

SENATE THIRD READING
SB 63 (Wiener and Arreguín)
As Amended September 03, 2025
Majority vote

SUMMARY

Creates the Transportation Revenue Measure District (District) including Alameda, Contra Costa, and San Francisco counties and authorizes the District to propose a new retail transaction and use tax, to be administered by Metropolitan Transportation Commission (MTC), for a duration of 10-15 years, and to be placed on the November 2026 ballot to fund transit operations for specified Bay Area transit operators.

Major Provisions

Transportation Revenue Measure District

- 1) Creates the District and Governing Board (Board) to include the jurisdictions of the Counties of Alameda and Contra-Costa and the City and County of San Francisco. Requires the District to be staffed MTC.

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 and Contra Costa Counties and between $\frac{1}{2}$ of 1% and 1% for San Francisco County in $\frac{1}{8}\%$ increments;
 - b) Requires the revenue measure be on the November 2026 ballot and be for 10-15 years in duration; and,
 - c) Specify the purposes for which the revenues will be used.
- 3) 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.

Expenditures

- 4) Requires the Board to allocate to MTC to then allocate revenues to AC Transit, BART, Caltrain, and Muni exclusively for transit operations expenses.
- 5) Authorizes MTC to utilize up to 10% of revenues for initiatives included in the 2021 Bay Area Transit Transformation Action Plan or any successor plan.
- 6) Requires the Board, after the amounts are allocated to AC Transit, BART, Caltrain, and Muni, to allocate any remaining funds directly to the counties for support of public transit expenses, as specified.

Financial Transparency and Review

- 7) 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.

Regional Network Management Accountability

- 8) 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.

Miscellaneous

- 9) Authorizes a county transportation authority or MTC to impose a retail transactions and use tax for up to 1%, in any combination of 1/8% increments in San Mateo and San Francisco counties, as specified.
- 10) Declares that the provisions of the bill are severable, as specified.
- 11) Adds an urgency clause to take effect immediately.

COMMENTS

Transit ridership and revenues plunged since COVID. With the onset of the COVID-19 pandemic, during the first half of 2020, transit ridership plunged from 50% to as much as 94%. In efforts to stave off financial losses from declining transit ridership, the federal government provided relief for transit operators across the country. 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 added an additional \$14 billion in transit relief. The American Rescue Plan in March of 2021 provided an additional \$30.5 billion.

Transit ridership has improved since 2020, but is still far below January 2020 levels. According to data provided by MTC, as of June of 2025 San Francisco Metropolitan Transportation Authority (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 pre-pandemic ridership and BART has restored 47% of its pre-pandemic ridership.

Caltrain's restoration of its ridership is recent. In January 2025 they had only restored 47% of their ridership. However faster and more frequent service as a result of electrification has turned it from a commuter system to something that can be used for everyday travel.

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 their operations in the same manner as other systems like LA Metro. LA Metro had a 14.9% farebox recovery ratio in 2019.

As detailed in MTC's Transportation Revenue Measure Select Committee Final Report, BART is projecting 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 already reduced service by 15%. Without additional funding, they are looking at cutting services to 70% of pre-COVID levels. Finally, Caltrain is facing an average budget shortfall of about \$80 million from 2026-2030 and would require service cuts that would undermine the frequency benefits of the recently completed electrification project.

State assistance. To help support public transit throughout the state, the 2023-24 State Budget, provided \$5.1 billion for transit agencies to use for both capital and operating expenditures. Specifically, \$4 billion was allocated to Regional Transportation Planning Agencies through a population-based formula, with an additional \$1.1 billion from the Greenhouse Gas Reduction Fund to be allocated using existing formulas. This funding is available for the purchase of zero-emission buses or overall operating costs. Of these funds, the Bay Area was expected to receive roughly \$800 million that was previously committed to two major 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 flexibly for operations or zero-emissions 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 that may or may not provide additional funding for transit using Greenhouse Gas Reduction Funds from the state's Cap and Trade program.

Efficiency measures in the bill. This bill requires all transit operators who receive funding from the regional revenue measure to comply with policies and programs MTC adopts through its regional network manager framework. This bill limits MTC's regional policies and programs to not interfere with other transit funding sources, existing transit labor contracts, or modification of local routes. Additionally, this bill provides for an exemption to compliance with specific findings the transit agency must approve.

This bill declares that financial efficiency and transparency are imperative to build public confidence and support for public transportation. To that end, if the regional revenue measure is approved, this bill requires MTC to conduct a comprehensive independent third party financial efficiency review of the four transit operators. The review will identify costs saving options, distinguishing between options and their impacts on service levels. Members of MTC, a state representative, representatives from the affected transit operators, transit labor, transit advocates, and the business community will oversee the review.

This bill sets aside 10% of the revenue for MTC to implement the 2021 Bay Area Transit Transformation Action Plan. On June 25th MTC made a formal recommendation dedicating \$45 million annually – if pursued as a four- or five-county measure. The recommendation includes \$25 million for fare integration that would result in free and reduced costs transfers between systems (approximately 30,000 trips a day) and to expand Clipper START, a low-income fare discount for an additional 100,000 residents. In addition, MTC seeks to implement \$10 million in accessibility upgrades for older adults and people with disabilities and another \$10 million to make the system easier for users to navigate and to make transit faster and more reliable.

According to the Author

"Public transportation is an essential service. Every day, transit systems like BART, Muni, Caltrain, and AC Transit help Bay Area residents and visitors travel throughout the region. These systems were structurally underfunded and overly fare-reliant prior to the coronavirus pandemic. Shifting post-pandemic travel patterns have made this funding model even more untenable, despite cost-saving measures that transit agencies have taken to be more financially efficient and improve service. Without new funding and as emergency federal and state aid runs out, Bay Area transit systems will be forced to make devastating service cuts that would push public transit into a death spiral. The loss of transit service would disproportionately impact lower income people

of color, greatly increase traffic congestion and pollution, and destroy the region's economic recovery. 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."

Arguments in Support

BART, *writing in support of this bill*, argues "the limited-duration sales tax authorized by SB 63 shares similarities with Scenario 1A, which was developed during the Revenue Measure Select Committee process led last year by the Metropolitan Transportation Commission (MTC). During that process, BART supported Scenario 1A as a simple politically viable option that raises enough revenue to significantly address the collective deficits of the region's largest operators. BART also appreciates the collaborative process prescribed in the bill for the development of the Transit Operations Financial Responsibility and Implementation Plan (T-FRIP) and looks forward to engaging with relevant stakeholders.

Additionally, BART supports the financial transparency and accountability provisions included in SB 63. The District has consistently welcomed outside review of our agency's finances. We appreciate how this bill provides for a third-party financial efficiency review of all agencies receiving funding and includes work administered by MTC. Having transit operator representation on the proposed select committee responsible for working with the independent third-party reviewer will also ensure efforts are successful in identifying potential cost efficiencies."

Arguments in Opposition

The California Taxpayer Association, *writing in opposition to this bill*, argues "It is unclear why a new special district is needed when all of the counties and their associated transit agencies already have the authority to impose sales taxes with voter approval.

Furthermore, SB 63 overrides local control by restricting voters in some jurisdictions from deciding how they are taxed. Alameda County (with 961,304 registered voters) would have significantly more voting power than San Francisco County (with 520,203 registered voters). This system allows counties with larger populations to approve taxes that also would be imposed in smaller counties, even if the voters in those smaller counties did not support the taxes."

FISCAL COMMENTS

According to 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).

VOTES

SENATE FLOOR: 28-10-2

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Hurtado, Reyes

ASM TRANSPORTATION: 11-4-1

YES: Wilson, Ahrens, Bennett, Caloza, Hart, Jackson, Lowenthal, Papan, Ransom, Rogers, Ward

NO: Davies, Hoover, Lackey, Macedo

ABS, ABST OR NV: Carrillo

ASM REVENUE AND TAXATION: 4-2-1

YES: Gipson, Carrillo, McKinnor, Quirk-Silva

NO: Ta, DeMaio

ABS, ABST OR NV: Bains

ASM APPROPRIATIONS: 11-4-0

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache

NO: Sanchez, Dixon, Ta, Tangipa

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