



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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Memorandum

TO: Partnership Technical Advisory Committee

DATE: September 17, 2007

FR: Anne Richman

RE: State Transit Assistance – Population-Based – Consolidated Formula

As part of the adoption of the Proposition 1B – Regional Transit Program in June 2007, the Commission directed staff to develop a consolidated formula proposal for the distribution of State Transit Assistance (STA) population-based funds. Staff is seeking input from the Bay Area Partnership in the development of this formula.

Background

STA population-based funds are currently distributed based on the existing STA Base and the Proposition 42 policies. Summaries of these policies and the recently adopted Proposition 1B Regional Transit Program are provided below.

STA Base Policy

The distribution of the population-based funds in the Bay Area is based on a policy adopted by MTC in 1991 that defines this distribution as follows:

- *Northern Counties:* Apportioned to each of the four counties (Marin, Sonoma, Solano excluding Vallejo, and Napa) in proportion to each county's share of the region's population.
- *Small Operators:* Apportioned to the small operator service areas to reflect the relative population of the service area compared to the population of the southern five counties (Small ops include CCCTA, ECCTA, LAVTA, Union City, WestCAT, and Vallejo).
- *Regional Paratransit Program:* Apportioned base amount with an annual consumer price index (CPI) adjustment to each of the nine counties in proportion to each county's share of the region's transportation disabled population as determined by the 1990 Regional Paratransit Plan. The funds are to be used only for services to meet requirements of the Americans with Disabilities Act.
- *MTC Regional Coordination Program:* The balance of Population Based funds are available for regional coordination activities, such as the implementation of TransLink®.

Proposition 42

Passed by state voters in 2002, Proposition 42 dedicated the sales tax on gasoline to transportation, creating an additional transit revenue stream based on the STA formula. The Proposition 42 funds may be used for operating or capital expenses. As part of MTC's adoption of the regional transportation plan, Transportation 2030 (T2030), the Commission dedicated MTC's population-based share of the Proposition 42 revenues exclusively to the Lifeline and TransLink® programs beginning in FY 2008-09.

Proposition 1B – Regional Transit Program

In June 2007, MTC programmed \$347 million in population-based state bond funds for capital purposes. In addition, based on current revenue estimates and after honoring existing programming policies, MTC programmed \$72 million in uncommitted surplus STA and Proposition 42 funds estimated to be available over the next ten years. These funds will be directed to the Lifeline program, and to the Small Operators/Northern Counties.

Distribution of projected STA Base and Proposition 42 funds for the ten-year timeframe (FY 2008-09 to FY 2017-18) are included as Attachments A and B. As illustrated in the attachments, original commitments based on

the existing policies are augmented with \$72 million in new funding: \$26 million in STA Base funding and \$46 million in Proposition 42 funding.

Consolidated Formula

Staff is recommending converting the multiple existing STA base and Proposition 42 policies into one fixed percentage policy as illustrated in the chart below. By translating the figures that resulted from the calculations into percentages, the objective would be a more streamlined consolidated program that would allow all programs to share in future revenue growth. The consolidated program would:

- Begin in FY 2008-09, in accordance with the adopted Proposition 1B - Regional Transit Program
- Migrate existing STA Base and Proposition 42 Increment revenues into a consolidated STA Program
- Normalize the program and assist operators in financial planning
- Provide distribution clarity and reliability to transit agencies and MTC
- Improve the position of all funding categories – providing funding levels above current forecasts if gas tax receipts continue to grow

Summary of Existing and Proposed Policies

A	Category	Original STA Base	%	Revised STA Base	%
	Northern Counties/ Small Operators	62	31%	62	31%
Paratransit	43	22%	43	22%	
Regional Coordination/Translink	93	47%	67	34%	
Lifeline			26	13%	
Total		198	100%	198	100%

B	Category	Original Prop. 42	%	Revised Prop. 42	%
	Northern Counties/ Small Operators	0	0%	41	23%
Paratransit	0	0%	0	0%	
Regional Coordination/Translink	44	33%	44	24%	
Lifeline	91	67%	96	53%	
Total		135	100%	181	100%
As part of the Proposition 1B - Regional Transit Program, the 10-year Prop 42 Revenue Estimate was reevaluated and increased by \$46 Million					

C = A+B	Category	Original STA Base + Prop 42	%	Revised STA Base + Prop 42	%
	Northern Counties/ Small Operators	62	19%	103	27%
Paratransit	43	13%	43	11%	
Regional Coordination/Translink	137	41%	111	29%	
Lifeline	91	27%	122	32%	
Total		333	100%	379	100%
Per the adopted Prop 1B Regional Transit Program, up to \$32 million in Regional Coordination expenses may be swapped to Prop 1B capital funds to increase the operating capacity within the augmented Lifeline program.					

Methodology

The following information is a recap of the methodology that led to the development of the 10-Year STA program and policy adopted in June.

Revenue Projections: The 10-Year revenue figures were based on the 2007-2016 Short Range Transit Plan projections for State Transit Assistance (released in September 2006), and included both base and Proposition 42 revenues. The general assumptions on fuel price and consumption rates were based on Caltrans' 2005 forecasts that were adjusted slightly to incorporate the actual consumption and price growth that occurred in 2006 and 2007. Over the ten year period, it was assumed that fuel consumption would grow at an average annual rate of about 1.9%, and that fuel prices would increase significantly for FYs 2006 and 2007, but then would come back down, averaging about 2.5% nominal growth per year. MTC staff believes these assumptions were conservative

given recent trends in fuel price. Over the 10-Year timeframe, the base revenues are estimated at \$183M with \$15M in carryover from the MTC Regional Discretionary program for a total of \$198M. For Proposition 42 over the period, the total was \$181M.

Funding Commitments: The next step used the percent shares for the base program from the SRTP projections noted above to establish the baseline assignments by program category. For the Proposition 42 revenues, the pro-rata amount of Lifeline funds were assumed consistent with Transportation 2030. For TransLink® and the Regional Program more generally, the estimated needs were refined resulting in the surpluses that were then reassigned through the Proposition 1B program adopted in June 2007 to Lifeline and the Small Operator/Northern County programs.

The policy discussion resulted in the program estimates by category for base and Proposition 42 funds over the 10-Year period shown above. The consolidated proposal would translate the numbers into percentages of a combined Base and Proposition 42 revenue total, and allow all programs to share in growth in revenue.

Spillover

The adopted Proposition 1B Regional Transit Program directs the initial \$62 million in future population-based Spillover funds to restore funding areas that were reduced during the program development (\$19 million) and provide the regional contribution to the Caltrain Right-of-Way Settlement (\$43 million), beginning with \$6.4 million in FY 2007-08 – based on the statewide Spillover amount in the recently passed budget.

Future Spillover revenues, after meeting the \$62 million commitment, could either follow the consolidated policy percentages above or follow another framework. Staff will return next month with several options for consideration and discussion.

Next Steps

MTC is currently seeking input on this proposal from the Partnership. After input from our partners, staff will incorporate the changes into a resolution for Commission review and action. The Commission will consider adopting a consolidated formula policy in late 2007/early 2008, prior to the adoption of the FY 2008-09 Fund Estimate in February 2008.

Feel free to contact Kenneth Folan at 510.817.5804 or kfolan@mtc.ca.gov with input or questions.

ATTACHMENT A
Proposition 1B - Regional Transit Program
STA Base Policy - \$198 Million
10-Year FY 2009 - 2018
(Adopted June 27, 2007)

	Existing Commitments			New Funding	Total
	Existing Base North/Small \$62 Million	Paratransit \$43 Million	Regional Coordination \$67 Million ¹	Lifeline \$26 Million ¹	STA Base Policy
Northern Counties/ Small Operators					
Marin	6.6				6.6
Napa	3.5				3.5
Solano (includes Vallejo)	11.0				11.0
Sonoma	12.5				12.5
CCCTA	12.7				12.7
ECCTA	7.1				7.1
LAVTA	5.0				5.0
Union City	1.9				1.9
WestCat	1.8				1.8
SUBTOTAL	62.0				62.0
County					
Alameda		10.0		7.1	17.1
Contra Costa		5.2		3.3	8.4
Marin		1.2		0.7	1.9
Napa		0.8		0.4	1.2
San Francisco		7.9		3.9	11.8
San Mateo		4.4		1.8	6.2
Santa Clara		9.1		5.6	14.7
Solano		2.2		1.4	3.6
Sonoma		2.4		1.6	4.0
SUBTOTAL		43.0		26.0	69.0
MTC Regional Coordination			67.0		67.0
GRAND TOTAL	62.0	43.0	67.0	26.0	198.0

Note: Includes revenues generated over 10-year period plus \$15 million carryover from regional coordination program

1 - Per the adopted program, up to \$32 million in Regional Coordination expenses may be swapped to Prop 1B capital funds to increase the operating capacity within the augmented Lifeline program.

ATTACHMENT B
Proposition 1B - Regional Transit Program
Prop 42 Increment - \$181 Million
10-Year FY 2009 - 2018
(Adopted June 27, 2007)

	Existing Commitments		New Funding		Total
	Lifeline \$91 Million	Translink \$44 Million	North/Small Ops \$41 Million	Lifeline \$5 Million	Prop 42 Increment
Northern Counties/ Small Operators					
Marin			4.4		4.4
Napa			2.3		2.3
Solano (includes Vallejo)			7.3		7.3
Sonoma			8.3		8.3
CCCTA			8.4		8.4
ECCTA			4.7		4.7
LAVTA			3.3		3.3
Union City			1.2		1.2
WestCat			1.2		1.2
SUBTOTAL			41.0		41.0
County					
Alameda	24.9			1.4	26.6
Contra Costa	11.4			0.6	12.1
Marin	2.5			0.1	2.6
Napa	1.5			0.1	1.6
San Francisco	13.7			0.8	14.6
San Mateo	6.5			0.4	6.9
Santa Clara	19.7			1.1	21.0
Solano	5.0			0.3	5.3
Sonoma	5.7			0.3	6.1
SUBTOTAL	91.0			5.0	96.0
MTC TransLink®		44.0			44.0
GRAND TOTAL	91.0	44.0	41.0	5.0	181.0