

August 23, 2024

Re: Comments for the August 26th Transportation Revenue Select Committee Meeting

Chair Spering and Committee Members,

As I am unable to attend the Committee's August 26th Meeting, I am providing a series of written comments for your consideration. I appreciate the significant work by Chair Spering, Stuart Cohen and MTC Staff to develop the two scenarios included in the packet. Having specific proposals for the Committee to consider is an important step forward that allows for more focused and productive discussion. Prior to providing detailed comments on the two scenarios presented, however, I would like to offer a higher level perspective.

SPUR is extremely concerned that many of our region's transit operators are facing financial catastrophe. Absent a source of additional public subsidy for transit, more than 80%¹ of Bay Area transit riders face the prospect of severely degraded service within the next two years. The upcoming 2025 session of the California Legislature will be the final opportunity to develop legislative vehicles to fund transit in time to stave off these cuts. It will also mark the third attempt to do so in the less than 18 months following the withdrawal of SB 532 and SB 1031. In addition to this growing time pressure, we also face intense political uncertainty - both as we try to divine the mood of the electorate two years from now and as we await the outcome of an upcoming national election.

Put simply, our margin for error is gone, we face an uncertain future and an adjustment in strategy is needed. Given the challenges we face I strongly recommend that the Committee, the MTC Commission and members of the Legislature consider an approach that mitigates risk by developing legislation enabling two paths toward funding transit at the 2026 ballot. Broadly, I believe that these should include:

¹ National Transit Database data shows that as of May 2024, 82% of all transit trips in the Bay Area occurred on AC Transit, BART, Caltrain, Golden Gate Transit and San Francisco MUNI - operators that are all facing significant funding shortfalls in coming years.

- Authorization for an MTC led regional measure reflecting our best consensus thinking
- Authorization for a series of individual funding measures at the operator, county or sub-regional scale that could move forward if later polling for a regional approach indicates a low probability of success

SPUR is a strong advocate for regionalism and it is my sincere hope that we can agree on a regional approach whose benefits are evident to the public and will bear out in polling as the 2026 election approaches. However, the recent withdrawal of the BAHFA housing bond measure underscores the risk inherent in tying the financial future of our transit systems to a single measure. It is therefore essential that we also lay the groundwork for fall-back options at the local and sub-regional scale so that we are ready if the polling suggests our preferred regional approach is not viable. I believe that explicitly pursuing this dual approach is necessary- and likely the only way that we will be able to continue advancing work on a regional measure.

Regarding the two scenarios outlined in the packet I would again express my appreciation for the work of the Chair Spering, Stuart Cohen and MTC Staff and will be interested to review the comments of other Committee members. At this time I would offer the following preliminary observations:

Scenario 1: While this more modest scenario attempts to find compromise among a number of factors I am concerned that it falls short of fully addressing both the core operating needs of transit as well as many of the stakeholder concerns raised during discussions related to SB 1031. Specifically:

- The scenario does not provide adequate funding for Muni - the region's largest transit operator by ridership. I understand and appreciate the perspective that Muni is a local system that should not be regionally subsidized. At the same time, Muni's sheer size and productivity means that it is inherently of significance to the region- much like an "anchor tenant" in a retail center. It is essential that any approach to funding Bay Area transit provide some kind of mechanism that allows for more robust near term support for Muni - either within a funding measure or in parallel.
- The scenario provides optionality for some counties but not for others, potentially relieving political concerns in some parts of the region while heightening them elsewhere. The proposed structure is also complex, raising questions of policymaker and voter

legibility, administrative approach, and basic fairness. It will be important to address these concerns if a version of this scenario advances.

- While SPUR has been a strong supporter of network management, the significant level of off-the-top funding provided for transit transformation programs in a scenario that provides only limited funding for transit operations is concerning. All of the programs identified in the Transit Transformation Action Plan are beneficial and important - but they are not a substitute for providing basic levels of transit service on some of the region's most productive systems.

I believe that there are versions of a more “modest” regional measure that may be viable and I look forward to working with my colleagues on the Committee to address these concerns and further develop our thinking about what could be possible.

Scenario 2: Unlike Scenario 1, this “Go Big” scenario provides an abundance of funding for transit operations, transit transformation and other transportation uses - but it also leaves many unanswered questions and fails to address key issues raised during the SB 1031 discussion.

Specifically:

- The viability of either a payroll or parcel tax at the \$1.5 billion level is highly uncertain and I am not aware of any recent polling suggesting these revenue mechanisms could succeed at this scale. Additionally, the potential of a funded opposition campaign against a payroll tax seems high while a large parcel tax would appear to run the risk of conflicting with future efforts to fund affordable housing (another critical, regional need). If a \$1.5 billion dollar scenario is to advance it would be important to address both these questions.
- The slides provided for Scenario 2 do not give sufficient detail regarding the structure of an expenditure plan. On its face, a 30% rate of “county flex” funding does not seem likely to satisfy the high bar for return to source considerations that was set during discussions around SB 1031. Additional details regarding the structure of a potential expenditure plan would likely help local policymakers understand how funding would flow in this scenario and provide reassurances regarding return to source.
- Finally, the inclusion of \$150 million “regionally allocated” transit transformation expenditure category raises questions about how this funding would be administered and what it would be used for. While SPUR is supportive of funding for transit transformation

and regional programs this is an immense amount of money to set aside over a 30 year period without any supporting detail.

Again, I regret that I am unable to attend this session and look forward to reviewing the minutes of the meeting and the comments of my colleagues. Thank you all for your ongoing efforts on this critical issue.

Sincerely,

Alicia John-Baptiste
CEO, SPUR