

Re: MTC Commission Item 9A- Regional Short-Term Transit Financial Plan Outline and Draft Distribution of Emergency Operating Funding

Chair Pedroza and Commissioners,

On behalf of many of the advocacy organizations who worked to secure transit operating funding in the FY23-24 state budget, we write to express our deep concern regarding the financial trajectory of the region's transit system. A robust and growing transit system is foundational to the goals of our region and our state. Transit improves air quality and reduces greenhouse gas emissions, supports the development of housing and ensures that all residents of the Bay Area have an affordable and accessible mobility option. We appreciate the work that MTC staff and transit operators have done to update and standardize shortfall forecasts and we applaud the important steps taken by the state legislature, MTC and transit agencies over the past months to sustain and improve transit. However, we believe that more will be needed to secure a viable future for our system.

The financial picture presented in item 9A in your packet is dire. MTC's regionally standardized projections show a \$185 million transit operating shortfall starting in FY 24-25 that balloons to a more than \$600 million deficit in FY 25-26. As the packet indicates, there is a path to close much of this near-term gap through the use of state relief funding and the repurposing of regional monies, but **a significant deficit of at least \$44 million remains in FY 25-26.**

It is further critical to note that the regionally standardized shortfall presented for FY23-FY26 **significantly underrepresents** the true extent of transit's financial need.

- First, the regionally standardized shortfall projections hold transit agencies to FY21-22 service levels and do not account for any restoration or expansion of transit service (including the restoration of key services needed to support ridership growth and increasing levels of in-office work and downtown recovery). While holding agencies to FY21-22 service levels is consistent with state requirements, **the true regional "need" for transit services and transit funding is significantly greater.**
- Second, the regionally standardized shortfall does not address the substantial and open-ended deficits that are projected beyond FY2026. The presentation included in your packet from BART and SFMTA shows that these two agencies alone are projecting a combined deficit of \$542 million in FY26-FY27, a year that is not addressed in the regionally standardized projections and that would also not be covered by a potential 2026 regional measure. These deficits are projected to continue and grow in FY27-28 and beyond.
- Finally, many of the sources identified as part of the \$300 million in "regional funds" that could be used toward transit operating deficits appear to involve the redistribution of existing funding sources that are already used for transit and transit supportive

programs. While it may be necessary for the region to repurpose these funds to address near-term operating deficits on core systems, other aspects of the transit system will be impacted and under-resourced as a result.

We strongly urge the Commission to proceed with the full proposed distribution of \$445 million in state funding and \$300 million in regional funding toward transit operations.

Continuing to provide funding for critical transit operations is essential as we work as a region and a state to identify medium- and longer-term funding options to support transit. As staff continues to work with the Commission to finalize the Regional Short-Term Transit Financial Plan and proposed sources and distribution of relief funding, we also respectfully request the following information and clarifications:

- Add detail to regional shortfall projections to more clearly indicate where any shortfall reductions are the result of standardized financial assumptions versus where they have resulted from constraining service to FY21-22 levels, from deferment of capital projects, or other expense reductions.
- Clarify the magnitude of potential transit operating shortfalls anticipated beyond FY26
- Clarify the consequences and trade-offs inherent in the repurposing of the identified sources of regional funding
- Identify additional potential sources of regional funding - including sources that are not directly redistributive of transit funds
- Clarify the approach and mechanism that would be used to tie receipt of state and regional relief funds to progress on regional customer experience and efficiency enhancements

Thank you for your ongoing work on this critical issue.

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