

**Metropolitan Transportation Commission
Programming and Allocations Committee**

February 12, 2025

Agenda Item 3a-25-0112

MTC Resolution No. 4688. FY 2025-26 MTC Fund Estimate

Subject:

Annual Fund Estimate and proposed apportionment and distribution of approximately \$1 billion in Transportation Development Act (TDA) Local Transportation Fund, State Transit Assistance (STA), State of Good Repair (SGR) Program, Assembly Bill 1107 (AB 1107), transit-related bridge toll, Low Carbon Transit Operations Program (LCTOP) funds, and Senate Bill (SB) 125 funds for transit operating assistance for FY 2025-26.

Background:

MTC is required by state statute to prepare and adopt an annual fund estimate of TDA Local Transportation Fund (LTF) ¼ cent sales tax revenues for the upcoming fiscal year by March 1st. This estimate assists the Bay Area's transit operators in budgeting for the next fiscal year, in this case FY 2025-26. The fund estimate prepared by MTC also includes several other fund sources which MTC allocates to transit operators, primarily for operations.

Economic Overview

Major measurements of the Bay Area economy show either a plateau or minor decline in 2024. Unemployment rates ticked up in all counties except Marin, which remained flat at 3.7%. Unemployment rates in all nine counties remain below the statewide rate, with four counties above the national rate. While there has been much improvement in employment since the pandemic, neither the labor force nor employment levels have returned to pre-pandemic levels in 2019. The regional population stayed roughly the same in 2024, while the statewide population grew 0.2%.

Transportation Development Act (TDA)

State law requires county auditors to submit annual estimates of the ¼-cent TDA sales tax revenue generation to MTC by February 1st. A summary of the county auditors' mid-year estimates indicate that regional TDA revenue generation is expected to decline by 7% relative to original estimates in the current year of FY 2024-25 to \$472 million. The impacts vary across counties. While little change is estimated for Marin and Solano counties, there is an estimated 14% decline in Alameda County, in large part due to reattribution of sales tax revenues by the CA Department of Fee & Tax Administration. County Auditor Offices forecast a subsequent increase of 2.7% in FY 2025-26 TDA revenues to \$484 million.

Assembly Bill 1107 (AB 1107)

A portion (25%) of BART's half-cent sales tax revenue generated in Alameda, Contra Costa, and San Francisco counties is administered by MTC, and MTC staff is responsible for estimating the annual revenue generation. Based on actual performance to date along with sales tax projections from county auditor offices, staff proposes to retain the \$104 million estimate for both FY 2024-

25 and FY 2025-26. This amount would be split evenly between SFMTA and AC Transit per longstanding Commission practice.

State Transit Assistance (STA)

The State Controllers Office estimates \$795 million in STA diesel sales tax funds will be available statewide in FY 2025-26. Based on this estimate, the Bay Area would receive approximately \$290 million (\$213 million in Revenue-Based and \$77 million in Population-Based) in FY 2025-26 STA funds.

While the Fund Estimate will reflect the latest available information from the State Controller's Office (SCO) for the current year (FY 2024-25) estimates, the Governor's Proposed FY 2025-26 budget forecasts a decline in FY 2024-25 STA revenues. If the estimates in the Governor's Proposed Budget are correct, the Bay Area will see a reduction of \$43 million (13%) in STA revenues in FY 2024-25 from the most recent estimates from the SCO. Staff will return to the Commission to update the estimates following the state budget approval later this year; however, transit agencies should be aware of and prepare for the fact that current year STA revenue may be less than originally forecasted.

State of Good Repair (SGR) Program

Senate Bill (SB) 1 established the State of Good Repair (SGR) Program which will bring \$50 million to the Bay Area in FY 2025-26 for transit capital state of good repair projects. The funds from the SGR Program follow the same state-wide distribution policies as the regular STA program, with a Revenue-Based and Population-Based program.

Bridge Tolls

In April 2010, MTC Resolution No. 3948 resulted in a lump sum payment from BATA to MTC for an amount equal to the 50-year present value of AB 664, RM 1, and 2% Toll revenue. Future payments from these toll revenues will be made from this lump sum, in accordance with Commission policies established in MTC Resolution Nos. 4015 and 4022.

Cap and Trade – Low Carbon Transit Operations Program (LCTOP)

The FY 2025-26 Fund Estimate includes details on funding that will flow to the region through the Low Carbon Transit Operations Program, which is a component of the state Cap and Trade program. In FY 2025-26, the region is projected to receive \$68 million from the program based on an estimate from Governor Newsom's proposed FY 2024-25 State Budget. Apportionments of these funds are guided by Caltrans policies for the Revenue-Based program (which are the same as the STA Revenue-Based program) and by the MTC Commission for the Population-Based program through the MTC Cap and Trade Framework (MTC Resolution No. 4130, Revised).

Senate Bill 125 (SB 125) Transit Funding

In November 2023, the Commission adopted MTC Resolution No. 4619 which established a distribution framework for SB 125 operations funding from the Transit and Intercity Rail Capital Program (TIRCP) and the Zero-Emission Transit Capital Program (ZETCP), including \$375M in

FY 2025-26 for five operators. These funds are complemented by \$300 million in regional funds, which the Commission directed to operators in November 2024 through MTC Resolution No. 4619. At the conclusion of FY2025-26, SB 125 funding for operations will be depleted.

Adjustment to TDA Distribution Formula in Sonoma County

As part of the Marin-Sonoma Coordinated Transit Service Plan (MASCOTS), operators and county transportation authorities in Marin and Sonoma have agreed to an adjustment to the TDA distribution formula in Sonoma to mirror the formula currently employed in Marin. This new performance-based formula allocates revenues based on recent ridership and service metrics, and will be in effect for FY 2025-26. This formula will shift approximately \$2M from Golden Gate to SMART and bus operators in Sonoma County.

Issues:

1. **BART Feeder Bus Agreement** – A 1997 agreement between MTC, BART, and four East Bay bus operators (County Connection, LAVTA, Tri-Delta, and WestCAT) established a funding mechanism for BART to support feeder bus operators using BART’s STA Revenue-Based and TDA sales tax funds. Initial payment amounts were established by transition agreements, and subsequent payments over the last 25 years have been calculated based on growth of AB 1107 ½-cent sales tax revenues. BART had communicated an interest to amend the agreement before the pandemic and has recently expressed greater urgency given its looming fiscal cliff. In advance of the FY 2023-24 Fund Estimate, BART and feeder bus operators agreed to a 15% reduction in FY 2022-23 payments, and 25% in FY 2023-24 payments. The 25% reduction was sustained for FY 2024-25 and staff recommends extending the reduction through FY 2025-26. BART staff have indicated that FY 2025-26 is likely to be the last year that BART will be able to support feeder bus services. MTC staff will work with BART and bus operators to establish a path forward beyond FY 2025-26.
2. **STA Revenue-Based Formula** – Half of the statewide STA Revenues are distributed through a formula using each operator’s share of qualifying revenues (i.e., fares, local taxes, other operating revenues). This formula has been frozen through an amendment to the Public Utilities code since the onset of the pandemic to mitigate the impacts the pandemic has had on transit revenues. This “hold harmless” provision is scheduled to expire at the end of FY 2025-26. There will be opportunities to review this provision and advocate for an extension as part of next year’s budget advocacy. However, there is a risk of significant changes to STA revenues if the provision were to expire.
3. **Attribution of TDA Revenues by County** – TDA revenues stemming from the statewide ¼-cent sales tax are meant to be attributed to the county in which the purchase was made. Over the past few years, audits from the California Department of Tax and Fee Administration (CDTFA) have identified instances – typically centered around e-commerce transactions – where sales tax revenue was instead attributed to the county

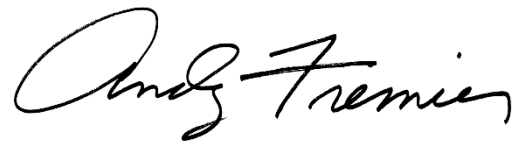
where the seller is located. The result has been negative corrections of revenue in multiple counties, with Santa Clara County being particularly affected. The CDTFA, MTC, and Bay Area counties are continuing to coordinate on this issue, though ongoing volatility for TDA revenues due to these audits is likely in the near future.

Recommendations:

Refer MTC Resolution No. 4688 to the Commission for approval.

Attachments:

- MTC Resolution No. 4688
 - Attachment A: Fund Estimate – Regional Summary
- Presentation slides



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