



March 10, 2026

The Honorable Monique Limón
President pro Tempore, California State Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable John Laird
Chair, Senate Budget and Fiscal Review Committee
1021 O Street, Suite 8720
Sacramento, CA 95814

The Honorable Robert Rivas
Speaker, California State Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

The Honorable Jesse Gabriel
Chair, Assembly Budget Committee
1021 O Street, Suite 8230
Sacramento, CA 95814

Re: FY 2026-27 State Budget Requests related to Transit, Housing and Implementing Sustainable Communities Strategies

Dear President pro Tempore Limón, Speaker Rivas, Chair Laird and Chair Gabriel:

On behalf of the Metropolitan Transportation Commission and the Association of Bay Area Governments (MTC-ABAG), I’m writing to share our budget priorities for the fiscal year (FY) 2026-27 State Budget. We are grateful for the Legislature’s early action approving a \$590 million loan to support Bay Area transit operations, which provided critical near-term stability for transit agencies and riders. As you finalize the full year budget, we respectfully request your support for the priorities outlined below.

1. Fully Fund Cap-and-Invest Transit and Housing Programs

As part of last year’s Cap-and-Invest reauthorization, SB 840 (Limón) converted Greenhouse Gas Reduction Fund (GGRF) continuous appropriations for certain transit and housing programs from percentage allocations to fixed statutory dollar commitments, including \$800 million for the Affordable Housing and Sustainable Communities Program (AHSC), \$400 million for the Transit and Intercity Rail Capital Program (TIRCP), and \$200 million for the Low Carbon Transit Operations Program (LCTOP). The FY 2026–27 budget represents the first year under the new Cap-and-Invest structure.

The Governor’s proposed Cap-and-Invest expenditure plan funds the above programs at approximately 30 percent below the authorized levels due to lower-than-anticipated auction revenues. Preserving these programs is critical to completing priority transit improvements across California as well as continuing progress toward California’s housing and climate goals.

We respectfully urge the Legislature to fund TIRCP, AHSC and LCTOP at the statutory funding targets identified in SB 840.

2. Fulfill the SB 125 Transit Funding Commitment

In 2023, the Legislature adopted a \$5.1 billion multi-year transit funding package (SB 125), which included GGRF support of approximately \$230 million in FY 2026–27 and \$460 million in FY 2027–28 statewide. However, the Governor’s January budget proposal does not include these amounts in the proposed multi-year GGRF expenditure plan.

In the Bay Area, MTC programmed the region’s \$1.1 billion SB 125 allocation to both sustain transit operations through summer 2026 and to fulfill prior-year state budget commitments to BART to Silicon Valley Phase II and BART Transbay Core Capacity (SB 125’s \$5.1 billion included \$4 billion in transit capital funds approved in the 2022 State Budget; MTC committed the Bay Area’s share to the two capital projects). With the operating support addressed in earlier years, the Bay Area is counting on an additional \$250 million in GGRF appropriations for these two capital projects, both of which are underway.

We respectfully request the Legislature uphold the SB 125 framework and provide the remaining appropriations consistent with the prior year budget commitments. This will position these critical modernization projects to retain (or, in the case of BART to Silicon Valley Phase II, *secure*) federal matching funds and deliver the anticipated capacity, reliability, and economic benefits to the region and the state. To the extent the GGRF is oversubscribed and General Fund revenues are higher than anticipated, the Legislature could consider meeting its SB 125 commitment with a one-time General Fund appropriation instead.

3. Advance Housing Innovation at the Bay Area Housing Finance Authority (BAHFA)

MTC-ABAG is seeking \$15 million in one-time state funding to sustain key BAHFA programs through 2030, which are helping to increase access to affordable housing for Bay Area residents. Matched by MTC-ABAG and philanthropy, \$15 million would:

- Enable the Doorway Housing Portal, used by more than 450,000 housing seekers, to offer more apartment and ADU listings.
- Launch the innovative Mixed-Income Financing Program to close funding gaps for eligible housing developments. The program will also serve as a revenue stream to cover costs of administering the lending program and other important BAHFA efforts.
- Position BAHFA to advance a regional revenue measure as early as 2028.

Appropriating the full \$15 million in FY 2026-27 will help sustain these important programs through 2030, after which BAFHA aims to be self-sustaining through recovering interest earned and fees from the Mixed-Income Financing program listed above. Further, an earmark could help secure philanthropic funds by signaling the high value the state places on BAHFA’s success.

4. New Funding for Regions to Implement Sustainable Communities Strategies (SCS)

MTC-ABAG are joining partners across the state to request the Legislature provide new flexible, formula-based funding to metro regions to support implementation of state-mandated Sustainable Communities Strategies (SCS) — Plan Bay Area 2050 in the Bay Area. Eligible uses should include planning and technical assistance for regions and local governments to develop and implement Regional Housing Needs Allocation (RHNA) Cycle 7 (similar to the first round of Regional Early Action Planning (REAP) grants) and the expanded implementation activities eligible under REAP 2, including capital and operating projects and programs that accelerate infill development, reduce vehicle miles traveled, increase housing supply, or otherwise carry out the strategies identified in each region’s SCS.

5. Expand Transit Access for Bay Area Community College Students

Clipper® BayPass is a universal, unlimited transit access pass administered by MTC for trips on the 22 Bay Area transit systems that accept Clipper. The program is free to cardholders and has proven immensely successful in two pilot phases with a 30-35% increase in transit ridership among participating students and increased student retention among students with the passes.

If the Legislature proceeds with the \$125 million transit pass set-aside under SB 840, MTC recommends the Bay Area’s share be directed to expand Clipper® BayPass access for the region’s more than 400,000 community college students. This will not only ensure the funds expand transit usage in the near term, it will also improve educational outcomes and help grow the next generation of Bay Area transit riders. Bay Area community colleges are interested in offering BayPass but cannot afford to join given their limited resources and constraints on student fee increases.

For more information, please contact Georgia Gann Dohrmann, Assistant Director, Legislation and External Affairs, at ggannndorhmann@bayareametro.gov or 202-257-8801 or Scott Wetch, our Sacramento advocate, at swetch@actuml.com or 916-806-6476.

Sincerely,



Andrew B. Fremier
Executive Director