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News & Media

Thursday, February 19, 2026

Governor Signs Bill Authorizing Loan for Bay Area Transit Agencies



Gov. Gavin Newsom today signed into law state Assembly Bill 117, authorizing a \$590 million loan for Bay Area transit agencies that will avert major service cuts at AC Transit, BART, Caltrain and San Francisco Muni during the 2026-27 fiscal year that begins July 1.

The Office of Governor Newsom, the California Department of Finance and the Metropolitan Transportation Commission (MTC) [last month reached an agreement on a loan for Bay Area](#)

transit agencies. Negotiated in close coordination with the affected transit agencies — which together face a projected deficit of more than \$800 million in the next fiscal year — the new agreement will sustain operations used by hundreds of thousands of daily transit riders across the region.

“California is following through in our support for Bay Area transit and the riders who rely on it every day,” said Gov. Newsom. “This agreement between my Administration and the Metropolitan Transportation Commission provides essential short-term financing to support Bay Area transit operations while the region works together on long-term funding solutions. Public transit is essential to our economy and to communities across California, and through continued partnership with regional and local agencies, we are delivering a more stable and reliable system – now and for the future.”

A regional funding measure authorized by the Legislature last year via state Senate Bill 63, authored by senators Scott Wiener of San Francisco and Jesse Arreguín of Berkeley, may appear on the November 2026 ballot in Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties. If the measure qualifies for the ballot and is approved by voters, it would establish a temporary 14-year sales tax to support transit operations. But these funds would not begin flowing until around July 1, 2027. The state loan provides a fiscal bridge until the sales tax dollars potentially could be available.

“Today is a huge win for Bay Area transit and for both transit riders and drivers,” said Sen. Wiener. “For the past year, we’ve worked hard to craft a bridge loan to ensure BART, Muni, Caltrain and AC Transit are not forced to enact massive service cuts — potentially going into a death spiral — as we build toward a regional revenue measure to stabilize and strengthen these systems for the long run. I’m proud of our work with regional stakeholders and the Governor to make this loan a reality. Public transportation is part of the Bay Area’s lifeblood,

and we must do everything in our power to strengthen it and protect it from service cuts. So many Bay Area residents rely on transit to get to work, school, or family, and service cuts would also explode traffic congestion. We must not let this happen, and we won't let it happen."

The new law allows the loan to be funded no later than July 1, 2026, using money awarded but not yet allocated for Bay Area projects by the California Transportation Commission through the state Transit Intercity Rail Capital Program (TIRCP).

Because many transit capital projects have long construction timelines and the TIRCP is continuously replenished, the loan is structured to uphold the state's commitments to awarded projects while minimizing risk to project schedules.

"MTC greatly appreciates the time and energy the Department of Finance and the Governor's office put into this loan negotiation," said Commission Chair Sue Noack, who also serves as mayor of Pleasant Hill. "It was critical to reach agreement on funding that would avert major service cuts this year while also protecting the Bay Area's priority capital projects and this agreement does just that."

Consistent with state Senate Bill 105 enacted last fall, the loan agreement includes a clearly defined repayment structure, a guaranteed revenue source to secure the loan and an agreed-upon interest rate:

- 12-year repayment term, with interest-only payments during the first two years.

- Repayment secured by the "revenue-based" portion of State Transit Assistance (STA) that goes directly to the transit agencies.

- Variable interest rate tied to the state's Surplus Money Investment Fund, ensuring the state is fully repaid at the

same rate it would have earned had the funds remained in state accounts.

BART General Manager Bob Powers noted that his agency, "is currently developing detailed budget plans for two funding scenarios to close our projected \$376 million operating deficit for Fiscal Year 2027 through either new revenue and efficiencies or through service reductions, station closures, fare increases, layoffs, and across-the-board internal cuts. A state loan gives us reassurance money will be available to continue to deliver the best service possible for the Bay Area. We are thankful to Governor Newsom and the Department of Finance for finding a path to fund transit operations during such an unprecedented scenario brought on by the pandemic and remote work. We also thank the Bay Area Legislative Caucus for their supportive efforts and look forward to working with the Legislature on early action to include the loan within the state budget."

"This bridge loan will help us maintain Muni service for one crucial year for everyone who depends on transit to get where they need to go," said Julie Kirschbaum, Director of Transportation at the San Francisco Municipal Transportation Agency, which operates Muni. "We thank the Metropolitan Transportation Commission for its leadership and the Governor and the Department of Finance for their collaboration. We are deeply appreciative of the tireless efforts of Mayor Daniel Lurie, State Senator Scott Wiener, State Senator Jesse Arreguín, the Bay Area Legislative Caucus, the Board of Supervisors and the transit advocates who kept this loan alive last year. With this key agreement completed, securing the additional funding we need to address our ongoing deficit is the critical priority."

"San Francisco's recovery is essential to the success of our region and our state," noted Mayor Daniel Lurie. "Our city cannot continue its comeback without a safe, reliable transit

system. This agreement is a major step forward towards securing the bridge loan needed to sustain our comeback and ensure transit systems can continue serving the families, seniors, students, and workers who rely on them every day. We're already delivering greater accountability and efficiency for Muni, and ridership is continuing to climb toward pre-pandemic levels. I'm grateful to our partners at MTC and Governor Newsom for finalizing the agreement and prioritizing our city and our region's recovery."

Caltrain General Manager Michelle Bouchard made a similar point, "We are so grateful to the Governor, our delegation members, and our state and regional partners for stepping in and supporting public transit in the Bay Area at this critical time. This loan will allow us to preserve the service that made Caltrain the fastest growing transit agency in the U.S."

"For 65 years, AC Transit's north star has been delivering safe, reliable, and affordable bus service to the East Bay," said Salvador Llamas, AC Transit General Manager and CEO. "That legacy was put at risk by unprecedented pandemic-related budget shortfalls. This state loan safeguards existing service levels and brings immediate relief to the more than 3 million riders each month who were at risk of losing some of the service they rely upon for the essentials of life. We thank Governor Newsom and our local and state partners for making this possible, and while long-term funding challenges remain, today we celebrate a critical win for our riders and communities."

Senate Bill 63 co-author Jesse Arreguín also sounded a note of thanks, "I am grateful to the Governor and my legislative colleagues for supporting Bay Area transit with this loan. This agreement is a huge win to keep our transit agencies running and ensure that the Bay Area can continue as a major economic engine, while not compromising critical transit projects. At a time when we are at risk of significant service cuts that would

grind the region to a halt, this additional funding will provide a vital lifeline to the Bay Area's major transit agencies and provide fiscal stability as we move forward on a broader regional self-help measure this year."

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