

Metropolitan Transportation Commission Programming and Allocations Committee

February 10, 2021

Agenda Item 3d - 21-0149

MTC Resolution No. 4450. FY 2021-22 Fund Estimate

Subject: Annual Fund Estimate and proposed apportionment and distribution of \$790 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 2021-22.

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 2021-22. 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 2021-22:

- 1. Economic Overview:** The Bay Area economy, like local economies worldwide, has been significantly impacted by the COVID-19 pandemic. Unemployment rates have increased significantly across all nine counties over the last year with Solano County having the highest unemployment rate at 7.5% and Marin County with the lowest rate at 4.7% in November 2020. Taxable sales have been impacted in uneven ways, with San Francisco experiencing declines in taxable sales of more than -38% while five other Bay Area counties have seen an *increase* in taxable sales during the pandemic. Significant uncertainty remains about possible shifts in population, work from home policies, and commute patterns – all of which could impact revenues. Accordingly, it is prudent for transit operators to budget with great caution.
- 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 decrease by 7.1% in the current year of FY 2020-21 to \$405 million, with a subsequent increase of 3.6% in FY 2021-22 to \$419 million.

MTC advises that transit operators in all counties exercise caution when budgeting for FY 2021-22 as many of the county auditors are uncertain how actual FY 2020-21 revenues will come in due to economic uncertainty, 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 revise the current FY 2020-21 estimate downwards to \$83 million and to forecast FY 2021-22 revenues of \$83 million (7.2% decrease

from actual FY 2019-20 revenues of \$89 million). 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 2021-22 State Budget estimates \$667 million in STA funds statewide in FY 2021-22. Based on this estimate, the Bay Area would receive approximately \$201 million (\$147 million in Revenue-Based and \$54 million in Population-Based) in FY 2021-22 STA funds. Staff will return to the Commission to update the estimates following the state budget approval later this year.

Note that staff are proposing to revise the FY 2020-21 STA revenue forecast from what was included in the adopted FY 2020-21 State Budget to incorporate the state's current and more accurate projections for FY 2020-21. The updated estimates for the current year are included in the Governor's FY 2021-22 budget proposal and will allow transit operators to claim much needed additional STA funds this year.

- 5. State of Good Repair (SGR) Program:** Senate Bill (SB) 1 established the State of Good Repair (SGR) Program which will bring nearly \$43 million to the Bay Area in FY 2021-22 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.
- 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 2021-22 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 2021-22, the region is projected to receive \$39 million from the program based on an estimate from Governor Newsom's proposed FY 2021-22 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. 4450 to the Commission for approval.

Attachments: MTC Resolution No. 4450
Presentation slides



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Photo: SFMTA, Jeremy Menzies



FY 2021-22 Fund Estimate

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MTC's Fund Estimate

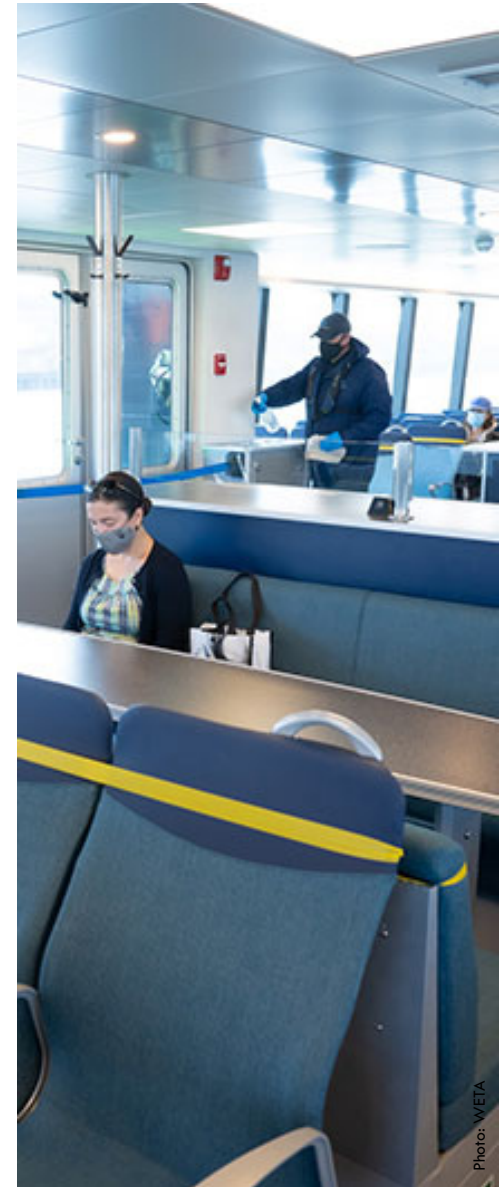
○ State law requires MTC to complete a Fund Estimate by March 1st annually

○ Assists transit operators in budgeting

○ Approx. 40% of Bay Area transit operating revenues are based on sales taxes

○ As expected, caution is warranted in budgeting for FY 2021-22 given uncertainties around the ongoing impacts of COVID-19 on public transit

FY 2021-22 Fund Estimate will program approx. \$790 million, mostly for transit operations

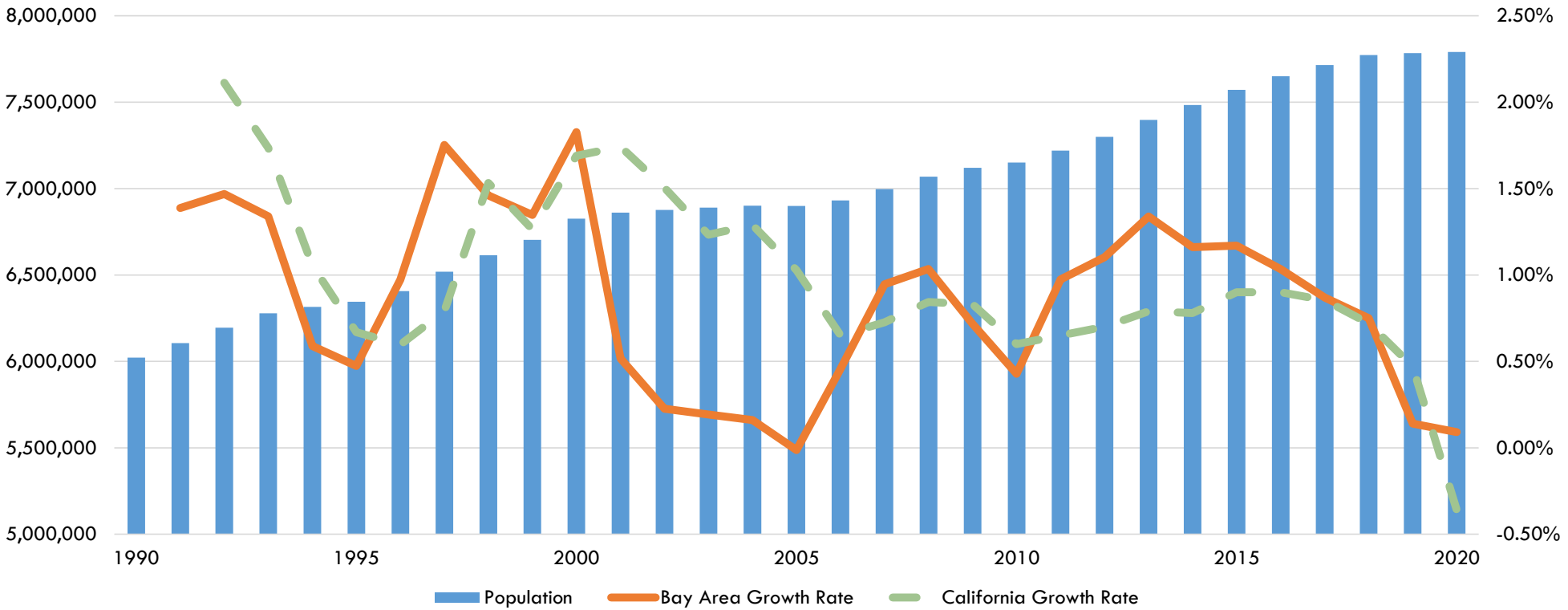


Fund Estimate Overview

| | Program | Description | FY 2020-21 Original Estimate (\$, in millions) | FY 2020-21 Revised Estimate (\$, in millions) | FY 2021-22 Estimate (\$, in millions) |
|-----------------------|--|---|--|---|---|
| Sales Taxes and Tolls | Transportation Development Act (TDA) ¼ ¢ Sales Tax | ¼ ¢ sales tax in each county | \$436 | \$405 | \$416 |
| | AB 1107 ½ ¢ Sales Tax | MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties | \$94 | \$83 | \$83 |
| | Bridge Tolls | MTC 2% Toll Revenues and 5% State General Fund Revenues | \$5 | \$5 | \$5 |
| STA Formula | State Transit Assistance (STA) | Sales tax on diesel fuel in CA | \$253 | \$194 | \$201 |
| | State of Good Repair (SGR) Program | Transportation Improvement Fee (vehicle registration fee) | \$40 | \$43 | \$43 |
| | Low Carbon Transit Operations Program (LCTOP) | 5% of Cap-and-Trade auction revenues | \$46 | \$37 | \$39 |

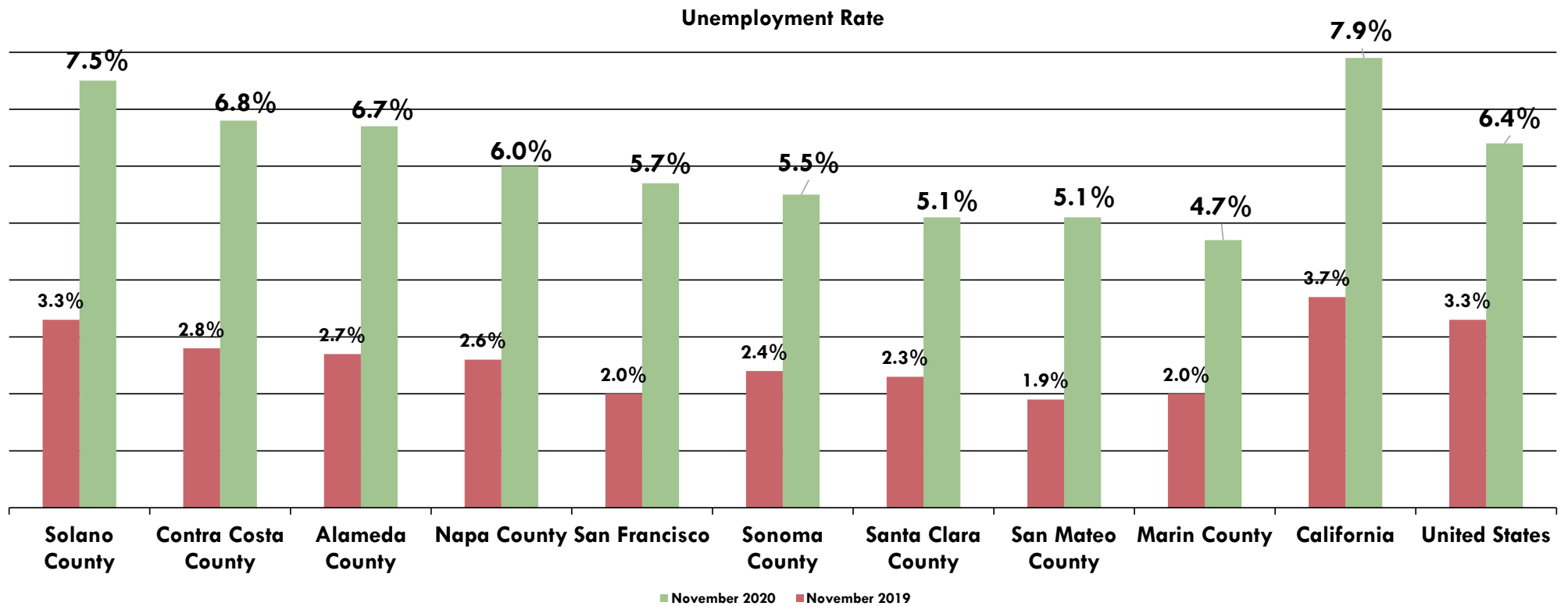
Note: Estimated revenue amounts are rounded to nearest million.

Bay Area Population



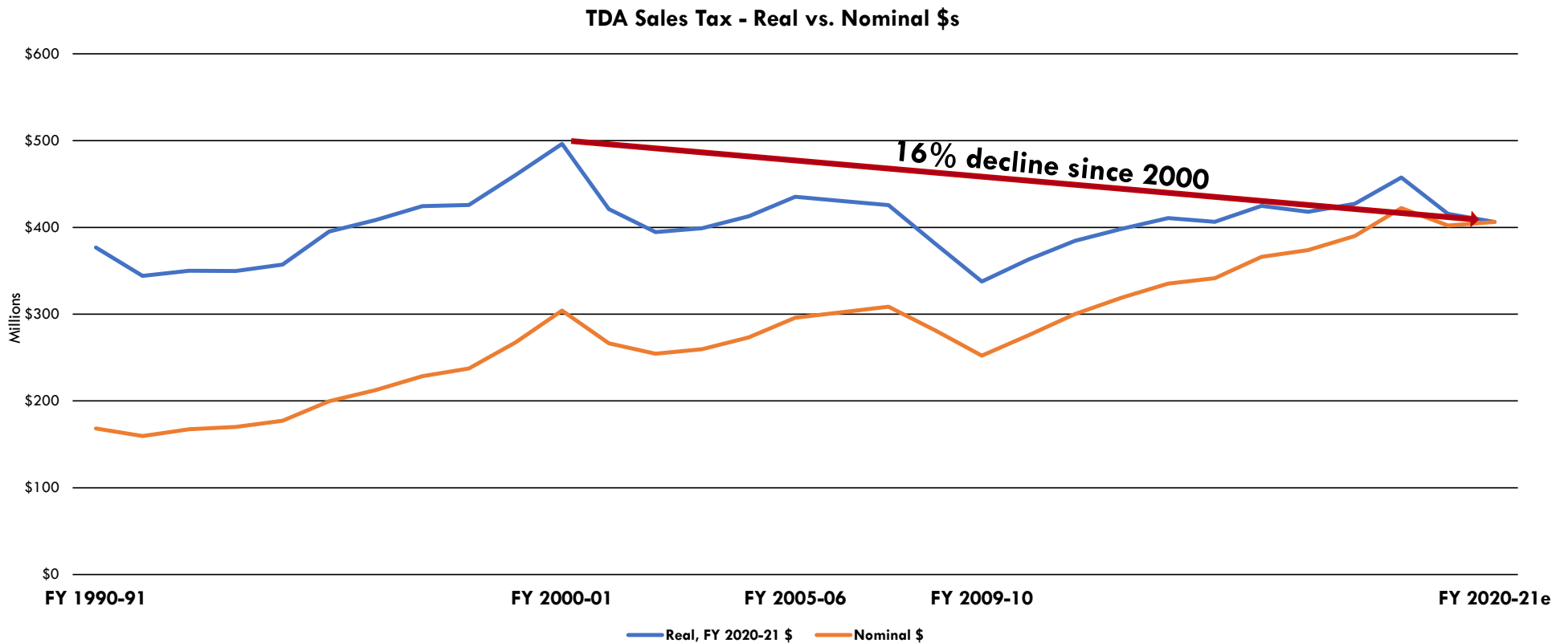
Source: California Department of Finance

Unemployment Rate: Substantially Higher Year over Year



Source: US Bureau of Labor Statistics, January 2021

Real Sales Tax Revenue: 16% Drop Since 2000 When Adjusted for Inflation

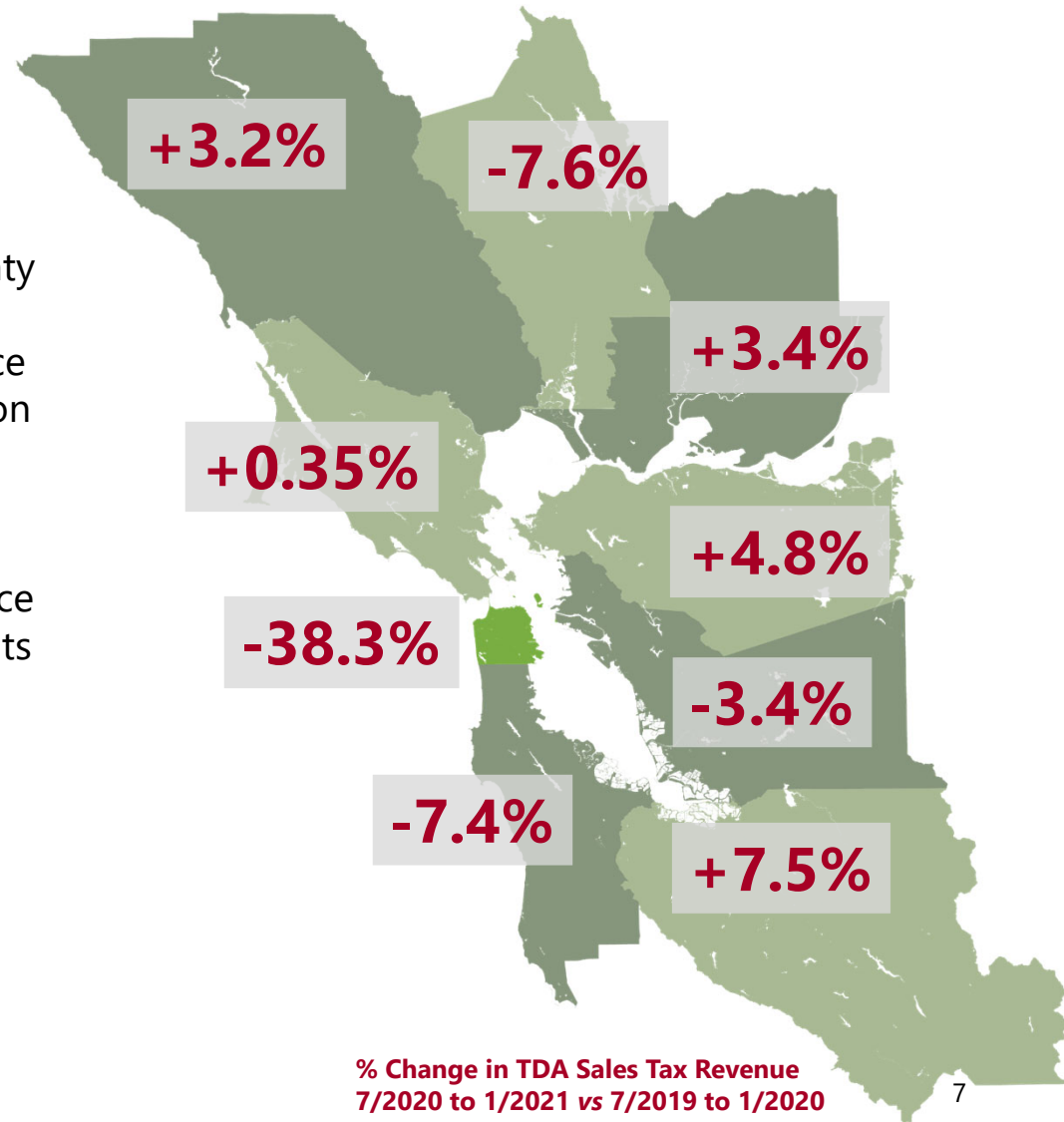


Source:

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

TDA Sales Tax Revenue Uneven Impacts

- So far over the course of the pandemic sales tax revenue impacts have varied significantly by county
- Changes in daytime population, the disappearance of tourism, and the impacts of the *Wayfair* decision have likely played key role in the differing performance of the sales tax around the Bay Area
- As the sales tax is the single most important source of funding for transit operations in the Bay Area, its overall all resilience during the pandemic is a positive for many transit operators



TDA Sales Tax Forecast FY 2021-22



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 2021-22 forecast of \$419 million is a **3.6% increase** above the Auditor/Controllers' revised forecast for FY 2020-21 (\$404.7 million)

- Revised FY 2020-21 Auditor/Controllers' forecast represents a 7.1% decrease from original forecast
- *Wayfair* decision likely providing significant boost to revenue



AB 1107 Sales Tax Forecast FY 2021-22

- 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 2021-22 forecast of \$83 million** is a **6.7% decrease** from the actuals for FY 2019-20 (\$88.96 million)
- FY 2020-21 forecast is revised downwards to \$83 million from \$93.5 million as shown in the FY 2020-21 Fund Estimate**



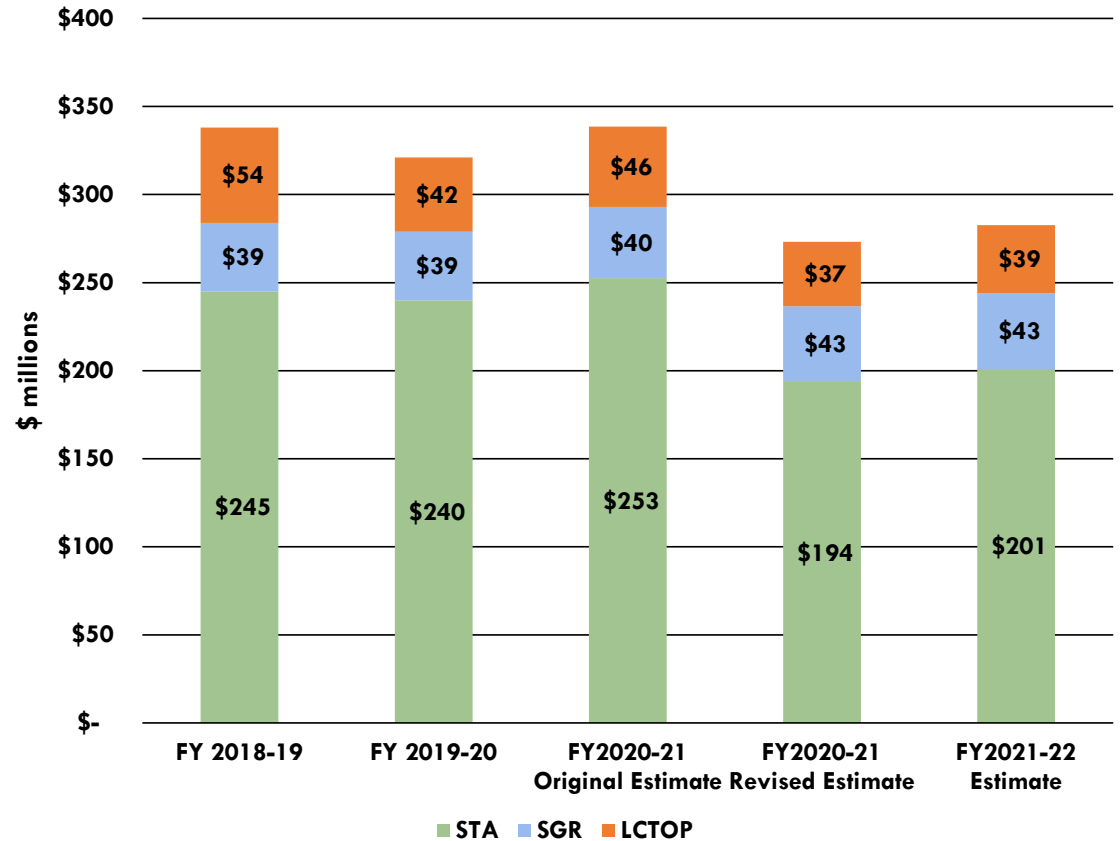
STA Formula Programs FY 2021-22

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 2021-22 forecast of \$283 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 4450 (FY 2021-22 Fund Estimate)

