

Date of Hearing: September 8, 2025

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

SB 63 (Wiener) – As Amended September 4, 2025

SENATE VOTE: 28-10

SUBJECT: San Francisco Bay area: local revenue measure: transportation funding

SUMMARY: Creates the Transportation Revenue Measure District (District) including Alameda, Contra Costa, Santa Clara, and San Mateo and the city and county of San Francisco and authorizes the District to propose a new retail transaction and use tax, that the Metropolitan Transportation Commission (MTC) administers for 14 years, to be placed on the November 2026 ballot to fund operations for specified Bay Area transit operators.

Specifically, **this bill:**

Transportation Revenue Measure District

- 1) Creates the District and Governing Board (Board) to include the jurisdictions of the counties of Alameda, Contra-Costa, Santa Clara, San Mateo, and the City and County of San Francisco. Requires MTC to staff the District and allocates a portion of revenues to MTC for administrative costs.

Revenue Measures

- 2) Authorizes the Board to impose a retail transaction and use tax, either directly or through a qualified voter initiative. Defines parameters for the revenue measure, including:
 - a) Requires the tax rate to be $\frac{1}{2}$ of 1% for Alameda, Contra Costa, Santa Clara and San Mateo Counties and 1% for San Francisco City and County;
 - b) Requires the revenue measure be on the November 2026 ballot and be for 14 years in duration; and,
 - c) Specify the purposes for which the revenues will be used.
- 3) Requires the District to establish an independent oversight committee, as defined, to ensure that any revenues generated pursuant to the measure are expended consistent with the statute.

Expenditures

- 4) Requires the Board to allocate revenues to MTC to sub allocate to AC Transit, BART, Caltrain, San Francisco Bay Ferry, Alameda and Contra Costa small bus operators, Golden Gate Transit and San Francisco Metropolitan Transportation Authority (Muni) exclusively for transit operations expenses based on a percentage of the revenue generated by each county.
- 5) Authorizes a specified amount of revenue that each county generates to be spent on public transit expenses at their discretion.

- 6) Defines “public transit expenses to mean public transit operations expenses, or expenses for public transit capital improvement projects that maintain or improve public transit service, including expenses for public transit-specific components of a multimodal transportation project.
- 7) Defines “Alameda County small bus operators” to mean the Livermore Amador Valley Transit Authority and Union City Transit.
- 8) Defines “Contra Costa County small bus operators” to mean the Central Contra Costa Transit Authority, the Western Contra Costa Transit Authority, and the Eastern Contra Costa Transit Authority.
- 9) Authorizes MTC to use a percentage of the revenues for accessibility programs, Clipper START free and reduced cost transfers, and mapping and wayfinding and transit priority projects and programs.

Financial Transparency and Review

- 10) Requires, upon approval of the regional revenue measure, MTC contract with an independent third party to develop a comprehensive financial efficiency review of AC Transit, BART, Caltrain, and Muni.
- 11) Requires MTC to consult a select committee on the review, that consists of:
 - a) Members of MTC;
 - b) A state representative;
 - c) Transit operator representatives from the operators subject to the review; and,
 - d) Representatives from transit labor, advocacy, and business communities.
- 12) Requires the review to identify a menu of cost-saving efficiencies that, if implemented, would reduce one-time and ongoing fixed and variable costs for the transit operators.
- 13) Requires the scope of the review to include:
 - a) Administrative, operating, and capital costs and to clearly distinguish between cost-saving options that would not impact service and cost-saving options that would require service realignments or reductions; and,
 - b) Initiatives included in the 2021 Bay Area Transit Transformation Action Plan or any successor plan and associated supporting programs administered by MTC, such as the Clipper program.
- 14) Requires the independent third party to transmit a final report to the select committee, the Legislature, and the transit operators, as specified.
- 15) Requires a transit operator to finalize an implementation plan, after receipt of the review report, that describes efficiency measures that the transit operator has already taken since January 1, 2020, associated cost savings, and all subsequent efficiency measures the transit operator plans to take. Requires transit operators, as a condition of receiving funds from the

regional revenue measure, to submit the plan to MTC. Requires MTC to transmit it to the Legislature, the California State Transportation Agency (CalSTA), and the counties that have a funding relationship with at least one of the transit operators subject to the review.

- 16) Requires transit operators subject to the review to verify to MTC that it will maintain its expected level of funding for operations and not supplant any sources of revenue that were used for transit operations for the preceding three years in order to be eligible for funding from the measure, except in proportion to any reduction in operating costs or reduction in operating revenue based on factors outside of its control. Authorizes a transit operator to request an exception for the purposes of transferring operating funds to state of good repair needs or compliance with a state or federal law or regulation.
- 17) Requires MTC to submit a report to the Legislature on or before March 31, 2026, on its forecast of the impacts to ridership on AC Transit, Caltrain, BART and SF Muni from planned transportation projects and strategies included in its adopted regional transportation plan as specified.

Regional Network Management Accountability

- 18) Requires transit operators that receive funding from the regional revenue measure to comply with the policies and programs adopted by MTC through its Regional Network Management framework in order to fulfill initiatives included in the 2021 Bay Area Transit Transformation Action Plan or successor plan.
- 19) Requires MTC to submit a report to the Legislature on or before January 1, 2028, and each year thereafter on the status of outcomes of these initiatives and transit ridership in the region.

Elections Procedures

- 20) Sets election procedures for the District, as specified.
- 21) Requires a qualified voter initiative to comply with all of the requirements applicable to a tax imposed by the Board, including how the proceeds of the tax are to be spent.
- 22) Requires MTC to reimburse each county that comprises the District for the incremental costs incurred related to submitting the measure to voters, as specified.
- 23) If the measure is successful, requires the District to establish an independent oversight committee, as defined, to ensure that any revenues generated pursuant to this section are expended consistent with the statute.

Miscellaneous

- 24) Declares that the provisions of the bill are severable, as specified.
- 25) Provides that this act shall be known as the Connect Bay Area Act.

26) Adds an urgency clause to take effect immediately.

EXISTING LAW:

- 1) Establishes MTC as the transportation planning, coordinating, and financing agency for the nine-county San Francisco Bay Area. (Public Utilities Code [PUC] 131001).
- 2) Establishes the regional transit coordinating council (RTCC) within MTC, to better coordinate routes, schedules, fares, and transfers among the San Francisco Bay area transit operators and to explore potential advantages of joint ventures in areas such as marketing, maintenance, and purchasing. (PUC 66516)
- 3) Authorizes MTC, in coordination with RTCC, to adopt rules and regulations to promote the coordination of fares and schedules for all public transit systems within its jurisdiction. (PUC 66516)
- 4) Requires every transit system to enter into a joint fare revenue sharing agreement with connecting systems consistent with MTC's rules and regulations. (PUC 66516)
- 5) Authorizes MTC, in coordination with RTCC, to identify the functions performed by individual transit systems that could be consolidated to improve the efficiency of regional transit service, and recommend that those functions be consolidated and performed through inter-operator agreements or as services contracted to a single entity. (PUC 66516.5)
- 6) Authorizes MTC, in coordination with RTCC, to improve service coordination and effectiveness in those transit corridors identified as transit corridors of regional significance by recommending improvements in those corridors, including, but not limited to, reduction of duplicative service and institution of coordinated service across public transit system boundaries. (PUC 66516.5)

FISCAL EFFECT: According to the Assembly Appropriations Committee:

Passage of this bill, and imposition of the tax measures it calls for, are likely to result in no direct costs to state government. The bill provides that the state will be liable for any local costs resulting from this bill pursuant to a decision of the Commission on State Mandates. And the bill will create significant costs for MTC as it directs MTC, as described above, to reimburse the incremental costs of each county to submit the measure to the voters. Nonetheless, it is not clear MTC is eligible to request reimbursement from the state for its costs. In any case, MTC's administrative costs should be covered by the 1% set aside of TUT revenue for that purpose. And MTC told the committee it will not seek reimbursement from the state for costs to implement this bill.

CDTFA will also incur costs to administer the tax, but only if the tax measure passes, and CDTFA's costs will be reimbursed from the local tax revenues.

If the tax is enacted, the main fiscal effect of this bill, therefore, will be to raise substantial revenue, perhaps hundreds of millions of dollars annually for the duration of the tax, to fund

local and regional transit operations. Funding such operations likely will reduce pressure on the state to fund them.

However, consistent with this committee's rules and longstanding practice, this bill is a candidate for the committee's suspense file because it authorizes imposition of a new tax (though it does so indirectly).

COMMENTS: *Transit ridership and revenues.* With the onset of the COVID-19 pandemic in 2020, transit ridership plunged from 50% to as much as 94%. To alleviate financial losses from declining transit ridership, in March of 2020, Congress passed and the President signed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provided \$25 billion in relief to transit agencies. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 provided \$14 billion more in transit relief. The American Rescue Plan in March of 2021 provided an additional \$30.5 billion.

Transit ridership has improved, but is still far below January 2020 levels. According to data MTC provided, as of June of 2025 Muni has restored 77% of its pre-pandemic ridership, Caltrain has restored 73% of its pre-pandemic ridership, AC Transit has restored 75% of its prepandemic ridership and BART has restored 47% of its prepandemic ridership.

The ridership drops have been particularly harmful to BART and Caltrain. Prior to the COVID-19 pandemic both systems received nearly or over 70% of their operating funds from fares, the highest in the nation. Their success has become a liability as the Bay Area had not had to subsidize transit operations in the same manner as systems like LA Metro which had a 14.9% farebox recovery ratio in 2019.

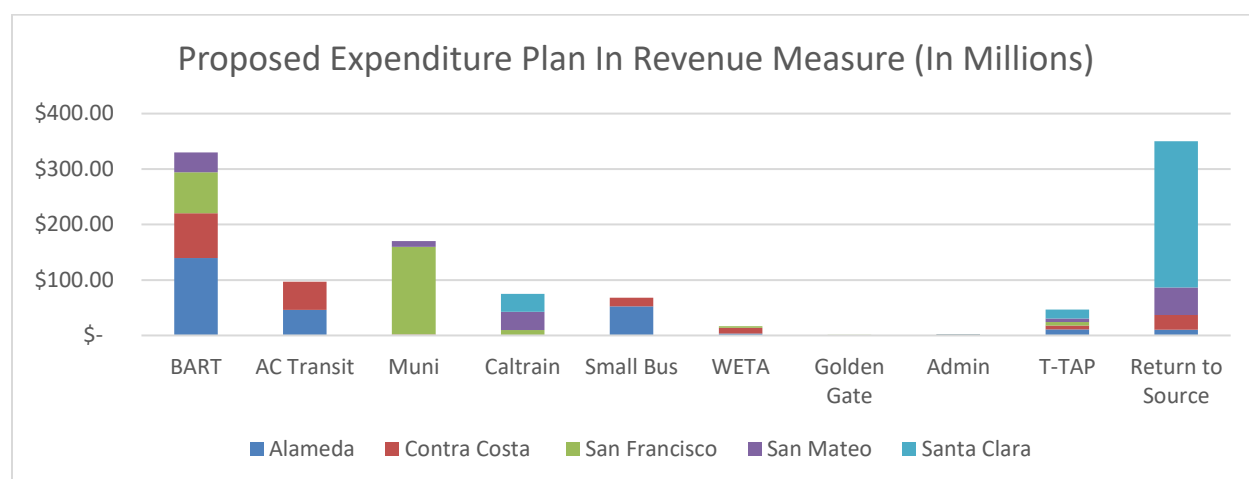
As detailed in MTC's Transportation Revenue Measure Select Committee Final Report, BART projects an operating deficit in budget year 2026-2027 of \$385 million. BART reports that a 20% reduction in operating costs requires an approximate 65% cut in service, with possible service changes such as 60-minute train frequencies, 9 p.m. system closure, station closures, elimination of lines, and no weekend service. The SF Muni has discussed the need to cut up to 20 bus lines and reduce service on up to 28 bus and train routes. AC Transit is facing a \$30 million shortfall and has reduced service by 15%. Without additional funding, they may have to cut services by 70% of pre-COVID levels. Finally, Caltrain is facing an average budget shortfall of about \$80 million annually from 2026-2030 and may have to make service cuts that would undermine the benefits of the recently completed electrification project.

State assistance. To help support public transit, the 2023-24 State Budget provided \$5.1 billion to transit agencies for both capital and operating expenditures. Specifically, the state provided \$4 billion to Regional Transportation Planning Agencies through a population-based formula, and \$1.1 billion from the Greenhouse Gas Reduction Fund to be allocated using existing formulas. This funding is available for transit agencies to purchase of zero-emission buses or use for operating costs. The Bay Area was expected to receive roughly \$800 million for two previously committed to capital projects: BART's Core Capacity Project, and Santa Clara Valley Transportation Authority's BART to Silicon Valley Phase 2 project. Additionally, the Bay Area will receive roughly \$400 million in funding, which can be used for operations or zero-emission transition investments.

This year's budget provides a \$750 million General Fund loan for BART, SF Muni, Caltrain, and AC Transit that is contingent upon the passage of SB 63. In addition, budget discussions are underway regarding providing additional Greenhouse Gas Reduction funding for transit.

Expenditures in the bill. The measure is anticipated to raise approximately \$1.054 billion annually. Under the expenditure plan laid out in this bill, each county will provide a percentage of their revenue to specified transit agencies and 4.4% to MTC for various programs for the Transit Transformation Action Plan (T-TAP). Each county has the discretion to spend a certain percentage of the revenue it receives as they see fit for transit purposes only. 31% of the total revenue will go to BART, 4.84% will go to AC Transit, 16.13% will go to Muni, 7.12% will go to Caltrain, 1.99% will go to East Bay small bus operators, .66 Percent will go to the San Francisco Bay Ferry, and .09% will go the Golden Gate Bridge District. The remaining 33% of the revenue will be discretionary, with the bulk of that discretionary funding going to Santa Clara County.

The chart below shows the amount of funding that the revenue measure is anticipated to provide to specified transit agencies, for administrative costs, and to return by source and the amount of revenue that is county is forecast to generate for these specified purposes.



Committee comments. Since this bill was last heard in this committee, significant changes have been made to the bill. A detailed expenditure plan has been added to this bill, as described above. In addition, a tax rate has been agreed to (half cent sales tax for all participating counties except San Francisco, which will have a full one-cent sales tax). Finally, this bill specifies that the district has 14 years to collect sales tax revenue.

In addition, several provisions of this bill have been subject to continued negotiation that the author has come to an agreement on and that the committee recommends including in this bill. These provisions are described below.

Financial Transparency and Review. Under the proposed amendments MTC must contract with a third-party consultant to review and make recommendations regarding the financial efficiency of AC Transit, BART, Caltrain, and Muni prior to April 1, 2026, independent of the measure. The review requires a third-party consultant to identify cost-saving measures the transit operators have implemented since January 1, 2020 and early action strategies that would assist them in delivering increased or improved service and enhanced customer experiences with existing resources.

In addition, the review is required to include an analysis of the operator's real property assets. The analysis must be conducted in consultation with the subject operators, and will include an inventory of existing holdings and identify potential redevelopment opportunities, with emphasis on housing, commercial, and mixed-use projects, and other efficient land uses near transit that can support ridership growth and generate long-term value. The report will include a property asset map and a preliminary list of redevelopment opportunities to inform subsequent phases of the financial efficiency review.

This review will be transmitted to an oversight committee. The Oversight Committee is composed of the chair of MTC and the board chair or president or a designee from one of the five counties if the chair is not from the five counties; four independent experts appointed by MTC with expertise in public transit operations and finance; and a representative each from the California State Transportation Agency (CalSTA) and the Department of Finance as ex officio, nonvoting members.

The Oversight Committee is required to review the first phase of the analysis and approve it. By July 1, 2026 each subject operator is required to identify the specific strategies in the final adopted phase one analysis that it commits to implementing, and requires them to adopt those strategies as formal policy or budget actions.

If the measure is approved, then within 480 days a third-party consultant is required to conduct a second phase review that identifies measurable cost-saving measures that would reduce one-time and ongoing fixed and variable costs for the operators. The review will evaluate cost-savings measures using metrics such as cost per passenger mile and subsidy per passenger mile, reported in both nominal dollars and real dollars, along with any other relevant measures needed to ensure results are quantifiable and actionable.

This review will include a comprehensive regional assessment of development and financing strategies to maximize the value of subject operators' real property assets. The assessment shall, at a minimum:

- 1) Evaluate strategies to leverage assets through housing, commercial, mixed-use, and other transit-supportive development.
- 2) Analyze potential impacts on ridership, revenue generation, fiscal stability, and broader public benefits, including affordable housing, job creation, and system wide financial sustainability.
- 3) Consider governance structures and financing mechanisms, including opportunities for regional partnerships, and alignment with existing public and private financing tools.
- 4) Produce a regional development and financing strategy to be formally considered and acted upon by the Financial Efficiency Review Committee.

The Oversight Committee must review the second phase results, and specify to each operator what needs to be included in their implementation plan. Each operator has 120 days to submit to the oversight committee a draft implementation plan. The Oversight Committee can either approve or modify the implementation plan based on the recommendations made by the consultant. The operator may reject those changes, but only if they make a written finding when adopting the final implementation plan that the recommendation would have an unacceptable impact on transit service or safety or is inconsistent with other documented local policies and procedures. If the transit operator makes the decision to opt out, then the operator must affirm

that decision every twelve months and demonstrate continuing need to opt out. They must also provide findings on whether the circumstances or obstacles identified as preventing compliance have been resolved, mitigated or otherwise changed.

Once all of the operators have taken the actions required by the Oversight Committee, then the committee terminates. Each operator is required to follow the implementation plan until the measure expires. MTC is authorized to withhold funding should the operator not comply, though they must provide 90 days for an operator to fix the issue before withholding funding. If the operator never complies, then when MTC makes its final allocation of funding under the measure MTC can reallocate the withheld funds to support public transit expenses within the county or counties that the operator serves.

Language being removed. After discussions with stakeholders the author has agreed to remove the Regional Network Management Accountability provision in the bill and the urgency clause.

Ad Hoc Adjudication Committee. Should a measure be approved by voters, two years after approval MTC is required to create four ad hoc adjudication committees (one for AC Transit, BART, Caltrain and Muni). The adjudication committee is made up of two commissioners from each county providing funding to that operator under the measure. A participating county transportation entity or the county board of supervisors for the county may file a petition once per year if they believe there are deficiencies in service. Specifically, they may file a petition if there are issues with service frequency or route changes; fare policies, station, facility or vehicle cleanliness; station or facility maintenance; station or facility closures; or safety and security issues.

The ad hoc committees are permitted to make recommendations to address the deficiencies and withhold up to 3.5% of funds until the issue is addressed. The recommendation must be made with majority support, with a tie vote favoring the recommendation to take an action. Prior to the recommendation being made the operator must be given an opportunity to fix the issue. The county board of supervisors or participating counties' transportation entity may withdraw the petition if the issue is addressed prior to a recommendation being made, giving them the opportunity to file an additional petition for the year.

If funds are withheld, the transit agency has 90 days to address the issue. If the issue is not cured, then the ad hoc committee may withhold an additional 3.5% (for a total of 7%) of the transit agency's funds. At least one commissioner from each county on the ad hoc committee must approve the motion to release the funds. After 180 days a simple majority of the commissioners may opt to release the funding. If the funding is held until the last allocation by MTC, the MTC is directed to return the funds to the county or counties in which the operator serves to be used for public transportation services.

Maintenance of Effort. As a condition for receiving funds under the measure, each transit operator is required to verify to the commission that it will maintain its expected level of funding for operations and not supplant any sources of operating revenue from the preceding three fiscal years. This does not apply to factors outside of the control of the transit agency, such as a voter approved measure expiring. An operator may, with a request to the commission, divert funds for state of good repair or compliance with a state or federal law or regulation or for capital expenses if the transit agency is able to restore service hours it provided in the 2018-19 fiscal year and the redirection of funds will not result in cutting those service hours.

Election Procedures and Judicial Review/ Amendments provided by the author are intended to expedite any lawsuit that may be brought to challenge the measure and clarify which procedures should be followed to examine the petition.

REGISTERED SUPPORT / OPPOSITION:

Support

AARP

Alameda County Transportation Commission
Alameda-Contra Costa Transit District
City and County of San Francisco
City of Alameda
City of El Cerrito
City of Emeryville
City of Oakland
City of Pinole
City of Union City
Climate Action California
Contra Costa Transportation Authority
East Bay Leadership Council
Eastern Contra Costa Transit Authority
Golden Gate Bridge Highway and Transportation District
Livermore Amador Valley Transit Authority
Mayor Daniel Lurie, City and County of San Francisco
Metropolitan Transportation Commission
Napa County Transportation and Planning Agency/Napa Valley Transportation Authority
Peninsula Corridor Joint Powers Board (CALTRAIN)
San Francisco Bay Area Planning & Urban Research Association (SPUR)
San Francisco Bay Area Rapid Transit District (BART)
San Francisco Bay Ferry
San Francisco County Transportation Authority
Transbay Joint Powers Authority

Oppose

California Association of Realtors
California Building Industry Association
California Business Properties Association
California Taxpayers Association
Howard Jarvis Taxpayers Association
New Livable California Db a Livable California

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