Policy Memorandum

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SUBJECT: Regional Transit Measure
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On October 13, 2025, California Governor Gavin Newsom signed legislation authorizing the Regional Transit Measure (SB63), a proposed 14-year tax across five Bay Area counties. If approved by voters in the November 2026 general election, the measure would fund public transportation agencies including BART, Caltrain, Muni, AC Transit, and the Santa Clara Valley Transportation Authority, or VTA.

The Regional Transit Measure is projected to raise approximately $980 million annually. It would impose a 0.5% sales tax in Alameda, Contra Costa, San Mateo, and Santa Clara counties and a 1% sales tax in San Francisco.

The proposal comes as Bay Area transit agencies continue to face significant financial challenges caused by the COVID-19 pandemic and the lasting shift toward remote work. Before the pandemic, BART collected about $520 million annually from fares and parking fees, covering 71% of its operating expenses. After ridership fell to approximately 6% of pre-pandemic levels, revenue dropped to $69 million in 2021, covering only 9% of operating costs.

BART relied on approximately $1.6 billion in federal emergency assistance and at least $400 million in state funding to retain employees, maintain operations, and transport essential workers during the pandemic.

Although ridership is recovering, it remains far below pre-pandemic levels. BART currently serves about 200,000 daily trips, compared with approximately 410,000 before the pandemic. Ridership increased by 11.6% between 2024 and 2025, but BART's 2025 revenue still covered only 32% of operating expenses, less than half its pre-pandemic share.

Because the Bay Area has maintained high remote-work rates, particularly among technology companies, fare revenue alone is unlikely to resolve these deficits. BART faces an annual structural shortfall of approximately $400 million, with cumulative deficits projected to reach $2.3 billion by 2032.

As federal and state emergency funding runs out, BART has already reduced peak-period service, limited hiring, and cut some employee healthcare expenses. Without additional funding,

BART could be forced to cut 63% of its service, close 10 stations, end daily service at 9 p.m., and reduce train frequency to once every 30 minutes. It could also eliminate all-day service on the Green and Red lines, increase fares by 30% to 50%, furlough or lay off employees, and make other major service reductions.

Caltrain also faces serious financial pressure, with an annual deficit of approximately $75 million projected between 2027 and 2035. Without new funding, Caltrain could close more than one-third of its stations, eliminate all weekend and special-event service, reduce train frequency to once an hour, and end daily service at 9 p.m. These reductions would significantly limit transportation access for commuters, students, workers, and residents who depend on Caltrain.

VTA is also facing a budget shortfall expected to grow to $15 million by 2026. Without additional revenue, the agency may have to continue its hiring freeze, furlough workers, and make service reductions that could disrupt transportation throughout Santa Clara County.

Under the current expenditure plan, approximately 63% of revenue from the Regional Transit Measure would preserve existing transit services, while 33% would support transit improvements. Another 5% would fund passenger-oriented improvements, and up to 0.22% could be used for additional administrative expenses.

To ensure accountability, MTC staff responsible for distributing the funds would be overseen by an independent committee. Five members, each representing one participating county, would be appointed by their respective county boards of supervisors.

Participating counties could also request review by an adjudication committee if they believe funding or services were distributed unfairly. The committee would include representatives from counties served by the transit operator involved. If a claim were found valid, corrective action could be required and future funding could be withheld.

Independent third-party reviews would evaluate the four largest transit operators for opportunities to reduce costs without creating additional burdens for passengers. These reviews would aim to improve efficiency while protecting affordability and service quality.

Safety and cleanliness also remain important to rebuilding public confidence. BART’s holiday safety initiatives contributed to a 45% year-over-year decline in reported crime. However, recent surveys found that 74% of respondents identified crime and 64% identified unclean conditions as reasons for avoiding BART.

Targeted investments in security, cleanliness, reliability, and the overall passenger experience could help restore ridership and increase public confidence in transit.

The Regional Transit Measure would provide a major source of operating revenue as BART, Caltrain, VTA, and other Bay Area transit agencies face severe budget shortfalls. If approved, it could prevent station closures, service reductions, fare increases, employee furloughs, and other disruptions while preserving affordable and reliable transportation throughout the Bay Area.