Metropolitan Transportation Commission
Programming and Allocations Committee

February 11, 2026 **Agenda Item 3a-26-0107**

MTC Resolution No. 4742. FY 2026-27 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 2026-27.

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 2026-27. The fund estimate prepared by MTC also includes several other fund sources which MTC allocates to transit operators, primarily for operations.

Economic Overview
Several economic indicators show that the Bay Area economy experienced either a plateau or minor decline in 2025. Unemployment rates ticked up in all counties except Alameda and San Francisco, which remained flat at 4.6% and declined to 3.9% respectively. 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 tracked with the state, increasing slightly in 2025 by less than 1%, while the statewide population grew by slightly above 1%.

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 increase by 2% relative to original estimates for the current year of FY 2025-26, to $493 million. The impacts vary across counties. While little change is estimated for Napa, Marin, and Solano counties, the Alameda County Auditor estimated a 12% increase for Alameda County, in part due to greater sales tax revenue generation performance in the first six months of the fiscal year.

County Auditor Offices forecast a subsequent increase of 2.6% in FY 2026-27 TDA revenues, to $506 million. The revised revenue estimates for FY2025-26 and forecasted revenue for FY2026-27 are summarized in the following table:

TDA Revenue Estimates

County	FY2025-26 (Revised)	FY2026-27	FY2026-27 Change vs FY2025-26
Alameda	$101.5	$102.6	1.1%
Contra Costa	$56.1	$58.6	4.5%
Marin	$17.1	$17.3	1.2%
Napa	$11.4	$11.7	2.6%
San Francisco	$48.0	$49.0	2.1%
San Mateo	$57.8	$61.0	5.5%
Santa Clara	$144.4	$148.1	2.5%
Solano	$28.5	$28.5	0%
Sonoma	$29.1	$29.6	1.7%
Total	**$493.0**	**$506.0**	**2.6%**

Note that amounts may not sum due to rounding

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 FY 2025-26 and increase slightly to $105 million in FY 2026-27. This amount would be split evenly between SFMTA and AC Transit per longstanding Commission practice.

State Transit Assistance (STA)

The State Controller's Office estimates $717 million in STA diesel sales tax funds will be available statewide in FY 2026-27. Based on this estimate, the Bay Area would receive approximately $261 million ($192 million in Revenue-Based and $70 million in Population-Based) in FY 2026-27 STA funds, representing an approximate 10% decrease from FY 2025-26 estimates.

While the Fund Estimate will reflect the latest available information from the State Controller's Office (SCO) for the current year (FY 2025-26) estimates, the Governor's Proposed FY 2026-27 budget forecasts a slight increase in FY 2025-26 STA revenues by roughly 1%, which translates to $1.6 million more than the original estimate. Staff will return to the Commission to update the estimates following the state budget approval later this year.

State of Good Repair (SGR) Program

Senate Bill (SB) 1 established the State of Good Repair (SGR) Program which will bring $51.3 million to the Bay Area in FY 2026-27 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 2026-27 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 2026-27, the region is projected to receive $52.0 million from the program based on an estimate from Governor Newsom's proposed FY 2025-26 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). 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 was fully allocated, leaving roughly $1 million remaining for MTC planning and implementation. MTC will work with BART and VTA to assess cash flow needs for the BART Core Capacity and BART to Silicon Valley Phase II projects, respectively, and will establish an allocation timeline in summer 2026.

Issues:

1) 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. Though the revenue estimates for FY2026-27 provided by the State Controller's Office in January maintain the frozen formula, the "hold harmless" provision is scheduled to expire at the end of FY 2025-26. If the "hold harmless" provision is not extended before June 30th, 2026, the qualifying revenue formula will be unfrozen, and the revenue distribution will be revised in August to include to include new qualifying revenue from FY2024-25.

   Staff have advocated for an extension of this provision due to the impacts on transit operators in the region; however, the Governor's proposed budget does not indicate that this "hold harmless" provision will be extended into FY2026-27. While there will be a mix of increases and decreases in funding levels for different operators in the region, AC Transit, BART, and SFMTA are projected to see significant reductions in funding. The impact to these operators is most significant due to their heavy pre-pandemic reliance on STA qualifying revenue including fares, general fund, and parking revenues, all of which declined dramatically during the pandemic and have yet to recover.

The impact of the expiration of the provisions will be mirrored across the two other revenue-based Senate Bill 1 funding programs.

2) 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 in amending the agreement before the pandemic and later expressed greater urgency given its looming fiscal cliff. BART staff have indicated that FY 2025-26 is the last year that BART will be able to support feeder bus services.

   MTC staff, in coordination with the affected feeder bus operators, are working on a proposal to provide temporary funding for feeder services in FY2026-27 using Regional Measure 3 (RM3) Operating funds available from prior year program revenues that were accrued but not disbursed when RM3 was under legal challenge. RM3 programming levels are expected to be presented to the Commission for approval in May.

Recommendations:
Refer MTC Resolution No. 4742 to the Commission for approval.

Attachments:
- MTC Resolution No. 4742
    - Attachment A: Fund Estimate – Regional Summary
- Presentation

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