

# Status of Bay Area Transit Loan Negotiations

## Presentation to Bay Area Caucus



**METROPOLITAN  
TRANSPORTATION  
COMMISSION**

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# State Budget Commitment of Support for Public Transit

- Following adoption of the FY 2025-26 State Budget, Governor Newsom renewed support for assisting Bay Area transit agencies facing budget deficits in FY 2026-27 that lack any remaining COVID-relief funds.
- Legislature & Governor enacted budget trailer bill (SB 105) requiring the Department of Finance (DOF) to examine short-term loan or financing options for AC Transit, BART, Caltrain, and SFMTA (Muni).
- SB 105 states that any loan must include an agreed-upon interest rate, repayment schedule, and guaranteed repayment mechanism and that the process should be completed by **January 10 for potential action in “early 2026” as part of the FY 2026-27 budget.**

# DOF Proposal (12/4/25)

- MTC to use state funds previously awarded to Bay Area capital projects to fund operations
  - State would “advance specified funding previously awarded to MTC agencies” to MTC
  - MTC would authorize short-term loans and be repaid directly
  - MTC would manage cash flow needs and use loan repayments to refund capital projects

## Key Concerns:

1. Redirects funding for Bay Area priority capital projects to loan, potentially causing project delays and putting at risk federal matching funds.
2. Transfers oversight of state awards from state to MTC
3. Assumes repayment of loans immediately rather than over a medium (10-14 year) term

# Bay Area Counter Proposal

## (MTC-led, in coordination with transit agencies)

- Common loan terms for all four operators (see next slide)
- Uses state cash balances and continuous appropriations at a programmatic level (e.g. TIRCP) to guarantee timely commitments to capital projects that have received state awards
- State-administered
  - State uses cash flow from non-specific transit projects
  - State makes loans directly to agencies
  - State retains authority and oversight over capital funding
  - MTC provides technical support related to project cash flow needs

### Benefits:

1. Maintains state commitment to Bay Area transit capital projects, avoiding risk to schedule or matching funds.
2. No singling out of any capital projects.
3. No General Fund impact
4. Retains state authority and oversight of capital funding.

# Consolidated Loan Request for Bay Area Transit Agencies

- AC Transit, BART, Caltrain and SFMTA anticipate an operating deficit greater than \$750M
- Current Loan Request:
  - \$590M Total
  - 2.5% Interest Rate
  - 14 Year Repayment
    - First 2 years Interest Only
    - 12-Years Amortized Capital + Interest
- Secured with State Transit Assistance Revenue-Based Funds (although repayment allowed through other means)

# Status of Negotiations with DOF

- Over fall, DOF met with operators together and individually multiple times. With little progress occurring and time running out, MTC began meeting with DOF individually over the last month.
- DOF has expressed a continued preference for an MTC-administered “regional model” that relies on specific Bay Area project awards and provides no a state backstop for capital projects.
- As of Jan 2, MTC had provided detailed answers to questions posed by DOF on Dec. 26 in response to MTC counter proposal.