

Accountability: How can the state use a multi-year commitment of funds to help transit thrive?

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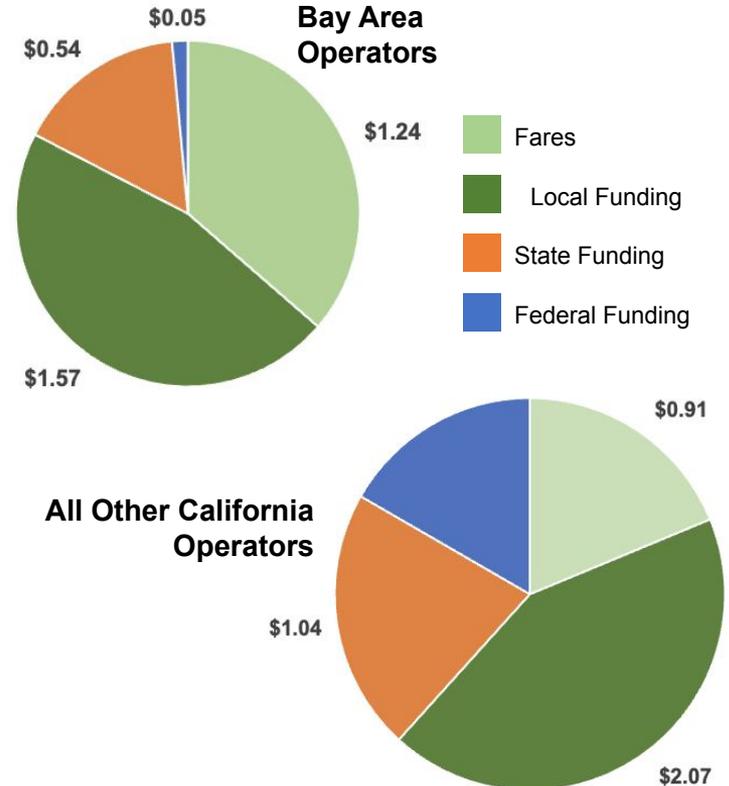
Today

1. What is the state's current role in funding transit operations?
2. How can the Legislature affect the use of a one-time, multi-year operating commitment to make transit better?

What is the state's role in funding transit operations?

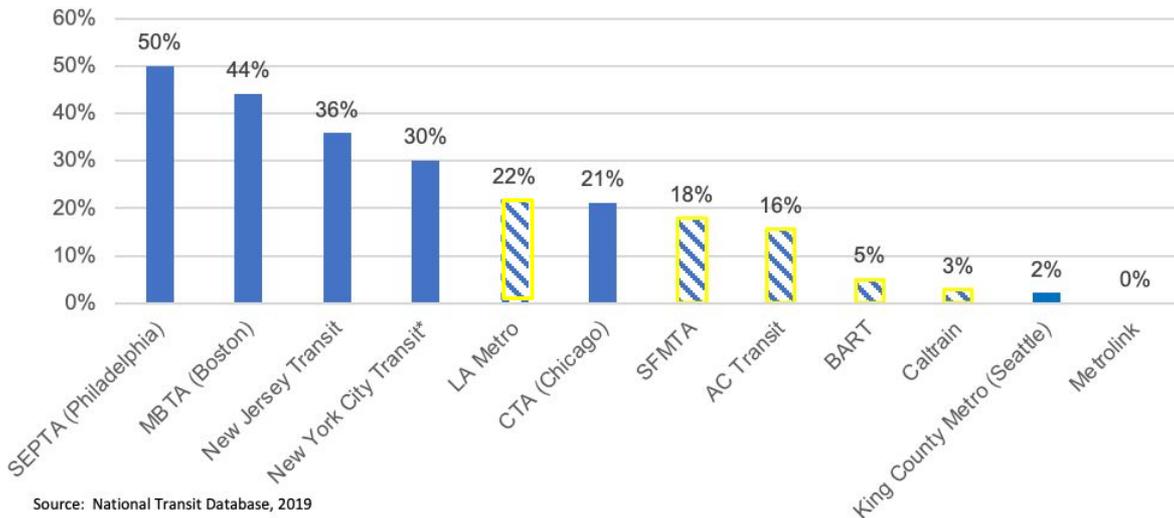
- The majority of transit operations funding in California is generated locally through fares and local taxes.
- In 2019, the 3 state funding programs that provide operating funds to transit generated \$1.8 billion statewide- some of which was also used for capital purposes.
- Bay Area transit systems have historically been particularly self-reliant. In 2019, **83%** of operating funding reported by Bay Area transit operators was derived from fares or directly generated revenues and local taxes - a significantly higher share of self support than operators in other parts of the state.

2019 Sources of Operating Funds (\$ Billions as reported to the National Transit Database)



California also under-invests in its largest systems relative to its peers

State Funds as % of Operating Budget



Source: National Transit Database, 2019

- State operating funding plays a more significant role for operators in other states, especially those on the East Coast with large transit systems serving major metros.
- The Governor of New York recently announced \$300m one-time funding & roughly \$1.1b new funding annually to avert a fiscal cliff.

California needs a thriving transit system to meet its Policy Goals

We aren't investing in our biggest and most productive systems to the extent that other states are- but we are asking them to do a lot of heavy lifting for the states climate, mobility, equity and housing goals:

Examples:

- Legislation such SB 375 (Steinberg, 2008), SB 35 (Wiener, 2017), and AB 2334 (Wicks, 2022) focus housing growth around high quality transit.
- California Air Resources Board 2022 Scoping Plan (which outlines how the state can achieve the greenhouse gas reduction targets required by SB 32) calls for a 25 percent reduction in VMT by 2030 and 30 percent by 2045 along with a doubling of existing transit capacity and service frequencies.

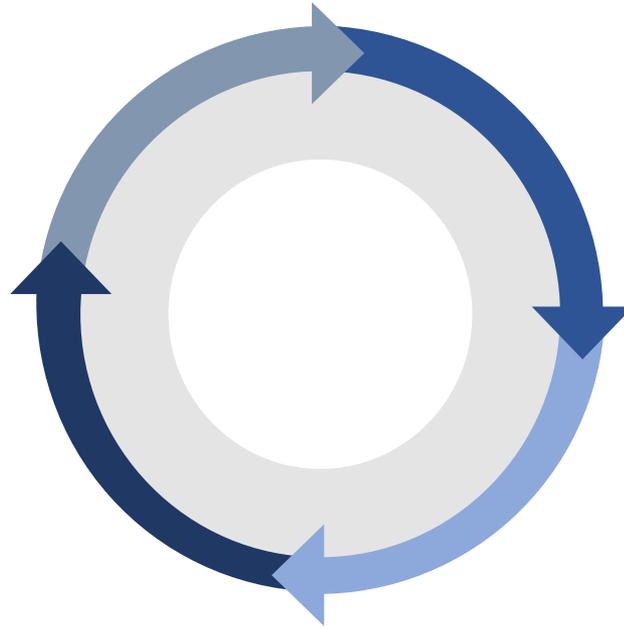
This Can't Happen if Transit is in a Death Spiral

Funding Crisis

Decline in revenues, diminished public value and flat or increasing costs lead to budget shortfalls and, eventually, erode the case for continued investment

Lower Revenues & Diminished Value

With fewer riders, revenues are reduced and the value transit provides to the public is diminished



Service Cuts

Without adequate revenues and public investment operators must cut service (and often raise fares)

Fewer Riders

As the quality of service declines, transit becomes less useful and ridership drops

Disrupting the Death Spiral - a Path to a Sustainable Business Model

1

Emergency Funding

Near-term state funding averts major service cuts and fare increases federal relief is drawn down.

2

Provide Reliable, Safe Service

Operators sustain service across core regional systems with continued adjustments to better serve emerging markets and travel patterns. Operators address safety, security and cleanliness.

3

Build Ridership

Operators continuously improve reliability, safety, speed, affordability, and convenience of taking transit relative to other modes through transformation programs to improve customer experience.

6

Policy Support

Land use and transportation policy at all levels of government reinforce transit demand and effectiveness and discourage single occupant vehicle use

5

Align Revenues & Costs at Scale

Over time, system reorganizes for efficiency, capacity and optimal coordination. Multiple levels of government work to align long term financial (cost and revenue) and operational trajectories at scale that achieves state policy objectives.

4

Secure New Revenue

Growing ridership helps stabilize revenues. Regional and local agencies develop longer term funding through ballot measure(s), and other new and repurposed sources. State examines sustainability and adequacy of existing state funding programs for transit

Accountability: What should accountability measures seek to achieve?

1. Limited emergency funds go where they are most urgently needed.
2. Funding actively supports ridership recovery and transformation.
3. Operators successfully transition from reliance on unplanned emergency funding toward a financially sustainable business model.

Accountability: How could accountability measures be implemented?

SPUR recommends implementing accountability measures in multiple ways:

1. Targeting distribution of funds.
2. Conditioning receipt of funds on participation in transformation initiatives.
3. Monitoring progress and adjusting based on performance.

Accountability: How could accountability measures be implemented?

Target distribution of funds

Use of emergency funds for operations should be narrowly focused on avoiding significant, near-term service cuts and funding key transformation initiatives.

Example Approach:

- State defines narrow, needs-based criteria for eligible uses of emergency funds.
- MPOs are charged with developing detailed annual needs assessments and sub-distribution of funds to operators.
- MPOs submit an annual plan for key transformation initiatives that would also be eligible for state funding.

Accountability: How could accountability measures be implemented?

Condition operator receipt of funds on participation in transformation initiatives

Operators receiving emergency funds must be actively engaged in transforming their systems.

Example Approach:

- Via the MPO, require all operators to submit and annually update individual recovery plans addressing safety, customer experience and progress toward financial sustainability.
- Require that all Bay Area operators participate in a core set of regional Transformation Action Plan programs focused on ridership recovery, customer experience and efficiency.

Accountability: How could accountability measures be implemented?

Monitor progress and adjust based on performance

The state should monitor and adjust distribution of multi-year funds based on performance

Examples Approach:

- Require MPOs to survey and report consistent, state-defined metrics related to rider experience, safety and satisfaction.
- Require MPOs to benchmark and monitor state-defined targets related productivity and efficiency metrics including ridership, cost per unit of service and cost per rider or rider-mile.
- Monitor annual progress on development of additional regional and local sources of transit operating funds as well as organizational and governance reforms.