FY 2026-27
MTC Fund Estimate

MTC Programming & Allocation Committee

February 11, 2026

Agenda

1. Fund Estimate Preview
   - TDA, STA, AB1107 estimates
2. Economic Overview
   - Population, Unemployment, Sales Tax
3. Discussion
   - STA Revenue Based Formula Freeze
   - BART-Feeder Bus Agreement

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 in Alameda, Contra Costa, and San Francisco counties*
- 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

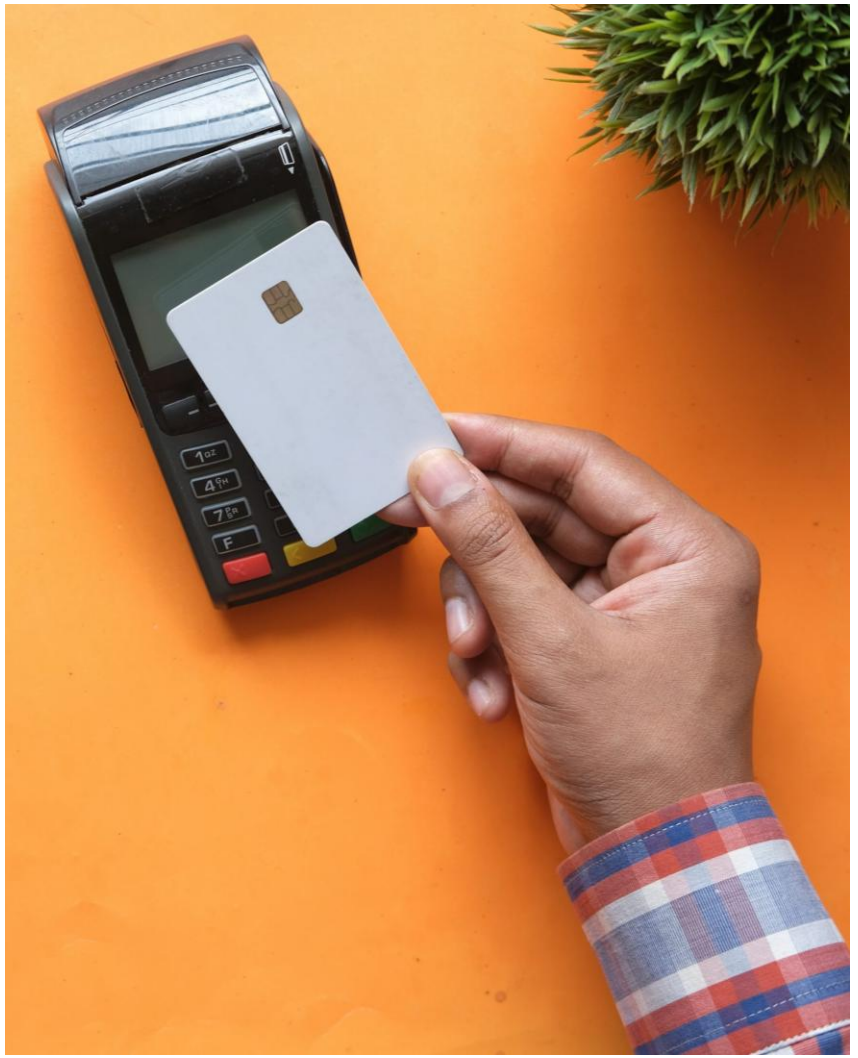
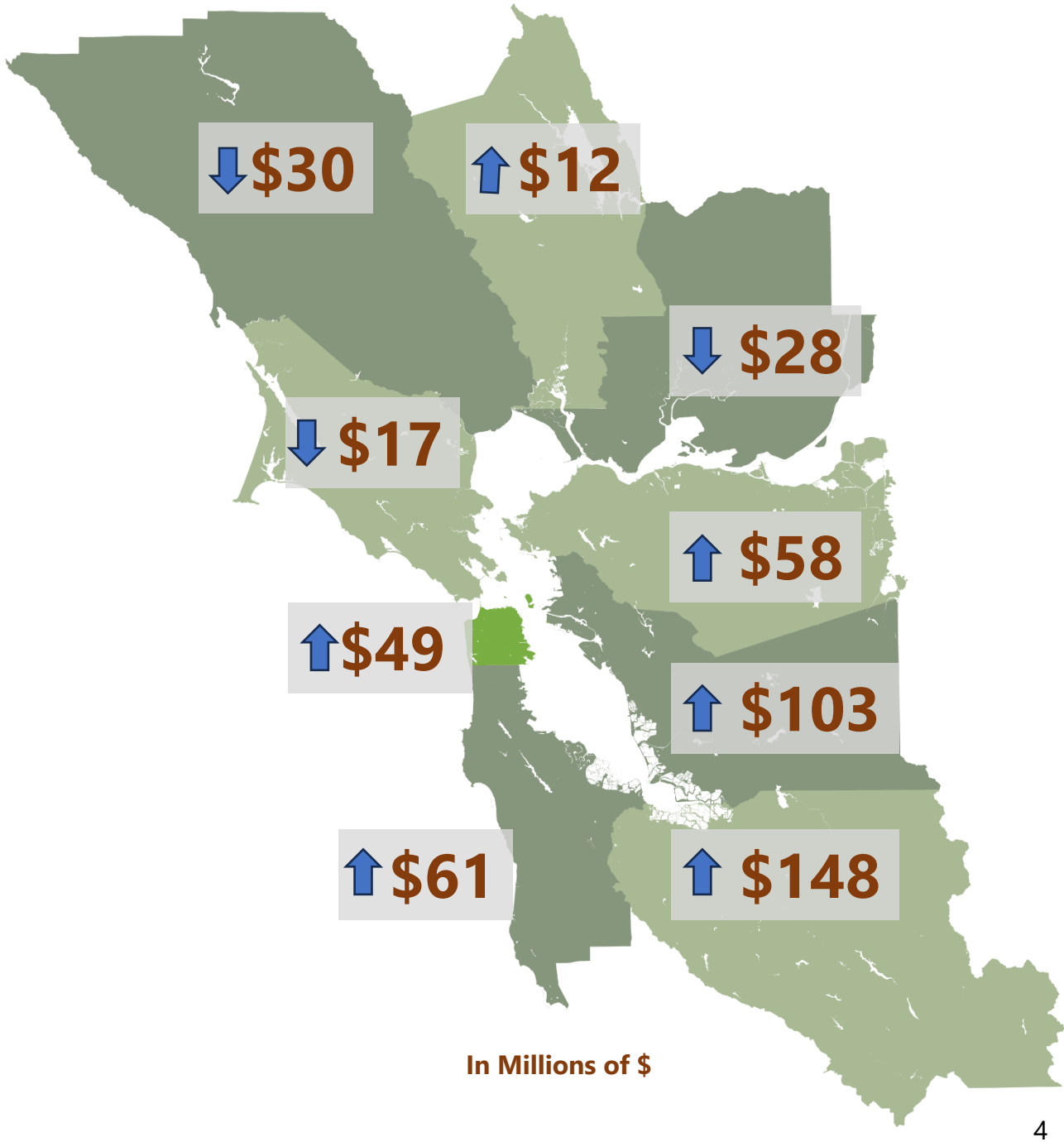


Image Credit: Unsplash

TDA Sales Tax Forecast
FY 2026-27

- Estimates for each county prepared by individual county Auditor/Controllers
- TDA receipts in the first half of FY26 are tracking on par with original estimates
- FY26 (Current Year) estimates revised to roughly **$493 M**
  - Up 2% from original $485M FY26 estimate
  - Up 3.6% from FY25 Actuals ($476M)
- FY27 estimates projected to be 2.6% higher at **$506M**



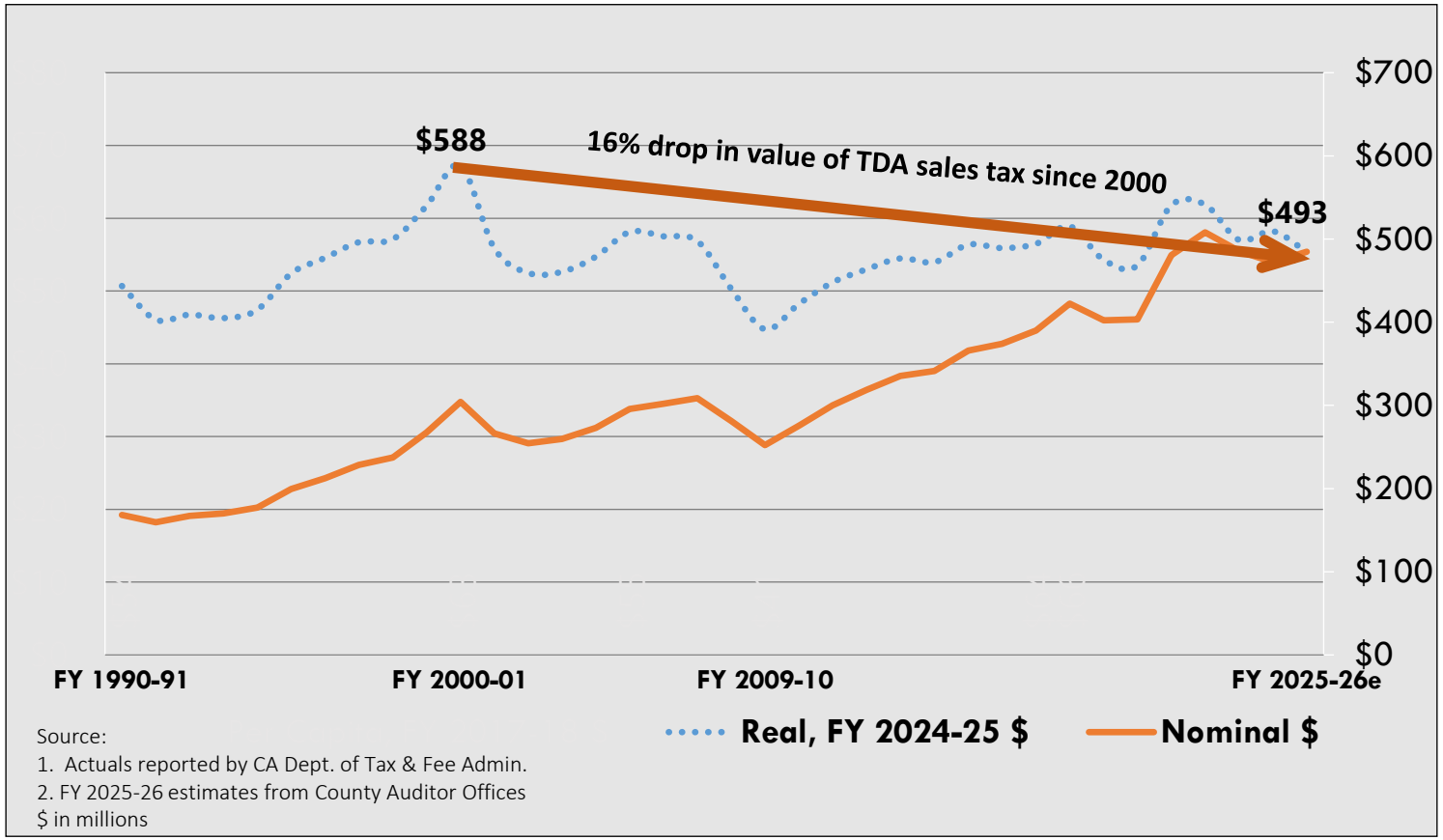
AB 1107 Sales Tax Forecast
FY 2026-27

- 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
- **FY 2026-27 forecast of $105 million is an estimate based on sales tax trends in Alameda, Contra Costa, and San Francisco counties**

FY 2025-26 forecast remains at the original estimate of $104 million.

In Millions of $

Real Sales Tax Revenue: 16% drop since 2000

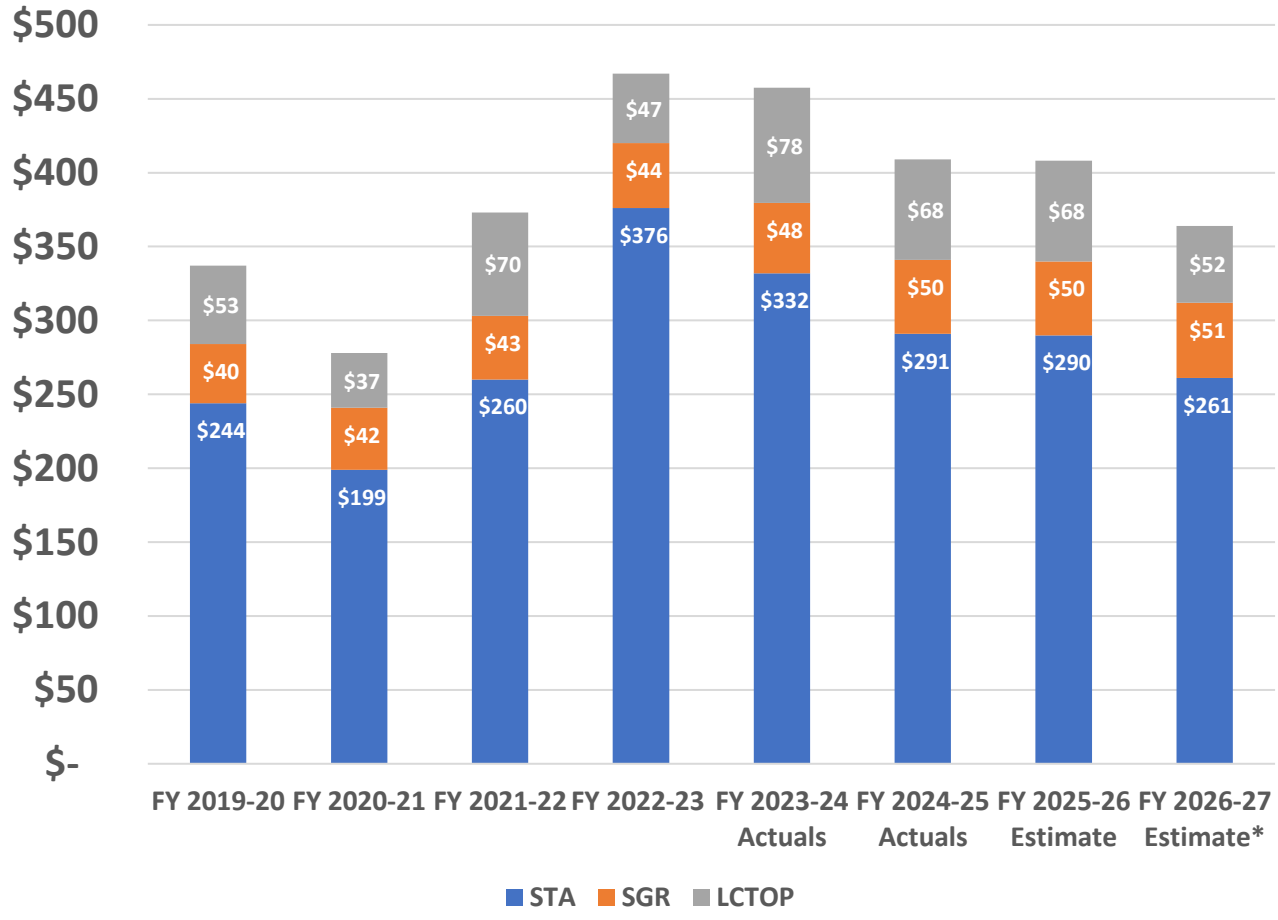


Source:
1. Actuals reported by CA Dept. of Tax & Fee Admin.
2. FY 2025-26 estimates from County Auditor Offices
$ in millions

- 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 2000, real sales tax revenues have declined 16%

STA Formula Programs
FY 2026-27

- 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
- Population-Based funds flow to the Bay Area based on our ~19% share of the state's population and are programmed by MTC
- **FY 2026-27 forecast of $365 million for the Bay Area** in STA, State of Good Repair (SGR) Program and Low Carbon Transit Operations Program (LCTOP) revenue



*Revenue-based program forecasts are based on frozen qualifying revenues formula and are subject to change

Fund Estimate Summary

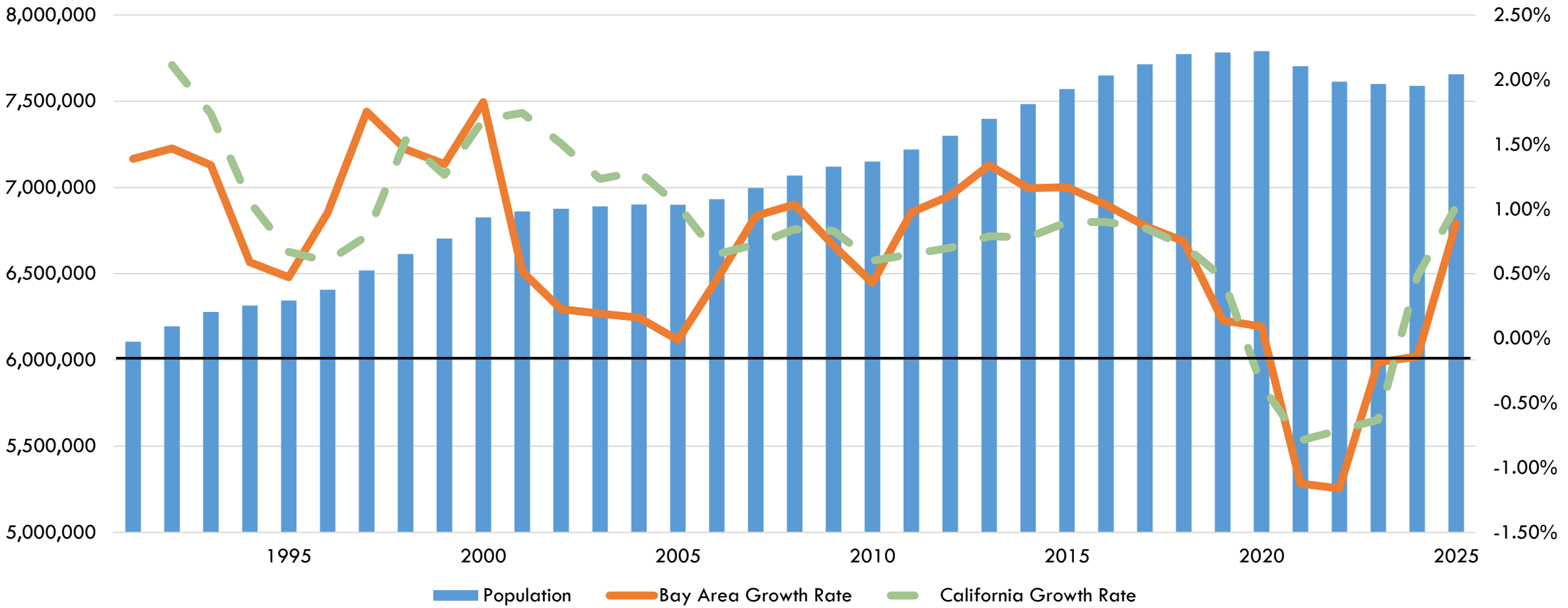
	Program	Description	FY 2024-25 Actuals	FY 2025-26 Revised Estimates	FY 2026-27 Estimates
Sales Taxes and Tolls	Transportation Development Act (TDA) ¼ ¢ Sales Tax	¼ ¢ sales tax in each county	$476M	$493M	**$506M**
	AB 1107 ½ ¢ Sales Tax	MTC administers 25% of the revenue from the ½ ¢ sales tax in the three BART district counties	$106M	$104M	**$105M**
	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	$291M	$292M[1]	**$261M[2]**
	State of Good Repair (SGR) Program	Transportation Improvement Fee (vehicle registration fee)	$48M	$50M	**$51M**
	Low Carbon Transit Operations Program (LCTOP)	Cap-and-Trade auction revenues	$78M	$55M	**$52M**

1. FY26 STA forecasts are revised up to $292M based on the Governor's Proposed FY27 budget
2. FY27 STA forecasts are based on frozen qualifying revenue basis

Note: Estimated revenue amounts are rounded to nearest million.

Bay Area Population

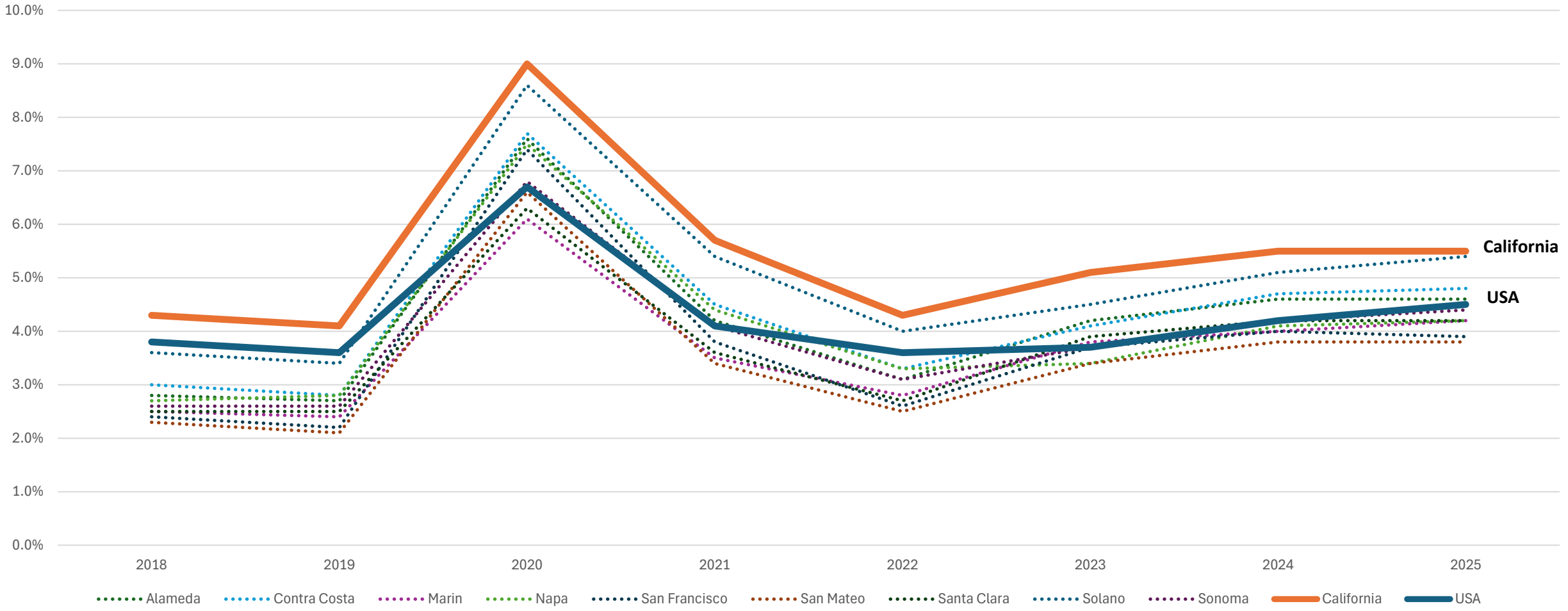
- Bay Area Population declined for 4 consecutive years
- The regional population change tracked ahead of the state population, which grew marginally in 2025



Source: California Department of Finance

Bay Area Unemployment Rate

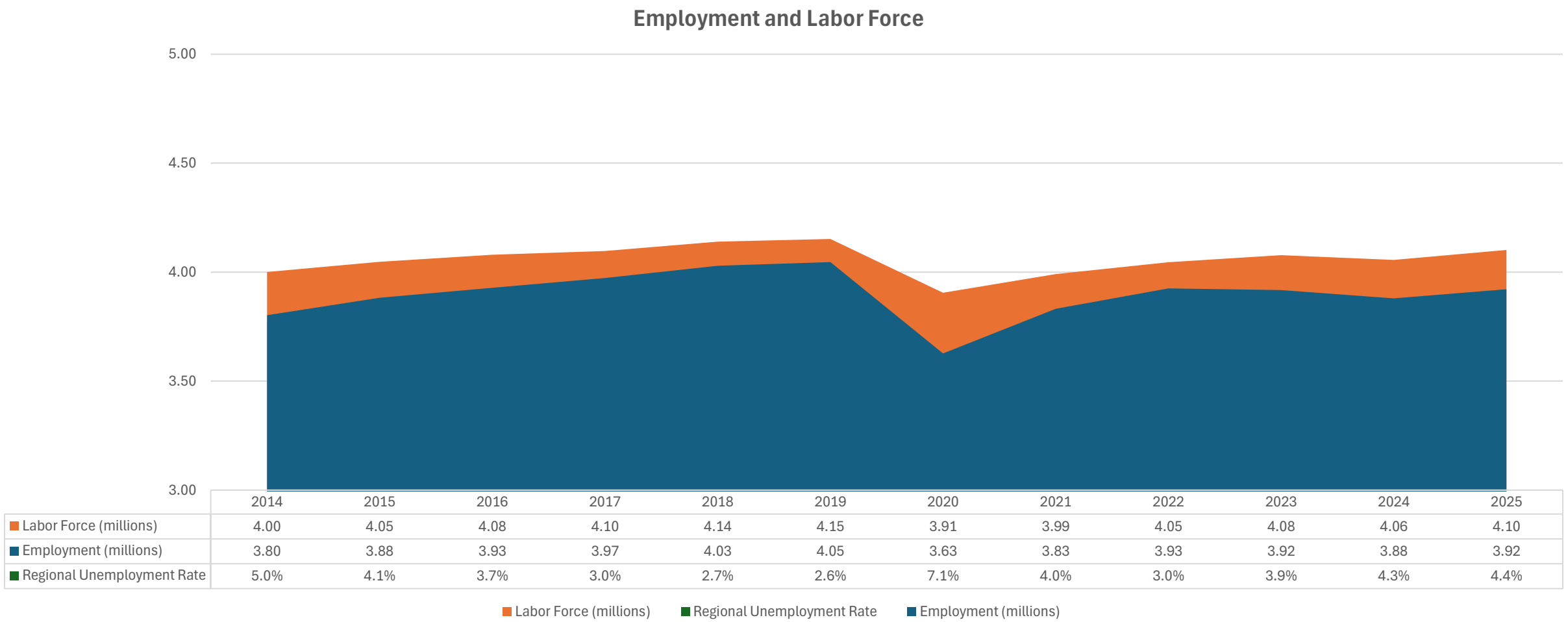
- Unemployment rates have worsened and improved slightly in the last year, most of the region faring better than national average



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



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Labor Force (millions)	4.00	4.05	4.08	4.10	4.14	4.15	3.91	3.99	4.05	4.08	4.06	4.10
Employment (millions)	3.80	3.88	3.93	3.97	4.03	4.05	3.63	3.83	3.93	3.92	3.88	3.92
Regional Unemployment Rate	5.0%	4.1%	3.7%	3.0%	2.7%	2.6%	7.1%	4.0%	3.0%	3.9%	4.3%	4.4%

Source: US Bureau of Labor Statistics, Local Area Unemployment Statistics

STA Revenue-Based Formula Funding Freeze

Background

- Distribution formula has been frozen since 2020, to reduce impacts of the pandemic on transit revenues
- The California Transportation Association declines to support a continuation of the freeze
- Revenues reported by the State maintain frozen formula for FY2026-27 for now, however "hold harmless" provision will likely expire at the end of the fiscal year.

Outlook

- If "hold harmless" provision is not extended, the State will unfreeze the distribution formula and revise the revenue estimate in August
- Mix of increases and decreases for individual agencies, but overall a decrease of 15% revenue to the region
- AC Transit, BART, and SFMTA will be significantly impacted
- VTA and GGBHTD will enjoy greater revenues due to increase in local revenue generation in their service areas
- Statewide the Bay Area will no longer receive the majority of STA revenue (54% to 46%)

Operator	Frozen FY2026-27 Estimate	Unfrozen FY2026-27 Estimate	Difference $	Difference %
AC Transit	$24.4	$23.0	($1.4)	-6%
BART	$38.3	$25.3	($13.0)	-34%
Caltrain	$9.1	$8.9	($.1)	-2%
GGBHTD	$8.7	$10.7	$2.0	23%
VTA	$27.7	$32.7	$5.0	18%
SFMTA	$65.3	$47.1	($18.1)	-28%
WETA	$2.5	$1.7	($.7)	-30%
SUBTOTAL	**$176.1**	**$149.5**	**($26.6)**	**-15%**
Small Operators	**$16.2**	**$14.0**	**($2.2)**	**-14%**
GRAND TOTAL	**$192.3**	**$163.5**	**($28.8)**	**-15%**

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

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

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

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

FY25 & **FY26** : 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.

Proposed FY27 Action:

- BART to discontinue Feeder Bus payments
- MTC to provide temporary Feeder Bus funds in line with prior year levels, with regional funding
- Work with operator staff to identify a path forward that considers both a successful and unsuccessful 2026 ballot measure

Staff Recommendation

Staff Recommendation is to refer MTC Resolution No. 4742 to the MTC Commission for approval