

# PLATINUM | ADVISORS

February 5, 2026

TO: Diane Shaw, President, AC Transit Board of Directors  
Members of the AC Transit Board of Directors  
Salvador Llamas, General Manager  
Claudia Burgos, Executive Director, External Affairs & Customer Experience

FR: Steve Wallauch  
Platinum Advisors

**RE: Legislative Update**

---

**Fiscal Outlook:** Reality might exceed the Governor's rosy revenue projections. Early tallies show revenues for December and January totaling \$6.2 billion higher than revenues estimated in the Governor's January budget forecast. While this is based on preliminary data and can be adjusted, it appears for the remainder of the 2025-26 fiscal years, revenue is likely to be much higher than projected. First dibs on these higher revenues goes to funding education and Rainy Day reserve set asides.

**Trailer Bills:** Following the release of the Governor's budget proposal, the Department of Finance is obligated to post any statutory changes needed to implement the spending plan, known as budget trailer bills. This year's trailer bill language was posted to implement the loans to Bay Area transit operators, changes to the cap & invest expenditure plan, and revisions to the Affordable Housing & Sustainable Communities funding program.

**Transit Loan:** Shortly after an agreement was reached, the draft language to implement the agreement to provide loans to specified Bay Area transit operators, including AC Transit, was posted. This language is expected to be part of the early budget action items and should be enacted within the next month or so.

The language states CalSTA will loan funds to MTC no later than July 1, 2026, and MTC will then provide the loans to the operators. The loan terms include a 12-year payback period with the interest rate set at the Surplus Money Investment Fund rate. Security for the loans would come from the operator's share of the revenue-based STA allocations that go directly to each operator. The source of the loaned funds from CalSTA would be Transit & Intercity Rail Capital Program funds awarded to projects in the Bay Area, but not yet allocated by the California Transportation Commission. This is not expected to interfere with the cash flow needs of the projects.

Cap & Invest: With auction revenues forecast to be less than the \$4.2 billion needed to fully fund the expenditure plan in SB 840, the proposed trailer bill language from Finance raises concerns.

The proposed trailer bill would amend Tier 1 of the allocation plan to allow the Department of Finance to allocate auction revenue to cover the cost of operations and administrative costs. The language does not specify a dollar amount and leaves it to Finance to determine the amount needed to cover these costs. Providing this “blank check” to Finance would further reduce funds available for Tier 3 programs, such as the Low Carbon Transit Operations Program (LCTOP) and Transit and Intercity Rail Capital Program (TIRCP) funds.

Affordable Housing & Sustainable Communities Program (AHSC): The cap & invest trailer bill has one potential bright spot. The proposed trailer bill would split the \$800 million in Tier 3 dedicated to the AHSC program into two pots. Of the \$800 million, \$560 million would be allocated to the Housing Development & Finance Committee for affordable housing projects, and \$260 million would be allocated to the Strategic Growth Council for transit capital projects and programs that support transit ridership, as well as preserving agricultural land.

In a separate trailer bill proposal, language directs how these two funding programs would be administered. The \$260 million allocated to the Strategic Growth Council would be used for the AHSC Sustainable Communities Allocation. Eligible projects include:

- Programs designed to reduce greenhouse gas emissions and air pollutants by reducing vehicle miles traveled including, but not limited to, transit, active transportation, and complete streets infrastructure.
- Acquisition of easements or other approaches that protect agricultural lands particularly those adjacent to areas most at risk of urban or suburban sprawl.
- Capacity, planning, and project development to support the implementation of a sustainable communities strategy or initiatives.

The AHSC program was originally intended to provide support for transit improvements, but its implementation never resulted in any meaningful investment in transit improvements. Splitting AHSC funding into two programs is promising; however, we should work with the California Transit Association and others on developing additional parameters on how the Sustainable Communities Allocation is prioritized.

**Legislation:** The introduction deadline on February 20<sup>th</sup> is inching closer. However, since this is the second half of session and each member is now limited to only 35 bills for the two-year session, the introduction deadline may not bring the avalanche of legislation we have seen in past years.

The only public transit related measure introduced so far is AB 1599 (Ahrens). The intent of this bill is not controversial, but its implementation is confusing and raises concerns. Before taking a position on this bill, AC Transit staff should review this bill to specify any concerns and identify amendments.

AB 1599 would require Caltrans to create a database of all public transit stops and amenities at those stops. Specifically, the bill requires Caltrans by December 31, 2026, to create the California Transit Stop Registry, which would include a unique identifier and list of amenities for each stop.

In addition, every transit operator that is eligible to receive STA funds is required to ensure, on or before June 1, 2027, that the name and location of each of its transit stops conforms with the name and location for the stop in the California Transit Stop Registry and to use a transit stop's unique identifier listed in the registry. AB 1599 does create a state mandate for transit operators to conform with this process. The bill does not specify how to resolve conflicts between state data and local transit stop information and does not recognize that transit operators do not solely control the location or type of amenities at transit stops.

###