experience & Expand Ridership
and Secure New Revenue**

Photo: Joey Kofica

Creating a Better, More Integrated Transit System: Implementing the Transit Transformation Action Plan (TAP)

I. Fares and Payment

Simpler, consistent, and equitable fare and payment options.



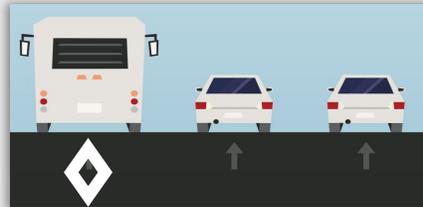
II. Customer Information

Make transit easier to navigate and more convenient.



III. Transit Network

Transit services managed as a unified, efficient, and reliable network.



IV. Accessibility

Transit services for older adults, people with disabilities, and those with lower incomes are coordinated efficiently.



V. Funding

Use existing resources more efficiently and secure new, dedicated revenue to meet funding needs.



“Survive and Thrive” Coalition



MTC, Transit Operators, Advocates, Business Community, Labor: Working together to advocate in Sacramento and tell the story of transit riders and why protecting service is critical to California

“Backbone” committee of MTC, transit agencies, and community organizations collaborating to an unprecedented degree around “fiscal cliff”

State funding advocacy **today** is laying a foundation for a broad coalition to advocate for a regional measure **tomorrow**

Coordinating with other regions and CA Transit Association



Photo: Karl Nielsen

Making the Case

Addressing the Five Year \$2 Billion+ Shortfall

Key Message:

State action needed for transit to survive & thrive

- Protect existing capital funding commitments
- Provide new source of operating funding on multi-year basis

Presentations to Bay Area Legislative Caucus

Earned Media Coverage
(Local, State and National, coverage)

Social Media Campaign: We Can't Afford to Lose Transit

Joint letters, on-line petitions, testimony at budget hearings



Friday, March 10, 2023

The Honorable Steve Bennett
Chair, Assembly Budget Sub
California State Assembly

Re: Request to Protect Pub

Dear Chair Bennett,

In advance of your upcoming about the funding shortfalls fi declines caused by the COVI provide a forum for exploring 2023-24 State Budget, which that the Legislature approved

The undersigned organizator avoid looming cuts to critical foundational to our state's cli impact of the COVID-19 pan

January 18, 2023

The Honorable Nancy Skimer
Chair, Senate Budget and Fiscal Review Committee
California State Senate

The Honorable Phil Ting
Chair, Assembly Committee on Budget
California State Assembly

Dear Chair Skinner & Chair Ting,

As you begin budget negotiations this year, the undersigned organizations request your support to help the state's public transit systems avoid looming cuts to critical transit service that millions of Californians rely upon and that is foundational to our state's climate strategy. These potential cuts reflect the lingering impact of the COVID-19 pandemic, which has devastated transit operating budgets as a result of diminished ridership as well as higher costs arising from inflation. While the Governor's proposed budget for FY 2023-24 does not specifically address this need and in fact proposes \$2 billion in reductions to public transit capital that the Legislature approved last year, we look forward to engaging with your budget subcommittees to ensure that this year's final budget bill provides additional transit operating assistance to sustain critical transit service riders depend upon and fund proven strategies to attract new riders and help less financial challenges in the future.

A Strong Public Transit System is Vital to Creating an Equitable, Economically Vibrant and Climate Friendly Future

Based on 2021 U.S. Census data, almost 60 percent of California residents who commute via public transit have a household income below \$35,000. Over half a million California households own no vehicle and count on public transit for their daily needs, including access to K-12 education and college. Public transit is an economic lifeline for these residents, especially seniors and persons with disabilities. Yet residents of all income levels also depend on transit access their jobs and maintaining the viability of the transit systems is essential for the future of the state's economy and quality of life. Public transit also supports good-paying jobs, employing over 31,000 California workers statewide in FY 2021.

When it comes to climate change, California prides itself on being a global leader. The state has taken a two-pronged strategy to reduce transportation-related emissions – the largest of any

Transit is Foundational to California's Equity & Climate Goals

- Ridership may be down, but almost **24 million transit trips** are still being taken monthly on Bay Area transit systems – about 1 million trips per day.
- Transit riders are disproportionately low-income and people of color, even more so today than pre-COVID as many higher income riders are commuting less or not at all.
 - **Cutting transit disproportionately harms the most vulnerable**
- Transit is **essential** to state's climate goals
 - State's own plans note that reducing vehicle miles traveled is essential to reducing greenhouse gas emissions and transit must *improve* to achieve these goals.
 - **Decarbonizing the vehicle fleet won't happen fast enough to achieve California & region's climate goals.**

The Legislature is Engaged

- Four hearings over last four weeks – two budget hearings and two policy hearings, included a focus on public transit.
- Multiple legislative sign-on letters from Bay Area legislators, including Senators Cortese, Dodd, Laird & Wiener and Assemblymembers Berman, Connolly, Lee, Haney, Papan.

CAPITOL OFFICE
1021 O STREET, SUITE 8620
SACRAMENTO, CA 95814
TE: (916) 951-4011
FAX (916) 951-4911

DISTRICT OFFICE
455 GOLDEN GATE AVENUE
SUITE 14800
SAN FRANCISCO, CA 94102
TEL: (415) 357-1500
FAX: (415) 357-2352
SENATOR.WIENER@SENATE.CA.GOV



March 17, 2023

The Honorable Nancy Skinner
Chair, Senate Budget and Fiscal Review
Committee
1021 O Street, Suite 8630
Sacramento, CA 95814

The Honorable
Chair, Senate J
on Corrections
Labor and Tra
1021 O Street,
Sacramento, C

Dear Senators Skinner and Durazo,

We write to you to propose for inclusion in the Fiscal Year 2023-24 help maintain and improve transit service, and ultimately, support ambitious climate, equity, and mobility objectives.

In our letter to legislative leadership, dated January 18, 2023, we have across the state continue to struggle with the adverse and severe impact of the pandemic on their ridership, revenue streams, staffing levels, and one-time federal relief runs out for these agencies – for many, as these challenges will only grow, threatening essential transit service, and the state is making in re-envisioning our transit systems and delivering California. Preliminary estimates from California transit agencies totaling between \$6 billion to \$8 billion over the next 5 years, with funding across the state. Without state assistance, transit agencies make major service cuts, severely curtailing mobility for countless ridership and hampering the ability for agencies to fund operating the need for funding to address those concerns have been noted at the federal level, with President Biden's recently released budget notification on transit operations funding.¹ Regrettably, the Governor's proposal to further compound the challenges already faced by transit agencies

¹ https://www.whitehouse.gov/wp-content/uploads/2023/03/budget_fy2024

MENTAL HEALTH CAUCUS
CHAIR
LEGISLATIVE JEWISH CAUCUS
CO-CHAIR

COMMITTEES:
HOLBROOK
CHAIR
ANNEBERG & STINE

STATE CAPITAL
SACRAMENTO, CA 95814
(916) 951-4015



March 17, 2023

The Honorable Nancy Skinner
Chair, Senate Budget Committee
1021 O Street, Suite 8630
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Assembly Budget Committee
1021 O Street, Suite 8230
Sacramento, CA 95814

The Honorable Maria Elena Durazo
Chair, Senate Budget Subcommittee #5
1021 O Street, Suite 7530
Sacramento, CA 95814

The Honorable Steve Bennett
Chair, Assembly Budget Subcommittee #3
1021 O Street, Suite 4710
Sacramento, CA 95814

Re: Transit Funding in the FY 2023-2024 State Budget.

Dear Chairs Skinner, Ting, Durazo and Bennett,

We, the undersigned, write in support of continued investment in transit – both transit capital and transit operations. Transportation remains one of the largest contributors to GHG emissions in California, therefore the state needs to remain committed to both capital investments and increasing transit operations funding.

First and foremost, we must keep the promise made last year and restore the \$2 billion in Transit and Intercity Rail Capital Program funds for capital projects to be cut as part of Governor Newsom's January Budget proposal for FY 2023-2024. Funding for transportation capital projects must remain a top priority as a key to the state's climate goals and a strategy to modernize the state's economy and expand economic opportunity for all Californians. Transportation infrastructure projects can demonstrate significant return on the state's investment, leveraging state and local funds to draw huge federal investments through the Infrastructure Investment and Jobs Act. VTA's BART Extension, Silicon Valley is one such example where the state, regional and local contributions are poised to secure \$4.6 billion in

Shaping the Ask Amidst Budget Challenges

To provide transit agencies the predictable funding they need, we are:

- Pursuing a multi-year package that minimizes negative impact on General Fund.
- Pursuing multiple revenue options so cost is borne across different sources/ programs.

Challenges

- Legislature wants to see that transit agencies are making hard choices too.
- Questions of accountability are predictably arising – how can Legislature ensure transit agencies are doing their best to bring back riders?
- Trade-offs – options on table to shift transit capital funding (TIRCP) to operating purposes among other potential “new” sources of transit funding.
- MTC making strong case for **new funding**.

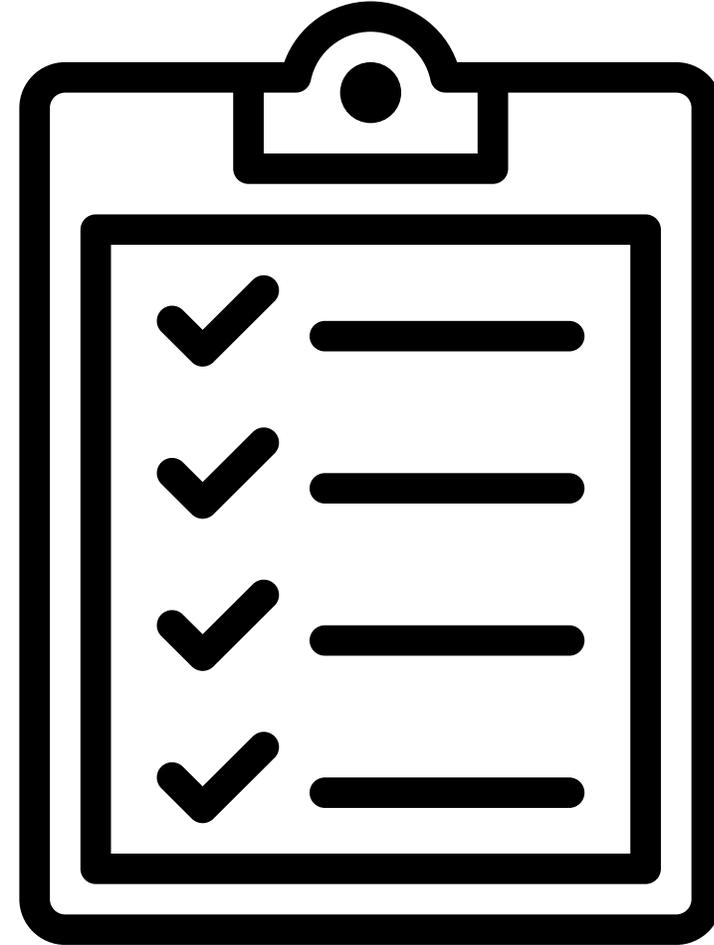
Regional Measure Update

- **Transportation Measure:** Focus is on outreach and analysis this year to inform enabling legislation in 2024.
 - Measure is intended to be placed on ballot in 2026.
 - State funding advocacy strategy aims to bridge the funding gap.
- **Housing Measure:** Staff directed to begin preparations for placement of a general obligation bond on November 2024 ballot via existing authority provided to the new Bay Area Housing Finance Authority (BAHFA).
- **Polling:** Over the next month, MTC will conduct a poll to inform transportation measure enabling legislation and overall voter perspectives.



2023 Action Items for Transportation Measure

1. Polling (1st round underway)
2. Analysis of revenue options
3. Further stakeholder engagement
4. Public engagement
5. Agreement on goals of measure
6. Coalition building
7. Drafting of legislation & securing legislative champions for enabling legislation next year.



An aerial photograph of a coastal town, likely San Francisco, showing a bay, a beach, and a densely populated hillside. The Golden Gate Bridge is visible in the distance. The text "Questions & Discussion" is overlaid in the center.

Questions & Discussion