



Board Report

File #: 2026-0524, File Type: Policy

Agenda Number: 5.

PLANNING & PROGRAMMING COMMITTEE OCTOBER 14, 2026

**SUBJECT: ADOPTION OF TOLL CREDIT/TRANSPORTATION DEVELOPMENT CREDIT
PROGRAM GUIDELINES**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

ADOPT the Metro Toll Credit/Transportation Development Credit Program Guidelines for eligible Los Angeles County local highway and transit projects that are programmed in the Federal Transportation Improvement Program (Attachment A).

ISSUE

Until this year, Caltrans directly managed California's Toll Credits (TC), also referred to as Transportation Development Credits (TDC). TC/TDC allow local agencies to use federal transportation grants without contributing their own matching funds. Caltrans held the statewide balance of credits, approved each agency's request to use them, and tracked how they were used. With the remaining balance running low, Caltrans adopted a new policy in March 2026 that caps each region's use and transfers responsibility for managing credits to the regions. The Southern California Association of Governments (SCAG), the region's Metropolitan Planning Organization (MPO), in turn assigned that responsibility to each county transportation commission. As a result, Metro is now responsible for managing up to \$91.6 million in TC/TDC for Los Angeles County during Federal Fiscal Years (FFY) 2026 through 2028 (October 2025 through September 2028). This new role includes deciding which projects receive credits, reviewing agency requests before they go to SCAG, and tracking usage so that credits are not lost to other counties. Board adoption of the proposed guidelines establishes how Metro will carry out this new responsibility.

BACKGROUND

Most federal transportation grants pay for only part of a project. The agency receiving the grant must cover the rest with its own non-federal funds (local match), typically 11.47 percent of the cost for federal highway programs and 20 percent for most federal transit capital grants. TC/TDC can be used in place of the local match. With TC/TDC, an eligible project can be paid for entirely with federal funds, and the local agency keeps its own dollars for other needs. TC/TDC come from toll revenue that California has already spent on transportation. When revenue from toll facilities, such as toll bridges and toll roads, is used to build or improve highways, federal law (Title 23, United States

Code) allows the state to count that spending as a “credit” toward the local match on other federally funded highway and transit projects. TC/TDC are not cash. They do not increase the federal funding a project receives or add money to Metro’s budget. They reduce the amount of local money a project must contribute.

In 2012, Caltrans and the Federal Highway Administration (FHWA) agreed that California could apply approximately \$4.2 billion in TC/TDC. Over the years, TC/TDC have been used as a match source by MPOs for MPO-managed projects funded by the Congestion Mitigation and Air Quality Improvement (CMAQ) Program, Surface Transportation Block Grant (STBG) Program and the Carbon Reduction Program (CRP). TC/TDC have also been used for programs administered by Caltrans, such as Federal Transit Administration (FTA) transit grants.

Until recently, Caltrans administered the statewide balance itself, reviewing and approving requests to use credits and tracking usage, and it placed no limits on how many credits each region could use. Statewide use has averaged about \$130 million per year. Now, only about \$390 million remains available for regional and local projects. To keep credits available through FFY 2028, Caltrans adopted an Interim Toll Credits Use Policy on March 13, 2026, that caps each region’s use based on its share of federal transportation funding. Following Caltrans’ policy, SCAG’s Regional Council adopted its own Toll Credit policy on July 2, 2026, to divide the region’s credits among its six counties. Under Caltrans’ Policy, SCAG, as the region’s MPO, was allocated \$54.6 million of TC/TDC annually, or \$163.7 million total for FFYs 2026 through 2028, for distribution among its six County Transportation Commissions (CTCs). SCAG also designated the CTCs to distribute the credits within their respective counties. SCAG allocated \$91.6 million to Metro, the CTC for Los Angeles County, based on the County’s 57 percent share of the region’s federal transit, STBG, CMAQ, and CRP funding. This amount is a cap on the credits Los Angeles County projects can use, not a guaranteed or reserved amount. SCAG may shift credits that go unused to other counties.

DISCUSSION

Prior to Caltrans updating the TC/TDC policy in March 2026, the State allowed agencies unlimited access to TC/TDC over several years of programming in the FTIP. However, state and SCAG policies delegated the allocation of toll credits to the CTC level to manage more limited access to TC/TDC. The proposed TC/TDC Guidelines were developed in consultation with major stakeholders, including the Metro Bus Operators Subcommittee, in an attempt to ensure TC/TDC will be available to agencies on an fair and equitable basis. Consistent with Caltrans' historical programming of TC/TDC, toll credit will be available to all agencies obligating eligible federal funds in the current FFY and will be allocated to projects on a first-come, first-served basis.

To guide the development of Metro’s TC/TDC policy and the equitable distribution of TC/TDC, Metro staff examined all projects programmed in the Federal Transportation Improvement Program (FTIP), the federally required list of projects scheduled to receive federal funds, from 2015 to 2025. TC and TDC are treated as the same credit by convention; TC is used for local highway projects, and TDC is used for transit projects (including capital and operations). The FTIP analysis shows that during this period, approximately 392 projects, totaling about \$279 million, were programmed with either TC or TDC. This analysis shows that over this 10-year span, about \$279 million of TC/TDC was programmed for projects, which reflects an annual average draw of \$27.9 million. The current SCAG allocated balance to LA County is \$91.6 million for FFY26 to FFY28. With FFY26 completed, there

are now only two FFYs remaining, which averages \$45.8 million per year of available TC/TDC for agencies to use at match for CMAQ, STBG, CRP, 5307, 5310, 5337, and 5339 federal funds. Staff anticipates that SCAG will make future allocations of TC/TDC to LA County at the same proportion. By number of projects, the split between local highway and transit projects was nearly equal: 52% to 48%. However, transit projects used far more credits than local highway projects at a ratio of about 75% to 25%. Based on these results, staff recommend reserving \$68.6 million (approximately 75%) for transit projects and \$23 million (approximately 25%) for local highway projects for FFY 2026 through 2028. The ratio of 75% for transit projects and 25% for highway projects would be applied through the TC/TDC Guidelines in future years to distribute TC and TDCs.

The following are the Proposed Toll Credit and Toll Development Credit Use Guidelines:

1. TC/TDC may be used as the local match for the following federal fund sources, all of which are also eligible under SCAG's policy:
 - FHWA (federal highway) programs: CMAQ, STBG, and CRP
 - FTA programs: (federal transit) programs: Sections 5307 (Urbanized Area Formula), 5310 (Enhanced Mobility of Seniors and Individuals with Disabilities), 5337 (State of Good Repair), and 5339 (Bus and Bus Facilities)
2. Based on historical use of TC/TDC, 75% of available credits will be allocated to eligible transit projects and 25% to local highway projects. Metro and SCAG's preapprovals are required to program TC/TDC in the FTIP.
3. Agencies must obligate/transfer eligible project federal funds in the approved year of obligation/transfer to be able to use TC/TDC.
4. Projects with CMAQ, STBG, and CRP funding must be on SCAG's Call for Projects award list and included in the Obligation Plan for the intended year of obligation/transfer and included in the Obligation Plan for the intended year of obligation/transfer.
5. Projects with FTA program funds would need to obtain Metro and SCAG's concurrence that the federal funds are available for the year of obligation. Agencies can only obligate funds that have already been appropriated and are available to the Urbanized Area (UZA). For the year of intended obligation, funds could include available prior-year balances and the current obligation-year apportionment. FTA funds must be apportioned and identified in a split letter in order to be obligated.
6. Metro's FTA Section 5310 Program will receive a biennial TDC allocation equal to 15% (approximately \$2.0 million) of the competitive grant funding and 15% (approximately \$2.0 million) of the direct allocation to Access Services for the replacement of aging ADA paratransit vehicles available for the applicable solicitation cycle.
7. To maximize TC/TDC use in the LA region, agencies must use their approved TDC by obligating the project's federal funds in the approved FFY. If an agency does not obligate in that year, Metro will remove the credits from the project in the FTIP.

Staff anticipate high demand for TC/TDC, to maximize TC/TDC use in the LA region, the proposed guidelines require agencies to use their approved TDC by obligating the project's federal funds in the approved FFY. If an agency does not obligate in that year, Metro will remove the credits from the project in the FTIP so other Los Angeles County projects can use them. This keeps credits from going unused and being reassigned by SCAG to other counties.

Although the split between transit and local highway projects is 75% and 25%, respectively, these

percentages are dependent on obligation demand in each FFY. For example, if transit projects do not reach their 75% TDC usage, the TDC balance can be applied to local highway projects if demand exceeds 25% - and vice versa. The TC/TDC set-aside for Metro's Section 5310 Program is similar to the set-aside Caltrans uses for the Section 5310 program it administers.

DETERMINATION OF SAFETY IMPACT

Approving this item will not directly impact the safety of Metro customers or employees. However, since some projects funded with eligible federal funds may include safety enhancements, using TC/TDC would help ensure the timely realization of the projects' anticipated safety benefits.

FINANCIAL IMPACT

Adoption of Metro Toll Credit/Transportation Development Credit Program Guidelines would have no financial impact on the agency.

Impact to Budget

There is no financial impact with this action.

EQUITY PLATFORM

This Metro TC/TDC policy allows local agencies to satisfy the local match requirement for eligible federally funded transportation projects. The Board action will enable local agencies to combine TC/TDC with federal grant funds to advance local highway and transit projects that aim to implement infrastructure and service improvements in disadvantaged communities with concentrated poverty. Metro's projects that use these credits are guided by the Equity Platform's four pillars for planning and implementing projects in disadvantaged areas of Los Angeles County.

All projects with TC/TDC are or will be included in the 2027 FTIP, which incorporates multiple layers of accountability to ensure that disadvantaged communities are not left behind in transportation improvement projects. Furthermore, under the Caltrans framework, SCAG has been tasked with oversight responsibilities, which will further its collaboration with Metro to address equity issues within transportation improvements in Environmental Justice areas, Disadvantaged Communities, Priority Equity Communities, and/or Communities of Concern.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

The VMT (Vehicle Miles Traveled) Targets adopted by the Board aim to achieve the statewide reductions necessary for carbon neutrality by 2045. In line with these targets, this Metro TC/TDC

policy is expected to help reduce VMT in Los Angeles County by funding transit system enhancements and supporting multimodal plans, programs, and infrastructure improvements throughout the region.

Although this policy does not directly promote public transit, carpooling, or active transportation, it plays a crucial role in Metro operations by allocating funds to local agencies to implement a range of transportation improvement projects. Because the Metro Board has established an agency-wide VMT Reduction Target that aligns with these efforts, this policy ultimately supports the agency's overall goal of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan goals # 3 and 4.

Goal 3: Enhance communities and lives through mobility and access to opportunity by securing funding to conduct planning, create and enhance programs, and build infrastructure that accelerates infill development, facilitates housing supply, choice, and affordability, affirmatively further fair housing, and reduces VMT.

Goal 4: Transform LA County through regional collaboration and national leadership by facilitating partnerships to deliver transportation projects with significant geographic or regionwide benefits.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommended action. Staff does not recommend this alternative because, without the TC/TDC to satisfy the local match requirement, some agencies may be unable to obligate federal funds and deliver their projects.

NEXT STEPS

After FHWA adopts the 2027 FTIP on December 16, 2026, agencies can request TC/TDC approvals from Metro and SCAG. Subsequently, agencies can program the approved TC/TDC in the 2027 FTIP through an administrative modification or a formal amendment. Metro FTIP staff will monitor and track TD/TDC usage for the \$91.6 million and any future credits allocated to the LA region.

ATTACHMENT

Attachment A - Metro Toll Credit/Transportation Development Credit Guidelines

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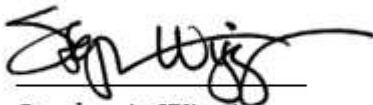
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A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

METRO TOLL CREDIT/TRANSPORTATION DEVELOPMENT CREDIT PROGRAM GUIDELINES

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them. This keeps credits from going unused and being reassigned by SCAG to other counties.



ADOPTION OF TOLL CREDIT/TRANSPORTATION DEVELOPMENT CREDIT PROGRAM GUIDELINES

Planning and Programming Committee

October 14, 2026

File No. 2026-0524



Metro

RECOMMENDATION

- ADOPT the Metro Toll Credit/Transportation Development Credit Program Guidelines for eligible Los Angeles County local highway and transit projects that are programmed in the Federal Transportation Improvement Program (Attachment A).

BACKGROUND

- Metro is required to establish a policy to implement the use of TC/TDC for projects within Los Angeles County.
- TC/TDC are funding mechanisms used by Metro and other local agencies in Los Angeles County to satisfy the local match requirement for eligible federally funded projects.

NEXT STEPS

- After FHWA/FTA adopts the 2027 FTIP on December 16, 2026, agencies can request TC/TDC approvals from Metro and SCAG.
- Agencies can then begin to program the approved TC/TDC in the 2027 FTIP through an administrative modification or a formal amendment.