

TransNet Revenue Forecast – FY2026 Revision and Short Term Update

In December of each year, SANDAG revises its TransNet Revenue forecast to reflect the latest data on sales tax collections and evolving economic conditions. This year, SANDAG is updating its expectations for the current fiscal year (FY 2026) and its short-term forecast for FY 2027 through FY 2031. Key aspects of the revisions are as follows.

- FY 2026 projected revenue has positive adjustment. The revised figure is \$436.2 million, which is \$14.7 million higher than the budget amount approved by the SANDAG Board in March 2025.
- The total projected TransNet revenue over the next five years (FY 2027 to FY 2031) is \$2.3 billion.
- SANDAG adopted a more conservative position on the long term growth rate (adjusting it from 3.3% to 2.3%) to align it with long term economic growth.

This memo discusses the updates to the draft forecast. It outlines the key factors that have changed since December 2024, when SANDAG produced its forecast.

Forecast Overview

Table 1 (below) shows actual and projected TransNet Extension Ordinance revenues, starting in FY 2009, the first year of collections. Actual TransNet revenue for FY 2025 was \$426.9 million, reflecting a 0.1% increase over FY 2024. Expectations for FY 2026 continue to be positive but with slightly stronger growth (2.17%). Looking forward to the next five years, annual growth gains momentum, average 2.52% year-over-year. Longer term, annual growth expectations are more measured, averaging 2.28%. Given economic uncertainty and a desire to exercise caution with revenue projections, this updated forecast is intended to be conservative.

FY2026 Revisions

SANDAG raised its expectation for FY 2026 TransNet revenue. The increase reflects two factors. Actual FY 2025 collections surpassed expectations by \$6.8M, reflecting a very slight increase over FY 2025. Year-to-date, TransNet revenue in FY 2026 appears to have gained momentum. Mid-way through the current fiscal year, TransNet revenue is 3.2% above the same period last year. Table 2 compares quarterly TransNet revenue for FY 2024, FY 2025, and FY 2026.

Table 1. Growth in TransNet Extension Ordinance Sales Tax Receipts

Fiscal Year	Amount	Percent Change
2009 (Actual)	\$222.0M	-9.2%
2010 (Actual)	\$204.2M	-8.0%
2011 (Actual)	\$221.3M	8.4%
2012 (Actual)	\$236.9M	7.1%
2013 (Actual)	\$247.2M	4.3%
2014 (Actual)	\$260.1M	5.2%
2015 (Actual)	\$268.8M	3.4%
2016 (Actual)	\$275.5M	2.5%
2017 (Actual)	\$284.5M	3.3%
2018 (Actual)	\$301.5M	6.0%
2019 (Actual)	\$305.3M	1.3%
2020 (Actual)	\$305.9M	0.2%
2021 (Actual)	\$334.0M	9.2%
2022 (Actual)	\$405.9M	21.5%
2023 (Actual)	\$429.7M	5.9%
2024 (Actual)	\$426.7M	-0.7%
2025 (Actual)	\$426.9M	0.1%
2026 (Forecast)	\$436.2M	2.17%
2027 (Forecast)	\$445.5M	2.14%
2028 (Forecast)	\$457.7M	2.74%
2029 (Forecast)	\$469.7M	2.61%
2030 (Forecast)	\$481.7M	2.57%
2031 (Forecast)	\$494.0M	2.55%

Table 2. Actual Quarterly TransNet Revenue

	FY 2024	FY 2025	FY 2026	FY 2026 Y-O-Y	FY2026 YTD
Q1	\$108,289,888	\$108,580,698	\$113,055,765	4.1%	4.1%
Q2	\$107,379,810	\$103,066,842	\$105,466,156	2.3%	3.2%
Q3	\$109,268,363	\$111,278,377		-	
Q4	\$101,754,922	\$104,011,648			
Total	\$426,692,983	\$426,937,565			
Board Approved Forecast (March 2025):		\$420,093,154	\$421,526,551		

TransNet Revenue Forecast Update

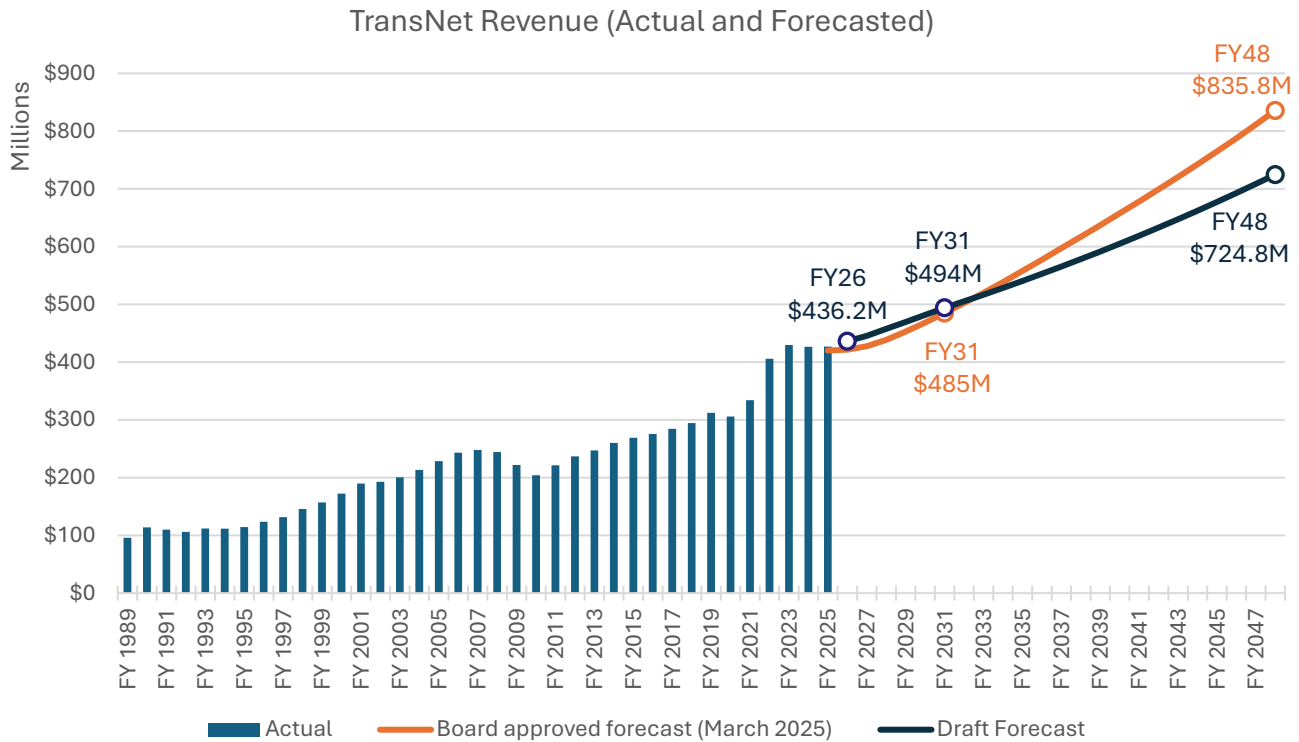
SANDAG's forecast is generated using the most recent historical collections and then projecting future revenue as the product of nominal retail sales per capita growth and population growth. The nominal retail sales forecast is the consensus (arithmetic mean) of three independent nationally recognized forecasts of growth in per-capita nominal retail sales (IHS Markit, Moody's Analytics, and Oxford Economics). The San Diego regional population growth is the SANDAG Series 15 forecast (2022-2060).

This draft forecast projects TransNet revenue to total \$13.1 billion between FY 2026 and FY 2048. It is approximately \$804.5 million lower than \$13.9 billion the forecast approved by the Board in March 2025. The chart below displays TransNet revenue (actuals and forecasted).

SANDAG economists adjusted the annual growth rates of the TransNet revenue forecasted by the model. The lower revenue reflects adjustments to both the short term and long-term outlooks.

- In the short term, the forecast reflects revenue to have normalized in FY 2026 and a return to consistent but measured growth (around 2.6%). In comparison, the forecast last year had assumed a slower normalization path that eventually lands with annual growth above 3.2%.
- SANDAG also adjusted the long-term tail of the forecast to be more conservative, pegging it to 2.3% which is more aligned with long term growth expectations for the broader economy. Without this adjustment, TransNet revenue would have been projected to grow at an average of 3.3% per year based on the consensus forecast.

The adjustments reflect a guiding principle of being conservative to minimize the risk of budget shortfalls.



Factors Influencing the Short Term Forecast

The short term forecast reflects a confluence of factors based on actual revenue collections and broader economic conditions. As shown in Table 2, TransNet revenue surpassed expectations in FY 2025 and appears to be on track for positive growth in FY 2026. We anticipate future sales tax revenue to remain positive, reflecting a normalization of spending patterns. The regional economy appears stable, with strong labor force participation, some job growth, and on-going wage growth. Inflation in the region has also moderated. It is anticipated to rise year-over-year at a measured pace that supports healthy price and sales tax revenue growth.

Peer Review Process

A peer review process (PRP) is essential step in the process of developing the forecast. The forecasting methodology underwent SANDAG’s peer review process (PRP) in 2022, confirming per capita nominal sales growth rate as the primary predictor of retail sales—and ultimately, TransNet and Transportation Development Act (TDA) revenues—are likely to behave.

The updated forecast also had a PRP on November 19, 2025, which is consistent with the [SANDAG Data Accuracy and Modeling Work Plan](#). The PRP meeting convened

internal and external subject matter experts to review the proposed forecast methodology and key assumptions. The PRP expert panel concurred with the proposed forecast methodology. In addition, the current forecast went through the SANDAG Quality Assurance/Quality Control process in December 2025.