

Summary: SB 63 authorizes a 10- to 15-year regional transportation revenue measure (TRM) to contribute additional operating revenues to public transportation agencies with major deficits. The bill authorizes such a measure to only coincide with the regularly scheduled November 2026 statewide election ballot in a newly established special district with voter initiative authority consisting of at minimum the following counties:

- Alameda
- Contra Costa
- San Francisco

SB 63 specifies that the counties of San Mateo and Santa Clara may opt into the TRM by July 31, 2025, and specifies that it is the preference of the legislature that San Mateo County opt into the TRM. The opt-in of one or both of these counties in the TRM would entail the entirety of one or both of the counties, respectively, being included within the geography of the Regional Transportation Revenue Measure District (TRMD) that is established for purposes of collecting and distributing revenues generated from a TRM.

SB 63 requires specified TRM transit operations expenditures to be informed by a “Transit Operations Financial Responsibility and Implementation Plan” (T-FRIP) that outlines target contributions to transit operators with major financial operating needs (BART, Muni, Caltrain, AC Transit) as well as transit transformation initiatives through a TRM or other revenue mechanism. Revenues not needed to fulfill target contributions outlined in the T-FRIP would return to the counties participating in the TRM. SB 63 sets ironclad requirements on how revenues from the TRM shall be distributed and prevents the TRMD from conditioning in any manner funds that are required to be sent to the participating counties. SB 63 includes financial efficiency and regional network management accountability provisions that ensure transit operators participate in a comprehensive financial efficiency review as well as transit transformation initiatives included in the 2021 Bay Area Transit Transformation Action Plan (T-TAP) or successor plan adopted by the Metropolitan Transportation Commission (MTC).

SB 63 specifies the manner in which the T-FRIP should be developed, including by denoting that the document should be completed by July 31, 2025. Once the T-FRIP is completed, an expenditure plan informed by the T-FRIP will be amended into the legislation.

Abbreviations:

- TRM: Regional Transportation Revenue Measure
- TRMD: Regional Transportation Revenue Measure District
- MTC: Metropolitan Transportation Commission
- T-FRIP: Transit Operations Financial Responsibility and Implementation Plan
- T-TAP: 2021 Bay Area Transit Transformation Action Plan

Section 1: Findings and Declarations

- Makes various findings and declarations related to the importance of public transportation in the overall transportation network and in addressing state goals, such as climate action and housing production.
- Finds that new revenue and reforms are needed to maintain and improve public transportation in the Bay Area.

Section 2: Adds Title 7.85 to the Government Code, “San Francisco Bay Area Regional Transportation Finance”

Title 7.85, Part 1: Formation of the Transportation Revenue Measure District (TRMD)

Part 1, Chapter 1: General Provisions

- Defines specified transit operators and other frequently used terms

Part 1, Chapter 2: Transportation Revenue Measure District (TRMD)

- Establishes a new special district with voter initiative authority for purposes of a Regional Transportation Revenue Measure (TRM). The special district will have the same governance as MTC.
- Includes Alameda, Contra Costa, and San Francisco in the geography of the special district and allows San Mateo and Santa Clara to opt into the district by July 31, 2025. States the preference of the legislature for San Mateo to opt into the measure.

Title 7.85, Part 2: Transactions and Use Taxes

Part 2, Chapter 1: Retail Transactions and Use Tax Authorization

- Authorizes a sales tax measure (including voter initiative) on the November 2026 ballot within the entire geography of the TRMD
- Requires the sales tax measure to be at least 10 years and at most 15 years. Exact rate to be determined by July 31, 2025.
- Sets the default rate at ½-cent, with the exception that San Francisco may have up to a 1 cent rate in the TRM.
 - Expresses flexibility to determine the exact rate or rates based on continuing conversations, by July 31, 2025.
- Exempts the tax increase associated with this tax from the local sales tax combined rate limit

Part 2, Chapter 2: Election Procedures

- Clarifies that the TRMD is a district for purposes of voter initiative authority.
- Includes provisions for the process to place the measure on the ballot, including a requirement for the measure to be placed before the voters at an election that is consolidated with the November 2026 statewide election, as well as other requirements such as those related to the impartial analysis for the measure and reimbursement for incremental local elections costs.
- Requires that the revenue measure be placed on the ballot in the entirety of the TRMD

Part 2, Chapter 3: Regional Transportation Revenue Measure Expenditures

- Sets ironclad requirements on the TRMD to allocate TRM revenues as follows:
 - Up to 1% retained by the TRMD to administer the tax; any leftover funding from this 1% may be allocated to MTC for transit transformation initiatives.

- Funding to MTC for allocation at specified ironclad levels to BART, Muni, Caltrain, AC Transit, and transit transformation initiatives.
 - Requests the region, including specified transit operators, and counties with a funding relationship with one of these operators, to develop a Transit Operations Financial Responsibility and Implementation Plan that helps inform specific funding levels to be amended into the TRM Expenditure Plan, by July 31, 2025.
- Remaining funding subvended directly to the counties that are entirely within the geography of the TRMD, with no ability for the TRMD to withhold this funding.
 - Notes that small operators in Alameda and Contra Costa Counties are eligible recipients of funding from the TRMD.
- Requires the establishment of an independent oversight committee within 6 months of the effective date of the tax increase

Part 2, Chapter 4: Financial Transparency and Review

- Financial Efficiency Review
 - Upon successful passage of a TRM, requires MTC to hire a consultant to conduct an independent third party financial efficiency review of BART, Muni, Caltrain, and AC Transit to identify a menu of cost-saving efficiencies that, if implemented, would reduce one-time and ongoing fixed and variable costs for the operators subject to the review.
 - Requires the scope of the review to include administrative, operating, and capital costs.
 - Requires the review to also apply to MTC’s transit transformation initiatives, including associated supporting programs administered by MTC, such as the Clipper program.
 - After the review is completed, requires the operators subject to the review to develop and submit an implementation plan to MTC that identifies financial efficiency measures the operators have already taken, and financial efficiency measures they plan to take in the future. Requires MTC to transmit the financial efficiency review and operator implementation plans to the Legislature, the California State Transportation Agency (CalSTA), and the counties.
- Maintenance of effort: Requires the transit operators directly receiving funds from the TRM (BART, Muni, Caltrain, and AC Transit) to maintain existing operations funding sources they have control over, prohibiting them from using the TRM to backfill existing funding, subject to specified exceptions.

Part 2, Chapter 5: Regional Network Management Accountability

- Requires BART, Muni, Caltrain, and AC Transit to comply with Regional Network Management (RNM) policies and programs adopted by MTC through its RNM framework as a condition of receiving TRM funds from MTC, subject to specified exemptions. Does not apply this requirement to other transit operators.
- Requires MTC to report annually to the Legislature on the progress its transit transformation policies are making on achieving increased transit ridership in the region.

Section 3: Self-Help Tax Eligibility

- Provides flexibility for San Francisco County Transportation Authority (SFCTA) and San Mateo County Transportation Authority (SMCTA) to propose self-help tax measures in ⅛-cent sales tax increments, as opposed to the current requirement that the increment either be ½-cent or 1 cent.

Section 4: Miscellaneous Provisions

- Adds a severability clause to the act, noting that a potential finding of invalidity of any given provision in the act does not invalidate the rest of the act.

Section 5: State Mandate

- If the Commission on State Mandates determines that the act contains state-mandated costs, reimbursement to local agencies and school districts shall be made in accordance with state law.