

Metropolitan Transportation Commission Programming and Allocations Committee

February 12, 2020

Agenda Item 3a

MTC Resolution No. 4402. FY 2020-21 Fund Estimate

Subject: Annual Fund Estimate and proposed apportionment and distribution of \$873 million in Transportation Development Act (TDA) Local Transportation Fund, State Transit Assistance (STA), State of Good Repair (SGR) Program, Assembly Bill 1107 (AB 1107), transit-related bridge toll, and Low Carbon Transit Operations Program (LCTOP) funds for FY 2020-21.

Background: MTC is required by state statute to prepare and adopt an annual fund estimate of TDA Local Transportation Fund (LTF) ¼ cent sales tax revenues for the upcoming fiscal year by March 1st. This estimate assists the Bay Area's transit operators in budgeting for the next fiscal year, in this case FY 2020-21. The fund estimate prepared by MTC also includes a number of other fund sources which MTC allocates to transit operators, primarily for operations.

The following are highlights of the fund estimate for FY 2020-21:

- 1. Economic Overview:** The Bay Area economy continues to post strong economic indicators with record low unemployment rates and continued growth in taxable sales. However, with the Bay Area economy entering its eleventh year of expansion, the likelihood of an economic downturn is increasing based on historic economic cycles. With the size of the labor market essentially flat and population growth slowing, it is prudent for transit operators to budget cautiously should the economic outlook worsen in the coming year.
- 2. Transportation Development Act (TDA):** State law requires county auditors to submit annual estimates of the ¼-cent TDA sales tax revenue generation to MTC by February 1st. A summary of the county auditors' mid-year estimates indicate that regional TDA revenue generation is expected to increase by less than 1% in the current year of FY 2019-20 to \$427 million, with an additional increase of 2.1% in FY 2020-21 to \$436 million.

MTC advises that transit operators in all counties exercise caution when budgeting for FY 2020-21 as many of the county auditors are uncertain how actual FY 2019-20 revenues will come in due to economic uncertainty and the impacts of the *Wayfair* decision and the attribution of sales taxes collected from out of state transactions.


- 3. AB 1107:** A portion (25%) of BART's half-cent sales tax revenue generated in Alameda, Contra Costa, and San Francisco counties is subject to allocation by MTC, and MTC staff is responsible for estimating the annual revenue generation. Given the economic uncertainty and indicators described above staff proposes to leave the current FY 2019-20 estimate unchanged at \$91 million and to forecast FY 2020-21 revenues of \$93.5 million (0% growth above actual FY 2018-19 revenues). This amount would be split evenly between SFMTA and AC Transit per longstanding Commission policy.

4. **State Transit Assistance (STA):** Governor Newsom's proposed FY 2020-21 State Budget estimates \$692 million in STA funds statewide in FY 2020-21. Based on this estimate, the Bay Area would receive approximately \$253 million (\$185 million in Revenue-Based and \$68 million in Population-Based) in FY 2020-21 STA funds. Staff will return to the Commission to update the estimates following the state budget approval later this year.
5. **State of Good Repair (SGR) Program:** Senate Bill (SB) 1 established the State of Good Repair (SGR) Program which will bring over \$40 million to the Bay Area in FY 2020-21 for transit capital state of good repair projects. The funds from the SGR Program follow the same state-wide distribution policies as the regular STA program, with a Revenue-Based and Population-Based program. However, unlike regular STA program funds, recipients of SGR Program funds must have their projects pre-approved by MTC and Caltrans.
6. **Bridge Tolls:** In April 2010, MTC Resolution No. 3948 resulted in a lump sum payment from BATA to MTC for an amount equal to the 50-year present value of AB 664, RM 1, and 2% Toll revenue. Future payments from these toll revenues will be made from this lump sum, in accordance with Commission policies established in MTC Resolution Nos. 4015 and 4022.
7. **Cap and Trade – Low Carbon Transit Operations Program:** The FY 2020-21 Fund Estimate includes details on funding that will flow to the region through the Low Carbon Transit Operations Program, which is a component of the state Cap and Trade program. In FY 2020-21, the region is projected to receive \$46 million from the program based on an estimate from Governor Newsom's proposed FY 2020-21 State Budget. Apportionments of these funds are guided by Caltrans policies for the Revenue-Based program (which are the same as the STA Revenue-Based program) and by the MTC Commission for the Population-Based program through the MTC Cap and Trade Framework (MTC Resolution No. 4130, Revised).

Issues: None.

Recommendation: Refer MTC Resolution No. 4402 to the Commission for approval.

Attachments: MTC Resolution No. 4402
Presentation slides



Therese W. McMillan

Date: February 26, 2020
W.I.: 1511
Referred by: PAC

ABSTRACT

MTC Resolution No. 4402

This resolution approves the FY 2020-21 Fund Estimate, including the distribution and apportionment of Transportation Development Act (TDA), State Transit Assistance (STA), State of Good Repair (SGR) Program, Assembly Bill (AB) 1107 sales tax, Low Carbon Transit Operations (LCTOP) cap-and-trade auction revenues, and transit-related bridge toll funds.

Further discussion of this action is contained in the MTC Programming and Allocations Summary Sheet dated February 12, 2020.

Date: February 26, 2020
W.I.: 1511
Referred by: PAC

RE: Determination of Transportation Development Act (TDA) Area Apportionments and Proposed Distribution of Operating Funds for FY 2020-21

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4402

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency for the San Francisco Bay Area pursuant to Government Code Section 66500 *et seq.*; and

WHEREAS, the Transportation Development Act (TDA), Public Utilities Code (PUC) Sections 99200 *et seq.*, provides that funds are made available from the Local Transportation Fund (LTF) for various transportation purposes; and

WHEREAS, pursuant to 21 California Code of Regulations Section 6620, the County Auditor for each of the nine counties in the Bay Area has submitted the revised and new TDA fund estimates for FY 2019-20 and FY 2020-21 as shown in Attachment A to this resolution, attached hereto and incorporated herein as though set forth at length; and

WHEREAS, MTC is required to determine and advise all prospective claimants, prior to March 1 each year, of all area apportionments from the LTF for the following fiscal year pursuant to 21 California Code of Regulations Section 6644; and

WHEREAS, all area apportionments of TDA funds for the 2020-21 fiscal year are shown in Attachment A to this resolution, attached hereto and incorporated herein as though set forth at length; and

WHEREAS, MTC has prepared a proposed distribution of operating/capital assistance funds, including TDA, State Transit Assistance (STA) pursuant to Public Utilities Code § 99310 *et seq.*, State of Good Repair (SGR) Program pursuant to Public Utilities Code § 99312.1, Low Carbon Transit Operations Program (LCTOP) pursuant to Health and Safety Code § 39719(b)(1)(B), the twenty-five percent (25%) of the one-half cent transaction and use tax collected pursuant to PUC Section 29142.2 (AB 1107), and estimates of certain toll bridge revenues (SHC §§ 30910 *et seq.*), in order to provide financial information to all prospective claimants to assist them in developing budgets in a timely manner; and

WHEREAS, the proposed distribution of such operating assistance funds is also shown in Attachment A; now, therefore, be it

RESOLVED, that MTC approves the area apportionments of TDA funds, and the proposed distribution of operating assistance funds for the 2020-21 fiscal year as shown in Attachment A, subject to the conditions noted therein; and, be it further

RESOLVED, that MTC intends to allocate operating assistance funds for the 2020-21 fiscal year, based on the area apportionments of TDA funds, the proposed distribution of operating assistance funds and upon the receipt of appropriate claims from eligible claimants; and, be it further

RESOLVED, that Attachment A may be revised by the MTC Executive Director or his designee to reflect funds returned to the Local Transportation Fund and expired capital allocations or by approval of the MTC Programming and Allocations Committee, except that any significant changes shall be submitted to the full Commission for approval.

METROPOLITAN TRANSPORTATION COMMISSION

Chair

The above resolution was approved by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, on February 26, 2020.



FY 2020-21 Fund Estimate

Programming and Allocations Committee
February 12, 2020

Agenda Item 3a

MTC's Fund Estimate

- State law requires MTC to complete a Fund Estimate by March 1st annually
- Assists transit operators in budgeting
- Approx. 40% of Bay Area transit operating revenues are based on sales taxes
- Operators will be urged to be cautious in their budgeting for FY 2020-21 given uncertainty about the economy
- **FY 2020-21 Fund Estimate will program approx. \$873 million, mostly for transit operations**

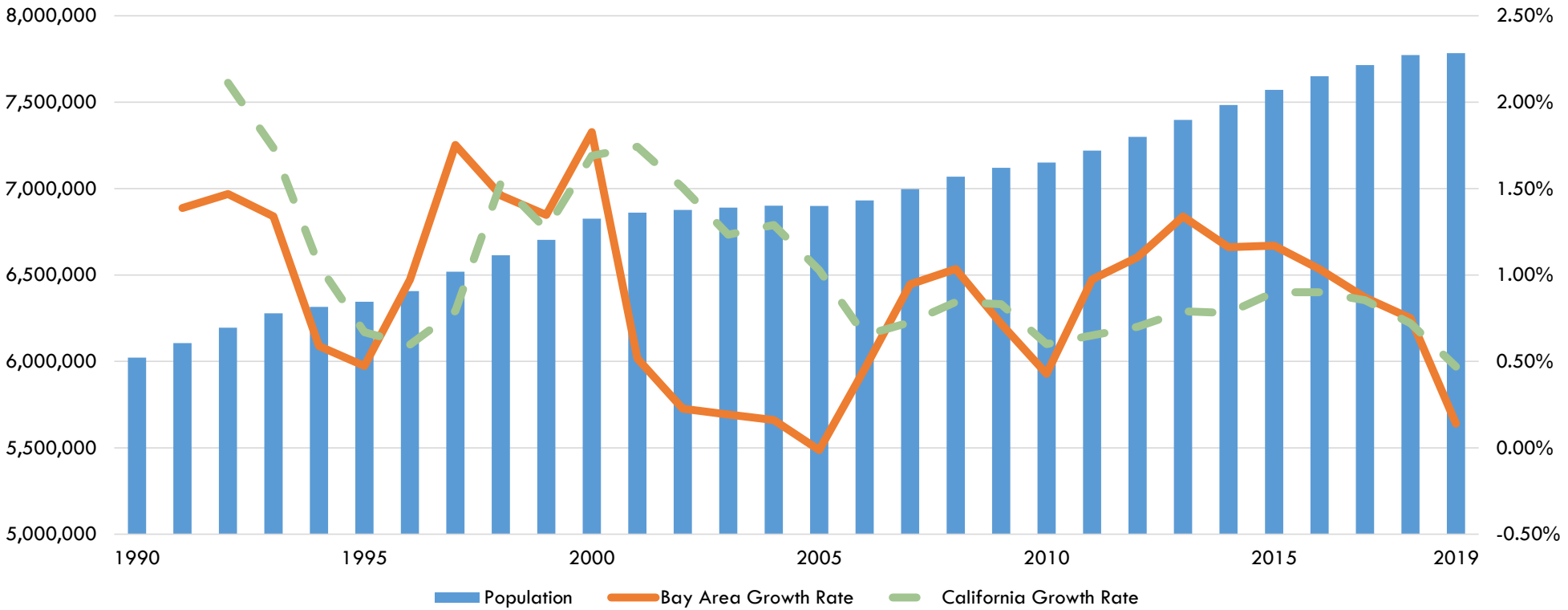


Fund Estimate Overview

	Program	Description	FY 2019-20 Estimate (\$, in millions)	FY 2020-21 Estimate (\$, in millions)
Sales Taxes and Tolls	Transportation Development Act (TDA) ¼ ¢ Sales Tax	¼ ¢ sales tax in each county	\$427	\$436
	AB 1107 ½ ¢ Sales Tax	MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties	\$91	\$94
	Bridge Tolls	MTC 2% Toll Revenues and 5% State General Fund Revenues	\$5	\$5
STA Formula	State Transit Assistance (STA)	Sales tax on diesel fuel in CA	\$254	\$253
	State of Good Repair (SGR) Program	Transportation Improvement Fee (vehicle registration fee)	\$40	\$40
	Low Carbon Transit Operations Program (LCTOP)	5% of Cap-and-Trade auction revenues	\$42	\$46

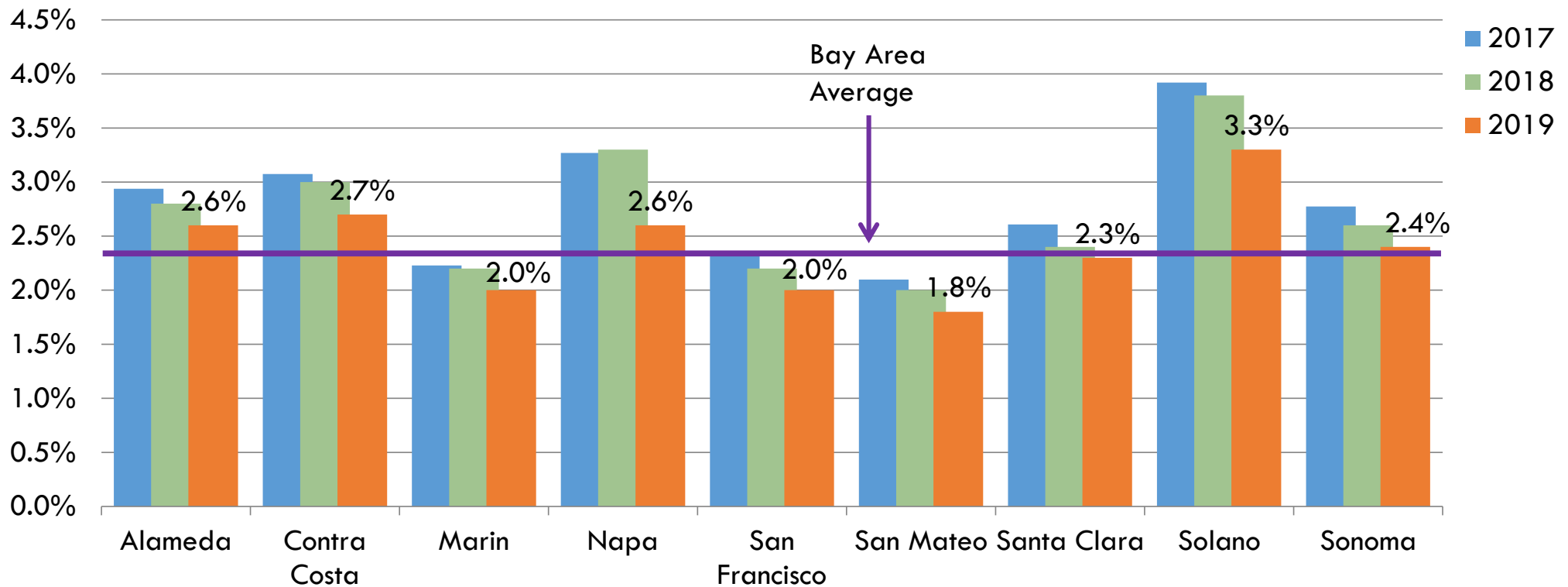
Note: Estimated revenue amounts are rounded to nearest million.

Bay Area Population



Source: California Department of Finance

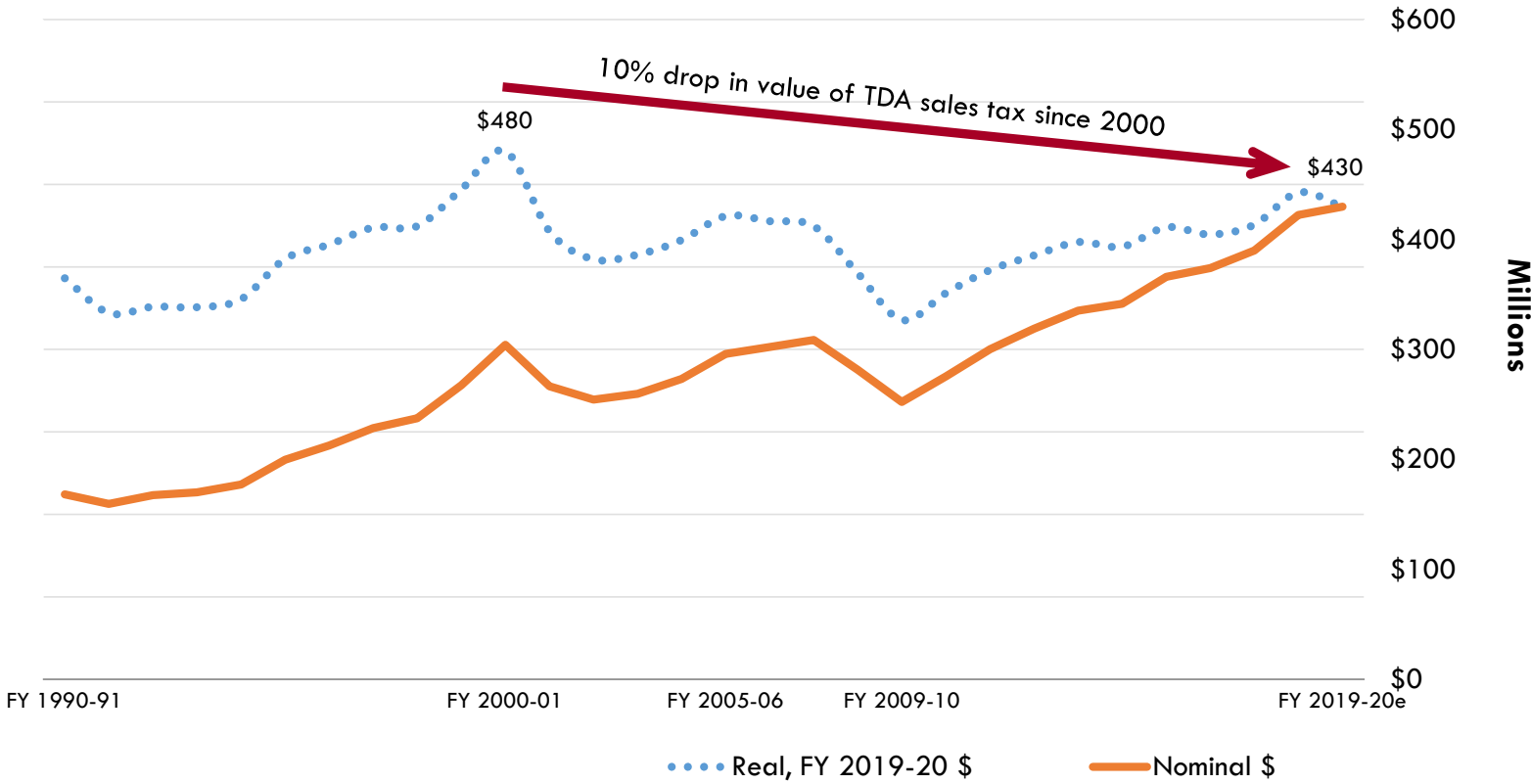
2.4% Unemployment Rate – An All Time Low



Data current as of December 2018 (most recent available data).

Source: California Employment Development Department, Labor Market Information Division – www.labormarketinfo.edd.ca.gov

Real Sales Tax Revenue: 10% Drop Since 2000



Source:
 1. Actuals reported by CA Dept. of Tax & Fee Admin.
 2. FY 2019-20 estimates from FY 2019-20 Fund Estimate

TDA Sales Tax Forecast FY 2020-21

- Estimates for each county prepared by individual county Auditor/Controllers
- Return to source, revenue earned in a county is spent in that county
- Revenue primarily used for transit operations and capital expenses
- Operators should be extra cautious due to uncertainty in County Auditor forecasts resulting from sales tax distribution changes
- **FY 2020-21 forecast of \$435.6 million** is a **2.1% increase** above the Auditor/Controllers' revised forecast for FY 2019-20 (\$426.5 million)
 - Revised FY 2019-20 Auditor/Controllers' forecast represents a 0.8% decrease over original forecast
 - Impacts of *Wayfair* decision on revenue still unclear



AB 1107 Sales Tax Forecast FY 2019-20

- 25% of total revenue from BART's sales tax in Alameda, Contra Costa, and San Francisco counties
- MTC estimates revenue and establishes funding policy
- Only AC Transit, BART, and SFMTA eligible to receive AB 1107 funds per state statute
- Historically, Commission policy is to distribute 50% of funds to AC Transit and 50% to SFMTA
- **FY 2020-21 forecast of \$93.5 million** is a **0% increase** above the actuals for FY 2018-19 (\$93.5 million)

Conservative forecast, but all revenues received will automatically be allocated to SFMTA and AC Transit



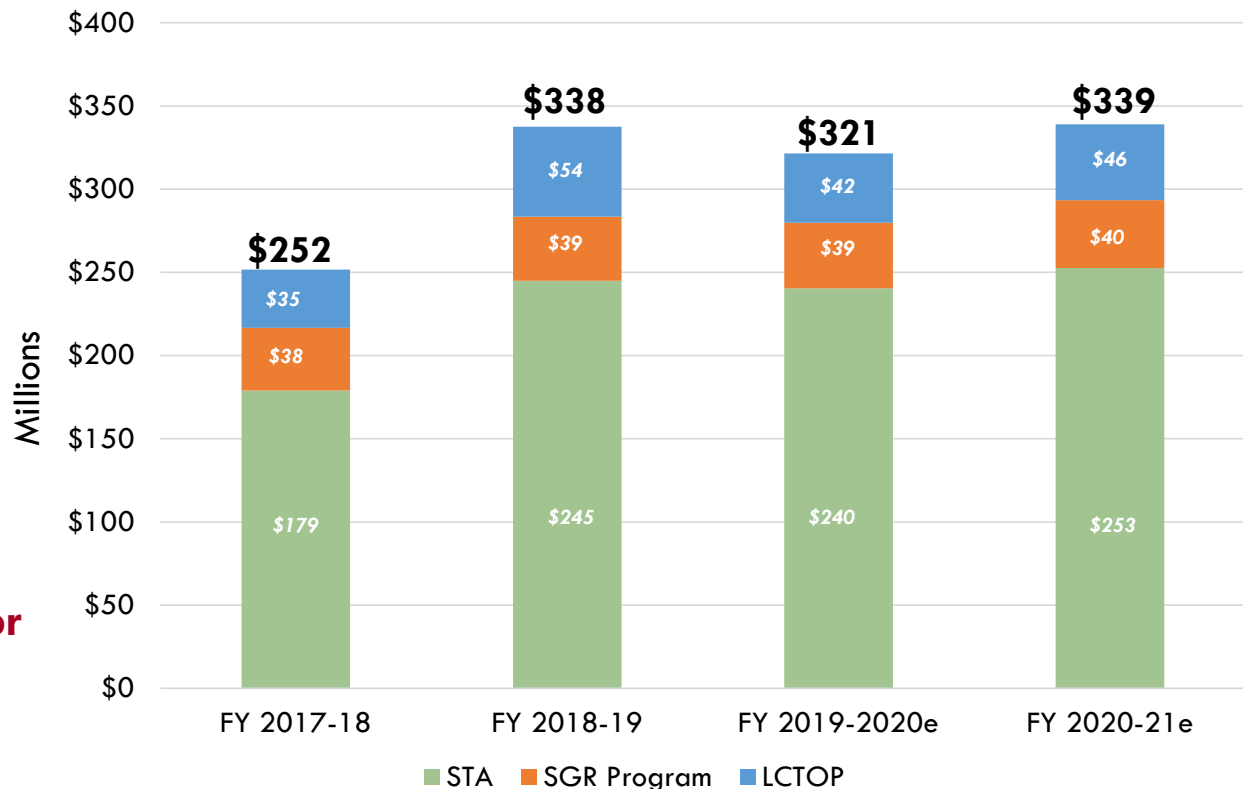
STA Formula Programs FY 2020-21

State Transit Assistance (STA) formula splits statewide revenue 50/50 between a Revenue-Based program and a Population-Based program

Revenue-Based funds flow to transit operators via MTC based on their qualifying local revenue

Population-Based funds flow to the Bay Area based on our 19.5% share of the state's population and are programmed by MTC

FY 2020-21 forecast of \$339 million for the Bay Area in STA, State of Good Repair (SGR) Program and Low Carbon Transit Operations Program (LCTOP) revenue



Staff recommendation is to forward to the Commission for approval:

MTC Resolution 4402 (FY 2020-21 Fund Estimate)

