

# FY 2025-26 MTC Fund Estimate Overview

MTC Programming & Allocation Committee

February 12, 2025

# Agenda

1. Fund Estimate Overview
  - TDA, STA, AB1107 estimates
2. Economic Overview
  - Population, Unemployment, Sales Tax
3. BART-Feeder Bus Agreement
4. Other Considerations
  - Sonoma County TDA formula
  - STA Revenue Based Formula Freeze
  - Sales tax revenue attribution audits

# Introduction to the Fund Estimate

- Every year, MTC prepares a Fund Estimate to identify how much funding will be available in the upcoming fiscal year from sources including:
  - Transportation Development Act (TDA) – *statewide sales tax*
  - State Transit Assistance (STA) – *statewide diesel sales tax*
  - Assembly Bill 1107 – *regional sales tax*
- The Fund Estimate is informed by state and county revenue projections and reflects latest macroeconomic and demographic trends
- The Fund Estimate is typically amended twice per year to incorporate the latest revenue information from the state
- Transit agencies, County Transportation Agencies, and MTC use the Fund Estimate for budget development and to request allocation of funds

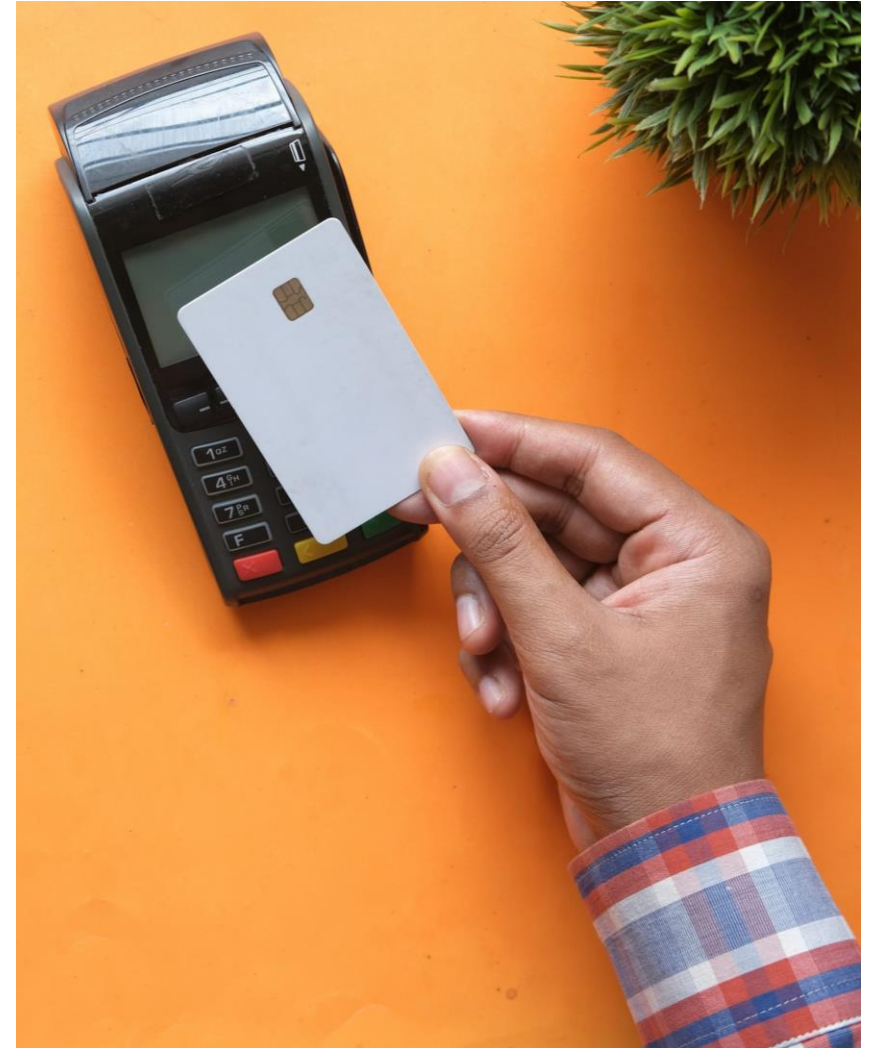


Image Credit: Unsplash

# TDA Sales Tax Forecast FY 2025-26

Estimates for each county prepared by individual county Auditor/Controllers. Funds within counties are distributed to operators based on city/service area population, or by county-specific formulas

TDA receipts in the first half of FY25 are tracking below original estimates

FY25 (Current Year) estimates revised to **\$472M**

- Down 7% from original \$509M FY25 estimate
- Down 3% from FY24 Actuals (\$486M)

FY26 estimates projected to be 2.6% higher at **\$485M**



# STA Formula Programs

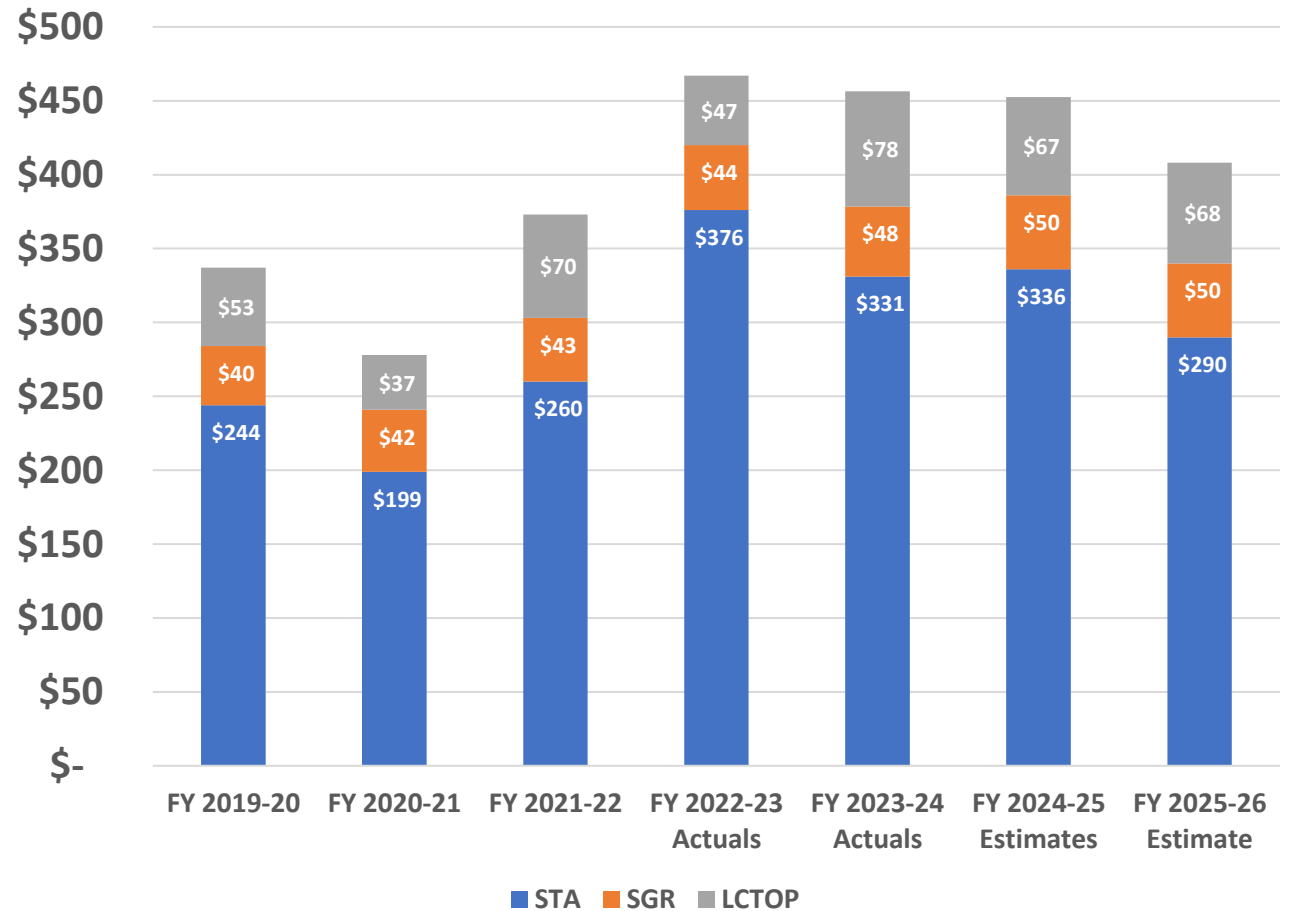
## FY 2025-26

State Transit Assistance (STA) formula splits statewide revenue 50/50 between a Revenue-Based program and a Population-Based program.

Revenue-Based funds flow to transit operators via MTC based on their qualifying local revenue. **A hold harmless provision has frozen the revenue-based formula until 6/30/26**

Population-Based funds flow to the Bay Area based on our ~19% share of the state's population and are programmed by MTC

**FY 2025-26 forecast of \$408 million for the Bay Area** in STA, State of Good Repair (SGR) Program and Low Carbon Transit Operations Program (LCTOP) revenue



# AB 1107 Sales Tax Forecast FY 2025-26

- 25% of total revenue from BART's sales tax in Alameda, Contra Costa, and San Francisco counties
- MTC estimates revenue and establishes funding policy
- Only AC Transit, BART, and SFMTA eligible to receive AB 1107 funds per state statute
- Historically, Commission policy is to distribute 50% of funds to AC Transit and 50% to SFMTA (or 12.5% of the total revenues to each)
- **FY 2025-26 forecast of \$104 million is an estimate based on sales tax trends in Alameda, Contra Costa, and San Francisco counties**

***FY 2024-25 forecast remains at the original estimate of \$104 million.***



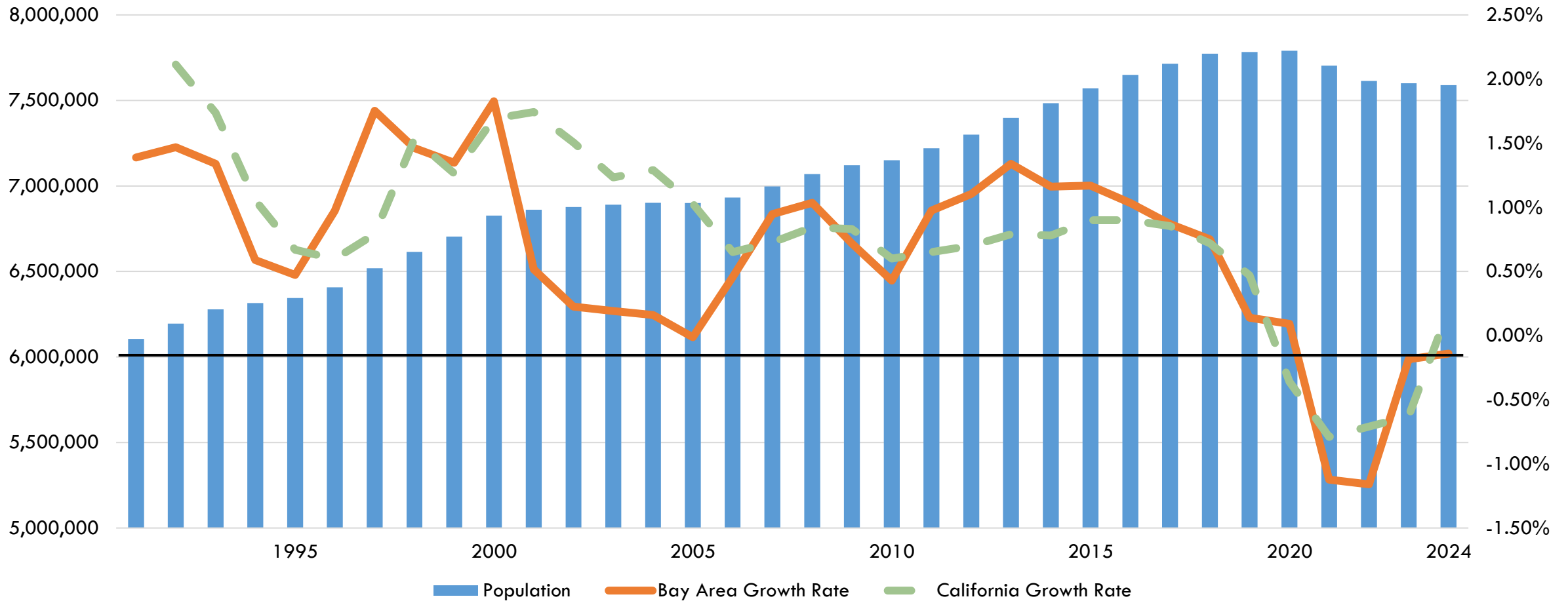
# Fund Estimate Summary

	Program	Description	FY 2023-24 Actuals	FY 2024-25 Revised Estimates	FY 2025-26 Estimates
Sales Taxes & Tolls	Transportation Development Act (TDA) ¼ ¢ Sales Tax	¼ ¢ sales tax in each county	\$486M	\$472M	\$484M
	AB 1107 ½ ¢ Sales Tax	MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties	\$107M	\$104M	\$104M
	Bridge Tolls	MTC 2% Toll Revenues and 5% State General Fund Revenues	\$5M	\$5M	\$5M
STA Formula	State Transit Assistance (STA)	Sales tax on diesel fuel in CA.	\$331M	\$336M*	\$290M
	State of Good Repair (SGR) Program	Transportation Improvement Fee (vehicle registration fee)	\$48M	\$50M	\$50M
	Low Carbon Transit Operations Program (LCTOP)	5% of Cap-and-Trade auction revenues	\$78M	\$67M	\$68M

\*FY25 STA forecasts are revised down to \$294M based on the Governor's Proposed FY26 budget  
 Note: Estimated revenue amounts are rounded to nearest million.

# Bay Area Population

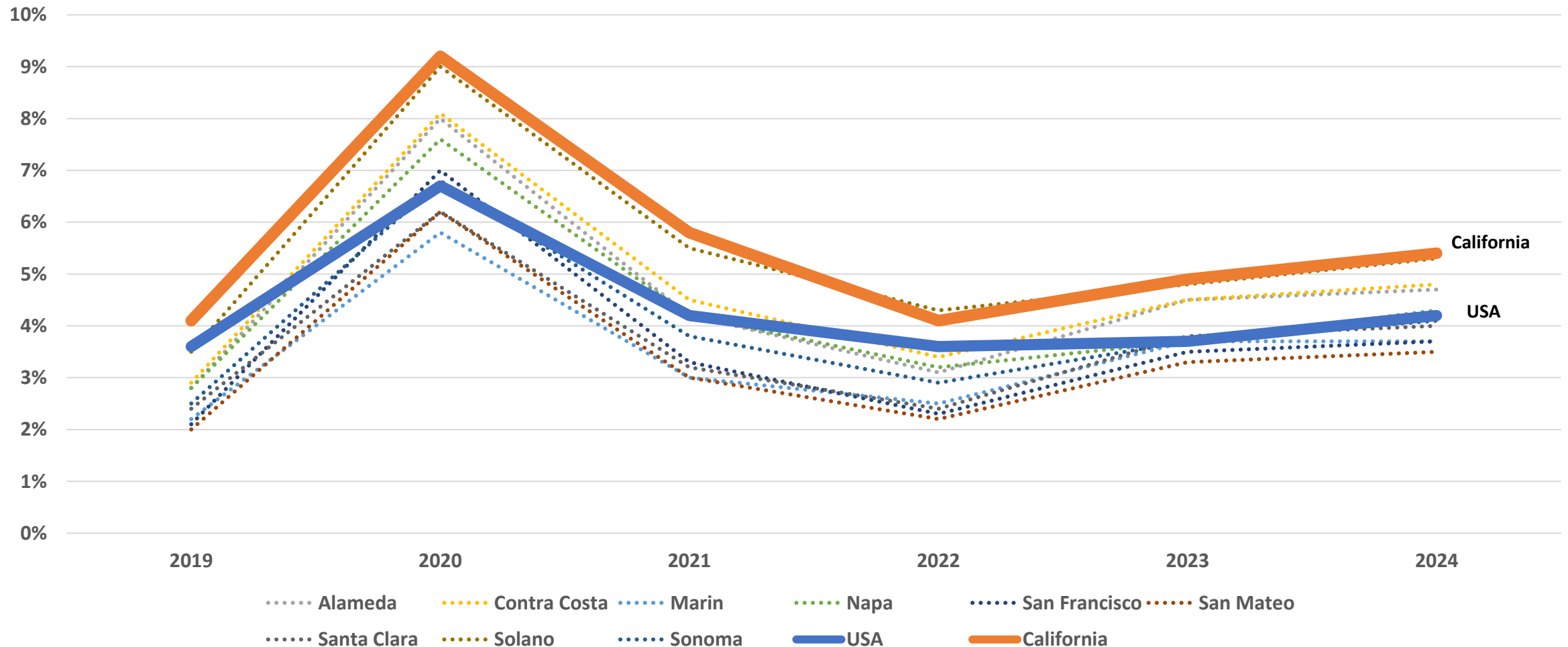
- Bay Area Population has declined for 4 consecutive years
- The regional population change continues to track behind the state population, which grew marginally in 2024





# Bay Area Unemployment Rate

- Unemployment rates have worsened in the last year, mostly lagging behind the national average

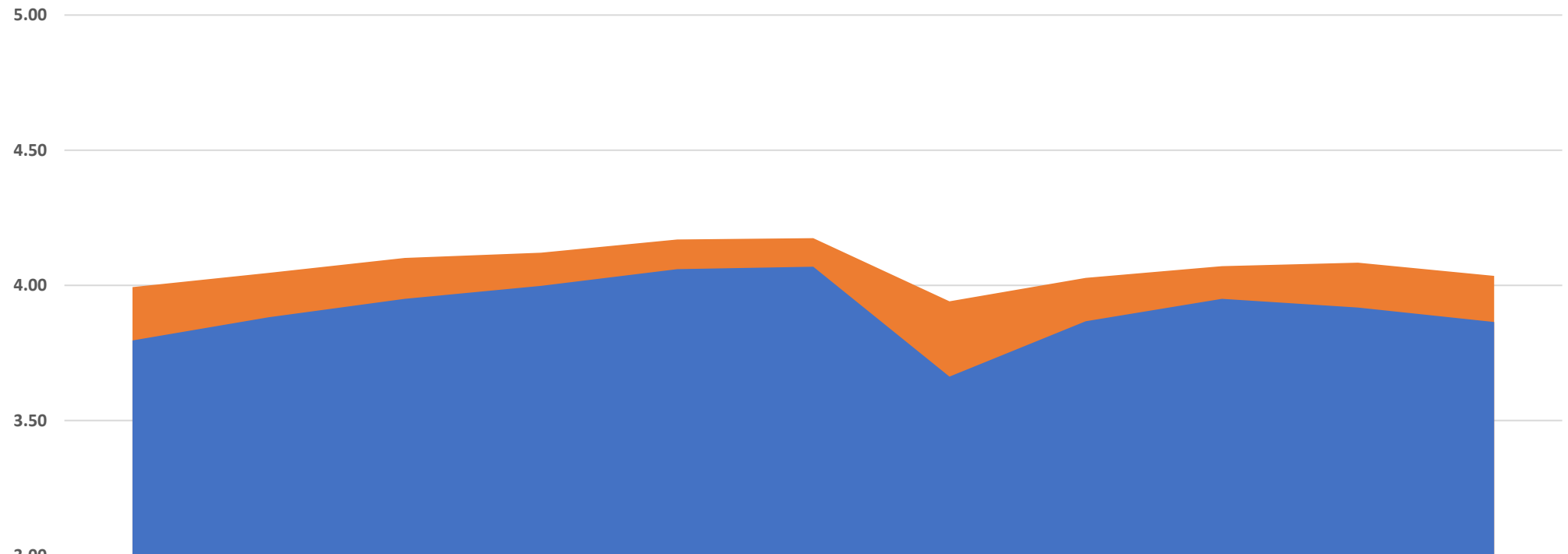


Source: US Bureau of Labor Statistics, Local Area Unemployment Statistics  
Graph reflects November unemployment rates of each year

# Bay Area Labor Force

Neither the regional labor force, nor employment levels have recovered to pre-pandemic levels

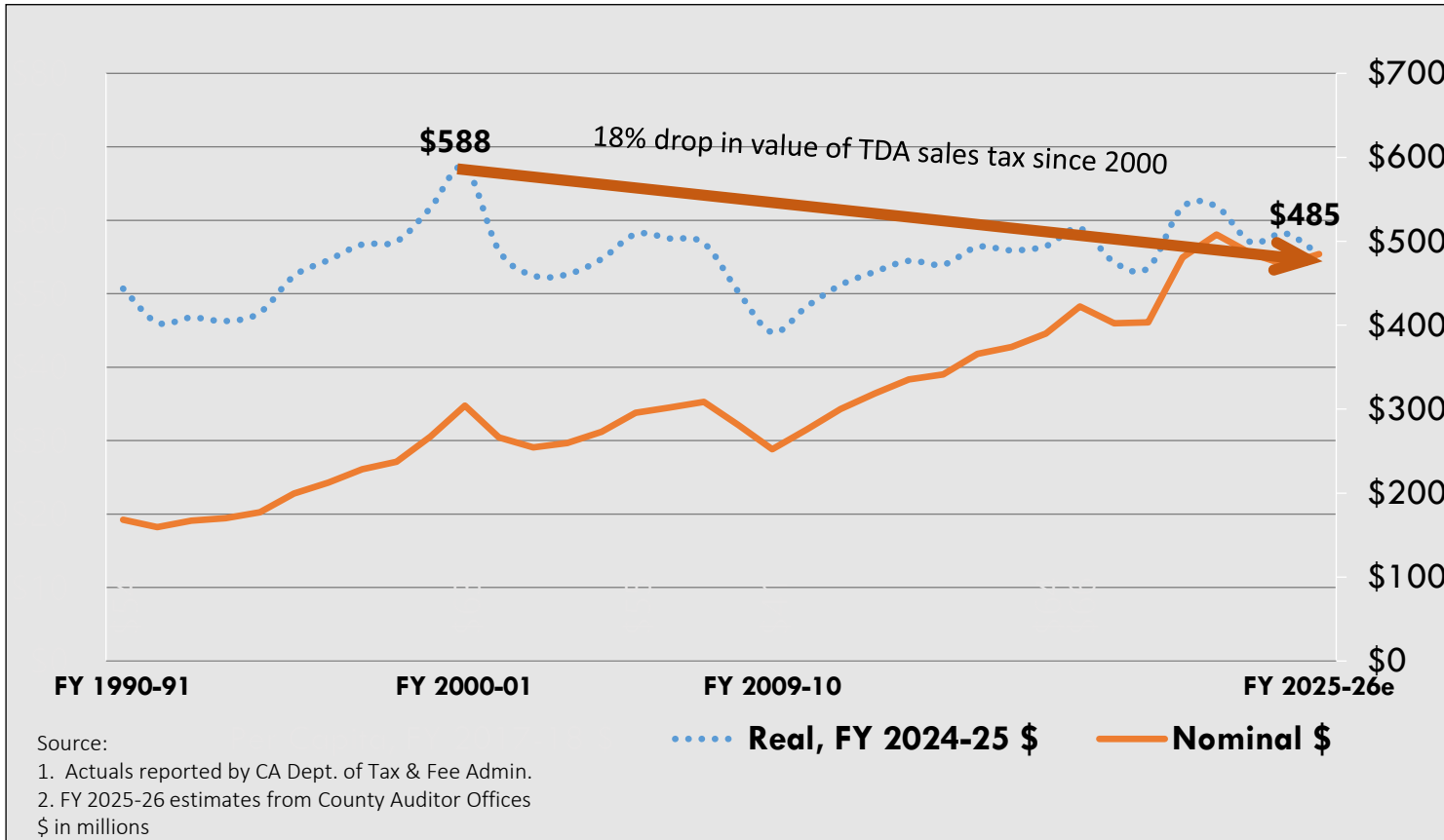
Employment and Labor Force



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Labor Force	3.99	4.05	4.10	4.12	4.17	4.17	3.94	4.03	4.07	4.08	4.04
■ Employment	3.80	3.88	3.95	4.00	4.06	4.07	3.66	3.87	3.95	3.92	3.86
■ Regional Unemployment Rate	4.9%	4.1%	3.7%	3.0%	2.6%	2.5%	7.1%	4.0%	3.0%	4.1%	4.2%

■ Labor Force ■ Regional Unemployment Rate ■ Employment

# Real Sales Tax Revenue: 18% drop since 2000



- In addition to the recent plateau in sales tax revenues in nominal terms, revenues have also not kept up with inflation, further diminishing its purchasing power
- Since an all-time high in 2000, real sales tax revenues have declined 18%
- FY 2025-26 Estimates of \$485M are about even with the 20-year inflation-adjusted average of \$481M

# BART-Feeder Bus Agreement

## Background

- Established in 1997 to transfer feeder bus operations from BART to East Bay bus operators
- Initial payment amounts were established by transition agreements, with subsequent payments adjusted based on changes to AB1107 sales tax revenues
- Payments are made using BART's STA Revenue-Based and TDA Sales Tax Funds

**FY21:** BART communicated an interest in establishing a path to reduced feeder bus payments, as well as a new approach for how payments are calculated

**FY23:** While programming amounts remained unchanged, disbursements were capped at 50% until an agreed upon resolution

**FY25:** Continued 25% reduction of Feeder Bus Payments. BART has indicated FY26 will be the last year it will be able to continue feeder bus payments.

**FY22:** With much uncertainty around the pandemic along with federal relief funding available to address shortfalls, operators agreed to postpone discussion on feeder bus payments

**FY24:** Operators agreed to reduce FY23 payments by 15% and FY24 payments by 25%.

## Proposed FY26 Action:

- Continue 25% reduction of Feeder Bus Payments
- Work with operator staff to identify a path forward that considers both a successful and unsuccessful 2026 ballot measure

# Other Considerations

## Proposed Adjustments to TDA Distribution Formula in Sonoma County

- Marin-Sonoma Coordinated Transit Service Plan (MASCOTS) recommended change to formula in Sonoma
- Goal to mirror the formula in Marin, where funds are allocated using a performance-based model
- Revised formula would shift approximately \$2M in funding from Golden Gate to SMART and bus operators in FY26

## STA Revenue-Based Formula Freeze Expiration

- Half of statewide STA revenues are distributed based on each operator's share of "qualifying revenues" - i.e., fares and local taxes
- Formulas have been frozen at pre-pandemic levels, with the freeze set to expire at the end of FY2025-26
- There will be opportunities to advocate for the continuation of this freeze
- However, there is a risk of significant changes to STA revenues if the provision were to expire

## Sales Tax Attribution for County TDA Revenues

- Resolution of CDTFA audits related to attribution of sales taxes have resulted in negative corrections of revenue
- Ongoing volatility due to these audits is likely for the near future

# Staff Recommendation

Staff Recommendation is to refer MTC Resolution No. 4688 to the MTC Commission for approval.