

Newsom administration unveils proposal for Bay Area transit funding

By Alex Nieves

12/04/2025 08:26 PM EST

Gov. Gavin Newsom's administration is pitching a plan to cash-strapped Bay Area transit agencies that would give them access to funding earmarked for long-term projects they could use to fend off service cuts.

What happened: A [one-page memo](#) shared with POLITICO by the California Department of Finance outlines a proposal under which the state would advance funding for projects with longer completion timelines and authorize the Metropolitan Transportation Commission, the coordinating agency for Bay Area rail and bus services, to issue short-term loans using that cash.

Finance spokesperson H.D. Palmer said the proposal would provide transit agencies with a financing option to address an anticipated funding shortfall through 2026.

“We’re following through on that commitment and presenting a framework to these agencies that addresses their identified need and does so in a way that we believe utilizes resources that have already been awarded,” Palmer said. “We look forward to continuing discussions and constructive suggestions on this framework from the agencies in the coming weeks.”

Why it matters: The proposal represents Newsom's starting point for negotiations with Bay Area transit agencies after the governor's office and state lawmakers failed to finalize a \$750 million loan that was written into the state's budget before the end of the legislative session. At the time, local transit advocates accused DOF of trying to renege on an agreement to provide a lifeline to ailing bus and rail systems, which have suffered in recent years from declining ridership and soaring budget shortfalls.

Newsom publicly committed in September to hashing out a solution with transit agencies [after facing pressure](#) from local elected officials, including former House Speaker [Nancy Pelosi](#), San Francisco Mayor Daniel Lurie and state Sen. Scott Wiener.

More details: Palmer said in a statement that MTC has already been awarded over \$1 billion in state funding for transportation projects. The proposal would give the commission flexibility to select which funds to use to help cover operating expenses, “based on their knowledge of the projects' progress and the need for capital,” he continued.

Background: Bay Area transit operators say their systems are on the edge of a fiscal cliff as they've struggled to recover from pandemic-era ridership declines and federal bailout funding dries up.

Officials at BART, the region's heavy-rail transit system, estimate that it could be forced to reduce the number of trains in service from 4,200 to roughly 500 per week, without state intervention. Other agencies, including Muni, Caltrain and AC Transit, have also projected steep cuts.

As part of his effort to make good on his promise, Newsom signed a bill, [SB 63](#), that authorized Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties to place a sales tax measure on the November 2026 ballot to fund transit operations.

DOF also included last-minute language in a budget trailer bill that committed the agency to examining loans and financing options for transit agencies by January 10, 2026.

What's next: DOF has said that any proposals that emerge from negotiations with transit operators could be included in Newsom's January budget. Bay Area transit agencies are still talking with DOF about the contours of the proposal, negotiations that could get tense in light of the Newsom administration's hot-and-cold approach to the issue.