

SENATE THIRD READING
SB 63 (Wiener and Arreguín)
As Amended September 09, 2025
Majority Vote

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 $\frac{1}{2}$ 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 measure are expended consistent with the statute.

Expenditures

- 4) Requires the Board to allocate revenues to MTC to suballocate 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) 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.

Performance Review

- 8) Creates an ad hoc adjudication committee for AC Transit, BART, Caltrain and Muni consisting of two commissioners from each county providing funding in the measure to the transit agency.
- 9) Authorizes the participating county transportation entity, as defined, or the County Board of Supervisors served by the agency to file a petition each year for each agency related to transit performance.
- 10) Authorizes the ad hoc committee to require a corrective plan of action with a directive to MTC to withhold up to 3.5% of funds until the issue is addressed. Authorizes the ad hoc committee to withhold an additional 3.5% of funds (for a total of 7%) if the issue is not addressed in 90 days.
- 11) Requires at least one vote from every county represented on the ad hoc committee to release the funds in the first 180 days. After 180 days a simple majority vote may release the funding.

Miscellaneous

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

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 pre-pandemic ridership and BART has restored 47% of its pre-pandemic 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.

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% will go to the San Francisco Bay Ferry, and .09% will go to 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. A chart outlining each entities funding and its source is available on the committee analysis from the September 8th hearing.

Fiscal and Performance Accountability. 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 recommendations are ultimately sent to an Oversight Committee. 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.

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 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. 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.

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

According to BART, " By authorizing a regional transportation funding measure, SB 63 will give Bay Area voters an opportunity in the November 2026 General Election to decide whether to provide public transit operators with a sustainable funding source while requiring increased accountability and improvements.

BART is working to reduce costs and closed a \$35 million deficit in its Fiscal Year (FY) 2026 budget. However, they cannot cut their way out of this crisis and will face average annual deficits averaging \$375 million starting in FY 2027. The limited-duration sales tax authorized by SB 63 is the most viable option that raises enough revenue to significantly address their deficit as well as that of other transit operators in the region.

Additionally, BART supports the financial efficiency review included in SB 63 and has consistently welcomed outside review of its finances. BART understands additional amendments regarding accountability continue to be discussed and has advocated for an accountability structure that is fair and equitable across the five counties that are now participating in the revenue measure."

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

ASM TRANSPORTATION: 11-5-0

YES: Wilson, Aguiar-Curry, Ahrens, Carrillo, Harabedian, Hart, Jackson, Lowenthal, Ransom, Rogers, Ward

NO: Davies, Hoover, Lackey, Macedo, Papan

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