ASSOCIATION OF BAY AREA GOVERNMENTS
METROPOLITAN TRANSPORTATION COMMISSION

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July 6, 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 updated priorities in advance of the Legislature and Administration making additional budgetary decisions for the Fiscal Year (FY) 2026-27 State Budget in August.

While the initial constitutional deadline for passage of a state budget has been met, several Bay Area priorities remain unresolved. In particular, the recent Cap-and-Invest rulemaking by the California Air Resources Board (CARB) has created significant uncertainty for transit, housing and sustainable communities programs that were intended to be funded through the Greenhouse Gas Reduction Fund (GGRF). We understand the Legislature intends to defer most GGRF expenditure decisions until later this summer, and we respectfully request the priorities outlined below remain central to the discussions.

In addition to our concerns about the loss of funding for these GGRF-funded transit and housing programs, a top MTC-ABAG budget priority is one-time funding to sustain the critical work of the Bay Area Housing Finance Authority (BAHFA). We respectfully request the Legislature include funding for BAHFA in subsequent budget action later this summer.

The remainder of the letter provides additional detail on these requests.

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

   As part of a statewide $32 million request from California's three regional housing finance authorities, MTC-ABAG is seeking $15 million in one-time state funding to sustain key BAHFA programs through 2030, at which point the programs will be self-sustaining.

Matched 1-1 by MTC-ABAG and philanthropy, this investment would:

- Enable the Doorway Housing Portal, used by more than 506,000 housing seekers, to offer more apartment and accessory dwelling unit listings. Doorway has placed over 3,200 households in affordable homes across the nine-county region and created an open-source model that is the basis for new portals in other regions.

- Launch the innovative Mixed-Income Financing Program to deliver affordability swiftly for households across a mix of income levels and with limited public subsidy. The program will generate revenue to support the agency's financial independence.

- Position BAHFA to advance a large-scale regional housing measure as early as 2028.

2. Fully Fund Greenhouse Gas Reduction Fund Transit & Housing Programs

Backfill Reduced Tier 3 GGRF Program Revenue

The adoption of significant changes to the Cap-and-Invest Program by CARB on May 29 is expected to reduce the GGRF by approximately $2 billion annually and zero out funding for Tier 3 GGRF programs, including the Affordable Housing and Sustainable Communities Program (AHSC), the Transit and Intercity Rail Capital Program (TIRCP) and the Low Carbon Transit Operations Program (LCTOP). Without a backfill, California risks stalling $1.65 billion annually in transit, housing, and climate projects that communities across the state are counting on.

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

Fulfill the SB 125 Transit Funding Commitment

In 2023, the Legislature adopted a $5.1 billion multi-year state transit funding package (SB 125), which included GGRF support of approximately $690 million in FY 2026–27 and FY 2027–28 statewide. The Bay Area is counting on an additional $250 million in GGRF appropriations for BART to Silicon Valley Phase II and BART Transbay Core Capacity. These two projects will leverage an estimated combined $6.3 billion in federal funds and deliver transit capacity, reliability, and economic benefits to the region and the state.

We respectfully request the Legislature uphold the SB 125 framework and provide the remaining appropriations, whether from the GGRF or the General Fund.

3. New Funding for Regions to Implement Sustainable Communities Strategies

MTC and ABAG are joining partners across the state to request the Legislature provide new flexible, formula-based funding to metro regions to accelerate progress on climate goals via state-mandated Sustainable Communities Strategies (SCS) — Plan Bay Area 2050+ in the Bay Area. If the Legislature adopts Governor Newsom's proposal to split the AHSC program into two parts, we propose allocating the Strategic Growth Council's 30% to metropolitan planning organizations to implement projects, programs and related planning activities identified in SCSs.

Eligible uses should include planning and technical assistance for regions and local governments to implement Regional Housing Needs Allocation Cycle 7 (similar to the first round of Regional Early Action Planning (REAP) grants) and the expanded implementation activities eligible under REAP 2, including 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.

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

Sincerely,

Andy Fremier

Andrew B. Fremier
Executive Director

cc: Members, Bay Area Delegation