

July 31, 2023

MEMORANDUM

TO: Transportation, Water, and Infrastructure Committee
c/o John Cunningham

FROM: MARK WATTS

SUBJECT: SB 532 (WIENER) – BATA TOLL INCREASE for TRANSIT OPERATIONS

SB 532 was introduced as an amendment on June 22, 2023, to an existing measure in the wake of the legislative response to the Bay Region's and state's fiscal condition of the transit agencies as reflected in the adopted 2023-24 state budget.

Status: The bill is in Assembly Appropriations committee, pending a hearing date to be set in August.

Background. The hallmark of the approved current year budget for transit agencies was the restoration of \$2 billion (\$1 billion each year) for 2023-24 and 2024-25 that had originally been included within the budget agreement reached in the summer of 2020. However, the Governor later proposed that \$2 billion of the \$4 billion be withdrawn in his January 2023 budget proposal.

In addition, along with the restoration of the \$2 billion (GF), the current year budget includes an additional \$1.1 billion for short term, immediate transit agency assistance.

Although a grand total of \$5.1 billion was made available for transit agencies in the state budget process, Bay Region Transit entities in collaboration with MTC, proclaimed that ridership recovery was experienced unevenly across the state due to a variety of factors. Bay Area Rapid Transit (BART) attested that their system had been hit particularly hard by the shift to remote work, and ridership is only about 35% of what it was before the pandemic, according to APTA. Similarly, Caltrain, had returned to only 25% of its former ridership, also according APTA reports. The bay area advocacy entities pointed out that in contrast, Los Angeles's buses and trains, and the AC Transit bus service based in Oakland have been doing much better in 2023, carrying closer to 75% of their pre-pandemic ridership.

SB 532 – Summary

Toll Increase. Requires the Bay Area Toll Authority (BATA) to increase by \$1.50 the toll for each of the seven state-owned toll bridges in the San Francisco Bay Area and continuously appropriates toll revenues to the Metropolitan Transportation Commission (MTC), including revenues from the toll increase for allocation to transit operators in the region that are experiencing a financial shortfall.

Revenue distribution. Requires MTC to provide revenues from the toll increase to toll operators within MTC's jurisdiction that are experiencing a financial shortfall and operate fixed-route public transit services, including bus, rail, or ferry and do not directly receive most of their revenues from the Golden Gate Bridge, Highway, and Transportation District.

Allocations. Provides that MTC may only allocate these funds to a transit operator after it determines that the funds are necessary to avoid service cuts relative to service levels provided by that transit operator during the 2022-23 fiscal year.

Avoidance of service cuts. Requires MTC to prioritize averting service cuts for transit operators that serve the highest number of transit riders

Operating needs. Requires each transit operator eligible to receive an allocation to annually submit a five-year projection of its operating needs based on standardized assumptions and guidance developed by MTC.

Toll increase “Locked In”. Prohibits the \$1.50 toll increase from being reduced without statutory authorization by the Legislature.

Revenue Bonds. Authorizes BATA to issue revenue bonds to finance transit operations and capital funded by the \$1.50 toll increase.

Discussion

The short term funding the state approved is considered by some as unlikely to cover the operating shortfalls of all transit operators based on budget forecasts provided by some of the larger operators in the state. As a result, transit agencies facing a shortfall not covered by the state relief will need to consider other ways to cover their shortfall.

Revenues. According to the author’s office, the toll increase proposed in this bill is expected to yield roughly \$180 million annually over the 5-year period.

Principal Support:

Bart states that their system faces a deficit of almost \$1.1 billion through Fiscal Year 2027-28, and additional funding will be necessary to avoid drastic service cuts, station closures, and layoffs. SB 532 offers Bay Area transit agencies experiencing the worst shortfalls a lifeline until a Bay Area regional transportation funding measure can be placed on the ballot in 2026 or 2028. With increased toll revenues planned through Fiscal Year 2028-29, regional stakeholders are afforded time to assemble a funding measure that will help operators achieve financial sustainability long- term and transform the regional transit network.

Principal Opposition:

The Bay Area council has stated that Bay Area residents’ ability to pay for improvements is not limitless, and they deserve a more cost-effective, efficient, seamless, and in some cases safer transit system. They add,

Before we can support new taxes, tolls or fees to support transit, we need to see the agencies do the hard work to make their systems safer, most cost effective and more seamless”. This is work that needs to be done now, at a very fast pace. While we acknowledge this work by the agencies will be painful and complex, we have been exceptionally frustrated with the stubbornness to change and adapt.

Latest Related Activity:

The author’s office is conducting a series of stakeholder work groups sessions. The first one last week centered around the revenue distribution aspects of he bill as proposed.