



Transportation Committee

Meeting Date: April 3, 2025

Agenda Item No. 3

Senate Bill 125 Transit Program Funding Plan and Updated SACOG Guidelines

Action

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Attachments: Yes

Referring Committee: Not applicable

Issue:

Staff is requesting approval of a funding plan for Year 2 and Year 3 of the Senate Bill 125 Transit Program and adoption of updated guidelines for the program, including a set of accountability measures.

Request:

Approve

Recommendation for Board:

That the board: (1) approve a funding plan for Year 2 and Year 3 of the Senate Bill 125 Transit Program and authorize staff to submit an updated allocation package to the California State Transportation Agency (CalSTA) totaling up to \$114,845,908; (2) adopt updated program guidelines, including a set of accountability measures; and (3) authorize the executive director to disburse the funds to eligible transit operators on a cost reimbursement basis contingent on making progress on the accountability measures, if applicable, without programming the funds into SACOG's Overall Work Program/Budget (OWP/Budget).

Recommendation for Committee:

That the committee recommend for the board to (1) approve a funding plan for Year 2 and Year 3 of the Senate Bill 125 Transit Program and authorize staff to submit an updated allocation package to the California State Transportation Agency (CalSTA) totaling up to \$114,845,908; (2) adopt updated program guidelines, including a set of accountability measures; and (3) authorize the executive director to disburse the funds to eligible transit operators on a cost reimbursement basis contingent on making progress on the accountability measures, if applicable, without programming the funds into SACOG's OWP/Budget.

Background:

In July 2023, the California State Legislature passed Senate Bill 125 which provided a \$5.1 billion infusion to public transit across the state. The Legislature's intent of the program, as outlined in Senate Bill 125, is to:

- Provide one-time multiyear bridge funding for transit operators to address operational costs until long-term transit sustainability solutions are identified
- Assist transit operators in preventing service cuts and increasing ridership
- Prioritize the availability of transit for riders who are transit dependent

- Prioritize transit agencies representing a significant percentage of the region’s ridership

The funding is managed through two programs administered by the California State Transportation Agency (CalSTA): the existing Transit and Intercity Rail Capital Program (TIRCP) and a newly established Zero Emission Transit Capital Program (ZETCP). The TIRCP program will distribute \$4 billion over three (3) fiscal years for capital and operating expenses, and the ZETCP program will distribute \$1.1 billion over four (4) fiscal years for zero-emission bus (ZEB) purchases and associated infrastructure, as well as operating expenses.

The funding will be distributed by formula to each Regional Transportation Planning Agency (RTPA) in the state. SACOG is expected to receive a total of \$238,207,703 across the two programs for transit operators in the four-county planning area (Sacramento, Sutter, Yolo, Yuba): \$200.9 million in TIRCP and \$37.3 million in ZETCP.

Funding for transit operations is made available to transit agencies that are eligible to receive State Transit Assistance (STA) funding. Transit operating expenses include any costs associated with providing service (e.g., labor, purchased transportation, supplies, utilities, insurance, etc.) as well as those related to ensuring safety and state of good repair of transit vehicles and infrastructure.

Funding for capital projects is made available to public agencies eligible to receive TIRCP capital funding, including agencies that operate or have planning responsibility for existing or planned intercity or commuter passenger rail service, urban rail transit service, or bus or ferry transit service. Most projects funded must result in construction being completed, as is required under traditional TIRCP funding.

The most recent CalSTA guidelines for these programs were released on January 10, 2025. SACOG’s current guidelines for these programs are available on SACOG’s Senate Bill 125 webpage.

Discussion/Analysis:

Funding estimates

Table 1 below shows the estimated funding available by year for SACOG to distribute to the region’s transit operators. CalSTA also requires SACOG to report and distribute interest earned on the funds to eligible expenses noted above.

Table 1. Senate Bill 125 funding estimates by year for SACOG four-county planning area

Program	Year 1	Year 2	Year 3	Year 4	Total
TIRCP	\$100.3	\$50.2	\$50.2	\$0	\$200.8
ZETCP	\$13.8	\$0	\$7.8	\$15.6	\$37.3
Earned interest*		\$0.5			\$0.5
(in \$M)**	\$114.2	\$50.7	\$58.0	\$15.6	\$238.6
*Represents interest earned through December 31, 2024, on \$77.4M of funds from both programs in SACOG accounts					
**Amounts may not add up due to rounding – see spreadsheet attachment					

Year 1 adopted funding plan

On April 18, 2024, the SACOG Board approved the funding plan shown in *Table 2* below for Year 1 of the program to address operating, capital, and planning needs in the four-county planning area in alignment with CalSTA’s and SACOG’s Senate Bill 125 guidelines.

Table 1. Year 1 adopted funding plan for Senate Bill 125

Transit operator	Program source	Purpose (in \$M)	Total amount (in \$M)
SacRT	TIRCP, ZETCP	\$60.6 to address structural operating deficit	\$98.3
		\$36.7 for capital*	
		\$1.0 for planning	
YoloTD	TIRCP	\$3.0 to address structural operating deficit	\$3.2
		\$0.2 for planning	
Yuba-Sutter Transit	TIRCP	\$10.2 for capital	\$10.2
SACOG	ZETCP	\$2.3 for administration and funding for long-term financial plan	\$2.3
(in \$M)**			\$114.2
*Includes \$6M allocated to Stockton BRT (PS&E) that has been rolled over to Year 2			
**Amounts may not add up due to rounding – see spreadsheet attachment			

Year 2 coordination

The second year of Senate Bill 125 funding is now available for SACOG to distribute to the region’s transit operators. In January, SACOG staff held one-on-one meetings with every transit operator in the four-county planning area to better understand their upcoming operating and capital needs in Fiscal Year 2026 and beyond. Staff received a total of \$72 million in operating and capital requests for Year 2. Staff developed and presented the two (2) funding plan options under consideration to the Transit Coordinating Committee (TCC) in February for feedback and returned to the TCC in March for a final update. Staff provided the transit operators a second opportunity for one-on-one discussions in early March to clarify concerns and/or answer remaining questions.

Funding plan options

The two (2) funding plan options below are presented for consideration. Staff developed these options to align with the objectives of Senate Bill 125, particularly the urgent need to prevent transit service from being eliminated or reduced due to structural budget deficits.

For both options, staff is proposing a *preliminary* funding plan for Year 3 of the program. This is due to projected operating deficits exceeding available funding in Year 3, requiring some Year 2 funds to rollover to prevent service cuts in Fiscal Year 2027. However, SACOG can update the funding plan on a rolling basis and staff will revisit Year 3 and Year 4 early next year as budget conditions and other needs change.

Option A: Prioritize operating deficits

Year 2			Year 3			Year 4		
		\$56.7			\$58.0			\$18.4
Agency	Purpose	Amount (in \$M)	Agency	Purpose	Amount (in \$M)	Agency	Purpose	Amount (in \$M)
SacRT	Close FY26 operating deficit	\$51.0	SacRT	Close FY27 operating deficit	\$57.6	TBD		\$15.6
YoloTD	Close FY26 operating deficit	\$0.7	YoloTD	Close FY27 operating deficit	\$2.6			\$2.8 (rolled over from Year 3)
Balance		\$5.0	Balance		(\$2.1)	Balance		\$0
			Net balance (rolling over Year 2 balance)		\$2.8			

*Amounts may not add up due to rounding – see spreadsheet attachment

Option A is focused solely on closing projected operating deficits to maintain existing service levels and prevent transit service from being reduced or eliminated. For Year 2, Sacramento Regional Transit District's (SacRT) and Yolo Transportation District's (YoloTD) structural budget deficits in Fiscal Year 2026 are fully addressed resulting in a \$5 million leftover balance. In Year 3, part of this balance is used to fully address SacRT's and YoloTD's anticipated structural budget deficits in Fiscal Year 2027, resulting in a \$2.8 million leftover balance. This remaining balance is rolled over to Year 4 to allocate, providing a total of \$18.4 million in funding available for the last year of the program.

This option is intended to stretch the funding as much as possible based on existing financial projections to fulfill the program's primary objective of preventing service cuts and increasing ridership. If financial conditions worsen in Year 3, this option also provides a small additional buffer to reduce the chances or severity of service cuts in Fiscal Year 2027. However, this option does not fund critical capital needs for YoloTD to maintain service, particularly the need to replace vehicles that are beyond their useful life and maintain safety and state of good repair of the agency's fleet and facilities.

Option B: Close operating deficits and fund key capital needs to maintain service

Year 2		\$56.7	Year 3		\$58.0	Year 4		\$15.6
Agency	Purpose	Amount (\$M)	Agency	Purpose	Amount (\$M)	Agency	Purpose	Amount (\$M)
SacRT	Close FY26 operating deficit	\$51.0	SacRT	Close FY27 operating deficit	\$57.6	TBD		\$15.6
YoloTD	Close FY26 operating deficit	\$0.7	YoloTD	Close FY27 operating deficit	\$2.6			
	Purchase and retrofit used fixed-route and new paratransit buses. Fund fleet and facilities repair and maintenance.	\$2.8						
Balance		\$2.1	Balance		(\$2.1)	Year 4 balance		\$0
			Net balance (rolling over Year 2 balance)		\$0			

*Amounts may not add up due to rounding – see spreadsheet attachment

Option B fully addresses SacRT’s and YoloTD’s structural budget deficits in both Fiscal Year 2026 and 2027. It also provides YoloTD with \$2.8 million in Year 2 funding to purchase and retrofit used fixed-route buses to replace existing vehicles currently in operation that are beyond their useful life, as well as support the purchase of new paratransit vehicles.¹ The funding would also support fleet and facilities maintenance, repairs, rehabilitation, and parts replacement to keep capital assets that are central to maintaining service levels in a state of good repair.

This option prioritizes near-term known needs for YoloTD over future uncertainties, like whether financial conditions will worsen in Year 3. However, given the available funding and operating need in Year 2 and 3, if financial conditions do worsen, structural operating deficits may not be fully addressed in future years which could potentially lead to reductions or elimination of some transit service.

Updated SACOG Guidelines

SACOG staff is also seeking the adoption of updated regional guidelines for the Senate Bill 125 Transit Program, shown in *Attachment A*. If adopted, the updated guidelines would establish a set of regional principles for the program, as well as accountability measures, and administrative requirements that recipients of Senate Bill 125 funding must comply with to be eligible for reimbursement of approved projects.

Regional principles

While the legislature provided direction on the intent of Senate Bill 125 funding, the Regional Principles build on that direction to inform the funding plan options described above given the many needs of the region’s transit agencies. They are to:

¹ According to the Federal Transit Administration (FTA), the service-life of a “heavy-duty large bus” is either 12 years or 500,000 miles. Source: FTA, “Useful Life of Transit Buses and Vans Final Report,” April 2007, https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/Useful_Life_of_Buses_Final_Report_4-26-07_rv1.pdf

- Address operating budget deficits first to prevent service cuts
- Prioritize funding for high-ridership transit operators and transit-dependent riders
- Promote accountability of transit operators to improve ridership, optimize performance, and foster collaboration
- Ensure safety and state of good repair of vehicles and infrastructure with a strong nexus to transit service
- Maintain flexibility in the funding plan as budget conditions and other needs change year to year

Accountability measures

Embedded into Senate Bill 125 is a theme of accountability, with the required long-term financial plan as an example of that. Staff are seeking to build on this theme by adopting a set of accountability measures to incentivize the recipients of this funding to be strategic and thoughtful about how they improve the customer experience while remaining financially sustainable. These measures are focused on incentivizing transit operators to make progress in three (3) key areas: ridership recovery, performance, and inter-agency collaboration.

Adoption of the updated guidelines would require any transit agency requesting reimbursement for transit operating expenses under Senate Bill 125 to provide a report on planned, underway, or implemented actions that make progress on each of the measures within these three key areas. The transit agency would provide this report to SACOG staff on a quarterly basis. Staff will review and evaluate the reported progress through a standardized evaluation process, shown in *Attachment B*. Staff will then provide summary updates to this committee and the SACOG Board of Directors as information to showcase the progress the transit agency is making on each of the measures.

Administrative requirements

The updated guidelines also update the roles and responsibilities of SACOG and partner agencies, reporting requirements and deadlines, the reimbursement request process, and other administrative processes.

Fiscal Impact/Grant Information:

The actions would: (1) authorize staff to submit an updated allocation package to CalSTA for Year 2 and 3 of Senate Bill 125 totaling up to \$114,845,908, depending on which funding plan option is adopted; (2) authorize the executive director to disburse the funds to transit operators on a cost reimbursement basis contingent on making progress on the accountability measures, if applicable, without programming the funds into SACOG's OWP/Budget.

List of Attachments:

Attachment A. Updated SACOG Guidelines
 Attachment B. Accountability measures staff evaluation form
 Attachment C. SacRT Senate Bill 125 Funding Request Letter
 Attachment D. YoloTD Senate Bill 125 Funding Request Letter
 Attachment E. Detailed Funding Plan Options Spreadsheet