

# Regional Measure 3 Independent Oversight Committee

March 7, 2025

Agenda Item 6a

## Regional Measure 3 Independent Oversight Committee Orientation and Overview

### **Subject:**

Overview of the Regional Measure 3 (RM3) program and the RM3 Independent Oversight Committee's (IOC's) responsibilities.

### **Background:**

Senate Bill 595 (2017) laid the legislative groundwork for RM3 by amending the California Streets and Highways Code (SHC), including establishment of the expenditure plan, with 35 capital projects totaling \$4.45 billion and three operating programs of up to 16 percent of annual RM3 revenues (up to \$60 million). California SHC Section 30914.7:

- details the 35 capital projects
- details the 3 transit operating assistance programs
- requires the establishment of performance measures for transit operating assistance and the execution of operating agreements
- requires the submission of initial project reports for capital projects
- outlines how MTC may modify the capital program
- requires the Bay Area Toll Authority (BATA) to include RM3 projects in a long-range bridge toll plan.

SB 595 also added Section 30923 to the SHC, which outlined the mechanism for the RM3 election and required BATA to establish an independent oversight committee within six months of the effective date of the toll increase:

If the voters approve a toll increase pursuant to this section, the authority shall establish an independent oversight committee within six months of the effective date of the toll increase to ensure that any toll revenues generated pursuant to this section are expended consistent with the applicable requirements set forth in Section 30914.7.

The oversight committee shall include two representatives from each county within the jurisdiction of the commission. Each representative shall be appointed by the applicable county board of supervisors and serve a four-year term and shall be limited to two terms. The oversight committee shall annually review the expenditure of funds by the authority for the projects and programs specified in Section 30914.7 and prepare and submit a report to the transportation committee of each house of the Legislature summarizing its findings. The oversight committee may request any documents from the authority to assist the committee in performing its functions.

Subsequently, the following requirements were added to statute regarding committee membership:

A representative appointed to the oversight committee shall not be a member, former member, staff, or former staff of the commission or the authority, shall not be employed by any organization or person that has received or is receiving funding from the commission or the authority, and shall not be a former employee or a person who has contracted with any organization or person that has received or is receiving funding from the commission or the authority within one year of having worked for or contracted with that organization or person.

Bay Area voters approved RM3 on June 5, 2018, and on December 19, 2018, BATA adopted a toll schedule phasing in the resulting toll increase. The first dollar of the toll increase was implemented on January 1, 2019. Accordingly, BATA established the RM3 Independent Oversight Committee in June 2019, and filled its roster for the requisite four-year term as appointees were received from county boards of supervisors. (BATA Resolution No. 131, Revised.) The second and third dollars of the toll increase were implemented on January 1, 2022, and January 1, 2025, respectively.

The Independent Oversight Committee did not meet for the entire term of July 2019-June 2023. Lawsuits challenging RM3 were appealed all the way to the California State Supreme Court, which finally resolved the litigation in favor of RM3 in January 2023. During that time, all collected RM3 funds were held in escrow pending the litigation. BATA released the toll funds

held in escrow and terminated the escrow agreement in March 2023, clearing the way for RM3 allocations and expenditures to begin.

Appointees for the oversight committee were solicited by counties for a new term from July 2023 through June 2027. Because the committee did not meet during the first term, the 2023-2027 term counts as the first term for the purposes of fulfilling the term limits outlined in statute. The IOC met four times in 2024 and prepared and approved the first RM3 IOC Annual Report for FY 2023-2024 in November 2024, which MTC staff submitted to the transportation committees of the Legislature in December 2024.

### **Responsibilities of the Committee**

Statute outlines both the purpose and the duty of the Independent Oversight Committee. The purpose is to ensure that RM3 toll revenues are expended consistent with the applicable requirements set forth in SHC 30914.7, that is, the RM3 capital and operating expenditure plan and associated guidance in the statute.

The duty of the committee is to annually review MTC and BATA's expenditure of funds for the RM3 expenditure plan and prepare and submit a report to the transportation committee of each house of the Legislature summarizing its findings. The FY2023-24 report to the Legislature was approved by the committee in November 2024 and transmitted to the Legislature in December 2024.

Based on the roles and responsibilities of MTC and BATA under the RM3 statute, MTC staff suggest that the IOC's annual review of expenditures focus on three main activities:

- As needed, review of changes to the expenditure plan initiated by MTC and approved through a public hearing process consistent with RM 3 statute
- Annual review of capital and operating allocations made by the Commission
- Annual review of reimbursement amounts paid against capital and operating allocations

### **Responsibilities of BATA**

Also outlined in SHC 30923, BATA is required to annually prepare a report to the Legislature on the status of the projects and programs funded by RM3. From 2019 through 2023, BATA

prepared this report on a calendar year basis and submitted it to the Legislature in December. After beginning allocations in 2023, staff shifted this reporting schedule to a fiscal year basis, starting with the FY 2023-24 report, which was approved by BATA in November 2024 and transmitted to the Legislature in December 2024.

**Proposed Activities and Schedule**

MTC staff proposes that the Independent Oversight Committee continue the annual reporting schedule tied to the fiscal year, with the next report covering July 1, 2024, through June 30, 2025. Four RM3 IOC meetings have been scheduled for the 2025 calendar year in March, June, November, and December. As discussed at the last IOC meeting, a draft FY 2024-2025 annual report could be reviewed and considered for adoption in November; if additional work is necessary, the report could be adopted in December, but otherwise the December meeting is optional.

Consistent with existing practice, staff will present an update on RM3 allocations, expenditures, and other activity at each IOC meeting. Staff will also provide the semi-annual RM3 capital program progress updates after presenting them to the MTC Programming and Allocations Committee in December and June, the results of the annual independent accountant review of RM3 invoices, and any other audits or relevant reports. The IOC may request other information or presentations from MTC Staff within the purview of the IOC to assist in reviewing MTC and BATA's expenditures of RM3 toll revenues.

The IOC is responsible for guiding the content of the Annual Report and providing any findings regarding MTC and BATA's expenditures of RM3 toll revenues. The IOC may wish to discuss identifying one or more subcommittees to review capital and/or operating expenditures in more detail and provide recommended findings for the full Committee to consider. Staff can assist in preparing and submitting the report.

BATA Res. No. 131, Revised provides guidance for receipt of stipends and travel expense reimbursement for up to four meetings per year.

**Issues:**

None.

**Recommendation:**

Information only.

**Attachments:**

A-BATA Resolution No. 131, Revised

B-California Streets and Highways Code Sections 30914.7

C-California Streets and Highways Code Sections 30923



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