

SB 63 Financial Efficiency Review Independent Oversight Committee

March 6, 2026

Agenda Item 3a - 26-0308

Introduction to SB 63 and the Financial Efficiency Review

Subject:

Brief introduction to Senate Bill (SB) 63 and the Financial Efficiency Review (FER), including introduction of independent consultant leading the study, project timeline, scope of work of Phase One of the Financial Efficiency Review, and role of the Financial Efficiency Review Independent Oversight Committee (IOC).

Background:

After years of discussion and analysis — and extensive negotiations at the regional and state levels — the Legislature passed Senate Bill 63 (Wiener/Arreguín) in 2025. The bill authorizes a new transportation revenue measure for the November 2026 ballot.

The measure is intended to prevent major service cuts on BART, Muni, Caltrain, and AC Transit, which are facing combined budget deficits of more than \$800 million per year starting in fiscal year 2026–27. It would also fund improvements to the transit rider experience, as well as other county priorities, including transit capital and operating improvements and targeted local road repairs on roads served by scheduled transit.

As provided in Government Code Section 67730 and 67732, the District, or alternatively a qualified voter initiative, may impose a retail transactions and use tax ordinance applicable to the entire district for a duration of 14 years, in an amount of 0.5% in each of the counties located within the district and 1% in the City and County of San Francisco, subject to voter approval at the November 3, 2026, statewide general election.

Expenditure Plan

The bill includes an expenditure plan which details the share of funds to be provided to transit operators providing service in the five counties, to county transportation agencies, and to MTC for specific rider-focused transit improvements prioritized in the [Bay Area Transit Transformation Action Plan](#) (specifically, fare affordability programs — Clipper® START and

free and discounted transfers — accessibility improvements, and mapping and wayfinding and transit priority). Attachment A includes an estimate of the funding that would be provided to each agency (and for what purpose) in FY 2027-28, net of state administrative costs. Note that these amounts do not take into consideration estimated one-time costs that MTC and the District will incur in the event of a successful ballot measure, including the incremental election-related costs incurred by each of the counties which must be reimbursed per SB 63.

Transit Operating Funding Approximately 60 percent of the measure is dedicated to transit operating funding for BART, Muni, Caltrain, AC Transit, San Francisco Bay Ferry and other small transit agencies providing service in the District to help keep buses, trains and ferries moving.¹ Operating funding supports the day-to-day operations of public transit, encompassing salaries/wages and benefits of the transit workforce, including staff who operate the vehicles, clean and maintain the vehicles, bus stops and stations, as well as safety and security staff, among other key functions.

SB 63 Financial Efficiency Review

Financial Efficiency Review (FER) Scope of Work The bill includes provisions aimed at ensuring accountability to taxpayers, transit riders, and local government partners through various mechanisms, including the FER. BART, Muni, Caltrain, and AC Transit must undergo a two-phase, third-party financial efficiency review overseen by the IOC. The first phase must be completed by summer 2026, and the second phase would only be completed in the event of a voter-approved measure.

As noted above, Phase One of study will be completed by summer 2026 and requires identification of cost savings measures implemented since January 2020, early action strategies to assist operators in delivering enhanced service and customer experience with existing resources, and an inventory of real property holdings and redevelopment opportunities. The IOC's statutory responsibilities apply to Phase One currently and would extend to Phase Two only if the measure is approved.

Phase Two is more comprehensive and is expected to be completed in spring 2028, contingent upon voter approval of the revenue measure. It requires identification of a menu of cost-saving

measures that, if implemented, would reduce one-time and ongoing fixed and variable costs, as well as a comprehensive regional assessment of development and financing strategies to maximize the value of each operator's real property assets.

Introduction of Independent Consultant

SB 63 requires the Commission to contract with and manage a third-party consultant to conduct the FER. On December 10, after reviewing proposals from a number of highly qualified firms, the Administration Committee approved a contract with Nelson\Nygaard Consulting Associates, Inc. to carry out Phase One of the review.

Project Timeline Phase One of the FER is expected to progress on an expedited timeline, in accordance with the schedule established in SB 63. The consultant is set to complete draft analysis by April 1, which will subsequently be transmitted to the IOC. The IOC will meet in mid-April to discuss preliminary feedback on the draft report. The consultant will then revise the report and it will be brought back to the IOC for adoption. MTC will then transmit the adopted analysis to the subject operators, the Legislature, the California State Transportation Agency and the counties included in SB 63. . Transit agency boards will then have until July 1, 2026 to adopt measures identified in the final Phase One report for implementation.

Next Steps

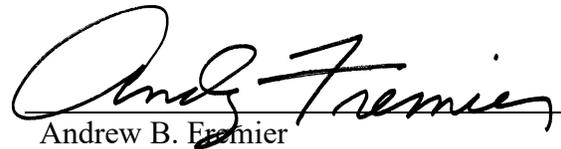
Pursuant to the statutory timeline, Nelson\Nygaard will complete and transmit the Phase One analysis to the IOC no later than April 1, 2026. The IOC is anticipated to convene in mid-April 2026 to receive a presentation of the the initial analysis. At that meeting, members will have the opportunity to ask questions, provide preliminary feedback, and direct any revisions. A final meeting of the Oversight Committee to adopt the Phase One analysis will take place by early May.

Recommendations:

Information Only.

Attachments:

- Attachment A: Senate Bill 63, Connect Bay Area Expenditure Plan
- Attachment B: Presentation



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¹ SB 63 also provides a modest amount of annual transit operating funding to Golden Gate Transit and to Alameda County Transportation Commission (ACTC) and Contra Costa County Transportation Authority (CCTA) to apportion to the following operators small bus operators in those counties: Livermore Amador Valley Transit Authority (known as Wheels), Union City Transit, Central Contra Costa Transit Authority (County Connection) the Western Contra Costa Transit Authority (WestCat), the Eastern Contra Costa Transit Authority (TriDelta). Amounts for each of the small bus agencies. ACTC and CCTA each receive dedicated annual amounts for small bus operations and determine the apportionment of funding among the agencies.