SENATE THIRD READING
SB 63 (Wiener and Arreguín)
As Amended September 04, 2025
2/3 vote. Urgency

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,* and to be placed on the November 2026 ballot to fund 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, 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 ½ of 1% for Alameda, Contra Costa, Santa Clara and San Mateo Counties and 1% for San Francisco 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 measureare expended consistent with the statute.

Expenditures

4) Requires the Board to allocate revenues to MTC to suballocate to AC Transit, BART, Caltrain, San Fransisco 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) 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

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.

9) 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.

Miscellaneous

10) Declares that the provisions of the bill are severable, as specified.

11) Provides that this act shall be known as the Connect Bay Area Act.

12) Adds an urgency clause to take effect immediately.

COMMENTS

Transit ridership and revenues. With the onset of the COVID-19 pandemic in 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.

Efficiency measures in the bill. This bill requires all transit operators that 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, this bill requires MTC to conduct a comprehensive independent third party financial efficiency review of the four transit operators to identify cost-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.

Expenditures in the bill: The measure is anticipated to raise approximately $1.054 billion annually. Under the expenditure plan laid out in the bill, each county will provide a percentage of their revenue to various transit agencies and 4.4% to MTC for various programs, as specified. 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% 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 left to Santa Clara County.

Outstanding issues: There are several outstanding issues remaining in this bill. There is a continued debate on what roll MTC should play in administering the provisions of this bill should the measure be approved and how the accountability measures will be structured.

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.

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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