

# Metropolitan Transportation Commission

January 28, 2026

Agenda Item 14b - 26-0185

## Update on Governor's Budget and the Bay Area Transit Loan

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### **Subject:**

Staff will provide an update on ongoing efforts to secure a Bay Area Transit Loan from the state to preserve essential services for Bay Area transit riders, in light of the Governor's Budget Proposal that authorizes MTC to provide short-term loans to transit agencies.

### **Background:**

In mid-September 2025, the Legislature passed and the Governor signed a budget trailer bill amending the Fiscal Year 2025-26 State Budget, SB 105, which included Section 91 directing the state Department of Finance (DOF), in consultation with the California State Transportation Agency, to examine loan or other financing options that could be used to provide "sufficient short-term state financial assistance for local transit agencies," listed as AC Transit, BART, Caltrain and SFMTA (Muni). Section 91 further stated that "Any loan or other financing options developed shall, at a minimum, require full repayment of the loan principal with an agreed-upon interest rate, pursuant to a clearly defined repayment schedule, and a guaranteed repayment mechanism to ensure that any funding provided under this section is repaid from a reliable and predictable revenue source." Operators and DOF met on multiple occasions in the fall but did not reach agreement on a loan mechanism or repayment terms. In early December, DOF released a single page proposal shared with Politico (see Attachment A) that outlined a new approach in which the state would advance to MTC "funds previously awarded to MTC agencies for long lead time projects to address the short-term cash needs" of transit agencies. The proposal further stated that the intent was for MTC to "work directly with each agency to develop repayment schedules that do not negatively affect the underlying projects for which the funds were originally awarded."

MTC staff had immediate concerns with the December DOF proposal, including that it:

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

**MTC Counterproposal and Legislative Engagement:**

In response to the proposal, staff consulted with the transit agencies mentioned above as well as Santa Clara Valley Transportation Authority (VTA) given the agency's significant state funding awards for BART to Silicon Valley Phase II and concerns that the state's approach could negatively impact the project. Staff developed an alternative approach to how the loan could be structured to draw from a pool of available state transit fund balances, rather than specific Bay Area project awards, and maintain state administrative authority over capital projects. Additionally, staff coordinated with operators to develop common loan terms. The consolidated request includes a total loan of \$590 million, a 14-year repayment term with the first two years requiring only interest payments, and years 3-14 requiring interest and principal payments at a 2.5% interest rate. The loan is proposed to be secured by each agency's share of State Transit Assistance revenue-based funds. (See letter submitted to DOF in Attachment B, which summarizes counterproposal).

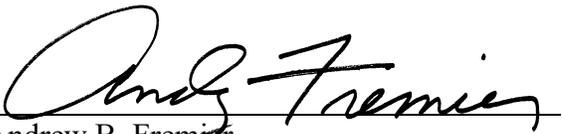
At the invitation of Senator Josh Becker, Chair of the Bay Area Caucus, staff presented to the caucus on January 8 regarding the status of the transit loan negotiations. Legislators followed up with a joint letter to DOF principally authored by Senator Jesse Arreguín raising concerns with DOF's approach and urging consideration of the MTC alternative.

**Status of Discussions:**

Staff have had at least weekly meetings with DOF and representatives of the Governor's office since January 8<sup>th</sup> and the conversations have progressed, but no agreement has been reached. Some significant differences remain related to the loan mechanics and repayment terms, as well as how to guarantee no negative impact on capital projects. Staff will provide a verbal update at your meeting with any new developments. We look forward to your feedback and direction.

**Attachments:**

- Attachment A – PoliticoPro news story, “Newsom administration unveils proposal for Bay Area transit funding,” 12/4/25
- Attachment B – MTC letter to Department of Finance, December 24, 2025
- Attachment C – Presentation to Bay Area Caucus
- Attachment D – State Legislative Delegation letter to Governor Newsom, January 15, 2025

  
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