



**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

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**Memorandum**

TO: Partnership Board

DATE: November 30, 2007

FR: Theresa Romell, Programming and Allocations

RE: State Transit Assistance Consolidated Policy Proposals

**Background**

In June 2007, MTC staff was directed by the Commission to develop a consolidated formula proposal for the distribution of State Transit Assistance (STA) population-based funds. A recommendation was put forth in September of 2007 that converts the existing distribution policy for STA population-based funds to fixed percentages, beginning in FY 2008-09. The proposed policy would streamline the distribution of funds, provide reliability to transit agencies and MTC for financial planning purposes, improve the position of all funding categories, and allow all programs to share in future revenue growth. The proposed STA population-based consolidated policy that was introduced in September is outlined in the chart below:

**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%
<b>Total</b>		<b>198</b>	<b>100%</b>	<b>198</b>	<b>100%</b>

  

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%	
<b>Total</b>		<b>135</b>	<b>100%</b>	<b>181</b>	<b>100%</b>
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%	
<b>Total</b>		<b>333</b>	<b>100%</b>	<b>379</b>	<b>100%</b>
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.					

One observation that has been discussed by transit operators and MTC staff is the fact that under a consolidated policy, all categories share in revenue growth and reductions proportionately. While the projections are conservative, and growth is more likely, there remains a potential for Proposition 42 to be suspended. Proposition 1A partially mitigated this risk by limiting suspensions to twice in a 10-year period and requiring a payback.

In developing the above-consolidated policy proposal, estimates from MTC's 2007-2016 Short Range Transit Plan (SRTP) projections were used as a basis for the STA Base and Proposition 42 revenue assumptions. The same SRTP projections were used to determine the percent shares for the Base program to establish the baseline assignments by program category. For the Proposition 42 revenues, the pro-rata share of Lifeline funds were assumed consistent with Transportation 2030. For TransLink® and the Regional Program, the estimated needs were refined resulting in surpluses that were then reassigned through the Proposition 1B program adopted in June 2007 to Lifeline and the Small Operator/Northern County programs. The consolidated proposal translates the program estimates for Base STA and Proposition 42 funds by category, into percentages of a combined Base and Proposition 42 revenue total.

### **SB717 Augmentation**

In October, Senate Bill 717 (SB 717) was signed into law by the Governor, resulting in a significant change to the distribution of Proposition 42 funds that flow to transit. SB 717 increased by 50 percent the share of transit funds going to State Transit Assistance (STA) beginning in FY 2008-09. Over the next 10 years, we expect that this change will result in an additional increment of approximately \$90 million in the region's share of the STA population-based funding.

MTC staff is considering whether it would be best to flow the increment that will come to our region as a result of SB717 through the consolidated policy described above, or whether the policy should be adjusted to reserve a larger share of the increment for specific programs such as the Regional Paratransit program, in recognition of the fact that the transit operators have identified this as an area where demand is outpacing funding, and that this category did not receive a specific augmentation during the June Proposition 1B discussions.

### **Distribution Options**

Attached for your review (see Attachment A) and feedback are three options for how the STA consolidated policy might be configured to account for the \$90 million SB717 augmentation to earlier anticipated funding levels. These options were selected from a list of many by the Partnership Technical Advisory Committee (PTAC) for further consideration.

- Option 1 proposes to flow the entire \$90 million in additional population-based revenue associated with SB 717 through the proposed consolidated formula.
- Option 2 proposes that Regional Paratransit receive fifty percent of the SB717 increment and the remaining increment be distributed equally among the other three categories.

- Option 3 also provides fifty percent of the SB717 increment to Regional Paratransit and distributes the remaining amount evenly among only the Northern Counties/Small Operators and Lifeline categories. Under this option, MTC Regional Programs would not receive a share of the increment.

### **Discussion / Recommendation**

During discussion of this topic at November's PTAC meeting, several operators expressed appreciation for MTC's recognition of the increasing needs for Regional Paratransit; however some indicated a preference for those options that either increased or retained the Northern Counties / Small Operator program's percent share of total STA funds under the original consolidated policy. Reasons cited were that increasing overall revenue in the Northern Counties / Small Operators program would provide some operators with greater funding for Paratransit than would be realized by increasing the Regional Paratransit program.

It is MTC staff's recommendation that the STA distribution policy should allow for all investment categories to benefit in the event of new revenues; this is one of the basic goals of a consolidated policy. However, staff recognizes that Paratransit needs continue to grow, and that this investment category did not receive new funding as a result of the Proposition 1B Transit policy discussions earlier in 2007. Staff therefore believes that either Option 1 or Option 2 could meet the objectives of allowing all categories to benefit from a revenue increase and acknowledging that Paratransit could grow more to achieve an augmentation.

MTC staff would not be supportive of Option 3, which singles out Regional Coordination as the only category that does not benefit from the SB717 increment. Indeed, we would not recommend any option for Commission approval that singles out a particular category or categories for negative treatment. In deriving the initial consolidated policy, MTC reduced the share and amount of funding for Regional Coordination programs in order to augment funding in other categories. However, all investment categories were to have shared in future revenue growth. Staff believes that the Regional Coordination Program provides valuable benefits to Bay Area transit users and that the program category should be treated similarly to other program categories with respect to the SB717 funding augmentation.

### **Next Steps**

MTC staff is looking forward to receiving feedback from stakeholders on the attached options. After receiving input from the Partnership Board, staff will forward a recommendation to the Commission for action in December. Acting on the consolidated policy in December will provide the necessary policy framework for distribution of the State Transit Assistance Population Based funds for the FY 2008-09 Fund Estimate, which is prepared in January and adopted in February.

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