



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Commission

DATE: February 15, 2017

FR: Deputy Executive Director, Policy

RE: MTC Resolution No. 4268 - Fiscal Year 2017-18 Fund Estimate

Due to a technical error in the MTC accounting system, several of the outstanding commitment amounts in the Fiscal Year 2017-18 Fund Estimate have been updated from what was presented at the February 8, 2017 Programming and Allocations Committee. These updates to the outstanding commitments have a corresponding impact on the amount available for allocation to certain claimants in Fiscal Year 2017-18.

In addition, at the Committee meeting, Commissioner Josefowitz requested additional details on the fund sources included in the Fund Estimate. Attached to this memo is a matrix which contains details on the distribution methodology and governing statutes/policies for the five primary types of funding included the Fund Estimate.

A handwritten signature in black ink that reads "Alix A. Bockelman".

Alix A. Bockelman

Attachments

- Fund Estimate Revenue Source Detail
- MTC Resolution No. 4268, Attachment A (Updated)

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Fund Estimate Revenue Source Detail

Fund Source	Description	Distribution	Governing Law/Policy	FY 2017-18 Estimate \$ millions
TDA	¼-cent sales tax in each county	Return to source by county. Apportioned based on population in jurisdiction or transit operator service area. <ul style="list-style-type: none"> • 4% take-down for planning & admin. fees • 2% of remaining funds for Bike/Ped projects • 5% for paratransit services • Remainder for public transit operations & capital projects 	Public Utilities Code (PUC) Sections 99200 et seq	\$388
AB1107	MTC administered portion (25%) of the ½-cent sales tax in Alameda, Contra Costa, and San Francisco counties	<ul style="list-style-type: none"> • 75% of total revenue goes directly to BART • 25% comes to MTC and can be allocated to BART, SFMTA, or AC Transit. MTC practice since 1987 has been to split funds equally between SFMTA and AC Transit 	PUC Section 29142.2 (AB 1107)	\$85
STA	Sales tax on diesel fuel	Evenly split at state level between Revenue and Population programs. <ul style="list-style-type: none"> • <u>Revenue program</u> – distributed by the State Controller’s Office to transit operators based on share of qualifying revenue (fares, sales taxes, other local funding) relative to all other operators in the state • <u>Population program</u> – Distributed to MTC based on region’s population share relative to the state. Distribution of funds based on MTC policy, to four categories: Paratransit, Regional Coordination, Lifeline, Northern Counties/Small Operators. 	PUC Sections 99313 and 99314. MTC Resolution 3837 – Population Program	\$111
Cap and Trade: LCTOP	5% of state Cap and Trade proceeds	Generally follows the same distribution as STA. Revenue program is distributed directly to operators; Population program is distributed based on MTC policy (differs from MTC’s STA Population program; distributed to Clipper/Fare Policy, Northern Counties/Small Operators, Transit Performance Initiative).	Public Resources Code Section 75230 (AB 862) MTC Resolution 4130 – Population Program	\$28
Bridge Tolls	AB 664, MTC 2%, and 5% State General Fund	<ul style="list-style-type: none"> • AB664 – Used primarily to match transit capital projects programmed for Federal Transit Administration formula funds • MTC 2% -- Programmed for ferry capital and operations as well as the Bay Trail and other studies • 5% State General Fund -- Also programmed for ferry capital and operations as well as the Bay Trail 	<ul style="list-style-type: none"> • AB 664: S&H Code 30884; MTC Res. 4123, 4262 • MTC 2%: S&H Code 30913(b) • 5% General Fund: Caltrans Cooperative Agreement • All: MTC Resolution 4015 	\$42
Total				\$654

Note: All programs also have guidelines for eligible uses/recipients of funds.

**Metropolitan Transportation Commission
Programming and Allocations Committee**

February 8, 2017

Agenda Item 3a

Resolution No. 4268

Subject: Annual Fund Estimate and proposed apportionment and distribution of \$654 million in Transportation Development Act (TDA) Local Transportation Fund, State Transit Assistance (STA), Assembly Bill 1107 (AB 1107), transit-related bridge toll, and Low Carbon Transit Operations Program funds for FY 2017-18.

Background: The following are highlights of the fund estimate for FY 2017-18:

1. **Economic Overview:** The Bay Area economy continues its robust performance with gains in employment, decreases in unemployment rates, rising real estate values, and continued growth in taxable sales.
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 4% in FY 2016-17, with an additional increase of 3% in FY 2017-18. However some counties estimate more moderate increases and in one case a slight decrease in revenue. Specific areas of note include:
 - The auditors in San Mateo and Solano counties are projecting TDA sales tax growth of less than 1% in FY 2017-18.
 - The Marin County Department of Finance is projecting TDA sales revenue to decrease by 0.3% in FY 2017-18.

Despite robust sales tax growth since the Great Recession and that the Bay Area is at all-time highs of population and employment, overall sales tax revenue in inflation adjusted terms remains 12% below the “dot-com boom” peak reached in FY 2000-01 and nearly even with the pre-Great Recession peak reached in FY 2005-06. On a per-capita basis, TDA sales tax revenues have *decreased* by nearly 24% since FY 2000-01.

The Bay Area’s challenge in returning to previous levels of sales tax revenue highlights significant structural changes in the regional economy away from goods (subject to sales tax) towards untaxed services. This structural change is significant as sales tax revenues account for 40% of operating revenues for transit and are the entire underpinning of the county-based self-help transportation funding movement.

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 in turn, MTC staff is responsible for estimating the annual revenue generation. Based on trends in actual revenues, and this fiscal year’s second quarter actual receipts, staff recommends increasing the current-year FY 2016-17 estimate from \$80.8 million to \$83.2 million (a 3% increase over actual FY 2015-16 revenues). Staff proposes an additional increase of 2% in FY 2017-18 (\$84.8 million).

4. **State Transit Assistance (STA):** Governor Brown's proposed FY 2017-18 State Budget estimates \$294 million in STA funds statewide in FY 2017-18. Based on this estimate, the Bay Area would receive approximately \$111 million (\$82 million in revenue-based and \$29 million in population-based) in FY 2017-18 STA funds. This represents a 12% increase in STA revenue over what is projected for the Bay Area in FY 2016-17.

STA funds have decreased significantly over the last three years (in FY 2014-15 the Bay Area received \$144 million in STA revenues) due to lower prices for diesel fuel. STA revenue is generated by a 1.75% state sales tax on diesel fuel.

Over the past year MTC staff has worked jointly with the California Transit Association on legislation that will be introduced to the Legislature in the coming weeks to modernize the STA program statutes in the state Public Utilities Code. This effort was prompted by a 2015 legal challenge to the State Controller's Office's implementation of the STA program. Staff does not anticipate the modernized statutes producing a significant change in STA revenue for the Bay Area.

5. **BART Feeder Bus Agreements:** The transit coordination program allows funding to be transferred from BART's STA and TDA apportionments to cover local bus operator expenses for feeder bus services to BART stations. The FY 2017-18 feeder bus expenses are \$6.5 million, a 4% decrease over FY 2016-17. The decrease is due to increased TDA sales tax contributions to LAVTA and WestCAT, which offsets some of the need for BART funds. Feeder bus expenses are indexed to the annual change in BART's ½-cent sales tax revenue generation
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. **STA Spillover Funding Agreement:** In 2007 the Commission adopted Resolution No. 3814 which established a framework for anticipated STA Spillover funds. The resolution dedicated \$3 million of projected STA Spillover funds to the BART to Warm Springs project. Unfortunately, no STA Spillover funds were received by MTC after FY 2007-08 and as a result only \$308,524 of the \$3 million commitment could be fulfilled. Given that the Spillover funds are not available and the BART Warm Springs/South Fremont extension is expected to open this year with construction largely complete and costs largely known, staff is proposing to retire the funding commitment for the project.

- 8. Cap and Trade – Low Carbon Transit Operations Program:** The FY 2017-18 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 2017-18, the region is projected to receive \$28 million from the program based on an estimate from Governor Brown’s proposed FY 2017-18 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.

Recommendation: Refer MTC Resolution No. 4268 to the Commission for approval.

Attachments: Presentation slides
MTC Resolution No. 4268



Photo © Dan Zack, AICP



FY 2017-18 Fund Estimate MTC Resolution No. 4268

Programming and Allocations Committee
Wednesday, February 8, 2017

MTC's Fund Estimate

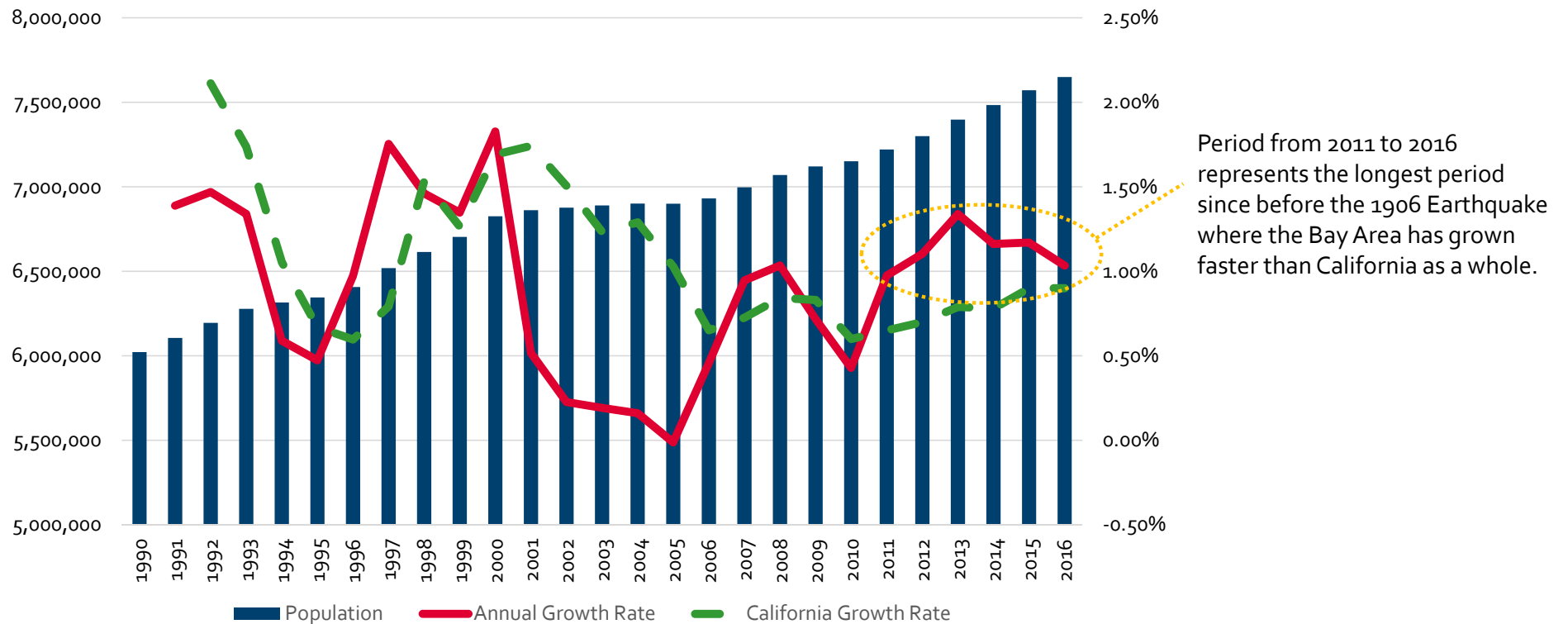
- State law requires MTC to complete a Fund Estimate by March 1st, annually
- Assists claimants in budgeting
- Provides estimate and apportionment of TDA as required by California Code of Regulations
- Approximately 40% of Bay Area transit operating revenues are based on sales and use taxes

Fund Estimate Overview

Fund Source	Description	FY 2016-17 Revised Estimate \$ millions	FY 2017-18 Estimate \$ millions
TDA	¼-cent sales tax in each county	\$379	\$388
AB1107	MTC administered portion (25%) of the ½-cent sales tax in Alameda, Contra Costa, and San Francisco counties	\$83	\$85
STA*	Sales tax on diesel fuel	\$100	\$111
Cap and Trade: LCTOP*	5% of state Cap and Trade proceeds	\$13	\$28
Bridge Tolls (programming amount)	AB 664, MTC 2%, and 5% State General Fund	\$7	\$42
Total		\$582	\$654

*STA amounts estimated based on the Governor's FY 2017-18 budget and are subject to revision.

Bay Area Population

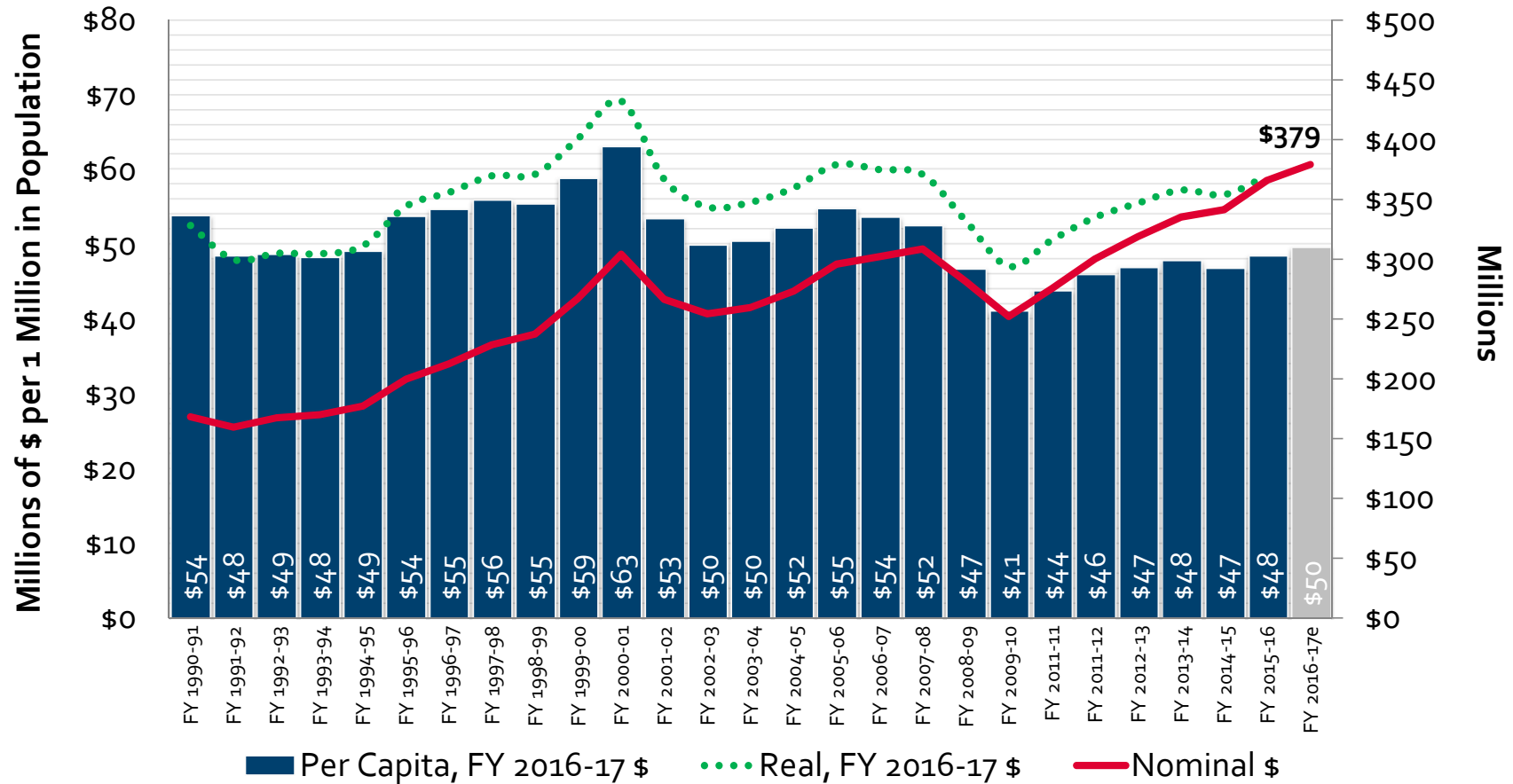


Source: California Department of Finance - <http://www.dof.ca.gov/research/demographic/reports/>

TDA Overview

- Transportation Development Act (TDA)
- 1/4-cent general sales and use tax for transportation
- Mainly used for transit operations and capital
- TDA revenue generation estimates provided by County Auditor/Controllers

TDA, A Declining Source of Revenue



Source:

1. Actuals reported by CA State BOE
2. FY 2016-17 estimates from FY 2016-17 Fund Estimate

Why is Sales Tax Revenue Decreasing?

- Manufacturing in the region is decreasing
 - 458k jobs in 1990; 331k in 2015
- Services jobs are growing
 - Professional and Business services: 403k jobs in 1990; 741k in 2015
- Online retail
- Housing affordability
 - In 1990 32% of Bay Area renters spent over 35% of income on housing; by 2013 42% did – less discretionary spending
- Extending the ¼-cent TDA sales tax to services could generate \$0.5 - \$1 billion per year¹

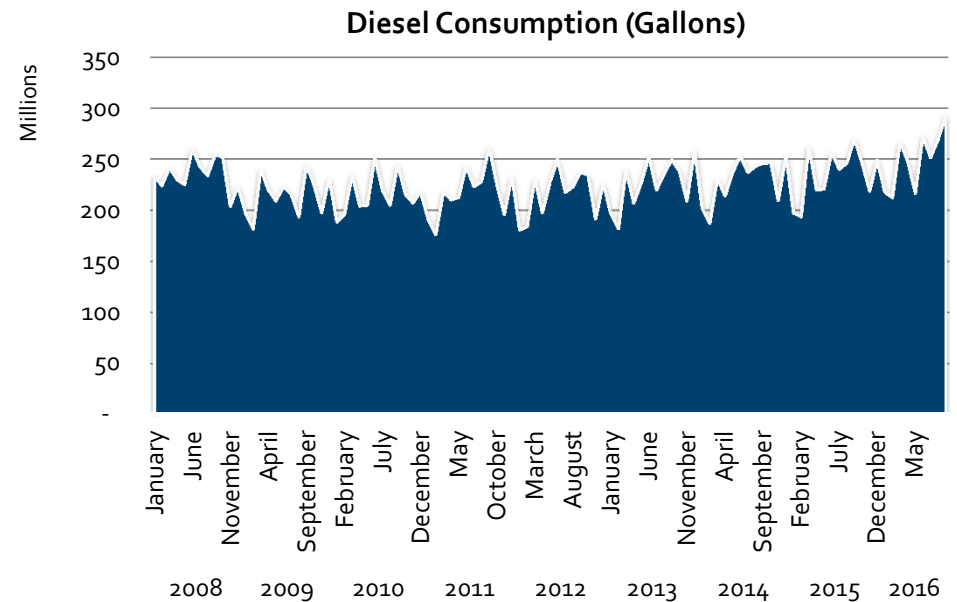
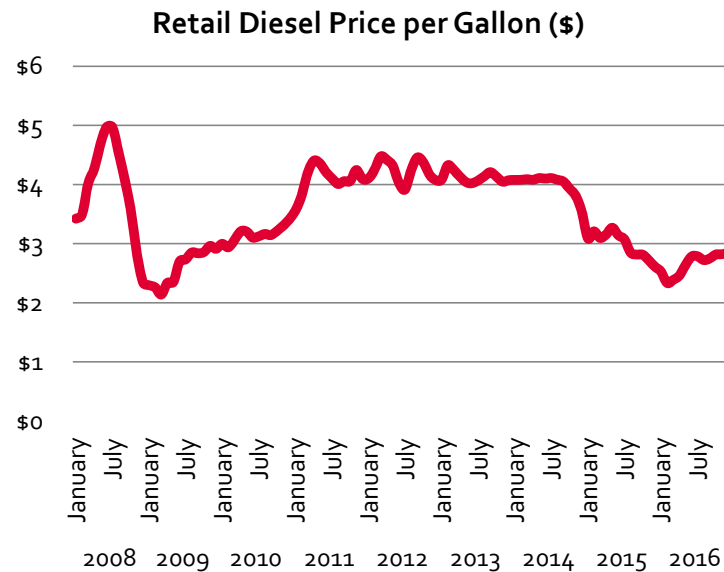
¹Rough estimates based on data from U.S. BEA and California BOE, revenue potential varies dramatically based on methodological assumptions.

STA Overview

- State Transit Assistance (STA)
- Revenues generated through a statewide tax on the sale of diesel fuel
 - 50% distributed to region by population
 - 50% distributed to transit operators based on revenue factors
- Mainly used for transit operations
- State Controller's Office (SCO) changes
 - SB 838 (2016) and current statewide efforts

STA Revenue Estimate

- STA program revenue has been decreasing for several years due to declining diesel prices
- FY 2017-18 State Budget is projecting a 12% increase in STA revenues



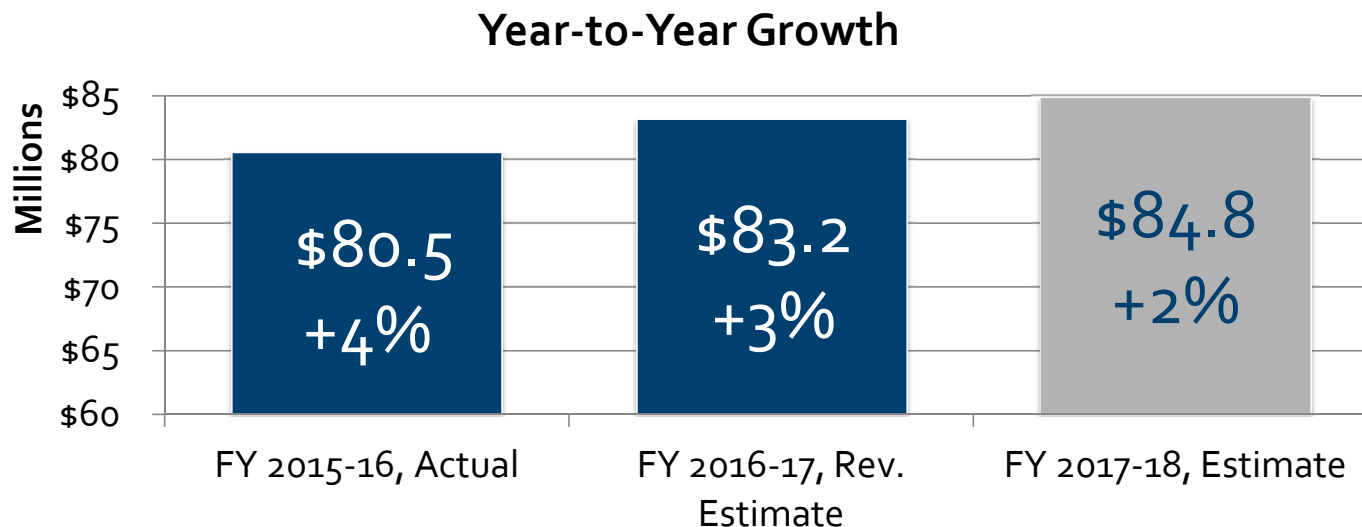
Sources:
 STA revenue estimates from CA State Controller's Office - www.sco.ca.gov/ard_payments_transit.html
 Diesel Prices from U.S. Energy Information Administration - www.eia.gov/petroleum/gasdiesel/
 Diesel Consumption from CA State BOE - www.boe.ca.gov/sptaxprog/spftrpts.htm

AB1107 Overview

- 25% of BART's ½-cent general sales and use tax revenue generated in Alameda, Contra Costa, and San Francisco counties
- MTC estimates and establishes funding distribution policy
 - AC Transit, BART, and SFMTA eligible by law
 - Historically, distributed 50% to AC Transit and 50% to SFMTA
- Mainly used for transit operations

AB1107 Revenue Estimates

- AB 1107 revenues have been growing since FY 2010-11. Revenue has increased by 51% since 2010 when total revenue was \$55 million.



Source:

1. Actuals reported by CA State BOE
2. FY 2017-18 estimate from FY 2017-18 Fund Estimate

Bridge Toll Revenues

- Annual distributions and policies established in Resolution Nos. 4015 and 4022

Fund Source	FY 2017-18 Programming
AB 664	\$37.6 million
MTC 2% Toll	
Ferry Capital	\$1 million
ABAG Bay Trail	\$450,000
2% Subtotal	\$1.45 million
5% State General Fund	
Ferry	\$3 million
ABAG Bay Trail	\$273,421
5% Subtotal	\$3.3 million

Cap and Trade Revenues

- Low Carbon Transit Operations Program (LCTOP) revenues are included in the Fund Estimate for informational purposes
 - Revenue-based and Population-based funds
 - Distributed to regions by the same formula as State Transit Assistance
- LCTOP fund policy set forth through MTC's Cap and Trade Framework
- LCTOP revenues are derived from Cap and Trade auction proceeds and were impacted by reduced auction proceeds in 2016

FY 2016-17 Estimate \$ millions	FY 2017-18 Estimate \$ millions
\$13	\$28

Date: February 22, 2017
W.I.: 1511
Referred by: PAC

ABSTRACT

Resolution No. 4268

This resolution approves the FY 2017-18 Fund Estimate, including the distribution and apportionment of Transportation Development Act (TDA), State Transit Assistance (STA), Assembly Bill (AB) 1107 sales tax, and transit-related bridge toll funds.

Further discussion of these actions is contained in the MTC Programming and Allocations Summary Sheet dated February 8, 2017.

Date: February 22, 2017
W.I.: 1511
Referred by: PAC

RE: Determination of Transportation Development Act (TDA) Area Apportionments and Proposed Distribution of Operating Funds for FY 2017-18

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4268

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 2016-17 and FY 2017-18 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 2017-18 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 assistance funds, including TDA, State Transit Assistance (STA) pursuant to Public Utilities Code § 99310 *et seq.*, 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 2017-18 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 2017-18 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 (To Be Determined)

The above resolution was approved by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California, on February 22, 2017.