STATE OF CALIFORNIA
LEGISLATIVE COUNSEL BUREAU
AUTHENTICATED
ELECTRONIC LEGAL MATERIAL

Senate Bill No. 63

CHAPTER 740

An act to add Title 7.85 (commencing with Section 67700) to, and to add and repeal Section 66513.5 of, the Government Code, and to amend Section 131102 of the Public Utilities Code, relating to transportation.

[Approved by Governor October 13, 2025. Filed with Secretary of State October 13, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 63, Wiener. San Francisco Bay area: local revenue measure: public transit funding.

(1) Existing law creates the Metropolitan Transportation Commission as a local area planning agency for the 9-county San Francisco Bay area with comprehensive regional transportation planning and other related responsibilities. Existing law creates various transit districts located in the San Francisco Bay area, with specified powers and duties relating to providing public transit services.

This bill would establish the Public Transit Revenue Measure District with jurisdiction extending throughout the boundaries of the Counties of Alameda, Contra Costa, San Mateo, and Santa Clara and the City and County of San Francisco and would require the district to be governed by the same board that governs the commission, thereby imposing a state-mandated local program. The bill would authorize a retail transactions and use tax applicable to the entire district to be imposed by the board of the district or by a qualified voter initiative for a duration of 14 years, and in an amount of 0.5% in each of the above-described 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. After payments are made for various administrative expenses, the bill would require the district to transfer specified portions of the proceeds of the tax to the commission for allocation to certain programs and other purposes and for allocation to the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, commonly known as Caltrain, the San Francisco Bay Area Rapid Transit District, the San Francisco Municipal Transportation Agency, and other specified transit agencies, for transit operations expenses, and would require the district to transfer specified portions of the proceeds of the tax directly to other specified local transportation agencies, including the San Mateo County Transit District and the Santa Clara Valley Transportation Authority, for public transit expenses, as prescribed.

By adding to the duties of local officials with respect to elections procedures for this bill on behalf of the district, the bill would impose a state-mandated local program.

(2) Existing law requires the commission to develop regional transit service objectives, develop performance measures of efficiency and effectiveness, specify uniform data requirements to assess public transit service benefits and costs, and formulate procedures for establishing regional transportation priorities in the allocation of funds for transportation purposes.

This bill would require the commission to contract with, and manage, a third-party consultant to conduct a financial efficiency review of the Alameda-Contra Costa Transit District, Caltrain, the San Francisco Bay Area Rapid Transit District, and the San Francisco Municipal Transportation Agency, as specified. The bill would require the review to be completed in 2 phases, with the analysis for the 2nd phase only required if the tax measure is approved by the voters of the Public Transit Revenue Measure District. The bill would require the consultant to transmit the analysis for each phase to an oversight committee, which the bill would create with a prescribed membership, for review and adoption. The bill would require a transit operator subject to the financial efficiency review to take specified actions in response to the analysis for the first phase and, subject to review of the oversight committee, to adopt an implementation plan that describes the cost-saving measures identified in the analysis for the 2nd phase that the operator plans to implement, as specified. The bill would require a transit operator subject to the financial efficiency review to verify its compliance with the requirements of the review as a condition of receiving funds from the tax measure approved by the voters of the district.

The bill would require each transit operator to which the commission allocates funds to comply with a maintenance of effort requirement as a condition of receiving those funds, as provided.

This bill would require the commission, if the tax measure is approved by the voters of the district and other conditions are satisfied, to establish an ad hoc adjudication committee for a transit operator subject to the above-described financial efficiency review to assess and adjudicate petitions submitted by a participating county transportation entity, as defined, or a county board of supervisors with regard to the performance of the transit operator within the geographic jurisdiction of the entity submitting the petition, as provided. As part of this process, the bill would require an ad hoc adjudication committee, among other things, to determine whether to direct the commission to withhold funding from the tax measure allocated to the transit operator if the committee agrees with a claim regarding the performance of the transit operator, as specified.

This bill would require the commission to submit a report to the Legislature on or before March 31, 2026, on its forecast of the impacts to ridership on the Alameda-Contra Costa Transit District, Caltrain, the San Francisco Bay Area Rapid Transit District, and the San Francisco Municipal Transportation Agency from planned transportation projects and strategies included in its adopted regional transportation plan.

By adding to the duties of the commission, the bill would impose a state-mandated local program.

(3) The Bay Area County Traffic and Transportation Funding Act authorizes the formation of county transportation authorities in each of the 9 bay area counties, and provides for the imposition of a retail transaction and use tax in each of those counties of either ½ of 1% or 1%, subject to voter approval, with revenues to be used for various transportation purposes.

This bill would instead provide that a retail transaction and use tax imposed under those provisions in the County of San Mateo or the City and County of San Francisco may be imposed in ⅛ of 1% increments up to 1%.

(4) This bill would declare that its provisions are severable.

(5) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

The people of the State of California do enact as follows:

SECTION 1. This act shall be known, and may be cited, as the Connect Bay Area Act.

SEC. 2. The Legislature finds and declares all of the following:

(a) 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 public transit network is a critical component of the overall transportation network.

(b) Public transit is of regional and local benefit, serving both regional and local trips for residents of all income levels.

(c) Preserving, improving, and expanding public transit to ensure a world-class public transit network will enhance access to opportunity, lower emissions of greenhouse gases, strengthen the region's economy, support increased housing production, and improve quality of life.

(d) 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. The San Francisco Bay area also needs to prioritize increasing ridership to ensure the region's transit network is sustainable.

(e) Regional funding, increased coordination, financial efficiency, and safety, cleanliness, and reliability reforms are urgently needed to both preserve and improve public transit service.

SEC. 3. Section 66513.5 is added to the Government Code, to read:

66513.5. (a) The commission shall submit a report to the Legislature on or before March 31, 2026, on its forecast of the impacts to ridership on the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint

Powers Board, the San Francisco Bay Area Rapid Transit District, and the San Francisco Municipal Transportation Agency from planned transportation projects and strategies included in its adopted regional transportation plan, with an emphasis on rail connectivity projects that may increase ridership, reduce operating costs, or help with enhanced mobility.

(b) (1) A report to be submitted pursuant to subdivision (a) shall be submitted in compliance with Section 9795.

(2) Pursuant to Section 10231.5, this section is inoperative on March 31, 2030, and, as of January 1, 2031, is repealed.

SEC. 4. Title 7.85 (commencing with Section 67700) is added to the Government Code, to read:

TITLE 7.85. SAN FRANCISCO BAY AREA REGIONAL PUBLIC TRANSIT FINANCE

PART 1. FORMATION OF THE PUBLIC TRANSIT REVENUE MEASURE DISTRICT

Chapter 1. General Provisions

67700. For purposes of this title, the following definitions apply:

(a) "AC Transit" means the Alameda-Contra Costa Transit District.

(b) "Alameda County small bus operators" means the Livermore Amador Valley Transit Authority and Union City Transit.

(c) "BART" means the San Francisco Bay Area Rapid Transit District.

(d) "Board" means the governing board of the Public Transit Revenue Measure District.

(e) "Caltrain" means the Peninsula Corridor Joint Powers Board.

(f) "Commission" means the Metropolitan Transportation Commission.

(g) "Commissioner" means a voting member serving on the commission pursuant to Section 66503.

(h) "Contra Costa County small bus operators" means the Central Contra Costa Transit Authority, the Western Contra Costa Transit Authority, and the Eastern Contra Costa Transit Authority.

(i) "County" includes city and county.

(j) "County elections official" means a county clerk, registrar of voters, or elections supervisor having jurisdiction over elections within the county.

(k) "District" means the Public Transit Revenue Measure District.

(*l*) (1) "District elections official" means the official designated by the board to perform the duties required for the purposes of an initiative under Article 1 (commencing with Section 9300) of Chapter 4 of Division 9 of the Elections Code, except as provided in paragraph (2).

(2) For purposes of Section 9306, subdivisions (a) and (b) of Section 9308, subdivisions (a), (b), and (c) of Section 9309, and Section 9312, of the Elections Code, "district elections official" refers to the county elections

officials charged with the duty of conducting the election for the counties participating in the measure.

(3) This subdivision shall become inoperative on December 31, 2026.

(m) "Golden Gate Transit" means the Golden Gate Bridge, Highway and Transportation District.

(n) "Muni" means the San Francisco Municipal Transportation Agency.

(o) "Participating county transportation entity" means any of the following:

(1) Alameda County Transportation Commission, also referred to as ACTC.

(2) Contra Costa Transportation Authority, also referred to as CCTA.

(3) San Francisco County Transportation Authority, also referred to as SFCTA.

(4) San Mateo County Transit District, also referred to as SMCTD.

(5) Santa Clara Valley Transportation Authority, also referred to as SCVTA.

(p) "Public transit expenses" means public transit operations expenses, or expenses for public transit capital improvement projects that maintain or improve public transit service, including expenses for public transit-specific components of a multimodal transportation project.

(q) "San Francisco Bay Ferry" means the San Francisco Bay Area Water Emergency Transportation Authority.

(r) "Subject operator" means a transit operator subject to the financial efficiency review pursuant to Chapter 4 (commencing with Section 67760) of Part 2.

Chapter 2. The Public Transit Revenue Measure District and Governing Board

67710. (a) The Public Transit Revenue Measure District is hereby established with jurisdiction extending throughout the territorial boundaries of the Counties of Alameda, Contra Costa, San Mateo, and Santa Clara, and the City and County of San Francisco.

(b) The district shall be governed by the same board that governs the commission. The district shall be a separate legal entity from the commission.

(c) The formation and jurisdictional boundaries of the district are not subject to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5).

(d) The district shall be staffed by the existing staff of the commission or any successor agency, with the understanding that additional staff may be needed to administer the requirements of this title.

67712. This title shall apply only to the counties and city and county identified pursuant to Section 67710.

PART 2. TRANSACTIONS AND USE TAXES

Chapter 1. Retail Transactions and Use Tax Authorization

67730. (a) The board may impose a retail transactions and use tax ordinance applicable to the entire district in accordance with Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code if the electors voting on the measure vote to approve its imposition at the election described in Section 67734 in accordance with this title and Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code.

(b) The board may impose a retail transactions and use tax pursuant to subdivision (a) that, in combination with all taxes imposed in accordance with Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, exceeds the limit established in Section 7251.1 of the Revenue and Taxation Code.

(c) The board, in the ordinance, shall do all of the following:

(1) State the nature of the tax to be imposed.

(2) Provide the tax rates as follows:

(A) Except as provided in subparagraph (B), the tax rate shall be one-half of 1 percent in each county comprising the district.

(B) The tax rate in the City and County of San Francisco shall be 1 percent.

(3) Specify the period during which the tax will be imposed, which shall be 14 years beginning on the date the ordinance becomes operative.

(4) Specify the purposes for which the revenue derived from the tax will be used, consistent with Chapter 3 (commencing with Section 67750).

(d) 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.

67732. (a) Notwithstanding Section 9300 of the Elections Code or any other law, the taxes authorized by Section 67730 may also be imposed by a qualified voter initiative pursuant to Chapter 4 (commencing with Section 9300) of Division 9 of the Elections Code if the electors voting on the measure vote to approve its imposition at the election described in Section 67734 in accordance with the requirements of this title and Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code.

(b) 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 title is proposed by an initiative petition, the initiative shall comply with all of the substantive requirements applicable to a tax imposed by the board pursuant to this title, including the requirement that the proceeds of the tax be distributed, transferred, allocated, and expended pursuant to Chapter 3 (commencing with Section 67750).

(c) Consistent with Chapter 4 (commencing with Section 9300) of Division 9 of the Elections Code, a ballot title and summary are not required for an initiative petition proposed pursuant to this chapter.

67734. A tax proposed pursuant to this title may only be placed on the ballot for the November 3, 2026, statewide general election and shall be submitted to the voters of the entire district in accordance with Chapter 2 (commencing with Section 67740).

67736. (a) Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure shall apply to any judicial action or proceeding to validate, attack, review, set aside, void, or annul a tax ordinance approved by the voters pursuant to this title.

(b) Notwithstanding Section 860 of the Code of Civil Procedure, the district may, upon the approval of the tax ordinance by the voters pursuant to this title, and for 30 days thereafter, bring an action in the superior court of the county in which the principal office of the district is located to determine the validity of that matter. The action shall be in the nature of a proceeding in rem.

(c) Notwithstanding Section 863 of the Code of Civil Procedure, if proceedings have not been brought by the district pursuant to subdivision (b), any interested person may bring an action within the time and in the court specified by subdivision (b) to determine the validity of that matter. The district shall be a defendant and shall be served with the summons and complaint in the action in the manner provided by law for the service of a summons in a civil action. In that action the summons shall be in the form prescribed in Section 861.1 of the Code of Civil Procedure except that in addition to being directed to "all persons interested in the matter of [specifying the matter]," it shall also be directed to the district. If the interested person bringing that action fails to complete the publication and other notice as may be prescribed by the court in accordance with Section 861 of the Code of Civil Procedure and to file proof thereof in the action within 30 days from the filing of their complaint, the action shall be forthwith dismissed on the motion of the district unless good cause for such failure is shown by the interested person.

(d) Any appeal from the final judgment in an action or proceeding brought pursuant to this section shall be filed within 30 days after entry of the judgment.

Chapter 2. Election Procedures

67740. (a) If the board of the district or a qualified voter initiative proposes a measure for the approval of a tax ordinance adopted pursuant to Chapter 1 (commencing with Section 67730), the board of supervisors for each of the counties that comprise the district shall call a special election on the tax ordinance. The special election shall be consolidated with the November 3, 2026, statewide general election and the tax ordinance shall be submitted to the voters of each county comprising the district.

(b) For the purpose of the placement of a tax ordinance on the ballot, the Public Transit Revenue Measure District is a "district," as defined in Section 317 of the Elections Code. A measure proposed by the board that requires voter approval or a qualified initiative measure proposed for the district by the voters of the counties comprising the district shall be submitted to the voters of the counties that are contained in the district, 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.

(c) If the measure is proposed by a qualified voter initiative, after the petition has been filed, the county elections officials shall examine the petition in accordance with subdivisions (a) and (b) of Section 9308, or subdivisions (a), (b), and (c) of Section 9309, of the Elections Code. It is the intent of the Legislature that the county elections officials shall cooperate with the district elections official to resolve any issues arising from the counting or verification of signatures.

(d) Notwithstanding any provision of the Elections Code, the legal counsel for the district shall prepare an impartial analysis of the measure. Each county included in the district shall use the election materials provided by the district, including the exact ballot question, impartial analysis, and full text of the ballot measure for inclusion in the county voter information guide.

(e) If two or more counties included in the measure are required to prepare a translation of ballot materials into the same language other than English, the county that contains the largest population, as determined by the most recent federal decennial census, among those counties that are required to prepare a translation of ballot materials into the same language other than English, shall prepare the translation or authorize the district to prepare the translation, and that translation shall be used by the other county or counties, as applicable.

(f) Notwithstanding Section 13116 of the Elections Code, the elections officials of the counties where the measure will appear on the ballot shall mutually agree to use the same letter designation for the measure.

(g) The county clerk of each county shall report the results of the special election to the district. If the approval threshold required by the California Constitution at the time of the election is achieved, the measure shall take effect in the district in accordance with the requirements of this title. For purposes of determining whether the measure is approved, the approval threshold shall be assessed based on the cumulative vote within the entire district, and not separately within each county comprising the district.

(h) (1) Notwithstanding Section 10520 of the Elections Code, the district shall reimburse each county that comprises the district from funds made available pursuant to Section 67750 only for the incremental costs incurred by the county elections official related to submitting the measure to the voters with proceeds from the measure.

(2) For purposes of this subdivision, "incremental costs" includes both of the following:

(A) The cost to prepare a translation of ballot materials into a language other than English by any county, as described in subdivision (e).

(B) The additional costs that exceed the costs incurred for other election races or ballot measures, if any, appearing on the same ballot in each county in which the measure appears on the ballot, including both of the following:

(i) The printing and mailing of ballot materials.

(ii) The canvass of the vote regarding the measure pursuant to Division 15 (commencing with Section 15000) of the Elections Code.

Chapter 3. Regional Public Transit Revenue Measure Expenditures

67750. The district shall distribute revenues generated pursuant to Chapter 2 (commencing with Section 67740) on an annual basis as follows:

(a) The district shall pay the administrative costs associated with the collection of the revenues incurred by the California Department of Tax and Fee Administration, and the amounts necessary for the costs incurred by the district or commission to perform the duties required under this title, including, but not limited to, election cost reimbursements specified in Section 67740, costs incurred for the financial efficiency review described in Section 67762, costs incurred for any required legal defense, and other one-time costs associated with administering the tax ordinance authorized by this title.

(b) After the amounts paid in subdivision (a), the district shall transfer the remaining revenues, with no discretion to withhold, reduce, delay, modify, specify the use of, or condition those revenues, as follows:

(1) (A) The revenues described in subparagraph (B) to the commission for the ongoing costs associated with administering this title. If the amount transferred pursuant to this paragraph exceeds that which is necessary for administrative costs in a given year, the commission may use those excess funds for the purposes identified in paragraphs (10) to (12), inclusive.

(B) All of the following revenues shall be transferred to the commission pursuant to this paragraph:

(i) 0.25 percent of all revenues generated within the territory of the County of Alameda.

(ii) 0.25 percent of all revenues generated within the territory of the County of Contra Costa.

(iii) 0.13 percent of all revenues generated within the territory of the City and County of San Francisco.

(iv) 0.25 percent of all revenues generated within the territory of the County of San Mateo.

(v) 0.25 percent of all revenues generated within the territory of the County of Santa Clara.

(2) The following revenues to the commission for allocation to BART for transit operations expenses:

(A) 64.70 percent of all revenues generated within the territory of the County of Alameda.

(B) 58.59 percent of all revenues generated within the territory of the County of Contra Costa.

(C) 29.14 percent of all revenues generated within the territory of the City and County of San Francisco.

(D) 26.64 percent of all revenues generated within the territory of the County of San Mateo.

(3) The following revenues to the commission for allocation to Muni for transit operations expenses:

(A) 1.09 percent of all revenues generated within the territory of the County of Contra Costa.

(B) 62.87 percent of all revenues generated within the territory of the City and County of San Francisco.

(C) 7.40 percent of all revenues generated within the territory of the County of San Mateo.

(4) The following revenues to the commission for allocation to Caltrain for transit operations expenses:

(A) 3.97 percent of all revenues generated within the territory of the City and County of San Francisco.

(B) 24.07 percent of all revenues generated within the territory of the County of San Mateo.

(C) 10.38 percent of all revenues generated within the territory of the County of Santa Clara.

(5) The following revenues to the commission for allocation to AC Transit for transit operations expenses:

(A) 21.25 percent of all revenues generated within the territory of the County of Alameda.

(B) 3.70 percent of all revenues generated within the territory of the County of Contra Costa.

(6) 2.43 percent of all revenues generated within the territory of the County of Alameda to the commission for allocation to the Alameda County small bus operators, apportioned among each operator in amounts determined by the Alameda County Transportation Commission, for transit operations expenses.

(7) 11.41 percent of all revenues generated within the territory of the County of Contra Costa to the commission for allocation to the Contra Costa County small bus operators, apportioned among each operator in amounts determined by the Contra Costa Transportation Authority, for transit operations expenses.

(8) The following revenues to the commission for allocation to San Francisco Bay Ferry for transit operations expenses:

(A) 1.62 percent of all revenues generated within the territory of the County of Alameda.

(B) 0.76 percent of all revenues generated within the territory of the County of Contra Costa.

(C) 0.97 percent of all revenues generated within the territory of the City and County of San Francisco.

(9) 0.40 percent of all revenues generated within the territory of the City and County of San Francisco to the commission for allocation to Golden Gate Transit for transit operations expenses.

(10) The following revenues to the commission for fare programs, including free and reduced-cost transfers and expanding the Clipper START program:

(A) 2.78 percent of all revenues generated within the territory of the County of Alameda.

(B) 2.78 percent of all revenues generated within the territory of the County of Contra Costa.

(C) 1.40 percent of all revenues generated within the territory of the City and County of San Francisco.

(D) 2.78 percent of all revenues generated within the territory of the County of San Mateo.

(E) 2.78 percent of all revenues generated within the territory of the County of Santa Clara.

(11) The following revenues to the commission for accessibility programs and projects:

(A) 1.11 percent of all revenues generated within the territory of the County of Alameda.

(B) 1.11 percent of all revenues generated within the territory of the County of Contra Costa.

(C) 0.56 percent of all revenues generated within the territory of the City and County of San Francisco.

(D) 1.11 percent of all revenues generated within the territory of the County of San Mateo.

(E) 1.11 percent of all revenues generated within the territory of the County of Santa Clara.

(12) The following revenues to the commission for mapping and wayfinding and transit priority projects and programs:

(A) 1.11 percent of all revenues generated within the territory of the County of Alameda.

(B) 1.11 percent of all revenues generated within the territory of the County of Contra Costa.

(C) 0.56 percent of all revenues generated within the territory of the City and County of San Francisco.

(D) 1.11 percent of all revenues generated within the territory of the County of San Mateo.

(E) 1.11 percent of all revenues generated within the territory of the County of Santa Clara.

(13) 4.75 percent of all revenues generated within the territory of the County of Alameda to the Alameda County Transportation Commission for public transit expenses and roadway repavement projects on roads served by fixed-route transit.

(14) 19.20 percent of all revenues generated within the territory of the County of Contra Costa to the Contra Costa Transportation Authority for public transit expenses and roadway repavement projects on roads served by fixed-route transit.

(15) 36.64 percent of all revenues generated within the territory of the County of San Mateo to the San Mateo County Transit District for public transit expenses and roadway repavement projects on roads served by fixed-route transit.

(16) 84.37 percent of all revenues generated within the territory of the County of Santa Clara to the Santa Clara Valley Transportation Authority for public transit expenses and roadway repavement projects on roads served by fixed-route transit.

67752. In allocating funds pursuant to this chapter, it is the intent of the Legislature that the commission not supplant funding from regularly programmed discretionary revenue sources that are allocated to the jurisdiction of the district and not increase the level of those regularly programmed discretionary revenue sources that are allocated to counties that are not contained in the district as a result of the approval of the measure pursuant to this title.

67754. If the voters approve a tax ordinance pursuant to this title, the district shall establish an independent oversight committee within six months of the effective date of the tax increase to ensure that any revenues generated pursuant to this title are distributed and transferred by the district consistent with the applicable requirements set forth in this chapter. The committee may be consolidated with the oversight committee established pursuant to subdivision (h) of Section 30923 of the Streets and Highways Code. The committee shall consist of either one or two representatives from each county included within the jurisdiction of the district appointed by the applicable county board of supervisors. The oversight committee may request any documents from the district to assist the committee in performing its functions.

67756. The Legislature finds and declares that the allocation of revenues prescribed in this chapter is not intended to set any precedent for future funding relationships or agreements.

Chapter 4. Financial Transparency and Review

67760. The Legislature finds and declares that financial efficiency and transparency are imperative to build public confidence and support for public transit.

67762. (a) The commission shall conduct a financial efficiency review of the subject operators, which are AC Transit, BART, Caltrain, and Muni pursuant to the timeline set forth in Section 67766.

(b) Phase one of the financial efficiency review shall exclusively identify the following:

(1) Cost-saving measures implemented since January 1, 2020, by the subject operators.

(2) (A) Early action strategies that would assist the subject operators in delivering increased or improved service and enhanced customer experiences with existing resources.

(B) In furtherance of the identification of early action strategies, phase one of the financial efficiency review shall include an analysis of the each subject operator's real property assets. The analysis shall be conducted in consultation with the subject operators, and shall include an inventory of existing holdings and identify potential redevelopment opportunities, with an emphasis on housing, commercial, and mixed-use projects, and other efficient land uses near transit that can support ridership growth and generate long-term value. The analysis shall include a property asset map and a preliminary list of redevelopment opportunities to inform phase two of the financial efficiency review.

(c) (1) Phase two of the financial efficiency review shall identify a menu of cost-saving measures that, if implemented, would reduce one-time and ongoing fixed and variable costs for the subject operators. The review shall evaluate cost-saving measures using metrics such as cost per passenger mile and subsidy per passenger mile, reported in both nominal dollars and real dollars, and any other relevant measures needed to ensure results are quantifiable and actionable.

(2) (A) Phase two of the financial efficiency review shall also include a comprehensive regional assessment of development and financing strategies to maximize the value of each subject operator's real property assets. The assessment shall, at a minimum, do all of the following:

(i) Evaluate strategies to leverage assets through housing, commercial, mixed-use, and other transit-supportive development.

(ii) Analyze potential impacts on ridership, revenue generation, fiscal stability, and broader public benefits, including affordable housing, job creation, and systemwide financial sustainability.

(iii) Consider governance structures and financing mechanisms, including opportunities for regional partnerships, and alignment with existing public and private financing tools.

(iv) Produce a regional development and financing strategy.

(d) The scope of both phases of the financial efficiency review shall consider administrative, operating, and capital costs and shall clearly distinguish between any recommended actions that would not impact service and those that would require service realignments or reductions.

67764. The commission shall contract with, and manage, a third-party consultant to conduct one or both phases of the financial efficiency review. The third-party consultant shall conduct the review in consultation with the subject operators and an oversight committee established by the commission that consists of all the following members:

(a) The chair of the commission, if the chair is from the geographic jurisdiction of the district, or another member of the commission designated by the chair that is from the geographic jurisdiction of the district.

(b) The board chair or president, or another member of the board designated by the chair or president, of each subject operator.

(c) Four independent experts appointed by the commission with expertise in public transit operations and finance.

(d) One representative from the Transportation Agency and one representative the Department of Finance as ex officio, nonvoting members.

67766. (a) On or before April 1, 2026, the third-party consultant procured for phase one shall complete the phase one analysis described in subdivision (b) of Section 67762 and transmit it to the oversight committee. The oversight committee shall review the phase one analysis, direct the third-party consultant to make any revisions, and adopt a final phase one analysis. The commission shall transmit the final phase one analysis to all of the following entities:

(1) The subject operators.

(2) The Legislature, in compliance with Section 9795.

(3) The Transportation Agency.

(4) Each participating county transportation entity.

(b) On or before July 1, 2026, each subject operator shall identify the specific strategies in the final adopted phase one analysis that it commits to implementing, and shall adopt those strategies as formal policy or budget actions, as applicable.

(c) If the certified election results identify that the tax ordinance has been approved by the voters pursuant to this title, all of the following shall occur no later than 480 days after the election results are certified:

(1) The third-party consultant procured for phase two shall complete the analysis described in subdivision (c) of Section 67762 and transmit it to the oversight committee. The oversight committee shall review the phase two analysis, direct the third-party consultant to make any revisions, and adopt a final phase two analysis, including a regional development and financing strategy produced pursuant to clause (iv) of subparagraph (A) of paragraph (2) of subdivision (c) of Section 67762. The commission shall transmit the phase two analysis to the entities described in paragraphs (1) to (4), inclusive, of subdivision (a).

(2) The oversight committee shall specify to each subject operator what information, at a minimum, shall be included for each cost-saving measure that each operator chooses to include in its implementation plan pursuant to subdivision (d).

(d) No later than 120 days after the actions required by subdivision (c) are complete, each subject operator shall submit to the oversight committee a draft implementation plan that describes all cost-saving measures the operator plans to implement, including all information related to those measures required by the oversight committee pursuant to subdivision (c). In developing the implementation plan, the operator shall balance financial efficiency, service, and system safety.

(e) The oversight committee shall review each draft implementation plan and either approve the plan or recommend revisions to further facilitate the implementation of recommendations identified in the phase two analysis.

(f) No later than 60 days after the oversight committee takes action pursuant to subdivision (e), the subject operator's governing board shall do all of the following:

(1) Incorporate oversight committee recommendations made pursuant to subdivision (e), if applicable, into its implementation plan.

(2) Adopt a final implementation plan and transmit it to the oversight committee and to the entities described in paragraphs (1) to (4), inclusive, of subdivision (a).

(3) (A) Notwithstanding paragraph (1), a subject operator may reject the inclusion of one or more of the recommendations made by the oversight committee pursuant to subdivision (e) if the governing board of the operator makes a written finding when adopting the final implementation plan pursuant to paragraph (2) that the recommendation has an unacceptable impact on transit service or safety or is inconsistent with other documented local policies and procedures.

(B) Within 10 business days after a subject operator adopts a finding pursuant to subparagraph (A), the commission shall transmit written notice of the adoption of that finding to the policy committees of the Legislature with jurisdiction over transportation and to the Transportation Agency. The notice shall include the subject operator's adopted finding pursuant to subparagraph (A).

(C) Any finding adopted pursuant to subparagraph (A) shall be time limited and shall expire no later than 12 months after adoption unless renewed by the subject operator following the procedures set forth in this chapter with an updated assessment demonstrating continuing need. The subject operator shall provide annual status updates to the commission that specifically address the basis for the adopted finding, including whether the circumstances or obstacles identified as preventing compliance have been resolved, mitigated, or otherwise changed. The status update shall identify specific steps taken to address the stated obstacle and a timeline for when compliance could reasonably be achieved if the obstacle is removed.

(g) The oversight committee shall terminate after each subject operator takes the actions required pursuant to subdivision (f). Each subject operator shall adhere to the final implementation plan it adopted pursuant to subdivision (f) until the expiration of the tax approved pursuant to this title, unless doing so is infeasible due to circumstances beyond the operator's control, in which case the operator shall make a good faith effort to comply.

(h) As a condition of receiving continued funding pursuant to Chapter 3 (commencing with Section 67750), each subject operator shall verify with the commission that it is in compliance with the requirements of this chapter. Before taking an action to withhold funds from a subject operator for noncompliance with the requirements of this chapter, the commission shall provide the operator a period of 90 days to comply before withholding funds. The commission shall withhold the funds until the operator complies with the requirements of this chapter. If the subject operator does not comply with the requirements of this chapter before the commission makes the final allocations of revenue from the tax ordinance approved by the voters

pursuant to this title, the commission shall reallocate the withheld funds to support public transit expenses within the county or counties that the operator serves.

Chapter 5. Maintenance of Effort

67770. (a) (1) As a condition of receiving funds pursuant to Chapter 3 (commencing with Section 67750), each transit operator that the commission allocates funds to pursuant to paragraphs (2) to (9), inclusive, of subdivision (b) of Section 67750 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.

(2) The expected level of funding for purposes of paragraph (1), which shall be referred to as the maintenance of effort, shall be calculated using the transit 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.

(b) (1) Notwithstanding subdivision (a), a transit operator subject to this chapter 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.

(2) Before formally taking an action to reduce its operating funding pursuant to paragraph (1), a transit operator shall notify the commission in writing that it is reducing the amount of funding contributed towards its operating budget.

(c) A transit operator subject to this chapter may request that the commission grant an exception to the requirements of this chapter if the transit operator demonstrates any of the following conditions:

(1) The operator has a need to transfer operating funds to state of good repair needs for assets owned and operated by the operator.

(2) The operator has a need to cover the cost of compliance with a state or federal law or regulation.

(3) (A) The operator seeks to finance a public transit capital expense and does not require the full balance of its allocation of revenues provided pursuant to this title to maintain or exceed the service hours it provided in the 2018–19 fiscal year or the service hours it is currently providing, whichever is greater, and the redirection of its operational funding for the public transit capital expense will not require the operator to reduce its service hours.

(B) The Legislature finds and declares that it is beneficial for transit operators to increase the service hours of transit service they are providing beyond the service hours described in subparagraph (A).

(d) The commission shall provide written findings explaining why a request submitted pursuant to subdivision (c) is denied.

Chapter 6. Enhanced Accountability

67780. (a) If a tax ordinance is approved by the voters pursuant to this title, the commission shall establish an ad hoc adjudication committee for a subject operator if the commission receives a petition submitted pursuant to subdivision (d) at any time commencing two years after the tax ordinance is approved.

(b) An ad hoc adjudication committee established pursuant to subdivision (a) shall be composed of two commissioners from each of the counties from which revenues generated pursuant to the tax ordinance are allocated to the subject operator pursuant to subdivision (b) of Section 67750.

(c) An ad hoc adjudication committee shall be responsible for assessing and adjudicating petitions submitted pursuant to this chapter regarding the applicable subject operator's inconsistent application or execution of its adopted standards, policies, or commitments described in Section 67782 across counties within the district.

(d) (1) Consistent with paragraph (2), a participating county transportation entity or a county board of supervisors may submit a petition to the commission to establish an ad hoc adjudication committee and, once established, may submit a petition to the ad hoc adjudication committee, under either of the following circumstances:

(A) A subject operator is not consistently applying or achieving the standard, policy, or commitment in the geographic jurisdiction of the county or the participating county transportation entity, as applicable, as reasonably compared to the geographic jurisdiction of other counties or participating county transportation entities.

(B) A standard, policy, or commitment disproportionately disadvantages the operation or maintenance of the subject operator's transit system in the geographic jurisdiction of the county or participating county transportation entity, as applicable, and there is no compelling reason for that standard, policy, or commitment to disproportionately disadvantage the operation or maintenance of the subject operator's transit system in the geographic jurisdiction of the county or participating county transportation entity, as applicable.

(2) A participating county transportation entity, or a county board of supervisors, shall be the only entities that may submit a petition to an ad hoc adjudication committee established pursuant to this chapter, and may only submit a petition to an ad hoc adjudication committee established for a subject operator that is receiving funding from revenues generated from

the jurisdiction of the applicable county pursuant to subdivision (b) of Section 67750.

(3) (A) Except as provided in subparagraph (B), in each county from which a subject operator is receiving funding generated by the tax ordinance, no more than one petition per year may be submitted by both the participating county transportation entity and the county board of supervisors.

(B) An additional petition may be submitted within the same year if a participating county transportation entity or the county board of supervisors, as applicable, withdraws its petition pursuant to subdivision (c) of Section 67784.

(e) Any ad hoc adjudication committee established pursuant to this chapter shall terminate on the date that the commission makes the final allocations of revenue pursuant to subdivision (b) of Section 67750 from a tax ordinance approved by the voters pursuant to this title.

67782. The scope of the adopted standards, policies, or commitments, or application of those standards, policies, or commitments, that may be the subject of a petition, assessment, and adjudication shall be the following issues related to the operation or maintenance of the subject operator's transit system in the geographic jurisdiction of the applicable county or participating county transportation entity:

(a) Service frequency or route changes.

(b) Fare policy, such as the assessment of surcharges.

(c) Station, facility, or vehicle cleanliness.

(d) Station or facility maintenance.

(e) Station or facility closures.

(f) Safety and security.

67784. (a) Before taking a board action pursuant to subdivision (b), a participating county transportation entity or county board of supervisors shall seek to address the issue that is the subject of a prospective petition directly with the subject operator, including by providing the operator with an opportunity to directly address the issue.

(b) Before submitting a petition to an ad hoc adjudication committee, the governing board of a participating county transportation entity or the county board of supervisors shall take formal board action to approve the petition.

(c) At any time before the commission is directed to take final action to withhold funding pursuant to Section 67788, a participating county transportation entity or county board of supervisors may withdraw its petition with a formal board action, or decision of the chair of, the applicable participating county transportation entity or county board of supervisors.

67786. (a) If presented with a petition, an ad hoc adjudication committee, in consultation with the entity that submitted the petition and the applicable subject transit operator, shall do both of the following:

(1) Determine whether it agrees with the entity's claim or claims in the petition.

(2) If it agrees with the claim or claims described in paragraph (1), determine whether to recommend the following:

(A) Corrective action for the subject operator to take to address the issue that was the subject of the petition.

(B) That the commission withhold up to 3.5 percent of funding allocated to the subject operator pursuant to Chapter 3 (commencing with Section 67750) in an amount the ad hoc adjudication committee deems proportionate to the issue that was the subject of the petition.

(b) An ad hoc adjudication committee shall provide written findings explaining a recommendation made pursuant to this section and shall submit the recommendation and those findings to the commission.

(c) If there is a tie vote in approving a recommendation, then the tie vote shall favor making a recommendation.

67788. (a) After receiving a recommendation from an ad hoc adjudication committee pursuant to Section 67786, the commission shall approve the recommendation and, if the ad hoc adjudication committee recommended corrective action, provide the subject operator with a period of at least 90 days to comply.

(b) (1) If the subject operator does not take corrective action within the period granted by the commission pursuant to subdivision (a), then the ad hoc adjudication committee may direct to commission to withhold up to an additional 3.5 percent of funding allocated to the subject operator pursuant to Chapter 3 (commencing with Section 67750) in an amount the ad hoc adjudication committee deems proportionate to the issue that was the subject of the petition. The total amount withheld from a subject operator pursuant to this chapter at any given time shall not exceed 7 percent.

(2) The commission shall withhold the funds until either of the following occurs:

(A) The operator complies with the corrective action and the ad hoc adjudication committee, with an affirmative vote from at least one committee member of every county represented in the committee, makes a finding that the operator has complied with the requirements and approves the return of funding.

(B) After 180 days of the submission of the recommendation, the ad hoc adjudication committee, with an affirmative vote from the majority of the committee, makes a finding that the operator has complied with the requirements and approves the return of funding.

(c) If the subject operator does not comply with the requirements of this chapter before the commission makes the final allocations of revenue from the tax ordinance approved by the voters pursuant to this title, the commission shall reallocate the withheld funds to support public transit expenses within the county or counties that the operator serves.

(d) If there is a lawsuit involving a decision made by an ad hoc adjudication committee, the sole remedy against the commission shall be limited to either the release or withholding, as the case necessitates, of the funds at issue in the ad hoc adjudication committee decision, and legal fees shall not be recoverable.

SEC. 5. Section 131102 of the Public Utilities Code is amended to read:

131102. (a) (1) 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, except as provided in paragraph (2), 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.

(2) The authority to impose a tax under paragraph (1) shall apply to the incorporated and unincorporated territory of the County of San Mateo and the City and County of San Francisco only until December 31, 2025. The elimination of the authority pursuant to this paragraph to impose a tax shall not affect the validity or operation of a tax approved before December 31, 2025, in the incorporated and unincorporated territory of the County of San Mateo or the City and County of San Francisco pursuant to paragraph (1).

(b) Commencing January 1, 2026, a retail transactions and use tax ordinance for a tax of ⅛ of 1 percent or multiple thereof, up to 1 percent, applicable in the territory of the City and County of San Francisco may be imposed by the 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. The combined rate of taxes in the territory of the City and County of San Francisco imposed pursuant to this subdivision and paragraph (1) of subdivision (a) shall not exceed 1 percent.

(c) Commencing January 1, 2026, a retail transactions and use tax ordinance for a tax of ⅛ of 1 percent or multiple thereof, up to 1 percent, applicable in the incorporated and unincorporated territory of the County of San Mateo may be imposed by the 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. The combined rate of taxes in the incorporated and unincorporated territory of the County of San Mateo imposed pursuant to this subdivision and paragraph (1) of subdivision (a) shall not exceed 1 percent.

(d) 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.

SEC. 6. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 7. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

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