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UNFINISHED BUSINESS

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Bill No: SB 63  
Author: Wiener (D) and Arreguín (D), et al.  
Amended: 9/9/25 in Assembly  
Vote: 21

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SENATE TRANSPORTATION COMMITTEE: 11-3, 4/22/25  
AYES: Cortese, Archuleta, Arreguín, Blakespear, Cervantes, Gonzalez, Grayson, Limón, Menjivar, Richardson, Umberg  
NOES: Strickland, Dahle, Valladares  
NO VOTE RECORDED: Seyarto

SENATE REVENUE AND TAXATION COMMITTEE: 4-1, 4/23/25  
AYES: McNerney, Ashby, Grayson, Umberg  
NOES: Valladares

SENATE APPROPRIATIONS COMMITTEE: 4-1, 5/23/25  
AYES: Caballero, Cabaldon, Grayson, Richardson  
NOES: Seyarto  
NO VOTE RECORDED: Dahle, Wahab

SENATE FLOOR: 28-10, 6/2/25  
AYES: 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  
NOES: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares  
NO VOTE RECORDED: Hurtado, Reyes

ASSEMBLY FLOOR: 41-19, 9/12/25 – Roll call vote not available.

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**SUBJECT:** San Francisco Bay area: local revenue measure: public transit funding

**SOURCE:** Author

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**DIGEST:** This bill creates the Transportation Revenue Measure District (District) to include Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara counties. Authorizes the District to impose, either directly or through a qualified voter initiative, a retail transaction and use tax, to be administered by the Metropolitan Transportation Commission (MTC), for a duration of 14 years, to be placed on the November 2026 ballot to fund transit operations for Bay Area transit operators. Requires certain transit operators receiving funds from the regional revenue measure to comply with a financial efficiency review and oversight recommendations, as specified.

*Assembly Amendments* of 9/9/25 add San Mateo and Santa Clara counties to the newly formed District, set the sales tax rate to be imposed by the District, set the duration of the measure at 14 years, add a detailed expenditure plan for the allocation of the revenue derived from the measure; recast provisions of the financial efficiency review, and create an ad hoc adjudication committee process for participating counties to review concerns about specified transit operator's service and performance.

**ANALYSIS:**

Existing law:

- 1) Establishes MTC as the transportation planning, coordinating, and financing agency for the nine-county San Francisco Bay Area, and specifies its governance, structure duties, and powers.
- 2) Establishes various transit districts located in the San Francisco Bay Area, with specified powers and duties relating to providing public transit services.
- 3) Authorizes MTC to adopt rules and regulations to promote the coordination of fares and schedules for all public transit systems within its jurisdiction. Authorizes MTC to withhold transit funding from a transit agency if a transit agency has not complied with the above-mentioned standards.
- 4) Authorizes MTC 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.

- 5) Authorizes the formation of county transportation authorities in each of the 9 Bay Area counties, and provides for the imposition of a retail transaction and use tax of either 1/2 of 1% or 1%, subject to voter approval, with revenues to be used for various transportation purposes.

This bill:

- 1) Makes finding and declarations supporting the bill's purposes, including that San Francisco Bay Area needs a world-class, reliable, affordable, efficient, and connected transportation network that meets the needs of Bay Area residents, businesses, and visitors while also helping combat the climate crisis.
- 2) Declares the bill will be known as the "Connect Bay Area Act."
- 3) Defines terms, as follows:
  - a) "AC Transit" means the Alameda-Contra Costa Transit District.
  - b) "Alameda County small bus operators" means the Livermore Amador Valley Transit Authority and Union City Transit.
  - c) "BART" means the San Francisco Bay Area Rapid Transit District.
  - d) "Board" means the governing board of the Public Transit Revenue Measure District.
  - e) "Caltrain" means the Peninsula Rail Transit District.
  - f) "Commission" means the MTC.
  - g) "Commissioner" means a voting member serving on MTC.
  - h) "Contra Costa County small bus operators" means the Central Contra Costa Transit Authority, the Western Contra Costa Transit Authority, and the Eastern Contra Costa Transit Authority.
  - i) "County" includes city and county.
  - j) "County elections official" means a county clerk, registrar of voters, or elections supervisor having jurisdiction over elections within the county.
  - k) "District" means the Public Transit Revenue Measure District.
  - l) "District elections official" means the official designated by the Board to perform the duties required for the purposes of an initiative, as specified; and also refers to the county elections officials charged with the duty of conducting the election for the counties participating in the measure.
  - m) "Golden Gate Transit" means the Golden Gate Bridge, Highway and Transportation District.
  - n) "Muni" means the San Francisco Municipal Transportation Agency.
  - o) "Participating county transportation entity" means any of the following: Alameda County Transportation Commission (ACTC), Contra Coats

Transportation Authority (CCTA), San Francisco County Transportation Authority (SFCTA), San Mateo County Transit District (SMCTD), or Santa Clara Valley Transportation Authority (VTA).

- p) “Public transit expenses” means 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.
- q) “San Francisco Bay Ferry” means the San Francisco Bay Area Water Emergency Transportation Authority.
- r) “Subject operator” means a transit operator subject to the financial efficiency review included in the bill.

#### *Public Transit Revenue Measure District*

- 4) Creates the District to include the jurisdictions of the Counties of Alameda, Contra-Costa, San Mateo, and Santa Clara, and the City and County of San Francisco. Declares that the District will be governed by the same Board as MTC. Requires the District to be staffed by MTC and allocates a portion of revenues to MTC for administrative costs.

#### *Revenue Measure*

- 5) 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, San Mateo and Santa Clara Counties and 1% for San Francisco County.
  - b) Requires the revenue measure to be for 14 years in duration.
  - c) Specify the purposes for which the revenues will be used.
- 6) Stipulates that the tax rate authorized will not be subject to the combined rate limit.
- 7) Requires the tax proposed to be placed on the November 3, 2026 ballot.

#### *Elections Procedures*

- 8) Sets election procedures for the District, as specified.

- 9) Authorizes the taxes to be imposed by a qualified voter initiative. Requires a qualified voter initiative to comply with all of the substantive requirements applicable to a tax imposed by the District, including how the proceeds of the tax are to be distributed, transferred, allocated, and expended.
- 10) Requires the legal counsel for the District to prepare an impartial analysis of the measure, and requires each county to use the election materials provided by the District, as specified.
- 11) Requires the District to reimburse each county that comprises the District for the incremental costs incurred related to submitting the measure to voters, as specified.
- 12) Authorizes the District to, upon approval of the tax measure or for 30 days thereafter, bring forward an action in superior court to determine the validity of the matter. If the District does not pursue a proceeding, any interested person may bring an action, as specified. Sets procedures and timelines for such actions.

### *Expenditures*

- 13) Requires the District to pay administrative costs of the California Department of Tax and Fee Administration for collection of revenues. Requires the District and counties to transfer revenue, as specified, to MTC for ongoing cost of administering the provisions of the bill, as specified.
- 14) Requires the District to transfer revenues to MTC to allocate to AC Transit, BART, Caltrain, Muni, San Francisco Bay Ferry, Alameda and Contra Costa small bus operators, and Golden Gate Transit exclusively for transit operations expenses based on a percentage of the revenue generated by each county.
- 15) Requires MTC to allocate a specified amount of revenue that each county generates to be spent on public transit expenses and roadway repavement projects on roads served by fixed-route transit, at their discretion.
- 16) Requires the District to allocate funds to MTC, as specified, for:
  - a) Fare programs, including free and reduced-cost transfers and expanding the Clipper START program.
  - b) Accessibility programs and projects.
  - c) Mapping and wayfinding and transit priority projects.

- 17) Expresses the intent of the Legislature that MTC not supplant any discretionary funding that would have otherwise been allocated to projects and programs in the jurisdiction of the District, as specified.
- 18) If the measure is successful, requires the District to establish an independent oversight committee, within six months, as defined, to ensure that any revenues generated pursuant to this section are distributed and transferred consistent with the statute.

*Financial Transparency and Review*

- 19) Requires MTC to conduct a financial efficiency review, in two phases, of the subject operators, which are AC Transit, BART, Caltrain, and Muni.
- 20) Requires MTC to contract with a third party consultant to conduct one or both phases of the financial efficiency review, in consultation with the subject operators and an oversight committee established by MTC, as specified.
- 21) Requires the oversight committee to consist of the following members:
  - a) Chair of MTC, if the chair is from the geographic jurisdiction of the District, or another member MTC designated by the chair that is from the geographic jurisdiction of the District.
  - b) Board chair or president, or another member of the board designated by the chair or president, of each subject operator.
  - c) Four independent experts appointed by MTC with expertise in public transit operations and finance.
  - d) One representative from the California State Transportation Agency (CalSTA) and one representative the Department of Finance (DOF) as ex officio, nonvoting members.
- 22) Requires Phase One of the review to identify the following:
  - a) Cost-saving measures implemented since January 1, 2020.
  - b) Early action strategies that would assist in delivering increased or improved service and enhanced customer experiences with existing resources.
  - c) An analysis of each subject operator's real property assets, as specified. Requires the analysis to include an inventory of existing holdings and identify potential redevelopment opportunities, and a property asset map and a preliminary list of redevelopment opportunities to inform phase two of the review.

- 23) Requires Phase Two of the review to:
- a) Identify a menu of cost-saving measures that, if implemented, would reduce one-time and ongoing fixed and variable costs. Requires the review to evaluate the cost-saving measures using certain metrics, as specified, to ensure results are quantifiable and actionable.
  - b) Include a comprehensive regional assessment of development and financing strategies to maximize the value of each subject operator's real property assets. Requires the assessment to:
    - i) Evaluate strategies to leverage assets through housing, commercial, mixed-use, and other transit-supportive development;
    - ii) Analyze potential impacts on ridership, revenue generation, fiscal stability, and broader public benefits, including affordable housing, job creation, and systemwide financial sustainability.
    - iii) Consider governance structures and financing mechanisms, including opportunities for regional partnerships, and alignment with existing public and private financing tools.
    - iv) Produce a regional development and financing strategy.
- 24) Requires the scope of both phases of the financial efficiency review to consider administrative, operating, and capital costs and to clearly distinguish between any recommended actions that would not impact service and those that would require service realignments or reductions.
- 25) Requires, on or before April 1, 2026, the third party consultant to complete the Phase One analysis and transmit it to the oversight committee for review. Requires MTC to transmit a final analysis to the subject operators, the Legislature, CalSTA, and participating county transportation entities. Requires, on or before July 1, 2026, each subject operator to identify the specific strategies in the analysis that it commits to implementing, and adopt those strategies, as specified.
- 26) If the revenue measure passes, within 480 days, the third party consultant is required to complete Phase Two of the analysis, transmit it to the oversight committee for review and adoption, and then transmitted to the same organizations as Phase One.
- 27) Requires the subject operators to submit a draft implementation plan to the oversight committee 120 days after the transmission of the Phase Two analysis that describes all cost-saving measures the operator plans to implement, as specified. Requires the oversight committee to review the implementation plan

and either approve it or recommend revisions. No later than 60 days after the oversight committee review, the operator is required to incorporate the revisions the plan, adopt a final plan and transmit it to the oversight committee, as specified. Allows an operator to reject revisions with a written finding, that the recommendation has an unacceptable impact on transit service or safety or is inconsistent with other local policies and procedures. Provides for a process for the finding to be reported to state entities. Requires that any finding be time limited and expires 12 months after adoption unless renewed by the subject operator, as specified.

- 28) Requires, as a condition of receiving funding, each subject operator to verify with MTC that it is in compliance with the requirements of the bill. Authorizes MTC to withhold funding for non-compliance, and creates a process for the operator to come into compliance. If the operator does not comply, authorizes MTC to reallocate any withheld funds to support public transit expenses within the county or counties that the operator serves.
- 29) Requires the oversight committee to terminate after each subject operator adopts an implementation plan, and requires the subject operators to adhere to the plan until the expiration of the tax measure.

#### *Maintenance of Effort*

- 30) Requires transit operators 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, as specified, 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, as specified. Authorizes a transit operator to request an exception for the purposes of transferring operating funds to state of good repair needs; compliance with a state or federal law or regulation; or to finance a capital project and does not need the funding to maintain 2018-2019 or current service hours, whichever is greater.

#### *Enhanced Accountability*

- 31) Requires MTC to establish an ad hoc adjudication committee for a subject operator if MTC receives a petition submitted regarding the operator's inconsistent application or execution of its adopted standards, policies, and commitments, as specified, at any time commencing two years after the



passage of the revenue measure. Requires the committee to be comprised of two MTC commissioners from each of the counties from which revenues generated are allocated to the named subject operator. Stipulates that only a participating county transportation entity or a county board of supervisors may submit a petition, and that only one petition per year may be submitted.

- 32) Defines the scope of the adopted standards, policies, or commitments that may be the subject of a petition to include: service frequency or route changes; fare policy, such as the assessment of surcharges; station, facility, or vehicle cleanliness; station or facility maintenance; station or facility closures; or safety and security.
- 33) Requires, prior to taking a formal board action to approve a petition, the county transportation entity or the county board of supervisors must try to address the issue directly with the operator.
- 34) Sets a process for review of the petition by the ad hoc adjudication committee, in consultation with the entity that submitted the petition and the applicable subject transit operator, as specified. Authorizes the ad hoc committee to recommend corrective action or MTC can withhold up to 3.5% of funding allocated to the subject operator.
- 35) Requires MTC to approve any recommendation from the ad hoc adjudication committee and provide the subject operator with at least 90 days to comply. If the subject operator does to take corrective action, the committee can recommend MTC withhold an additional 3.5%. The total amount withheld cannot exceed 7%.
- 36) Requires MTC to hold the funds until the subject operator complies with the corrective action verified by a vote of the ad hoc committee, as specified. If a subject operator does not comply with the requirements before MTC makes its final allocations of revenue from the regional measure, MTC is required to reallocate the withheld funds within the county.

#### *Miscellaneous*

- 37) Authorizes, commencing January 1, 2026, a county transportation authority or MTC to impose a retail transactions and use tax of  $\frac{1}{8}$  of 1%, or multiple thereof, up to 1%, in San Mateo and San Francisco counties, as specified.

- 38) 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, MUNI, and BART from planned transportation projects and strategies included in its adopted regional transportation plan, with an emphasis on rail connectivity projects that may increase ridership, reduce operating costs, or help with enhanced mobility.
- 39) Declares that the provisions of the bill are severable, as specified. Declares the provisions of the bill could constitute a reimbursable mandate.

### Comments

- 1) *Purpose of the bill.* 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 for medium-term stability while requiring increased accountability and improvements. To receive funding from the potential measure, BART, Caltrain, Muni, and AC Transit will be required to undergo a comprehensive financial efficiency review that identifies cost-saving efficiencies and other service improvement opportunities, and they will also be subject to increasing oversight and accountability measures that will allow for the withholding of funds should they not fairly treat counties that are providing them funding.

“SB 63 provides a pathway for longer-term, sustainable funding that helps preserve critical public transportation services, subject to meeting accountability measures, while making Bay Area public transportation safer, cleaner, more reliable, and a more seamlessly integrated system.”

- 2) *MTC*. MTC is the transportation planning, financing and coordinating agency for the nine-county San Francisco Bay Area. As the Bay Area's federally designated metropolitan planning organization and state-designated regional transportation planning agency, MTC is responsible for developing the Bay Area's federally mandated long-range transportation plan and state-mandated sustainable communities strategy, a 25-year roadmap to achieving state-mandated goals to reduce greenhouse gas emissions (GHG) from cars and light truck travel, including planning for adequate housing near jobs and transit to accommodate expected population growth. MTC distributes roughly \$850 million in federal transportation funds each year for transportation investments across the Bay Area's 101 cities, 9 counties and 27 transit operators, including \$650 million in transit capital funds. Additionally, MTC is responsible for apportioning nearly \$1.1 billion in state and locally generated transit operating revenues each year, including roughly \$750 million in discretionary operating funds.
- 3) *COVID-19 and the transit fiscal cliff*. The Bay Area transit network includes 27 transit operators. The agencies range from large agencies such as BART and Caltrain to much smaller ones such as Petaluma Transit and the Rio Vista Delta Breeze. Public transit ridership has been declining for decades, nationally and in California, far before the COVID-19 pandemic. 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 California. Specifically, Caltrain saw a 98% decline in ridership; BART saw an 88% decline in transit ridership. Bus lines in the Bay Area fared slightly better, as MUNI saw a 70% decline in ridership and AC Transit saw a 72% decline.

In an effort to stave off financial losses from declining transit ridership, the federal government provided relief for transit operators across the country. Specifically, the Bay Area received \$4.5 billion in transit aid through three successive COVID relief packages. Additionally, the 2023-24 State Budget provided \$5.1 billion for transit agencies to use for both capital and operating expenditures. Of these funds, the Bay Area is expected to receive roughly \$800 million in funds that were 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 would receive roughly \$400 million in funding which can be used flexibly for operations or zero emissions transition investments. Additionally, this year's budget provides a \$750 million General Fund loan for BART, Muni,

Caltrain, and AC Transit that is contingent upon the passage of SB 63 and a budget trailer bill to lay out parameters of the loan.

As detailed in MTC's required short-term financial plan submitted to CalSTA, Bay Area transit operators faced a \$169 million standardized operating shortfall in budget year 2024-2025, which grows to \$600 million in 2025-2026 and \$800 million in 2026-2027. A combination of these state relief funds and \$300 million from MTC regional funds closes the standardized operating deficits through 2025-2026. Bay Area transit operators anticipate they will hit "fiscal cliffs" in 2026-27, and without additional funding, operators will have to face possible cuts to transit service, as detailed in MTC's *Transportation Revenue Measure Select Committee Final Report*.

- 4) *SB 63 provides a lifeline for Bay Area transit.* When SB 63 left the Senate, many major provisions were still to be determined. Upon its return significant issues have been decided and included in this bill. Specifically, both San Mateo and Santa Clara counties have joined the District, the sales tax rate has been agreed to ( $\frac{1}{2}$  of 1% for all participating counties except San Francisco, which is 1%), and the revenue measure will last 14 years. Additionally, a detailed expenditure plan and extensive financial transparency and oversight mechanisms have been added. Specially, SB 63 includes:

- **Revenue** -- The bill creates a District that includes Alameda, Contra Costa, Santa Clara, San Mateo, and San Francisco counties and would be staffed by MTC. The District is authorized to propose, either directly or through a qualified voter initiative, a new retail transaction and use tax for a duration of 14 years to be placed on the November 2026 ballot to fund transit operations. SB 63 sets up elections procedures for the measure, including setting parameters for a possible qualified voter initiative. Specifically, the bill stipulates that it must comply with all of the substantive requirements that would apply to a tax imposed by the District, including how the proceeds of the tax are to be distributed, transferred, allocated, and expended. Additionally, the bill contains provisions to attempt to expedite any lawsuit that may be brought to challenge the revenue measure and clarify which procedures should be followed to examine any petition.

As mentioned, this bill authorizes a tax rate of  $\frac{1}{2}$  of 1% in all the participating counties, except for San Francisco which is set at 1%. According to early estimates by MTC, the regional revenue measure could generate roughly \$1.054 billion annually.

- **Expenditures** – Under the expenditure plan laid out in the bill, each county will provide certain percentages of the revenue derived in their jurisdiction to specified transit operators and MTC for regional priorities. Additionally, counties have the discretion to spend a certain percentage of the revenue it receives, so-called return to source (RTS) revenue, as they see fit for public transit expenses and roadway repavement projects on roads served by fixed-route transit.

Specifically, based on estimated revenue generated by each county, roughly 4.4% of the total revenue would be allocated to MTC for various programs for the T-TAP, including free and reduced-cost transfers and expanding the Clipper START program (2.5%), accessibility programs and projects (1%), mapping and wayfinding and transit priority projects (1%). Roughly 31% of the total revenue will be allocated to BART, 4.84% to AC Transit, 16.13% to Muni, 7.12% to Caltrain, 1.99% to East Bay small bus operators, 0.66% the San Francisco Bay Ferry, and .09% will go the Golden Gate Transit. The remaining 33% of the revenue will be RTS discretionary, with the bulk of that funding going to Santa Clara County. Finally, 0.22% of the revenue would be allocated to MTC for administration.

The chart below shows the estimated amount of funding the revenue measure is anticipated to provide annually to MTC, specified transit operators, and RTS.\*

<b>Fund Recipient <i>Purpose</i></b>	<b>Estimate (millions)</b>
BART <i>Transit operations</i>	\$330
MUNI <i>Transit operations</i>	\$170
Caltrain <i>Transit operations</i>	\$75
AC Transit <i>Transit operations</i>	\$51
Small Operators (SF Bay Ferry, County Connection, WestCat, TriDelta Transit, Livermore Amador Valley Transit Authority, Union City Transit)	\$29

<i>Transit operations</i>	
Alameda County Transportation Commission (ACTC) <i>RTS for public transit expenses</i>	\$10.3
Contra Costa Transportation Authority (CCTA) <i>RTS for public transit expenses</i>	\$26.5
San Mateo County (SamTrans) <i>RTS for public transit expenses</i>	\$50
Santa Clara Valley Transportation Authority (VTA) <i>RTS for public transit expenses</i>	\$264
MTC <i>T-TAP programs</i>	\$46.4
Public Transit Revenue Measure District <i>Administration</i>	\$2.3
Total	\$1,054.5

*\*SB 63 distributes revenues to recipients based on percentages of each county's revenue generation through the measure (as opposed to percentage of the whole measure). Those percentages result in the projected \$\$FY31 dollar outcomes in the chart.*

- **Financial Review and Oversight** – SB 63 declares that financial efficiency and transparency are imperative to build public confidence and support for public transit. To that end, amendments taken in the Assembly add multiple layers of review and oversight of the so-called subject operators, BART, MUNI, AC Transit, and Caltrain. Additionally, a maintenance of effort has been added for all of the transit operators receiving direct allocations from the regional measure, but not the RTS funding.

#### Financial Efficiency Review – Phase One and Two

First, the bill requires MTC to contract with a third-party consultant to review and make recommendations regarding the financial efficiency of the subject operators almost immediately, by April 1, 2026, independent of the measure. This Phase One review requires the 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.

Additionally, the review is required to include an analysis of the subject 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 composed of the chair of MTC (if the chair is from one of the counties in the District) or another member of MTC from the District; the board chair or president (or a board member designee) of subject operator; four independent experts appointed by MTC with expertise in public transit operations and finance; and a representative each from the CalSTA and DOF as ex-officio, nonvoting members. The Oversight Committee is required to review the Phase One 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 they commit to implementing, and they must adopt those strategies as formal policy or budget actions.

Second, if the revenue measure is approved by voters, then within 480 days a consultant is required to conduct Phase Two of the review that identifies measurable cost-saving strategies for the subject operators. The review will evaluate the measures using metrics such as cost per passenger mile and subsidy per passenger mile, along with any other relevant measures needed to ensure results are quantifiable and actionable.

The Phase Two review will also include a comprehensive regional assessment of development and financing strategies. Specifically, the assessment will: (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; and (4) produce a regional development and financing strategy to be formally considered and acted upon by the Oversight Committee.

The Oversight Committee must then review the Phase Two results, and specify to each operator what needs to be included in their implementation plan. Each operator then has 120 days to submit a draft implementation plan, for which the Committee can either approve or modify the plan. A process is created in the bill for the operator to reject the proposed changes, including making a finding that the recommendation would have an unacceptable impact on transit service or safety or is inconsistent with other documented local policies and procedures.

Each subject operator is required to follow the implementation plan until the revenue measure expires. MTC can withhold funding should the operator not comply. The bill sets up a process for the operator to comply and receive their allocation. 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.

Ad Hoc Adjudication Committee – If the revenue measure is approved by voters, after two years, SB 63 requires MTC to create four ad hoc adjudication committees (one for AC Transit, BART, Caltrain and Muni), to receive concerns about the transit operator's service and performance. The adjudication committee is made up of two commissioners from each county providing funding to that operator under the measure. Specifically, a county transportation entity or the county board of supervisors can file a petition once per year if they believe there are issues with the operators such as, 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 can make recommendations to address the issues and also recommend that MTC withhold up to 3.5% of funds until the issues are addressed. Any recommendations must be approved by a majority of the committee. 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 operator has 90 days to address the issues, then the committee can recommend MTC withhold an additional 3.5% (for a total of



7%) of the operator's funds. The bill also provides for a process for the ad hoc committee to release the funds by a majority vote. If the funding is held until the last allocation by MTC, then they can reallocate the funds to the county or counties in which the operator serves.

Maintenance of Effort (MOE) – To receive funding from the revenue measure, SB 63 requires each transit operator receiving a direct allocation to verify to MTC that it will maintain its level of funding for operations and not supplant any sources of operating revenue from the preceding three fiscal years. However, the MOE does not apply to factors outside of the operator's control, such as a local voter approved measure expiring. Operators may request to divert funds for state of good repair or compliance with a state or federal law. An operator can also divert funds for capital expenses if they are able to restore service hours to 2018-19 fiscal year levels.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: Yes

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.

**SUPPORT:** (Verified 9/12/25)

AARP  
AFSCME Council 57  
Alameda-Contra Costa Transit District  
Alameda County Transportation Commission  
Bay Area Council  
California Conference Board of the Amalgamated Transit Union  
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  
IBEW Local 6  
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  
San Francisco Bay Area Planning & Urban Research Association  
San Francisco Bay Area Rapid Transit District  
San Francisco Bay Ferry  
San Francisco County Transportation Authority  
San Francisco Municipal Transportation Agency  
SEIU California  
Transbay Joint Powers Authority  
UAW Region 6  
UFCW - Western States Council  
Voices for Public Transportation

**OPPOSITION:** (Verified 9/12/25)

California Association of Realtors  
California Building Industry Association  
California Business Properties Association

California Taxpayers Association  
Howard Jarvis Taxpayers Association  
New Livable California DbA Livable California

**ARGUMENTS IN SUPPORT:** Writing in support, SPUR states, “The bill is not a panacea for all of transit’s challenges- instead it provides a practical and politically realistic approach to a pressing regional problem and will keep our core transit systems running over the coming decade. Critically, in addition to financially supporting transit operations SB 63 also includes key policy provisions that aim to improve the customer experience on transit while holding operators accountable to continued financial efficiency improvements and reforms, ensuring public funds are used responsibly.”

**ARGUMENTS IN OPPOSITION:** Writing in opposition, the California Taxpayers Association, state they oppose SB 63 for numerous reasons, including (1) duplicates existing taxing authority by creating a special district; (2) continuing to authorize waivers makes California less affordable as “the sales and use tax is a regressive tax that has the greatest impact on low-income residents because it makes purchases of everyday necessities more expensive;” (3) increases costs of manufacturing and R&D; (4) increases government costs; and (5) runs counter to the purpose of the local sales tax rate limit.

Prepared by: Melissa White / TRANS. / (916) 651-4121  
9/12/25 22:18:59

\*\*\*\* END \*\*\*\*