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Select Committee on Bay Area Public Transit

Bay Area Public Transportation Funding & Reform - Maintaining and Improving Service Monday, November 27th, 2023 Bay Area Metro Center – 1:30 PM

This Senate Select Committee on Bay Area Transit oversight hearing will discuss current status and future trends for our region's public transportation systems. The committee will hear from public transportation agencies, experts, and stakeholders about current fiscal projections, ongoing funding needs, and how to improve confidence in public transportation through reform and accountability measures that improve customer-focused safety, cleanliness, and reliability.

Background – Ridership Recovery and State Budget Deal

Transit Ridership patterns have shifted since the onset of the pandemic, causing structural funding challenges for major, fare-reliant transit operators. Greatly increased revenues/subsidies, and/or greatly reduced operating costs are needed to maintain fiscal sustainability.

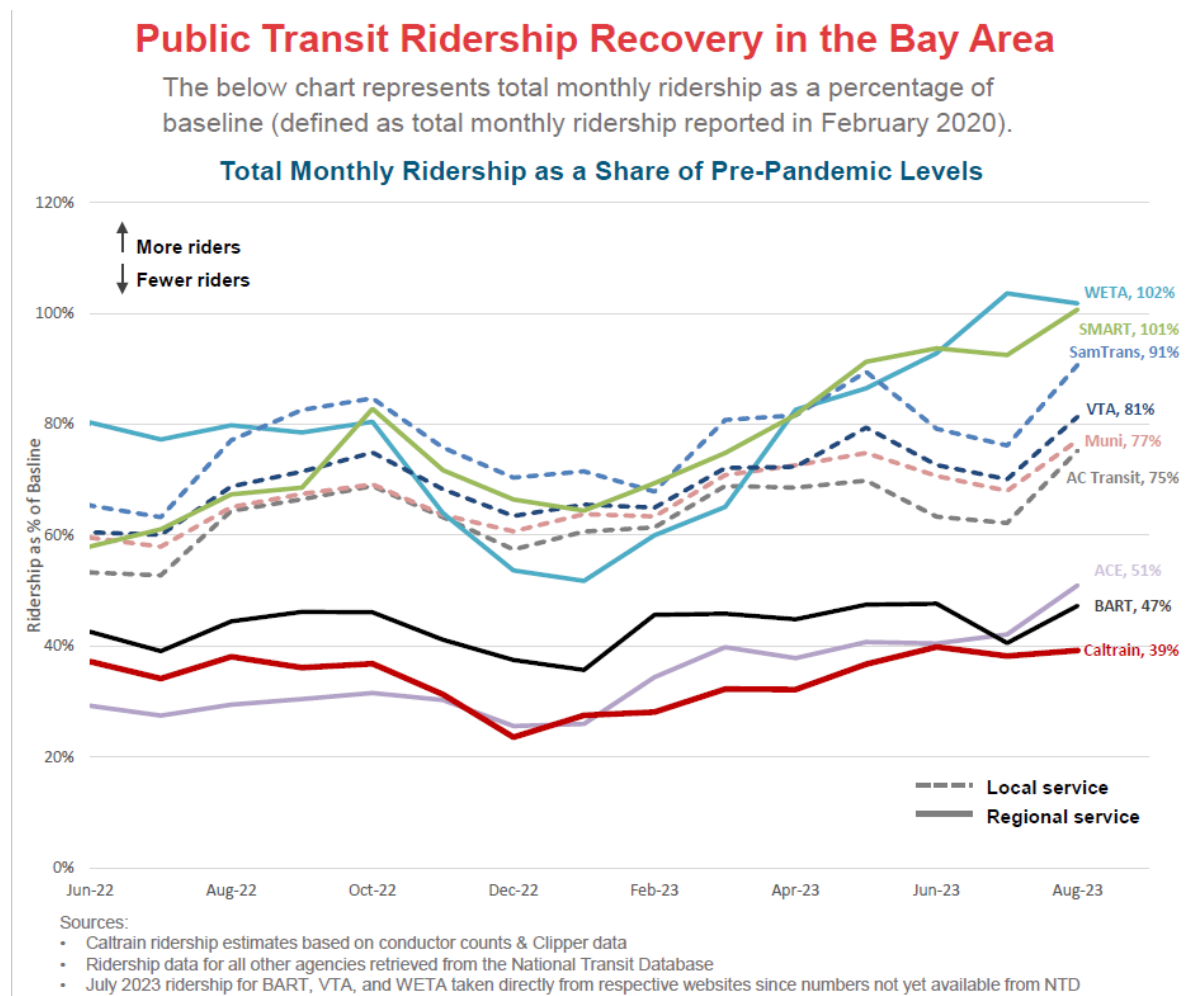
Pandemic-induced increased remote work and lower office occupancy rates in major employment centers have led to reduced ridership, especially affecting BART, Muni, Caltrain, Golden Gate Transit, and AC Transit services. Since these weekday commute-focused services generated significant fare revenues for those transit operators, the resultant and persistent fare revenue creates a structural problem.

At the previous Select Committee on Bay Area Public Transit, lawmakers discussed various ridership recovery measures that transit agencies were undertaking or could take to help reduce these structural shortfalls. Examples discussed include:

- Network redesigns to shift bus service to capture more transit ridership
- Service plan changes for fixed rail operators to provide more service at times outside of traditional weekday commute windows
- Transit priority measures like transit signal priority and transit-only lanes

- Increased regional coordination measures such as fare integration and schedule coordination to provide a more seamless, convenient, and customer-focused transit experience
- More visible security presence, unarmed ambassador presence, and other public safety interventions to improve sense of safety on public transportation

While many of these ridership regrowth strategies have been implemented or are being implemented in the near future, ridership continues to fall short of pre-pandemic levels on major public transportation systems. Large fixed rail operators that serve major employment centers have seen the slowest ridership recoveries, and it is not clear to what extent ridership will recover, or when, given changed travel patterns. Thus, additional action is needed to prevent structural shortfalls to allow for ridership regrowth strategies and investments to be effective and to maintain long-term financial sustainability.



¹ [Executive Director Report - Caltrain Board of Directors - Nov 2 Agenda and Materials](#)

2023 State budget deal and standardized budget assumptions significantly reduce public transportation operating shortfalls but still leave a \$315 million unfunded shortfall before the opportunity for a 2026 regional revenue measure

In late June and early July 2023, the California State Legislature and Governor agreed to a budget agreement that prevented proposed cuts to public transportation capital spending and provided \$1.1 billion more in flexible public transportation investments than anticipated over the next four fiscal years to help support transit operations.

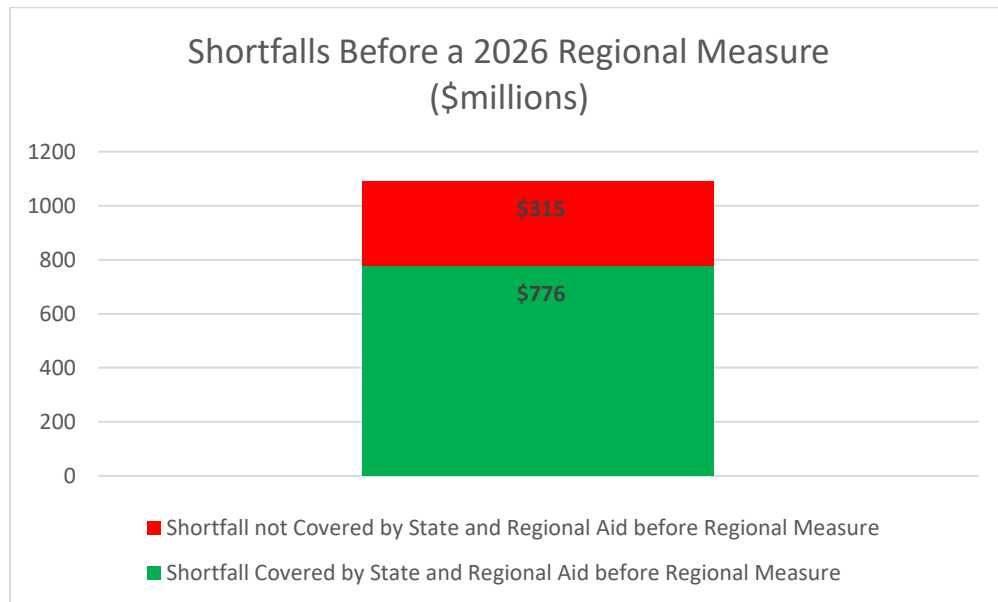
For the Bay Area, the state budget deal secured the previously committed \$800 million in Transit and Intercity Rail Capital Program (TIRCP) funds that were largely allocated to two major capital projects – BART’s Core Capacity Project and VTA’s BART to Silicon Valley Phase 2 project. The state budget deal secured an additional \$400 million in funding for the Bay Area, which can be used flexibly for operations or zero emissions transition investments. The transit capital project funding was also made flexible for operations.

In order to determine a funding distribution that fairly prevents shortfalls, MTC conducted a budget standardization exercise with transit operators. MTC normalized several assumptions across operators, resulting in standardized shortfalls that are several hundred million dollars lower over the next three fiscal years (through June 2026) than the earlier non-standardized operator-reported shortfalls. Standardized assumptions primarily include:

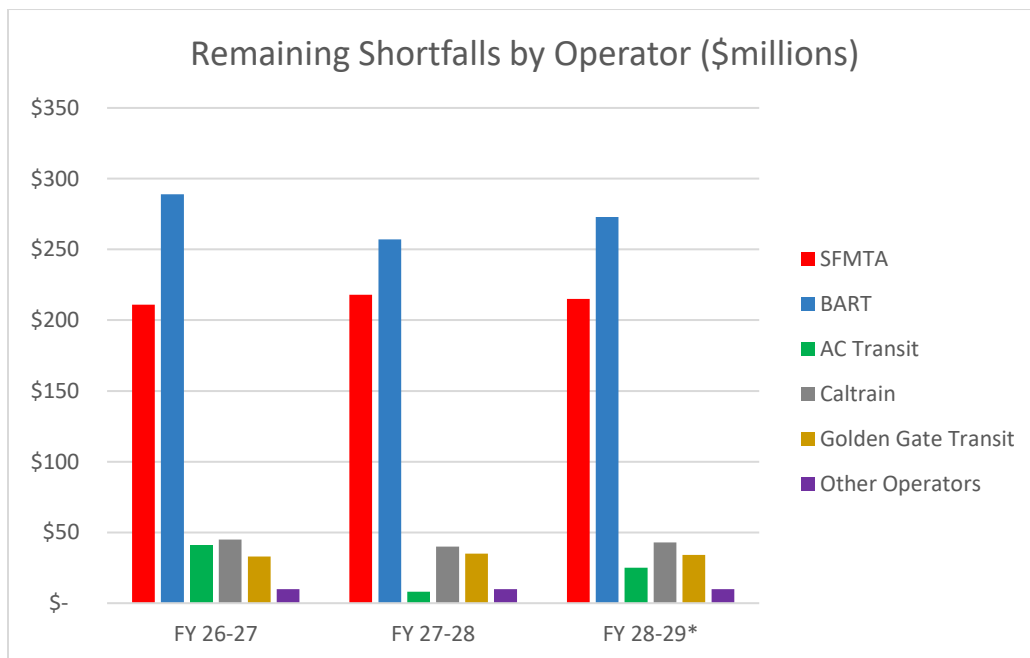
- Service level – use FY 21-22 service level as baseline to determine expenses, even if different from actual provided service levels and resultant expenses
- Assume standard increase in Transportation Development Act Local Transportation Fund (TDA-LTF) and State Transit Assistance (STA) revenues

On Wednesday, Nov. 15, 2023, MTC agreed on a distribution of the secured state and regional funds and is preparing to submit its short-term financial plan to the California State Transportation Agency (CalSTA) as required by the budget agreement. The secured funding will address Bay Area transit agencies’ most dire funding shortfalls and help them avoid service cuts. The budget agreement also requires various accountability measures, including participation in regional coordination initiatives, as a condition of receiving the funding.

This outlined investment will help transit agencies avoid their nearest-term fiscal cliffs. **However, even after accounting for all available revenues, public transportation agencies project \$315 million in non-standardized shortfalls before a planned 2026 regional revenue measure that could provide long-term, sustainable transit operations funding.** This means that major service cuts are likely to occur prior to a regional revenue measure in the event that additional revenues, reduced costs, or increased ridership are not secured before then. Service cuts are not a sustainable way to reduce shortfalls, because they can result in significant ridership reductions for fare-reliant transit systems and thus result in larger shortfalls.



Furthermore, absent additional long-term funding sources and/or cost-cutting measures, transit agencies are projecting roughly \$600 million in annual long-term structural shortfalls. This ongoing need illustrates the importance of seeking additional public transportation operating revenues – including through a 2026 regional transportation measure – and instituting reforms and accountability such as network management while implementing cost-cutting measures that do not reduce service but rather improve efficiency.



*FY 28-29 values are based on an average of FY 26-27 & FY 27-28 shortfalls