

ABAG Report to MCCMC¹

February 2026

EXECUTIVE SUMMARY: This report highlights: (1) Overview of Governor’s Proposed FY 2026-27 State Budget; (2) Senate Bill 375 Modernization Legislation; and, (3) Summary of Public Feedback on Draft Plan Bay Area 2050+.

OVERVIEW OF THE GOVERNOR’S PROPOSED FISCAL YEAR 2026-27 STATE BUDGET:

In January 2026, Governor Newsom released his proposed FY 2026-27 state budget amid continued fiscal constraints and lower-than-anticipated revenues from the Greenhouse Gas Reduction Fund (GGRF). While the budget does not propose major new investments, it includes the following items that are relevant to the SF Bay Area:

1. An agreement was reached between the Governor, AC Transit, BART, Caltrain and SF Muni on a \$590 million loan for Bay Area transit agencies that will avert major service cuts. Consistent with Senate Bill 105 enacted last year, the loan agreement includes a clearly defined repayment structure, a guaranteed revenue source to secure the loan and an agreed-upon interest rate, as follows:
 - 12-year repayment term, with interest-only payments during the first two years.
 - Repayment secured by AC Transit, BART, Caltrain and SF Muni’s “revenue-based” portion of State Transit Assistance.
 - Variable interest rate tied to the state’s Surplus Money Investment Fund, ensuring the state is repaid at the same rate it would have earned had the funds remained in state accounts.
2. The Governor’s budget includes a Cap-and-Invest Expenditure Plan for FY 2026–27 that projects approximately \$3.8 billion – about \$500 million below the roughly \$4.3 billion that would be needed to fully fund the dollar amounts contemplated in Senate Bill (SB) 840 (the 2025 Cap-and-Invest expenditure plan) across all Cap-and-Invest programs and other commitments, including backfilling for the state responsibility area fee, manufacturing tax credit, and state operations.
3. The Administration proposes to restructure and reduce funding for the Affordable Housing and Sustainable Communities program into two components: a) housing capital component administered by the recently-created California Housing Development and Finance Committee (approximately 70 percent of funds), and b) Strategic Growth Council–administered component focused on sustainable communities and conservation investments to support “regional priorities” (approximately 30 percent). The Governor’s budget frames this proposal as a way to better coordinate the state’s housing funding and financing programs, streamline administration, accelerate project delivery, and “maximize the impact of limited ongoing resources in advancing climate-aligned housing, land-use, and transportation outcomes.”

SENATE BILL (SB) 375 MODERNIZATION LEGISLATION):

SB 375 (Steinberg, 2008) requires California's metropolitan planning organizations (MPOs) and Council of Governments (COGs) to adopt a Sustainable Communities Strategy (SCS) to reduce greenhouse gas emissions from passenger vehicles through integrated transportation, land use, and housing planning. In the Bay Area, MTC and ABAG jointly develop the SCS, commonly known as Plan Bay Area. After four cycles and over 15 years of experience, MTC ABAG and partner MPOs have identified the need to modernize SB 375 to better focus limited resources on

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implementation, improve alignment between state investments and SCSs, and incorporate other state priorities related to affordability and equity.

Senator Christopher Cabaldon, who represents the Bay Area and the greater Sacramento region, has agreed to serve as the author of our SB 375 modernization bill. The bill introduction deadline for the 2026 legislative session was February 20, 2026. Also of note, the Governor's budget creates an opening for a complementary "SCS bill plus budget" strategy. Specifically, the Newsom Administration proposed to separate the Affordable Housing and Sustainable Communities (AHSC) program into two distinct programs: one to fund affordable housing and a second program to fund sustainable communities and conservation investments that support "regional priorities." The SB 375 modernization bill could authorize a new, ongoing SCS implementation program (i.e., "REAP 3.0") while the budget could provide funding by continuously appropriating the re-envisioned sustainable communities portion of AHSC to regions for that program.

SUMMARY OF PUBLIC FEEDBACK ON DRAFT PLAN BAY AREA 2050+:

The fourth and final round of public engagement for Plan Bay Area 2050+ took place from October 20, 2025 through December 18, 2025. This culminates nearly three years of work to develop the Draft Plan Bay Area. In total, 353 comments were submitted by 5 p.m. on December 18, 2025 and an additional 10 comments were received after the close of the public comment period.

Comments were submitted by members of the public, local jurisdictions, transit agencies, county transportation agencies, other public agencies and advocacy organizations. Overall, a key theme raised across all comments focused on the Regional Growth Forecast. Other themes included concerns about affordability, high cost of living, fiscal capacity, and implementation feasibility.

Across **all four stakeholder categories**, feedback on the Regional Growth Forecast emerged as the most common and consistently raised theme. All groups referenced the Draft Plan's population, household, employment and housing growth assumptions as a foundational issue shaping their perspectives. Many commenters noted a perceived discrepancy between the growth projections used in Draft Plan Bay Area 2050+ and those published by the California Department of Finance (DoF), often contrasting the Draft Plan's higher long-term growth assumptions with the DoF forecasts that reflect more modest growth.

Affordability emerged as a key concern, **particularly among the general public** focused on day-to-day household costs including how proposed transportation, housing and climate strategies may influence the cost of living over time, especially with impacts on low-income households, seniors and working families.

Comments from local jurisdictions and advocacy groups frequently highlighted questions about how equity is defined and operationalized in the plan, including the distribution of benefits and burdens across communities.

Transit-related feedback, particularly from the **general public and advocacy groups**, consistently emphasized service quality, including frequency, hours of operation, safety, cleanliness and first- and last-mile access.

A recurring theme, **particularly among local jurisdictions and other public agencies**, involved questions on how Plan strategies would be implemented at the local level. Concerns on capacity of cities, counties and special districts to absorb responsibilities for infrastructure, services and long-term maintenance.

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