

Addressing the Transit Operating Shortfall: Fiscal Action Plan, Advocacy Strategy, and Timeline

BART Board of Directors January 26, 2023



#### Overview

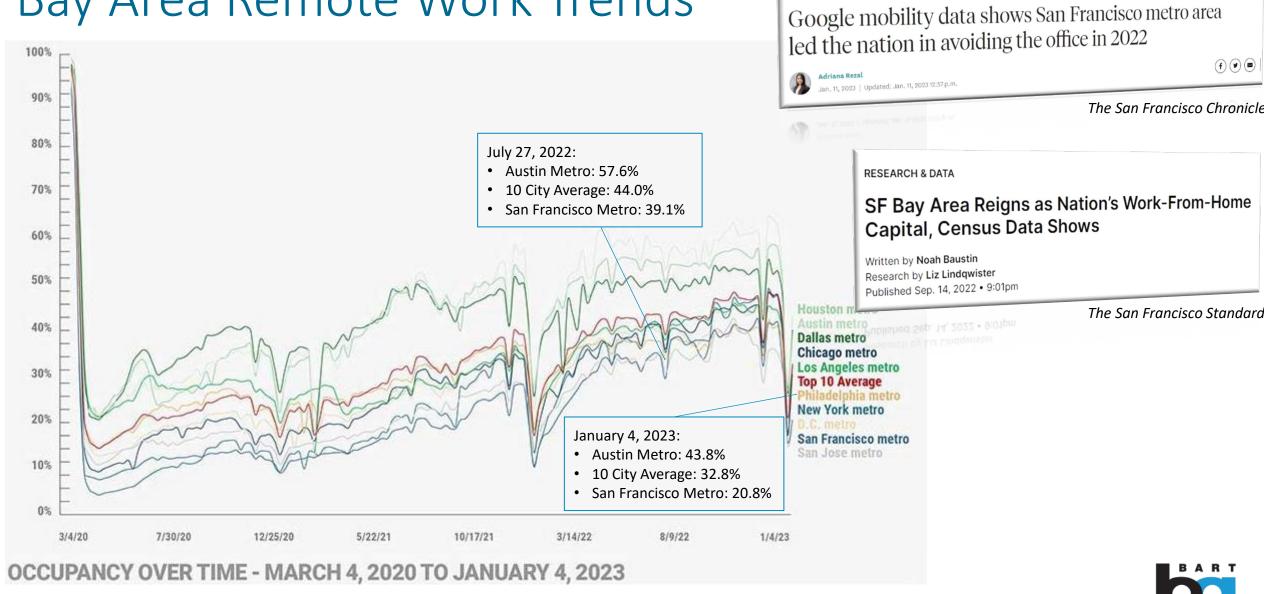
- 1. Defining the Problem: Preliminary Financial Outlook
- 2. Securing Funding: Preliminary Action Plan
  - Short-Term
  - Long-Term
- 3. Next Steps: Board Workshop Preview





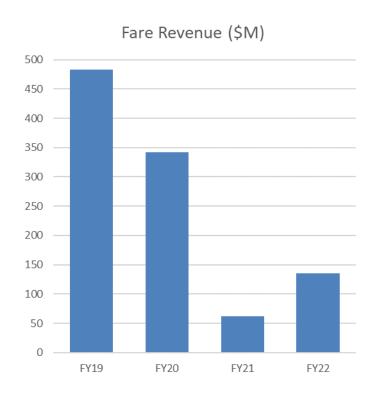


# Bay Area Remote Work Trends

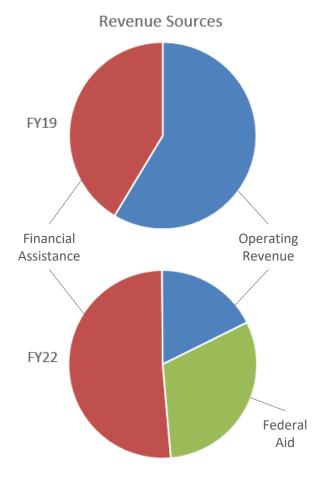


# **Problem Summary**

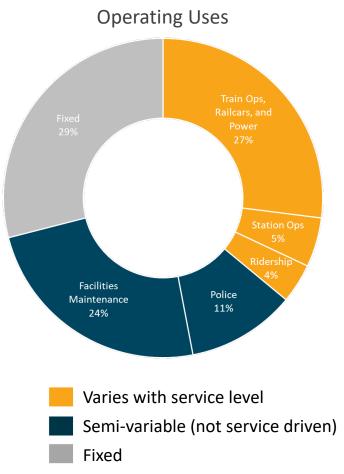
 Low ridership creating large deficit: fares generated \$350M less in FY22 compared to FY19



 While Financial Assistance has increased, we have been reliant on one-time Federal Aid to fill the gap

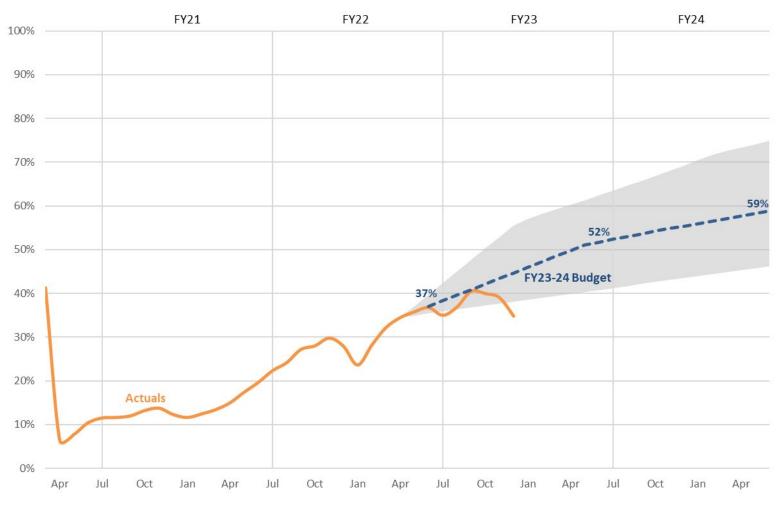


 Rail has high fixed cost and low marginal cost: We cannot cut our way to financial stability.





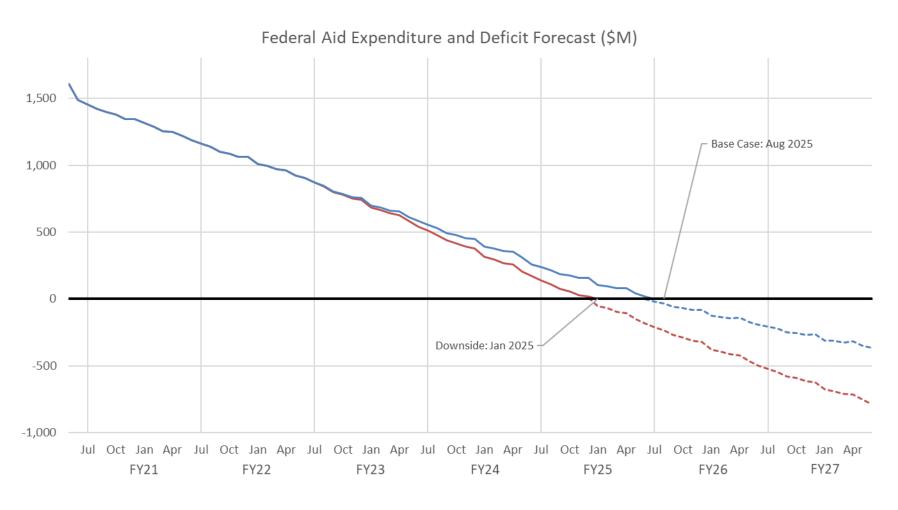
#### State of BART Ridership



- Bay Area continues to have lowest return-to-office rates in the US
- Ridership generally trending below Base-case forecast
- Staff evaluating potential downward revision in near term outlook



### Federal Expenditure and Cumulative Deficit



- Base-case federal funding expected to sustain operations through August 2025
  - Then, annual shortfalls range from \$175M to \$225M
- Downside runway extends only to January 2025 – less than 24 months from now
- Forecast to be updated for February 2023 Board workshop
  - Federal funds expected to run out sooner



#### **Forecast Indicators**

#### **Key Financial Outlook Indicators**

Ridership	FYTD through December tracking 7% below budget
Sales Tax	Exceeding budget expectations
Operating Expense	<ul> <li>Appears on track (based on data current through September 2022)</li> </ul>
Hiring/Vacancies	<ul> <li>Transit workforce shortage is widespread and severe</li> <li>Ongoing vacancies lead to high overtime expense</li> <li>Affects service reliability and employee burnout/morale</li> </ul>



### Financial Strategy



Board Discussion on 2/9

**Board Discussions in Spring** 

#### **Maximize Ridership Recovery**

- Deliver top quality customer experience (frequent, reliable, safe, clean)
- Maintain industry-leading reliability and restore frequent service
- Maximize connections, optimize regional network
- Adapt to changing commute and growth patterns

#### **Constraints**

 Economic & social trends outside of our control

#### **Manage Expense**

- Maximize efficiencies across the district
- Right size labor force, overtime in all departments
- Invest in State of Good Repair to maintain system performance and maximize cost-effectiveness

#### **Constraints**

- Need to restore service to capture ridership demand recovery
- Cutting service does not lead to commensurate savings

#### **Secure New Revenue**

- Maximize non-fare operating revenue (advertising, telecom, parking, TOD)
- Explore opportunities for ongoing federal, state, or regional operating subsidy
- Develop new capital sources to relieve pressure on operating program

#### **Constraints**

 More limited funding opportunities and many needs after pandemic recedes Renewed urgency with a potential opportunity at the state level

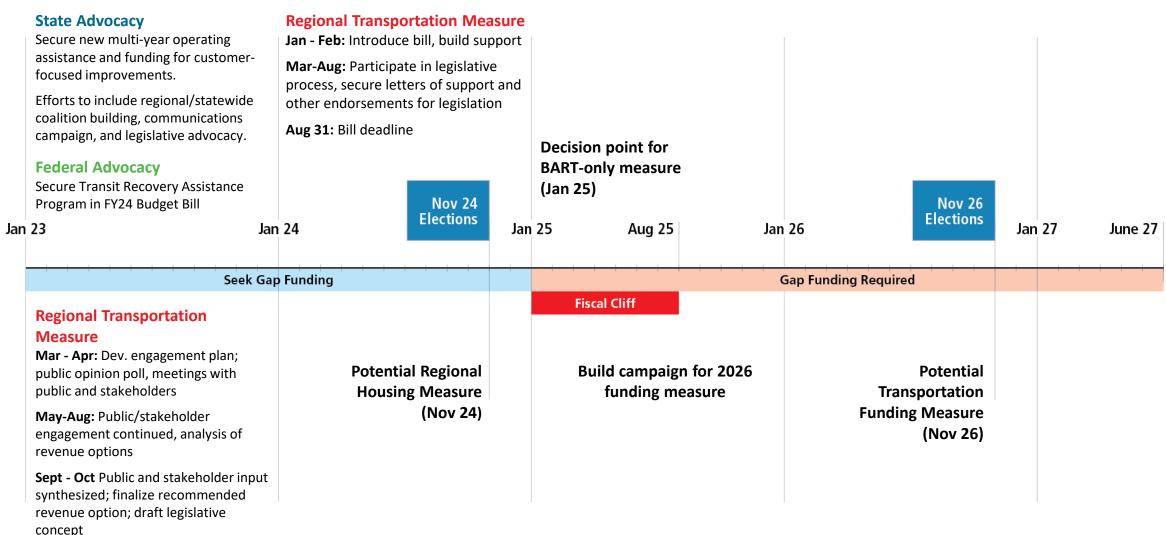


# **Advocacy Strategy**





### Multi-Year Outlook for Short- and Long-Term Funding





**Nov – Dec :** Input on legislative concept; secure coalition support and

bill author

# Coordinated and Unified Advocacy Efforts

Securing funding for transit operations is a top priority for BART, MTC, the California Transit Association (CTA), and operators across the nation.

#### Coordinated advocacy has included:

- A letter to Secretary Buttigieg signed by 15 transit General Managers and CEOs requesting a Transit Recovery Assistance Program in the President's Fiscal Year (FY) 2024 Budget.
- CTA letter to Governor Newsom and legislative leaders highlighting the need for operating assistance in advance of the Governor's January 10 budget release.



Thank you for your steadfast support throughout the COVID-19 pandemic. As a result of the successive rounds of unprecedented emergency relief and the tireless efforts of Federal Transit Administration leadership and staff, our agencies were able to keep essential workers connected to their jobs, transit dependent families connected to their communities, and over 100,000 transit workers employed through

Dear Secretary Buttigieg:

dependent families connected to their communities, and over 100,000 transit workers employed through the most acute phases of the pandemic. While ridership on all our systems has risen, the impacts of the pandemic are lingering and transit agencies large and small are facing a variety of revenue challenges and many are facing a "fiscal cliff," in some cases within the next two years. For this reason, we urge inclusion of a transit recovery assistance program in the President's fiscal year (FY) 2024 budget.

Safe, reliable, and frequent transit service is essential to harnessing the full economic power of America's most productive urban areas. Thriving transit networks are also fundamental to achieving our shared equity and climate goals. We are making strides in attracting riders back to transit and adapting to serve riders' needs in a post-COVID future. But the prospect of revenue deficits in the coming years may force our agencies to make drastic service cuts and lay off tens of thousands of workers. To avoid these draconian measures, we are discussing new revenue streams with our state and local leaders, and it has become clear that a strong State-Federal partnership is necessary.

Given the scale of the projected financial challenge and the vital role we play in equity, sustainability, and creating economic opportunity, we request the U.S. Department of Transportation's FY 2024 budget include a transit recovery assistance program that would serve as a federal safety net to sustain transit systems across the country. Our agencies agree that transit recovery assistance program funding must be distributed based on demonstrated need and with the expectation that funds be matched with commensurate new state or local revenues and would be above and beyond existing federal funding levels for capital investment authorized by the Bipartisan Infrastructure Law.

We understand the enormity of this ask and recognize the importance of a demonstrated commitment that we and our state and local leaders are doing our part to seek solutions to this crisis. We are confident that strong partnership at all levels of government will ensure that we are funded at a level necessary to keep our communities moving.



onnecting us.

December 21, 2022

The Honorable Gavin Newsom Governor State of California State Capitol, Suite 1173 Sacramento, CA 95814

The Honorable Anthony Rendon Speaker California State Assembly State Capitol, Room 209 Sacramento, CA 95814 The Honorable Toni Atkins President Pro Tempore California State Senate State Capitol, Room 205 Sacramento, CA 95814

Re: California Transit Association's Fiscal Year 2023-24 Budget Priorities

Dear Governor Newsom, President pro Tem Atkins, and Speaker Rendon:

On behalf of the 85 transit and rail agency members of the California Transit Association, I want to inform you of our Association's budget priorities for the Fiscal Year (FY) 2023-24 State Budget. While we understand the state is in a precarious fiscal situation, we believe there exists ample opportunity to work with you on moving our agenda forward to ensure that public transit agencies can continue to bring riders back to our systems & enhance mobility options, grow & maintain our services, further the state's environmental objectives, and support good paying jobs.

Appropriate Committed Transit Funding: First, thank you for providing an unprecedented level of General Fund investment in public transportation infrastructure in the FY 2021-22 and 2022-23 budgets, as well as for the commitment to continued investments in our systems. Importantly, the FY 2022-23 budget identifies an additional \$4 billion for public transportation infrastructure in FY 2023-24 and FY 2024-25. Despite the potential for the state to face a worsened fiscal position, we believe it is critical that this funding be appropriated in the coming fiscal years. This investment is critical to completing transit capital projects statewide, leveraging additional federal funds, and potentially helping to address other Association priorities. We wholeheartedly support the inclusion of the identified \$2 billion in the FY 2023-24 budget and look forward to working with your offices on the distribution of these funds once appropriated.

1415 L Street, Suite 1000, Sacramento, CA 95814

T: (916) 446-4318 F: (916) 446-4318

caltransit.org



## Coordinated and Unified Advocacy Efforts



January 18, 2023

The Honorable Nancy Skinner Chair, Senate Budget and Fiscal Review Committee California State Senate

The Honorable Phil Ting Chair, Assembly Committee on Budget California State Assembly

Dear Chair Skinner & Chair Ting.

As you begin budget negotiations this year, the undersigned organizations request your support to help the state's public transit systems avoid looming cuts to critical transit service that millions of Californians rely upon and that is foundational to our state's climate strategy. These potential cuts reflect the lingering impact of the COVID-19 pandemic, which has devastated transit operating budgets as a result of diminished ridership as well as higher costs arising from inflation. While the Governor's proposed budget for FY 2023-24 does not specifically address this need and in fact proposes \$2 billion in reductions to public transit capital that the Legislature approved last year, we look forward to engaging with your budget subcommittees to ensure that this year's final budget bill provides additional transit operating assistance to sustain critical transit service riders depend upon and fund proven strategies to attract new riders and help lessen financial challenges in the future.

A Strong Public Transit System is Vital to Creating an Equitable, Economically Vibrant and Climate Friendly Future

Based on 2021 U.S. Census data, almost 60 percent of California residents who commute via public transit have a household income below \$35,000. Over half a million California households own no vehicle and count on public transit for their daily needs, including access to K-12 education and college. Public transit is an economic lifeline for these residents, especially seniors and persons with disabilities. Yet residents of all income levels also depend on transit to access their jobs and maintaining the viability of the transit systems is essential for the future of the state's economy and quality of life. Public transit also supports good-paying jobs, employing over 31,000 California workers statewide in FY 2021.

When it comes to climate change, California prides itself on being a global leader. The state has taken a two-pronged strategy to reduce transportation-related emissions – the largest of any

- Meetings with the Governor's Office, Department of Finance, California State Transportation Agency (CalSTA), and legislative committee consultants to raise awareness and identify legislative champions.
- Formation of several working groups focused on addressing agencies' fiscal crisis and long-term recovery.
- Statewide survey on transit operations funding and ridership to inform pending ask to Governor and Legislature.
- Letter from Bay Area transit agencies, labor, business, and community stakeholders in response to Governor's proposed FY23 Budget.



### **Committees and Regional Working Groups**

General Managers Weekly Coordination Bob Powers	<ul> <li>10 agencies including large and small operators; Meets weekly to coordinate on transit network management business case, funding priorities, transit recovery efforts, etc.</li> </ul>
CTA Executive Committee  Rodd Lee	<ul> <li>25 members; Meets monthly and is responsible for setting policy and directing Association staff</li> </ul>
CTA Transit Operations Funding Subcommittee Amanda Cruz	<ul> <li>15 members; Meets bi-monthly to inform Association's efforts to secure dedicated operations funding in the State Budget</li> </ul>
Bay Area Transit Government Affairs Team Amanda Cruz & Alex Walker	<ul> <li>Meets weekly with a focus on regional coordination; MTC participates every other week</li> <li>Membership includes large and small operators</li> </ul>
Transit Survive & Thrive  "Backbone" group  (Bay Area-focused)  Alex Walker	<ul> <li>Meets weekly; Consists of four transit agency representatives (BART, SFMTA, AC Transit, and WETA), MTC, SPUR, Bay Area Council, Silicon Valley Leadership Group, and transit advocates</li> <li>Additional subcommittees to be formed</li> </ul>



# MTC's Secure & Revive Proposal

Proposed Transit Recovery Program in FY 2023-24 Budget with two "buckets" of funds

Secure – Transit Service Preservation	Revive – Retooling for the Future
<ul> <li>Needs based program for operators facing a fiscal cliff within the next 2-5 years that</li> </ul>	New program aimed at enhancing the rider experience
<ul> <li>Funds intended to prevent major service cuts and lay offs</li> <li>Objective criteria would be identified to determine eligibility</li> </ul>	<ul> <li>Eligible expenditures may include:</li> <li>Transit priority projects</li> <li>Real-time transit information</li> <li>Transit fare integration/passes</li> <li>Mapping/wayfinding</li> <li>Upgraded passenger facilities</li> <li>Resources to address homelessness, public safety, and station cleanliness</li> </ul>



# Governor's Proposed FY 2023-24 State Budget

- Projects a \$22.5 billion budget deficit
- Does not propose deep reductions to priority programs, but will require the state to delay, forego some spending, and shift funds to close deficit.
- Series of cuts to previous climate and transportation funding commitments
  - \$2 billion reduction in the Transit and Intercity Rail Capital Program
  - \$2.5 billion reduction across various Zero-Emission Vehicle Programs
  - \$200 million net reduction to the Active Transportation Program
- Commitment to pursue available federal funding to offset the decrease of state funds.



We're analyzing the impacts on transit of the Governor's proposed budget.

It's not pretty. The proposal allows transit to go over a devastating fiscal cliff (huge service cuts). + it imposes multi-billion cut on transit capital projects.

A big coalition will work to change this

6:58 AM · 1/12/23 · Twitter for iPad



#### 2023 State Advocacy Timeline

**January 10** Governor released proposed FY 2023-24 State Budget

January 18 Response letter issued from Bay Area transit agencies, labor, business, and

community stakeholders, timed to accompany a legislative sign-on letter led by

Senator Wiener

Jan 31/Feb 1 Director meetings in Sacramento

Jan – March Briefings with legislators organized by CTA

**Early Feb** Budget subcommittee hearings begin on proposed FY 2023-24 State Budget

- Senate Budget Subcommittee #5 (Public Safety, the Judiciary, Labor and Transportation): Weekly from early February through early March
- Assembly Budget Subcommittee #3 (Climate Crisis, Resources, Energy, and Transportation): Weekly from early February through mid-March

**Feb - Sept** Director/staff engagement with budget committees, newly formed select committees on public transit, and coordinated communications campaign



#### 2023 State Advocacy Timeline, Continued

**May 15** Governor releases "May Revise" of proposed FY 2023-24 State Budget;

Coordinated statement on behalf of transit

May 16 Director participation in the CTA Spring Legislative Conference and Lobby Day

May – June Budget committees hold hearings on May Revise

**Early June** Budget conference committee

**June 15** Deadline for Legislature to pass FY 2023-24 Budget

July 1 Fiscal Year 2023-24 begins

July – Sept Director advocacy on potential budget trailer bills

**Sep 14** Final day to pass bills

Oct – Dec Earliest new state funding could come to agencies



## Possible Long-Term Funding Sources

#### **Regional Measure – Five or Nine Counties**

- MTC moving forward with possible housing measure in 2024
- Transportation measure in 2026 or 2028
- Enabling legislation needed for a transportation measure
- 2/3's majority vote required

#### **BART District Measure – Three Counties**

- Existing Authority
- Funding Type

#### **BART Service Area Measure – Five Counties**

- Requires authorizing legislation
- Funding Type

#### **Federal Assistance**

Unlikely without securing new local funding



### **Board Involvement in Advocacy Strategy**

- Partner Labor partners
- Meetings with legislators, committee consultants and agency staff in Sacramento January 31-February 1
- Launch of local stakeholder presentations in February, continue throughout year
- Meetings in Washington, DC planned for March
- Opportunities to engage in state budget process through the spring and trailer bills in the late summer and fall



# State Meetings Targeted for Jan. 31 & Feb. 1

Assemblymembers	Senators	Caucuses	Policy Committees	Agency and Administration
<ul> <li>Rebecca Bauer-Kahan</li> <li>Mia Bonta</li> <li>Tim Grayson</li> <li>Matt Haney</li> <li>Ash Kalra</li> <li>Alex Lee</li> <li>Liz Ortega</li> <li>Diane Papan</li> <li>Phil Ting</li> <li>Buffy Wicks</li> <li>Evan Low</li> </ul>	<ul> <li>Josh Becker</li> <li>Dave Cortese</li> <li>Steve Glazer</li> <li>Nancy Skinner</li> <li>Aisha Wahab</li> <li>Scott Wiener</li> </ul>	<ul> <li>Asian American &amp; Pacific Islander Legislative Caucus</li> <li>Black Legislative Caucus</li> <li>Latino Legislative Caucus</li> <li>LGBTQ Caucus</li> </ul>	<ul> <li>Assembly Budget</li> <li>Senate Budget and Fiscal Review</li> <li>Assembly Transportation</li> <li>Senate Transportation</li> <li>Assembly Housing and Community Development</li> <li>Senate Housing</li> <li>Assembly Public Safety</li> <li>Senate Public Safety</li> </ul>	<ul> <li>Governor's Office</li> <li>California State         <ul> <li>Transportation</li> <li>Agency</li> </ul> </li> <li>Caltrans</li> <li>Business,         <ul> <li>Consumer Services</li> <li>and Housing</li> <li>Agency</li> </ul> </li> </ul>



# Federal Meetings Targeted for March

Members	Committees	Agency and Administration
House of Representatives	<ul> <li>Committees</li> <li>Majority and Minority staff for:         <ul> <li>House Transportation and Infrastructure</li> <li>Senate Banking, Housing, and Urban Affairs</li> <li>House THUD Appropriations</li> <li>Senate THUD Appropriations</li> </ul> </li> </ul>	<ul> <li>Agency and Administration</li> <li>Department of Transportation</li> <li>Federal Transit Administration</li> <li>Transit Security Administration</li> </ul>
<ul><li>Senate</li><li>Dianne Feinstein</li><li>Alex Padilla</li></ul>		



## Local Stakeholder Engagement

#### Director presentations to:

- Local elected officials
- Business groups
- Environmental advocates
- Education colleges and universities
- Community groups with a focus on transit-dependent populations



## Potential Consequences Without Operations Funding

- 30 60 Minute train headways
- Open stations later and close earlier
- Station closures
- Line shutdowns
- No weekend service
- Mass layoffs
- Increased traffic congestion
- Negative impact on state climate goals
- Priority populations disproportionately impacted
- No BART service





#### Board Workshop Preview: Key Topics

#### Financial Stability

- Updated Financial Outlook
- Near- and Long-Term Funding Strategy
- Advocacy Strategy



- Listening to the Customer: Customer Satisfaction Survey Results
- Improving Service & System Performance
- Hiring Critical Positions
- Addressing Rider Concerns
- Growing Ridership Strategies





#### **BART Financial Outlook Timeline**

- Board is familiar with recent cycle of SRTP forecasts and operating outlooks
- New forecasts are in progress for FY24-25 Budget and revised 10year outlook
- An updated financial outlook will be presented at the February Board workshop

Timeline	Description	
June 2022	FY23-24 Budget Complete	
December 2022	SRTP Adopted	
January 2023	Today's Discussion	
February 2023	Board Workshop: Updated Financial Outlook	
March 2023	FY24-25 Preliminary Budget	
June 2023	FY24-25 Adopted Budget	

