

MTC Analysis of SB 63 (Wiener/ Arreguín)

Date: March 24, 2025

Late last week, Senators Wiener and Arreguín released an overview of the first round of substantive amendments to SB 63. A detailed section-by-section summary is included as Attachment B. Key details are summarized below, followed by an analysis of how the proposed provisions compare with the TRM principles the Commission unanimously adopted in February 2025.

Overview of Anticipated Amendments to SB 63

Topic	Summary
Purpose & Expenditure Categories	The measure’s purpose is to contribute additional operating revenues to Bay Area transit agencies with major deficits. Measure proceeds may fund transit operations at AC Transit, BART, Caltrain and SF Muni, transit transformation improvements, and other public transit investments.
Geographic Area of Tax	Required: Alameda, Contra Costa, and San Francisco counties Opt-in: Santa Clara and San Mateo counties (with language indicating preference of Legislature for San Mateo to opt in).
Revenue Mechanism & Amount	Baseline: ½-cent sales tax Up 1-cent sales tax in San Francisco Exempt from sales tax cap of 2% for local sales taxes
Timing and Duration	November 2026 ballot; tax to sunset after 10- to 15-years
Citizens’ Initiative Option	Authorizes measure to be placed on the ballot directly by a qualified voter initiative, subject to a simple majority vote. Establishes geographic area of the tax as the Regional Transportation Revenue Measure District (states intent for geographic area to be finalized in legislation by July 31, 2025) for the purposes of a citizen’s initiative; new district shares board and staff with MTC.
Funding Distribution	1. AC Transit, BART, Caltrain and SF Muni to receive funds for transit operating based on distribution determined through a Transit Operations Financial Responsibility and Implementation Plan (T-FRIP) to be developed with transit operators and counties. T-FRIP to be finalized by July 31, 2025 (before bill enactment) and to identify revenue measure “target contributions” per operator per county. 2. Up to 10% to MTC for Transit Transformation. Amount to be determined through T-FRIP process. 3. Remining funds, if any, are subvned to counties for allocation to public transit operators not included in the T-FRIP.
Accountability	1. Requires MTC contract with an independent third-party to conduct a financial efficiency review of AC Transit, BART, Caltrain, SF Muni overseen by a Select Committee that includes a state representative, commissioners, representatives of operators, labor, business and advocates. 2. Requires operators to comply with MTC’s rider-focused Transit Transformation policies established through the Regional Network Management (RNM) framework as a condition of receiving funds. 3. Establishes an independent citizen’s oversight committee upon passage of measure.

SB 63 Provisions and MTC's Transportation Revenue Measure Advocacy Principles

Last month, the Commission unanimously adopted a set of TRM principles intended to serve as “must haves” for the Commission to endorse enabling legislation for a transportation revenue measure. The principles reflect takeaways from last year’s legislative session, Bay Area stakeholder engagement, feedback from the six-month TRM Select Committee and the TRM Executive Group, and key takeaways from the Commission’s January 2025 poll. As shown in the chart below, the SB 63 amendments largely align with these principles, but the Commission will need to remain engaged to ensure continued alignment.

TRM Principle	Alignment of SB 63 With TRM Principles
Measure Must be Passable	
Maximum required sales tax increase of ½ cent; county may opt for more.	✓
Keep it simple	To be determined. SB 63’s focus on transit is a good start.
Citizens’ initiative	✓
Political Support	Structure has balanced many major “must haves” from key partners, but ongoing discussions are needed.
Measure Must Prevent Major Transit Service Cuts for Regional Operators	To be determined. The SB 63 structure <u>may</u> allow for a TRM to prevent major transit service cuts for the regional, multi-county operators authorized for funding from the measure. However, several factors that could influence this outcome are still under negotiation and will be informed by the MTC-funded third party financial review and the T-FRIP, including the geographic scope, tax rate, funding to operators from measure and funding commitments outside the TRM.
Take Local Transportation Funding Needs into Consideration	✓ The T-FRIP process and the duration of 10-15 years are aligned with this goal.
Measure Must Advance Transit Transformation: Fund & Deliver Rider-Focused Improvements	✓ Expenditure plan provisions allow <u>up to</u> 10% of the revenues for transit transformation and requires AC Transit, BART, Caltrain and SF Muni comply with RNM policies to be eligible for funding from measure.
Measure Must Ensure Fairness	To be determined. The Commission’s “fairness” principle included ensuring that counties whose residents are served by regional transit service contribute their fair share towards an agreed-upon funding level for those operators, either through TRM revenues or another fund source. The bill recognizes the importance of this principle and proposes the T-FRIP as a mechanism for establishing respective “fair shares.” The MTC-funded third party financial review can also inform the T-FRIP negotiations.
Measure Must Include Meaningful Accountability Provisions	✓ In addition to requiring operators implement transit transformation, SB 63 requires an independent financial efficiency review of transit operators, followed by operator-

TRM Principle	Alignment of SB 63 With TRM Principles
	specific implementation plans. Requires operators maintain current funding levels allocated to transit operations.