

Assembly Bill No. 117

CHAPTER 6

An act to add and repeal Section 75227 of the Public Resources Code, relating to transportation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor February 19, 2026. Filed with Secretary of State February 19, 2026.]

LEGISLATIVE COUNSEL'S DIGEST

AB 117, Committee on Budget. Transit and Intercity Rail Capital Program: loans: transit operating purposes: San Francisco Bay area.

Existing law establishes the Transit and Intercity Rail Capital Program, which is funded in part by a continuously appropriated allocation of a specified portion of the annual proceeds of the Greenhouse Gas Reduction Fund, to fund transformative capital improvements that will modernize California's intercity, commuter, and urban rail systems and bus and ferry transit systems to achieve certain policy objectives. Existing law requires the Transportation Agency to evaluate applications for funding under the program and to approve a multiyear program of projects, as specified, and requires the California Transportation Commission to allocate funding to applicants pursuant to the program of projects approved by the agency.

Existing law creates the Metropolitan Transportation Commission as a local area planning agency for the 9-county San Francisco Bay area with comprehensive regional transportation planning and other related responsibilities. Existing law creates various transit districts located in the San Francisco Bay area, including the San Francisco Bay Area Rapid Transit District and the Alameda-Contra Costa Transit District, with specified powers and duties relating to providing public transit services.

This bill would require, on or before July 1, 2026, the Transportation Agency, subject to various requirements, to loan to the Metropolitan Transportation Commission up to \$590,000,000 of funding approved under the program for projects within the San Francisco Bay area. The bill would require the Metropolitan Transportation Commission to use the proceeds of that loan to offer loans, subject to certain conditions, for public transit operating purposes to the San Francisco Bay Area Rapid Transit District, the San Francisco Municipal Transportation Agency, the Peninsula Corridor Joint Powers Board, and the Alameda-Contra Costa Transit District. By changing the purpose for which continuously appropriated funds may be expended, the bill would make an appropriation. The bill would require the California Transportation Commission, if certain conditions are met, to establish an allocation plan for the awarded projects in the San Francisco Bay area under which future allocations under the program to those projects

may be adjusted or deferred during the repayment period of the loan made to the Metropolitan Transportation Commission, as specified. The bill would require a transit operator to use its respective share of specified funding under the State Transit Assistance Program as security for any loan made by the Metropolitan Transportation Commission and would authorize the Metropolitan Transportation Commission to redirect those funds as repayment for an outstanding loan if the specified transit entity fails to make timely loan payments. The bill would make these provisions inoperative upon full repayment of the loan by the Metropolitan Transportation Commission, as specified. To the extent the bill would impose new duties on the Metropolitan Transportation Commission, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 75227 is added to the Public Resources Code, to read:

75227. (a) This section shall apply notwithstanding any other law.

(b) For purposes of this section, the following definitions apply:

(1) “Public transit operating purposes” includes, but is not limited to, costs necessary to avoid or mitigate service reductions and costs to maintain or restore existing transit service levels for bus, rail, and other public transportation services. “Public transit operating purposes” does not include capital construction costs or any other capital expenses.

(2) “Region” means the region described in Section 66502 of the Government Code.

(3) “Specified transit entities” means the San Francisco Bay Area Rapid Transit District, the San Francisco Municipal Transportation Agency, the Peninsula Corridor Joint Powers Board, and the Alameda-Contra Costa Transit District.

(c) On or before July 1, 2026, the Transportation Agency shall loan to the Metropolitan Transportation Commission up to five hundred ninety million dollars (\$590,000,000) of funding approved under the Transit and Intercity Rail Capital Program for projects within the region. The Metropolitan Transportation Commission shall use the proceeds of the loan described in this section to offer loans to the specified transit entities for

public transit operating purposes. The loan to the Metropolitan Transportation Commission shall be subject to all of the following:

(1) The loan is limited to being comprised of funding awarded to projects within the region that, as of December 31, 2025, have not been fully allocated funding by the California Transportation Commission.

(2) The loan shall be repaid in quarterly installments by the Metropolitan Transportation Commission to the Transportation Agency over a period of 12 years calculated from the original loan issue date, subject to all of the following:

(A) The first two years of the loan repayment period shall consist of interest-only quarterly payments.

(B) After two years from the original loan issue date, repayment shall consist of quarterly payments based on an amortization schedule factoring in full repayment of both outstanding interest and principal amounts over the remaining loan term.

(C) The rate of interest applied to a loan made pursuant to this section shall be the same rate earned on investments in the Surplus Money Investment Fund during the loan repayment period.

(3) The Metropolitan Transportation Commission shall determine the terms and conditions of loans made to the specified transit entities, including, but not limited to, the principal amount, and any conditions before disbursement, consistent with the requirements of subparagraphs (A), (B), and (C) of paragraph (2).

(d) (1) The Metropolitan Transportation Commission shall secure repayment of any loan issued by the Transportation Agency pursuant to this section by pledging and assigning, as security of last resort for the loan, the State Transit Assistance Program revenues received by the specified transit entities that would otherwise be administered by the Metropolitan Transportation Commission pursuant to Section 99314 of the Public Utilities Code. The loan agreement shall be signed by a representative of the Transportation Agency and the Metropolitan Transportation Commission and shall specify the pledged amount or method of calculation and the period during which the pledge applies. The signatories to the loan agreement may bind their respective agencies, as established by each agency's respective procedures and any necessary supporting actions to confer that authority.

(2) The California Transportation Commission shall monitor and report to the Transportation Agency on the unallocated and unexpended balances of the region's project awards for the Transit and Intercity Rail Capital Program. If the total awarded but unallocated funds to projects in the region less any outstanding loan balances falls below three hundred fifty million dollars (\$350,000,000), the California Transportation Commission shall do both of the following:

(A) Notify the Transportation Agency and Metropolitan Transportation Commission.

(B) In consultation with the Transportation Agency, evaluate information provided by the Metropolitan Transportation Commission and project sponsors in the region regarding their unallocated and unexpended balances

of the region's projects in the Transit and Intercity Rail Capital Program to determine whether there is risk to California Transportation Commission's ability to meet the region's anticipated allocation requests and project cash flow requirements over the next two years. If the California Transportation Commission, in consultation with the Transportation Agency, determines it to be necessary, the California Transportation Commission, in consultation with the Transportation Agency, shall establish an allocation plan for the region's awarded projects, in coordination with the region's Transit and Intercity Rail Capital Program project sponsors and the Metropolitan Transportation Commission. The allocation plan shall be for projects in the region seeking allocation and the plan may adjust or defer future allocations during the period of repayment of the loan made to the Metropolitan Transportation Commission pursuant to subdivision (c).

(3) If an allocation plan established pursuant to paragraph (2) results in a material impact to a project in the region, as determined by the California Transportation Commission and the Transportation Agency, the Metropolitan Transportation Commission, in coordination with the Transportation Agency, may prioritize the use of existing sources of funds allocated by the state to the region so that the project is not materially impacted with regard to scope, schedule, and eligibility for nonstate funding. If state-allocated fund sources provided to the region are used for this circumstance, the Transportation Agency may return funds to the Metropolitan Transportation Commission from the loan repayments made pursuant to paragraph (2) of subdivision (c) equal to the state-allocated fund sources provided to the region that are committed to the affected project.

(e) A specified transit entity shall use its respective share of funding under the State Transit Assistance Program pursuant to Section 99314 of the Public Utilities Code as security for any loan made by the Metropolitan Transportation Commission pursuant to this section and those funds may be redirected by the Metropolitan Transportation Commission as repayment for any outstanding loan if the specified transit entity fails to make timely loan payments.

(f) (1) Subdivisions (a) to (e), inclusive, shall become inoperative upon full repayment of the loan by the Metropolitan Transportation Commission, as determined by the Transportation Agency in consultation with the Department of Finance.

(2) Upon the determination made in paragraph (1), notwithstanding Section 9795 of the Government Code or any other law, the Transportation Agency shall notify the Joint Legislative Budget Committee of this fact. This section shall be repealed on January 1 following the notification provided to the Joint Legislative Budget Committee.

(g) The Legislature finds and declares that this section is related to Section 91.00 of the Budget Act of 2025 (Chapters 4, 5, and 104 of the Statutes of 2025).

SEC. 2. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and

school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 3. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

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