

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 63 (Wiener) – As Amended July 9, 2025

Policy Committee:	Transportation	Vote:	11 - 4
	Revenue and Taxation		4 - 2

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill creates a process by which certain Bay Area counties may approve, by approval of voters of those counties, the temporary imposition of a transaction and use tax (TUT) on all retail transactions within those counties, the proceeds of which must be dedicated primarily to transit operation expenses within those counties.

More specifically, this bill, among other things:

- 1) Creates the Transportation Revenue Measure District (Revenue District) with jurisdiction extending throughout the counties of Alameda and Contra Costa and the City and County of San Francisco, and expresses the intent of the Legislature to afford the counties of San Mateo and Santa Clara the opportunity to opt into the Revenue District by August 11, 2025, and the preference of the Legislature that the County of San Mateo do so; and provides the Revenue District is to be governed by the board of, and staffed by existing staff of, the Metropolitan Transportation Commission (MTC) but is a separate legal entity from MTC.
- 2) Authorizes the board of the Revenue District to impose a retail TUT, effective January 1, 2027, applicable to the Revenue District if a majority of voters of the Revenue District approve a measure on the November 3, 2026, ballot to impose the TUT, and provides the measure may be called for approval by either the board or by a qualified voter initiative.
- 3) Requires MTC to reimburse the incremental costs of each county to submit the measure to the voters.
- 4) Provides the TUT rate shall be up to 1.5% in each county, except in the City and County of San Francisco, in which the rate shall be no less than 0.05% and no more than 1%, for a duration of no less 10 years and no more than 15 years, administered by the California Department of Tax and Fee Administration (CDTFA).
- 5) Directs the board of the Revenue District to annually distribute the proceeds, minus 1% to MTC for administration and, according to a yet-to-be-determined allocation program, to the following entities for transit operation expenses only—(a) Alameda County (AC) Transit, (b) Bay Area Rapid Transit District (BART), (c) the Peninsula Corridor Joint Powers Board (Caltrain), (d) Contra Costa County Transit Authority (County Connection), (e) Eastern Contra Costa Transit Authority (Tri Delta Transit), (f) Livermore Amador Valley Transit Authority (LAVTA), (g) the San Francisco Municipal Transportation Agency (Muni), (h) the San Francisco Bay Area Water Emergency Transportation Authority, (i) Union City Transit

and (j) the Western Contra Costa Transit Authority (WestCAT)—and up to 5% to MTC, exclusively for initiatives included in the 2021 Bay Area Transit Transformation Action Plan (T-TAP), or any successor plan adopted by the MTC.

- 6) Directs the Revenue District board to subvene all remaining funds directly to the counties contained in the district for public transportation expenses.
- 7) Requires each transit operator to which MTC directly distributes funds comply with the policies and programs adopted by MTC through its Regional Network Management framework to fulfill initiatives included in the T-TAP or successor plan adopted by MTC as a condition of receiving those funds.
- 8) Upon passage of the TUT measure, requires MTC to engage in a comprehensive independent third-party financial efficiency review of AC Transit, BART, Caltrain, and Muni that identifies a menu of cost-saving efficiencies that, if implemented, would reduce one-time and ongoing fixed and variable costs for the transit operators subject to the review, and requires a transit operator subject to the review to verify to MTC that it will maintain its expected level of funding for operations and will not supplant any sources of operating revenue under its control or fund sources allocated by MTC that were used for transit operations in the preceding three fiscal years.
- 9) Requires the Revenue District, within six months of voter approval of the TUT, to establish an independent oversight committee to ensure TUT revenues are expended consistent with the requirements of this bill.
- 10) Requires MTC to submit a report to the Legislature by March 31, 2026, on MTC's forecast of the impacts to ridership on AC Transit, the Peninsula Corridor Joint Powers Board, BART and Muni from planned transportation projects and strategies included in MTC's adopted regional transportation plan.

FISCAL EFFECT:

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:

- 1) **Purpose.** The author intends this bill to result in sustainable transit services in the Bay Area. The author describes many of these transit systems as “structurally underfunded” and “overly fare-reliant.” The author goes on to say:

Without new funding...Bay Area transit systems will be forced to make devastating service cuts that would push public transit into a death spiral...SB 63 gives the voters an opportunity on the November 2026 General Election ballot to decide whether to provide public transportation services like BART, Caltrain, Muni, and AC Transit a sustainable funding source while requiring increased accountability and improvements.

- 2) **Background.** Traditionally, many Bay Area transit systems funded much of their operating expenses from revenue collected from transit riders. However, with the onset of the COVID-19 pandemic, the ridership of many transit agencies, including those in the Bay Area, plummeted and, in many cases, has yet to recover, or has recovered only partially, when compared to pre-pandemic ridership levels.

For Bay Area transit systems, this has meant significant and persistent operating shortfalls, even despite infusions of substantial amounts of cash from the federal and state governments. For example, the Budget Act of 2023 provided \$5.1 billion for transit agencies for both capital and operating expenditures, some of which had been awarded previously for use on capital projects only. The Budget Act of 2025 authorizes a \$750 million General Fund loan for BART, Muni, Caltrain and AC Transit, contingent upon passage of this bill.

Nonetheless, ridership remains low or, in the case of BART, anemic. Many now fear Bay Area transit operating shortfalls threaten the viability of these transit systems.

This bill allows voters in the areas served by these transit districts to choose whether to impose a temporary tax on retail sales within those areas to fund Bay Area transit operations. However, this straight-forward description of the bill is belied by several outstanding issues not resolved by the text of the bill.

For example, the bill specifies the range of tax rates that may apply in the jurisdictions subject to the tax—one-half of 1% in each county except in the City and County of San Francisco, and no less than one-half of 1% and no more than 1%, in 1/8 percent increments—and does not specify the duration of the tax. Rather the bill expresses the intent of the Legislature “to determine, by August 11, 2025, the exact tax rate, including potential variable rates in different counties within the district, and the exact duration of the tax, through continued discussions with stakeholders.” Similarly, the bill defines the Revenue District as the jurisdiction extending throughout the territorial boundaries of the counties of Alameda and Contra Costa and the City and County of San Francisco; yet the bill also expresses the intent of the Legislature to “afford the Counties of San Mateo and Santa Clara the

opportunity to opt into the district by August 11, 2025,” and expresses the preference of the Legislature that those counties do so.

On July 23, 2025, the author shared with the major Bay Area transit districts a plan for the use of expenditures that would result from imposition of the tax called for by this bill. The author’s staff indicates ongoing discussions regarding accountability measures, judicial streamlining, state-level implementation and specifying the powers of the tax district created by the bill.

- 3) **Support and Opposition.** This bill is supported by several major Bay Area transit agencies, local governments, local government officials and MTC, the last of which describes SB 63 as “aimed at mitigating devastating transit service cuts and delivering customer-focused improvements to attract new Bay Area transit riders.” MTC further writes:

Earlier this year, the Commission unanimously adopted a set of principles outlining the requirements for MTC to support enabling legislation for a transportation revenue measure (attached). These principles are based on lessons from last year’s legislative session, extensive stakeholder engagement, input from the six-month Transportation Revenue Measure Select Committee and Executive Group, and findings from MTC’s January 2025 public poll. In short, the measure must be passable and fair, prevent major transit service cuts that would trigger a doom spiral while also delivering tangible improvements for riders, balance the need for transit operating resources with other local transportation funding needs by minimizing risk to local county sales tax reauthorizations, and ensure accountability. SB 63 aligns with these principles, and the Commission’s support remains conditioned on ongoing alignment.

The bill is opposed by organizations that describe themselves as representing the interest of taxpayers generally, as well as, jointly, the California Building Industry Association, the California Business Properties Association and the California Association of Realtors, who together note they are “cognizant of the dire fiscal situation facing the transportation system in the Bay Area and are not opposed in principle to legislation facilitating placement of a regional transportation funding measure on the ballot.” The joint opponents contend the bill (a) expands taxing authority to an unelected body, (b) prioritizes only one type of transportation project—transit and (c) enables continued regional encroachment of local housing and land use policy.

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