

Metropolitan Transportation Commission

December 17, 2025

Agenda Item 12b - 26-0041

Senate Bill 63 Transportation Revenue Measure Update

Subject:

Recap of legislation, implementation activities to date, polling results and next steps

Background:

After years of discussion and analysis, followed by intensive negotiations at the regional and state levels, in 2025 the Legislature enacted Senate Bill 63 (Wiener/Arreguín), authorizing a new transportation revenue measure for placement on the November 2026 ballot to: 1) prevent major transit service cuts on BART, Muni, Caltrain, and AC Transit due to budget deficits cumulatively exceeding \$800 million/year starting in fiscal year 2026-27¹; 2) fund improvements to the transit rider experience; and 3) fund other county priorities (limited to public transit capital or operating improvements and targeted local road repairs on roads served by fixed-route [i.e., scheduled] transit). The legislation authorized the measure to be funded by a 14-year sales tax at a rate of 0.5% in Alameda, Contra Costa, San Mateo, and Santa Clara counties and a rate of 1% in the City and County of San Francisco. SB 63 authorizes the measure to be placed on the ballot in a single election – November 3, 2026 – by either the Public Transit Revenue Measure District (District) (established by the bill and governed by the MTC board) or via a citizen’s initiative.

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.² 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. Safety and maintenance (including cleaning) comprises a significant portion of transit agency operating budgets. For example, AC Transit’s operating budget in FY 2025-26 includes approximately \$130 million for maintenance and safety-related expenses (including wages and benefits, about 20% of their operating budget). BART’s \$1 billion annual FY 2025-26 operating budget similarly directs almost 50% (over \$500 million) towards safety, cleaning, and maintenance. Of this total, over \$300 million is allocated to the departments responsible for maintenance of rail cars and infrastructure, a further \$60 million is allocated to cleaning of stations and rail cars, and \$139 million is allocated toward public safety and quality of life.

Flexible County-Based Funding About one-third of SB 63 funding is guaranteed to Alameda County Transportation Commission (ACTC), Contra Costa Transportation Authority (CCTA), San Mateo County Transit District (SamTrans) and Santa Clara Valley Transportation Authority (VTA) for county priorities related to transit capital, transit operations, or “road repavement” (i.e., road repair including pothole repairs, repaving, and major rehabilitation) on roads served by regular, “fixed-route transit.” With respect to VTA and SamTrans — which are the recipients of this flexible funding and also *operate* transit service — budget forecasts prepared by the agencies indicate that both anticipate operating deficits within the timeframe of the measure so it seems likely that some portion of their allocation could be used to fund transit operations.

According to a May 2025 SamTrans Board presentation, the agency forecasts a deficit of \$9.7 million beginning in FY 2027³. Similarly, VTA is forecasting an operating deficit of \$15 million in FY 2027 and growing sizably thereafter. A June 2025 presentation to the VTA Board includes a \$15 million deficit forecast in FY 2027 after various cost saving measures are incorporated.⁴ Additionally, both VTA and SamTrans have significant transit capital needs, including but not

limited to, zero emission bus procurement and related infrastructure improvements, paratransit fleet procurement, state of good repair, transit priority, bus stop enhancements and safety and security improvements.⁵

Local Street and Road Repairs With respect to local streets and roads, MTC tracks pavement conditions in every Bay Area jurisdiction using Streetsaver®, a software that uses an index known as the Pavement Condition Index (PCI), measured on a scale of 0 to 100 (where 100 means a newly paved road). PCI is calculated by analyzing the type, severity, and quantity of pavement distresses, such as cracking, potholes, and rutting, from a 0 to 100 scale where 100 is excellent, and a score of 60 or below marks a need for major rehabilitation.

On average, the Bay Area scores 67 out of a possible 100 points for pavement conditions, considered “fair.” The average PCI for the four counties eligible to receive funding from SB 63 for local road repairs is shown below, along with total city and county lanes miles.

Pavement Condition by County (2024 Pavement Condition Report)

County	PCI (3-year moving average for cities and county)	Total lanes miles
Alameda	68	8,358
Contra Costa	69	7,128
San Mateo	70	3,927
Santa Clara	73	10,219

Note that there is significant variability within each county; despite having a countywide score of 70, three jurisdictions within San Mateo have roads considered “at risk.” Likewise, despite a countywide score of 73, four local jurisdictions in Santa Clara County have roads considered “fair.” The 2024 Pavement Condition Report, which details the PCI score (a three-year moving average) for each Bay Area city and county can be found at this link:

https://mtc.ca.gov/sites/default/files/documents/2025-11/%20PCI_table_2024_data_11-10-2025.pdf?cb=fe3656e8

Expenditure Plan Structure The expenditure plan in SB 63 lists the percentage of the measure's revenue to be provided to each recipient based on the portion of the tax that is generated in each of the five counties. This approach provides voters and the public at large with clarity about how sales tax revenue generated in each participating county will be spent. Some recipients receive funds directly via a transfer of funds from the District (ACTC, CCTA, SamTrans and VTA), with no conditions. For all others, the funds are transferred to MTC, and then MTC allocates the funds in accordance with the SB 63 expenditure plan in accordance with transit agency accountability provisions, such as financial efficiency requirements and maintenance of effort, as described below.

SB 63 Accountability Provisions

The bill includes provisions aimed at ensuring accountability to taxpayers, transit riders, and local government partners through various mechanisms, including:

- **Independent Oversight Committees.** The bill establishes two oversight committees: One is comprised of one or two representatives for each county, as appointed by the board of supervisors and will operate for the 14-year duration of the measure to ensure that expenditures are consistent with SB 63 and the ballot measure. The other is appointed by MTC and will oversee a two-phase Financial Efficiency Review. It is comprised of independent experts, transit agency board members and an MTC Commissioner (either the chair or their designee).
- **Financial efficiency requirements:** BART, Muni, Caltrain, and AC Transit must undergo a two-phase third-party financial efficiency review overseen by an independent Oversight Committee, 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. Phase Two is more complex and is expected to be completed in spring 2028. It requires a menu of cost-saving measures that, if implemented, would reduce one-time and ongoing costs and a comprehensive assessment

of development and financing strategies to maximize the value of each operator's real property assets.

- **Maintenance of effort:** SB 63 requires that BART, Muni, Caltrain, AC Transit, Golden Gate Transit, SF Bay Ferry and small bus operators serving Alameda and Contra Costa counties maintain existing levels of operations funding so that transit service can be sustained or improved to the greatest extent possible and that the Commission verify operator compliance before allocating funds. This provision allows for exceptions under specified circumstances, such as funds being needed for "state of good repair" purposes, subject to Commission approval.

- **Enhanced County-Level Transit Agency Accountability**

SB 63 empowers counties in the geography of the District with specific financial remedies to help ensure the transit service provided by BART, Muni, Caltrain and AC Transit in their county is fair, relative to that provided in other counties. Specifically, starting two years after voter approval of the tax, a county transportation agency or board of supervisors may petition to establish an ad-hoc adjudication committee comprised of no more than two MTC commissioners from each applicable county if they find that the transit agency is not applying standards, policies and commitments related to key operational and maintenance issues (such as service levels, fare policy, cleanliness, maintenance, access, and safety) consistently across counties or if such standards, policies or commitments disproportionately disadvantage service or state of good repair in a county without compelling justification. The committee would be composed solely of Commissioners from counties contributing revenue measure funds to the transit agency under review. Its determinations are binding and may result in withholding up to 7 percent of the transit agency's funds. The process includes an initial 3.5 percent withholding with a 90-day period for corrective action; if the issue is not resolved, an additional 3.5 percent may be withheld. Ad hoc adjudication committees can be initiated starting two years after a measure is approved.

Near Term SB 63 Implementation

As noted earlier, in addition to authorizing a ballot measure, SB 63 establishes a new Public Transit Revenue Measure District, a new special district with the same governing board as MTC, with the authority to place the measure on the November 2026 ballot and, in the event of passage, responsibility for administering the funds in accordance with the bill's expenditure plan. Similar to the Bay Area Housing Finance Authority, the bill provides that the district shall be staffed by the existing staff of MTC or any successor agency, with the understanding that additional staff may be needed to administer certain requirements. The District maintains core responsibilities with respect to a potential measure, whether it is placed on the ballot directly or via citizen initiative, including responsibility for designating the District Elections Official to perform the duties required for purposes of an initiative and, with respect to the District's counsel, writing the measure's impartial analysis. If the measure is enacted by voters, the District is also responsible for:

- Standing up an oversight committee to oversee the District's use of measure funds. This oversight committee is comprised of one or two representatives from each county, as appointed by the county boards of supervisors.
- Allocating funds to the California Department of Tax and Fee Administration to offset costs incurred from administering the new tax.
- Allocating funds to cover its administrative costs and those of MTC, including, but not limited to, election cost reimbursements and costs associated with the Financial Efficiency Review of transit agencies.
- Transferring funds to MTC for allocation to transit operators for transit operating purposes and for administrative costs (capped at 0.22% of estimated net revenue)⁶.
- Transferring funds to the county transportation agencies (ACTC, CCTA, SamTrans and VTA) for local transportation priorities, as described on page 2.

The bill also includes a number of requirements applicable to MTC that commence in advance of a ballot measure. Specifically, the bill requires MTC to:

- Submit to the Legislature a transit ridership study detailing the impact of all of the projects in the most recent long-range plan by March 31, 2026. This work is on track and will be based on Plan Bay Area 2050+.
- Convene a Financial Efficiency Study Oversight Committee to oversee a two-phase Financial Efficiency Study of BART, Muni, Caltrain, and AC Transit. Staff have received the representatives for the transit agencies and the Department of Finance and expect to bring a recommendation for the four independent experts to the Commission early next year.
- Procure a consultant to conduct Phase 1 of the Financial Efficiency Study for submittal to the Oversight Committee by April 1, 2025. The Administration Committee approved a contract with Nelson Nygard Consulting Inc. for this work on December 10.

Polling Results

In October 2025, EMC Research, Inc. (EMC) conducted a poll of 2,800 Bay Area voters in the five SB 63 counties to test support and overall attitudes regarding a potential transit revenue measure. EMC interviewed 500 likely voters in Alameda, Contra Costa, San Mateo, and Santa Clara Counties and 800 interviews in San Francisco with an even split sample (400 interviews per split) to test any impact that a potential San Francisco parcel tax for transportation might have on voter support for a potential regional transit sales tax measure. All interviews were conducted in Chinese, English, and Spanish. The resulting regional margin of error on the survey data is plus or minus 2.3 percent, and the county-level margin of error is plus or minus 4.4 percent for those where 500 interviews were conducted and 4.9 percent for the 400 interviews in each San Francisco split. The poll was conducted from October 6 to 21, 2025.

The poll found that 56 percent of voters across the five counties (adjusted to reflect the proportion of the electorate in each county) supported the measure after hearing the ballot question without any additional information. This rose to 59 percent after receiving additional details about the intended outcomes of the measure and fell to 54 percent after hearing a negative argument against the measure. The complete presentation provided to the Joint MTC ABAG Legislation Committee in November is located at this link

https://mtc.ca.gov/sites/default/files/meetings/attachments/6442/3aiv_25_1340_PowerPoint_Draf

[t Attachment D EMC Updated 2025 11 06.pdf?cb=070c473d](#). Staff will present a highlight of the findings at your meeting (included as Attachment B) and a representative from EMC Research, Inc. will be present to answer questions.

Next Steps

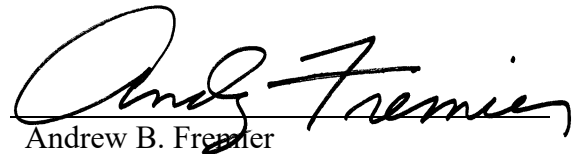
On January 7, the first meeting of the Public Transit Revenue Measure District will be held to adopt its procedures and consider whether to proceed towards placement of a measure on the November 2026 ballot pursuant to SB 63.

Recommendations:

Information Only.

Attachments:

- Attachment A: Expenditure plan summary based on FY 2028 amounts
- Attachment B: Presentation



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¹ MTC's Short-Term Financial Plan details the financial challenges facing these agencies and the potential service cuts that would result in the absence of supplemental funding. https://mtc.ca.gov/sites/default/files/meetings/attachments/5849/11a_23_1446_Attachment_A_Regional_Short_Term_Transit_Financial_Plan_7.pdf. MTC hired a third-party independent consultant to review the financial condition of these four operators, which can be found here: <https://mtc.ca.gov/digital-library/5059767-4a-25-0825-2-attachment-mgo-mtc-final-report-updated-may-30>

² 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.

³ May 7 SamTrans board meeting, Agenda Item 8b, p. 347 of this board packet:

<https://www.samtrans.com/media/35204/download>

⁴ The June 5 VTA Board Meeting budget presentation can be found at this link:

<https://santaclaravta.iqm2.com/Citizens/FileOpen.aspx?Type=4&ID=13645&MeetingID=4413>

⁵ VTA's Strategic Capital Investment Plan for FY 2022-41 can be found at this link: <https://www.vta.org/strategic-capital-investment-plan#docaccess-c69ad177f1ddb09f4fcd03a2a1238fbcddd9b90cd99dca2a7b6254a3418489b4>

SamTrans' Capital Improvement Plan can be found here: <https://www.samtrans.com/media/35358/download?inline>

⁶ SB 63 allocates approximately 0.22% of revenue to MTC for administrative purposes based on the revenue forecast prepared by HDL. This is based on the expenditure plan's allocating 0.25% to MTC administration from the revenue generated in the counties of Alameda, Contra Costa, San Mateo and Santa Clara and 0.13% from the revenue generated in San Francisco (adjusted to account for SF's higher 1% total tax rate).