

Metropolitan Transportation Commission

Commission Workshop (Day 2)

April 25, 2024

Agenda Item 2a

Plan Bay Area 2050+ Update and Related SB 1031 Policy Decisions

Subject:

Update on Plan Bay Area 2050+, including key issues and tradeoffs related to fiscally constraining the plan's transportation element and achieving the plan's statutorily required greenhouse gas (GHG) emissions reduction target.

Background:

In July 2023, MTC/ABAG kicked off Plan Bay Area 2050+, a limited and focused update to the regional vision for transportation, housing, economic development, and environmental resilience. In parallel, staff have been advancing the Transit 2050+ effort in close coordination with transit operators to “fund, develop and adopt a Bay Area Connected Network Plan” by applying a connected network planning approach to update the transit-related strategies in Plan Bay Area 2050's Transportation Element.

Following an extensive first round of engagement in the latter half of 2023, the Joint MTC Planning Committee with the ABAG Administrative Committee approved revised Plan Bay Area 2050+ Draft Blueprint strategies and growth geographies for further study in January 2024. In February 2024, staff provided an update on Transit 2050+, including preliminary findings related to existing conditions and identified needs and gaps for the region's transit system.

Long-Range Plan Federal and State Planning Requirements:

Developed in compliance with federal and state regulations and guidelines, Plan Bay Area satisfies Regional Transportation Plan (RTP) and Sustainable Communities Strategy (SCS) requirements for the nine-county San Francisco Bay Area. Among other requirements, the long-range plan must: (1) contain a fiscally-constrained transportation project list; (2) reduce per-capita greenhouse gas (GHG) emissions from light-duty vehicles; and (3) receive approval from federal state regulators, including the California Air Resources Board (CARB). However, due to

various changes in the overall planning context since the adoption of the previous plan in October 2021, staff anticipate several challenges in addressing these requirements.

Transportation Element Fiscal Constraint Challenges:

At \$382 billion, the plan’s Transportation Element features similar *needs* compared to Plan Bay Area 2050, reflecting costs to operate, maintain and optimize the existing transportation network. However, transportation *revenues* have declined by \$95 billion, from \$591 billion in Plan Bay Area 2050 to \$496 billion in the Plan Bay Area 2050+ Draft Blueprint. The reduction is largely driven by the decline in fare revenues due to lower transit ridership, as well as a smaller assumed regional revenue measure and less net revenues from pricing strategies. With less overall revenue, available funding for transportation system enhancement and expansion is just over half what it was in the prior plan, from \$210 billion in the previous plan to \$114 billion in the Draft Blueprint. Despite the overall decline, Plan Bay Area 2050+ still assumes major changes to the status quo – including new taxes, a mileage-based user fee, all-lane tolling, and expanded parking pricing – to generate \$87 billion in anticipated, new and strategy-generated revenues.

New and Anticipated Revenues through 2050	
Future Federal/State Administrations Approve Stimulus Bills (or equivalent)	\$16 billion
By 2028: Voters Approve Regional Transportation Measure	\$32 billion
By 2030: Regional Mileage-Based User Fee Placed on All VMT	\$12 billion
By 2035: All Growth Geographies Charge for Parking	\$13 billion
By 2035: All-Lane Tolling Implemented on All Congested Freeways	\$13 billion
Total	\$87 billion

Rising transportation projects costs are an additional challenge. A sample of 10 “megaprojects” from Plan Bay Area 2050, for example, have increased in combined costs from \$68 billion in Plan Bay Area 2050 to \$112 billion (draft) in Plan Bay Area 2050+. If prioritized for inclusion in Plan Bay Area 2050+, these projects would encompass nearly the entire “draft budget” for non-

O&M strategies – precluding investments in many other critical categories, including GHG-reducing climate strategies and Transit Transformation Action Plan priorities, among others.

Given these dynamics, some projects and programs included in Plan Bay Area 2050 will need to be delayed, scoped down, or removed to meet fiscal constraint and GHG-reduction requirements (assuming we proceed with the proposed revenue levels and adopt a plan that achieves the GHG target). For more information on the Plan Bay Area 2050+ transportation revenue forecast and assumptions, please see **Attachment A**. For more information on megaproject cost escalation, please see **Attachment B**.

Statutory Climate Target Challenges:

Plan Bay Area 2050 met and exceeded the target set by CARB to reduce per-capita GHG emissions from light-duty vehicles by 19 percent from 2005 levels by the year 2035. However, preliminary analysis suggests that Plan Bay Area 2050 strategies with updated assumptions will fall short of meeting the 19% target by 2 to 4 percentage points, driven by changes in the broader planning context over the last few years, including lower population growth and less transit use.

This initial GHG “gap” for the Plan Bay Area 2050+ Draft Blueprint will likely worsen to a 4 to 6 percentage point gap as analysis proceeds in spring 2024, most notably because there are fewer financial resources to invest in improving and expanding the transportation system compared to Plan Bay Area 2050. Closing the gap will be difficult this planning cycle because many of the land use and transportation strategies leveraged in prior planning cycles have been “maxed out” and are unlikely to generate additional GHG reduction benefits. For more information, please see **Attachment A**.

There are several consequences if Plan Bay Area 2050+ does not achieve its climate target:

- It would jeopardize approval of the federal Regional Transportation Plan (RTP), potentially hindering transportation projects from moving forward;
- The region would be ineligible to receive funding from certain state programs, which have provided \$1.2 billion in funding for 20 Bay Area projects since 2017; and

- MTC/ABAG would be required to prepare an alternative planning strategy (APS); to date, no region in the state has failed to meet their SB 375 climate target.

Next Steps:

Later this spring, staff will release the Draft Blueprint's equity and performance outcomes, followed by release of the Project Performance Assessment and Draft Transit 2050+ Network in July. Round 2 engagement activities to further inform the development of the Final Blueprint will commence over summer 2024, and the plan's final transportation revenue forecast will be developed. MTC and ABAG Executive Board approval of Final Blueprint strategies is anticipated in fall 2024. This action will include both the Transit 2050+ network and the plan's Transportation Project List. For more information on the near-term timeline for addressing the plan's transportation priorities, please see **Attachment A**.

Relationship of Plan Bay Area 2050+ Challenges to SB 1031 (Wiener/Wahab):

Since January 2024 when staff brought forward the legislative outline for a future regional transportation measure, advocates and some commissioners have raised concerns about the measure potentially funding highway widening projects due to concerns that highway widening projects typically (though not always) result in additional GHG emissions as a result of induced demand – i.e., the additional roadway capacity encourages more driving. While the Commission's priority in sponsoring SB 1031 is to provide additional regional funding to avert a transit fiscal cliff and *improve* transit service, the Commission has also made clear its support for a measure with multimodal investments and benefits. As such, the bill requires that the bill steer a minimum 45 percent of the revenue dedicated to public transit, 25 percent to Safe Streets, 15 percent to a multimodal Connectivity Program and 15 percent to a Flex category to ensure that each county receives at least 70 percent of the revenue they contribute towards the measure back in project and program benefits. Funds from the Flex category can be spent on eligible expenses within the other programs.

The Connectivity Program is the program category for which highway improvements are an eligible expenditure. The current bill language states that investments “include highway, transit, and rail mobility projects that close gaps and relieve bottlenecks in the existing transportation

network in a climate-neutral manner, resilience improvements that protect transportation infrastructure from climate-fueled natural hazards, and transportation safety improvements, including, but not limited to, grade separations.” Additionally, the bill requires that Connectivity Projects must be included in or determined by the Commission to be consistent with an adopted SCS. As such, the policy consideration at hand is whether to provide more specificity as to what types of highway projects are eligible within the Connectivity Program.

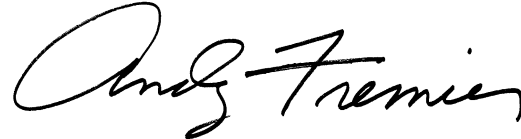
Issues:

There are several key issues that will require Commissioner input and consideration as the Plan Bay Area 2050+ Final Blueprint is developed over the remainder of 2024 and negotiations continue on SB 1031 to authorize a future regional transportation measure (Connect Bay Area).

<p>Issue #1: Right-Sizing Revenue Assumptions</p>	<p>Have staff found the right balance with the plan’s new transportation revenue assumptions? Supplementing revenues would accommodate more investments, but this would mean more taxes, tolling, and/or fees.</p>
<p>Issue #2: Weighing Pricing Strategies</p>	<p>Should MTC expand, preserve, postpone, or remove the plan’s pricing strategies, which generate revenues and reduce emissions but face significant implementation challenges?</p>
<p>Issue #3: Prioritizing Climate Target Investments</p>	<p>Given limited revenues, should MTC prioritize cost-effective strategies that will help achieve the plan’s GHG target? This would require de-emphasizing major rail and highway projects in favor of less expensive clean vehicle and customer-focused transit enhancement strategies, among others.</p>
<p>Issue #4: Highway Project Eligibility in SB 1031 (Wiener/Wahab)</p>	<p>Given PBA 2050+ analysis indicating the Plan’s overall revenue constraints as well as the challenge of meeting the region’s GHG targets, what limits, if any, should be placed on highway widening within the SB 1031 Connectivity Program?</p>

Attachments:

- Attachment A: Presentation on Plan Bay Area 2050+
- Attachment B: Context-Setting on Transportation Megaproject Costs
- Attachment C: Presentation on SB 1031 (Wiener/Wahab)

A handwritten signature in black ink, reading "Andrew B. Fremier". The signature is written in a cursive, flowing style.

Andrew B. Fremier