

**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, with the opt-in rate to be determined. 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**

- The 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. The Bay Area’s regional and local public transportation networks are a critical component of the overall transportation network.
- Public transportation is of regional and local benefit, serving both regional and local trips for residents of all income levels.
- Preserving and improving public transportation to ensure a world-class public transportation network will enhance access to opportunity, lower greenhouse gas emissions, strengthen the region’s economy, support increased housing production, and improve quality of life.
- To achieve that vision, the San Francisco Bay Area needs a public transit network that offers safe, clean, frequent, accessible, easy-to-navigate, and reliable service that gets transit riders where they want and need to go safely, affordably, quickly, and seamlessly.
- Regional funding, increased coordination, financial efficiency, and safety, cleanliness, and reliability reforms are urgently needed to both preserve and improve public transportation service.

### **Section 2: Regional Transportation Revenue Measure District (TRMD)**

*Add a new Title to the Government Code, called “San Francisco Bay Area Regional Transportation Revenue Measure District”*

- Special District Name and Establishment: Establishes a new special district, called the Regional Transportation Revenue Measure District (TRMD).
- Geography: The geography of the TRMD consists of the entirety of the following counties:
  - Alameda
  - Contra Costa
  - San Francisco
- Intent Language: It is the intent of the legislature to afford the following counties the opportunity to opt into the Regional Transportation Revenue Measure District by July 31, 2025. The opt-in of one or both of these counties into the district would entail the entirety of one or both of these counties, respectively, being included within the geography of the district:
  - San Mateo
  - Santa Clara
- Intent/Preference Language: It is the preference of the legislature for the county of San Mateo to opt into the Regional Transportation Revenue Measure District.
- Governance:
  - The TRMD shall be governed by the same board that governs the Metropolitan Transportation Commission (MTC).

- The formation and jurisdictional boundaries of the TRMD are not subject to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
- The TRMD shall be staffed by the existing staff of MTC or any successor agency, with the understanding that additional staff may be needed to administer the requirements imposed on the district.

**Section 3: Regional Transportation Revenue Measure District (TRMD) Tax Authorization**

*Under the Government Code Title added by [TRMD Establishment Section], add the following:*

- Findings and declarations related to citizen’s initiative measure (and variable rate measure pending determination of exact rate structure)
- Authorizes the TRMD established pursuant to [TRMD Establishment Section], either directly or through a qualified voter initiative, on the November 2026 General Election Ballot and only in the entirety of the TRMD, to impose a retail transactions and use ordinance, in accordance with this section and Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and in accordance with this section.
- Sets the minimum duration of the tax at 10 years, and the maximum duration of the tax at 15 years.
- Sets the tax rate at one-half of 1 percent. Allows for the tax rate in the City and County of San Francisco to be set at no less than one-half of 1 percent and no more than 1 percent, in one-eighth of 1 percent increments.
- Intent Language: It is the intent of the Legislature to, by July 31, 2025, determine the exact tax rate, including potential variable rates in different counties within the TRMD, and the exact duration of the tax, through continued discussions with stakeholders.
- Provides that the TRMD, in the ordinance, shall state the nature of the tax to be imposed, shall provide the tax rate or the maximum tax rate, shall specify the period during which the tax will be imposed, and shall specify the purposes for which the revenue derived from the tax will be used.
- Provides that such a retail transactions and use tax, if approved by the voters, shall not count towards the local sales tax cap in any county that the measure is placed in.
  - “Notwithstanding Section 7251.1 of the Revenue and Taxation Code, the tax rate authorized pursuant to this section shall not be considered for purposes of the combined rate limit established by Section 7251.1 of the Revenue and Taxation Code.”
- Provides that any transactions and use tax ordinance adopted pursuant to this section shall be operative on the first day of the calendar quarter commencing more than 110 days after adoption of the ordinance.
- Guardrails - include guardrails emphasizing that the legislation permits the citizens no more powers than those explicitly delineated in this act.
  - Guardrail: “In addition to the procedures set forth in Chapter 4 (commencing with Section 9300) of Division 9 of the Elections Code, if an ordinance containing a

tax authorized by this chapter is proposed by an initiative petition, the initiative shall require the proceeds of the tax to be expended consistent with [TRM Expenditure Plan Section].

- Before the operative date of the ordinance, the TRMD shall contract with the California Department of Tax and Fee Administration to perform all functions incidental to the administration and operation of the ordinance.

#### **Section 4: Election Procedures**

*Under the Government Code Title added by [TRMD Establishment Section], add the following:*

- Findings and declarations related to citizen’s initiative measure (and variable rate measure pending determination of exact rate structure)
- Requires the boards of supervisors of the counties that make up the TRMD to call a special election for a measure that the TRMD proposes for the ballot pursuant to [TRMD Tax Authorization Section]. Requires such a special election to be consolidated with the November 2026 statewide election.
- Requires the TRMD to develop an expenditure plan exactly as required by [TRM Expenditure Plan Section]
- Clarifies that the TRMD is a district with qualified voter initiative power.
  - “For the purpose of placement of a measure on the ballot, the TRMD is a district, as defined in Section 317 of the Elections Code. Except as otherwise provided in this section, a measure proposed by the TRMD that requires voter approval shall be submitted to the voters of the counties that are contained in the TRMD, in accordance with the provisions of the Elections Code applicable to districts, including Chapter 4 (commencing with Section 9300) of Division 9 of the Elections Code.”
- Requires the TRMD legal counsel to prepare an impartial analysis of the measure and requires the counties in the TRMD to use the election materials provided by the TRMD, including the exact ballot question, impartial analysis, and full text of the ballot measure for inclusion in the county voter information guide.
- Sets specific translation requirements and requires the same letter designation to be used across counties for the ballot measure.
- Requires the TRMD to reimburse each county for the incremental costs associated with the election.
- Requires the establishment of an independent oversight committee within 6 months of the effective date of the tax increase. Allows the committee to be consolidated with the Regional Measure 3 independent oversight committee.

#### **Section 5: Regional Transportation Revenue Measure (TRM) Expenditure Plan**

*Under the Government Code Title added by [TRMD Establishment Section], add the following:*

- Findings and declarations related to citizen’s initiative measure (and variable rate measure pending determination of exact rate structure)
- T-FRIP Findings and Declarations:
  - It is the intent of the Legislature for local and regional stakeholders, including BART, Muni, Caltrain, AC Transit, and counties that have a funding relationship with at least one of these transit operators to collaboratively develop a Transit Operations Financial Responsibility and Implementation Plan (T-FRIP) to inform the expenditure of revenues from the Regional Transportation Revenue Measure (TRM). The T-FRIP shall identify Target Contributions from the aforementioned counties to the aforementioned transit operators, as well as Implementation Strategies for those Target Contributions. Target Contributions and Implementation Strategies for Caltrain shall be determined through conversations between the Caltrain JPA member agencies.
  - It is the intent of the Legislature for the T-FRIP to be completed by July 31, 2025.
- Requires the Regional Transportation Revenue Measure District (TRMD) to allocate revenues generated pursuant to [TRMD Tax Authorization Section], consistent with this section.
- The TRMD shall allocate revenues generated pursuant to [TRMD Tax Authorization Section] in the following manner:
  - Up to 1% retained by the TRMD for administration of this section after paying the administrative costs associated with the collection of the revenues incurred by state agencies or local jurisdictions.
  - The TRMD shall allocate revenues to MTC. MTC shall be required to allocate those revenues to the following entities for the following purposes, pursuant to [Financial Transparency Section] and [RNM Accountability Section]. It is the intent of the Legislature to establish specific levels of funding for the TRMD to allocate to MTC and for MTC to allocate to the specified entities, by July 31, 2025, informed by the adopted T-FRIP:
    - BART, exclusively for transit operations expenses
    - Caltrain, exclusively for transit operations expenses
    - AC Transit, exclusively for transit operations expenses
    - Muni, exclusively for transit operations expenses
    - Up to 10% of generated revenues to MTC, exclusively for initiatives included in the 2021 Bay Area Transit Transformation Action Plan (T-TAP) or any successor plan adopted by MTC, that are also included in the T-FRIP. The TRMD may direct any revenues required to be set aside for administration of this section to the MTC for use on the initiatives mentioned in this provision.
  - All remaining funds directly subvented from the TRMD to the counties for public transportation expenses, with no discretion by the TRMD to withhold those funds.

- The following transit operators are eligible recipients of revenue generated from the TRM that the TRMD is required to directly subvene to the counties
  - Livermore Amador Valley Transit Authority (LAVTA)
  - Union City Transit
  - Contra Costa County Transit Authority (County Connection)
  - Western Contra Costa Transit Authority (WestCAT)
  - Eastern Contra Costa Transit Authority (Tri Delta Transit)

**Section 6: Financial Transparency: Maintenance of Effort and Independent Third Party Financial Efficiency Review**

*Add a Section to Title 7.1 of the Government Code, as follows:*

- Findings and Declarations
  - Financial Efficiency and Transparency are imperative to build public confidence and support for public transportation.
  - In enacting this section, it is the intent of the Legislature to ensure that the public is aware of actions taken by BART, Muni, Caltrain, and AC Transit to reduce expenses in the face of major deficits, along with additional identified opportunities for service-neutral cost efficiencies.
- Upon successful passage of a regional transportation revenue measure (TRM), the commission shall engage in a comprehensive independent third party financial efficiency review of the following operators:
  - BART
  - Muni
  - Caltrain
  - AC Transit
- The review shall 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.
- The scope of the review shall include administrative, operating, and capital costs and shall clearly distinguish between cost-saving options that would not impact service and cost-saving options that would require service realignments or reductions.
- The scope of the review shall also apply to initiatives included in the 2021 Bay Area Transit Transformation Action Plan or any successor plan adopted by the commission, as well as associated supporting programs administered by the commission such as the Clipper program.
- The commission shall contract and manage an independent third party to conduct the review, in consultation with a select committee established by the commission that consists of the following:
  - Members of the commission
  - A state representative



- Operator representatives from the operators subject to the review
  - Representatives from the transit labor, advocacy, and business communities
- Upon completion of the review, the select committee established by the commission shall receive and accept the review's final report, which shall also be transmitted to the legislature and the operators subject to the review.
- [X Months] after the operators subject to the review receive the report, each operator shall finalize and transmit an implementation plan that describes all efficiency measures the operator has already taken since January 1, 2020, associated cost savings, and all subsequent efficiency measures the operator plans to take. Each operator subject to the review shall submit this plan to the commission by [XX Date] as a condition of continuing to receive TRM funds from the commission pursuant to [TRM Expenditure Plan Section]. The commission shall accept the submitted plans and transmit them to the Legislature, the Transportation Agency (CalSTA), and the counties that have a funding relationship with at least one of the operators subject to the review.
- It is the intent of the Legislature to determine the timing of the required actions outlined in this section through further discussion with transit stakeholders.
- Maintenance of Effort:
  - In order to be eligible for funding pursuant to this section, an operator subject to the review required by this section shall verify to the commission that it will maintain its expected level of funding for operations and shall not supplant any sources of operating revenue under its control or fund sources allocated by the commission that were used for transit operations in the preceding three fiscal years.
  - The expected level of funding for purposes of the above provision, which shall be referred to as the maintenance of effort, shall be calculated using the operator's average discretionary operating expenditures for the preceding three fiscal years, two years in arrears as reported to the Controller in its annual report submitted pursuant to Section 99243 of the Public Utilities Code.
  - Notwithstanding the above two provisions, an operator subject to the review required by this section may reduce the amount of funding contributed towards its operating budget in proportion to any reduction in operating costs or reduction in operating revenue based on factors outside the control of the operator, including, but not limited to, the expiration of a voter-approved revenue source or the determination based on a statistically valid poll that an expiring ballot measure lacks sufficient support to warrant placement on the ballot.
  - A transit agency may request that the commission grant an exception to the requirements of this subdivision for the purpose of transferring operating funds to state of good repair needs for assets owned and operated by the transit agency or to cover the cost of compliance with a state or federal law or regulation.

- It is the intent of the Legislature that, in allocating funds as prescribed by the act that added this section from the Regional Transportation Revenue Measure authorized by the act that added this section, the commission does not also supplant funding from regularly programmed discretionary revenue sources available to the commission that would have otherwise been directed to projects, programs, or services that directly benefit Alameda, Contra Costa, or San Francisco Counties, nor increase the level of such regularly programmed discretionary sources that are allocated to counties not within the Regional Transportation Revenue Measure District established by the act that added this section as a result of the passage of a measure authorized by [TRMD Authorization Section].

### **Section 7: Regional Network Management (RNM) Accountability**

*Add a Section to Title 7.1 of the Government Code, as follows:*

- Findings and Declarations
  - In 2024, The Transportation Revenue Measure Select Committee established by the Metropolitan Transportation Commission in 2024 agreed on various transit agency accountability policy recommendations for a Transportation Revenue Measure. Specifically, the Select Committee approved a recommendation for new revenue from a measure to be conditioned on operators complying with Transit Transformation policies adopted through the Regional Network Management framework.
  - As of the time of the drafting of this act, the commission already adopts policies and programs through an established regional network management framework. It is the intent of the Legislature for the act that added this section to encourage the Metropolitan Transportation Commission to continue acting in its role as Regional Network Manager.
  - It is the further intent of the Legislature that the conditioning of Regional Transportation Revenue Measure funds prescribed by this section on regional network management policies and programs be based on the central goal of increasing transit ridership by improving the customer experience of riding public transit in the San Francisco Bay Area and creating a seamless transit experience.
- Notwithstanding any other law, each public transit agency that the commission directly distributes funds to pursuant to [TRMD Expenditure Plan Section] shall comply with the policies and programs adopted by the commission through its Regional Network Management framework in order to fulfill initiatives included in the 2021 Bay Area Transit Transformation Action Plan or successor plan adopted by the commission, as a condition of receiving those funds from the TRM.
- Nothing in this section authorizes the commission to do any of the following:
  - Restrict a public transit agency's access to funds not allocated by the commission.



- Require a public transit agency to implement policies or programs that would impede or interfere with its ability to comply with any legal obligations in transit labor contracts.
- Restrict the use of a public transit agency's logo outside the scope of the commission's regional mapping and wayfinding standards.
- Require that a public transit agency modify the schedule or route of a specific local route that the transit agency and commission do not identify as primarily serving regional transit service.
- The commission shall not require a public transit agency to be subject to a one-time or ongoing policy, or to make a one-time or ongoing expenditure, if the public transit agency adopts a finding that the policy or expenditure would require the agency to take an action that the agency determines to be unacceptable with respect to its impact on transit service, staffing, maintenance, or other specified operational or state of good repair considerations.
- Before adopting a finding pursuant to this section, a public transit agency subject to this section shall conduct an assessment that takes into consideration all funding anticipated to be available to the public transit agency in the next fiscal year, including, but not limited to, any discretionary funding that the commission identifies to help offset the cost of the proposed expenditure or policy, any growth in fare revenue anticipated as a result of the expenditure or policy, and potential adjustments to fares or fare policies the agency could make to increase revenue. The public transit agency shall develop the assessment in consultation with staff from the commission and shall present it to the commission at a public meeting in advance of adopting a finding pursuant to this section.
- In implementing this section, each public transit agency subject to this section shall fulfill all applicable requirements under Title VI of the federal Civil Rights Act of 1964 (Public Law 88-352) regarding service and fare changes.
- The commission shall submit a report to the Legislature on or before January 1, 2028, and each year thereafter, on the status of the outcomes described in this section and the status of transit ridership in the region. The commission shall submit the annual report to the Legislature in compliance with Section 9795. The commission shall also post the annual report on its internet website.

#### **Section 8: Self-Help Tax Flexibility**

- San Francisco County Transportation Authority and San Mateo County Transportation Authority Self-Help Sales Tax Flexibility - amend PUC 131102 as follows:
  - (a) A retail transactions and use tax ordinance for a tax of either one-half of 1 percent or 1 percent applicable in the incorporated and unincorporated territory of a county may be imposed by a county transportation authority or the commission in the manner prescribed in Section 131103 and Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, if two-thirds of

the electors voting on the measure vote to approve its imposition at an election which shall be called for this purpose by the board of supervisors within one year after the adoption of a county transportation expenditure plan.

- (b) *Notwithstanding (a), an additional retail transactions and use tax ordinance for a tax of up to 1 percent, in any combination of one-eighth of 1 percent increments, applicable in the incorporated and unincorporated territory of the City and County of San Francisco or County of San Mateo, may be imposed by the county transportation authority created pursuant to this division for the City and County of San Francisco or the County of San Mateo, in the manner prescribed in Section 131103 and Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, if two-thirds of the electors voting on the measure vote to approve its imposition at an election which shall be called for this purpose by the board of supervisors within one year after the adoption of a county transportation expenditure plan.*
- (c) The ordinance shall take effect at the close of the polls on the day of *the* election at which the proposition, as set forth in Section 131108, is adopted. The ordinance shall specify the period, as determined by the adopted county transportation expenditure plan during which the tax will be imposed. The tax may be terminated earlier if the projects in the adopted plan are completed and any bonds outstanding issued pursuant to this division are redeemed.

#### **Section 9: Miscellaneous Provisions**

- Add a severability clause to this act