# Senate Bill 125 – Long-Term Financial Plan for the San Francisco Bay Area

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(Photo: ©Noah Berger, 2025.)

# Introduction

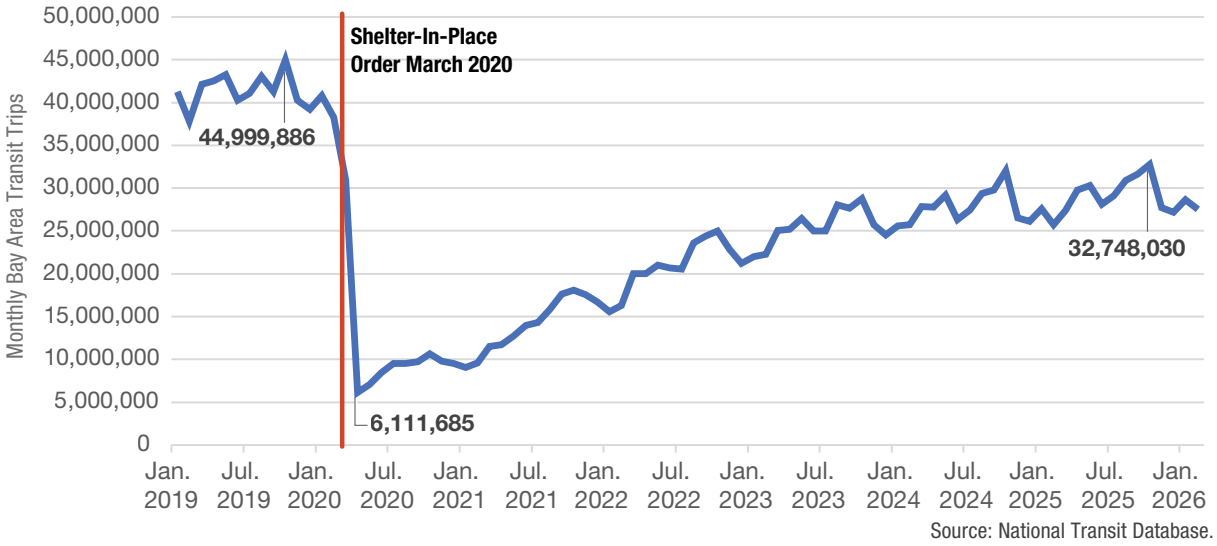
## A New Normal for the Bay Area

After the COVID-19 Shelter-in-Place orders were implemented in March 2020, transportation in the Bay Area began a transformation that continues to impact the region today. Overnight, transit ridership fell from more than 40 million trips per month to only 6 million trips in April 2020 as riders made fewer trips, chose other modes, or stayed home altogether. Six years on, the majority of Bay Area transit operators have fully restored service to pre-pandemic levels and ridership has recovered to nearly three-quarters of historic demand, reaching around 33 million trips in October 2025. However, many of the challenges faced by transit operators early in the pandemic remain today.

Even as daily life has largely returned to normal, one of the most lasting changes has been the shift to remote work for those whose jobs are able to be done from home. Data from MTC's Bay Area Travel Survey suggest that from 2019 to 2023, the share of Bay Area employees who worked from home once a week or more rose from 36% to 54%. An employer survey conducted by the Bay Area Council found that while the frequency of in-office work grew from twice a week in 2021 to 3 days per week in 2025, as few as 25% of employees are commuting to the office every day. This post-pandemic shift to remote work continues to suppress ridership on trains and buses that previously had been filled with commuters.

Mirroring this trend, pandemic impacts to travel demand, economic activity, and transportation costs have become the new normal as Bay Area transit operators continue to face a major structural gap between operating revenues and expenses compounded by the longstanding challenge of annual operating expenses growing faster than operating revenues. Revenues that are correlated with ridership, including passenger fares and parking fees, remain significantly lower than pre-pandemic levels across all operators, meaning less revenue is available to fund transit operations. Agencies like BART and Caltrain that were geared toward transporting office workers to and from job centers in San Francisco or the Peninsula have been particularly impacted, as directly

## Bay Area Ridership Recovery



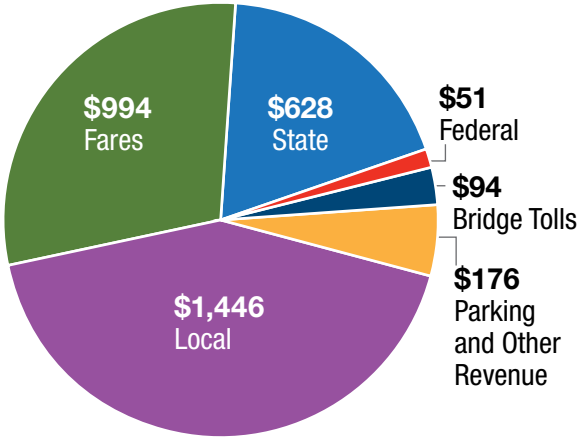

Source: National Transit Database.

generated revenues have fallen from covering around 70% of operating costs in 2019 to about 30% in 2025. SFMTA, BART, and other operators with large parking facilities have also experienced significant parking revenue losses from reduced transit ridership and fewer visitors to major hubs such as downtown San Francisco.

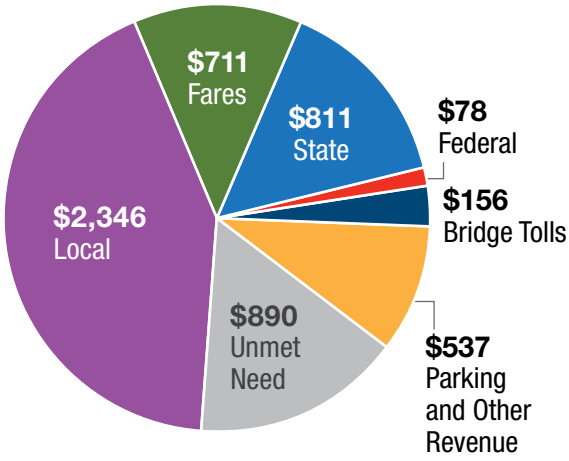
Other operating revenues from tolls and taxes derived from robust tourism and downtown economic activities have also stagnated, as Bay Area residents and visitors continue to travel less and spend less than before. Traffic volumes on Bay Area bridges in 2025 were 10% lower than 2019, reducing toll revenues that support ferry, rail, and bus operations throughout the region. Dedicated transit funding from statewide and local sales taxes, diesel taxes, and vehicle registration fees have also failed to keep pace with inflation since 2019, negatively impacting revenues for all Bay Area operators.

The challenges posed by sustained declines in transit revenues are intensified by cost increases stemming from inflation, a constrained labor market, supply chain blockages, and other economic pressures. Since the start of 2020, inflation in the U.S. has risen more than 26%, resulting in higher costs for fuel, maintenance, insurance, facilities, and vehicles. Labor shortages following the pandemic also led to higher wages for transit workers. Inflated costs have not been fully offset by equivalent growth in revenues, because revenue sources such as passenger fares and bridge tolls do not grow with inflation unless they are directly adjusted by policymakers. Many of the cost increases faced by transit operators have outpaced inflation, further constraining operators' ability to meet financial needs with existing revenue sources. Successive rounds of federal and state legislation have kept significant shortfalls at bay with temporary funding packages, but the transit operating funding gap remains. By FY 2027-28, the Bay Area is forecast to face an unmet operating need of almost $900 million, a shortfall that will remain in future years unless additional funding arises.

**FY 2018-19 Operating Revenue Sources (Millions)**




**FY 2027-28 Operating Revenue Sources (Millions)**



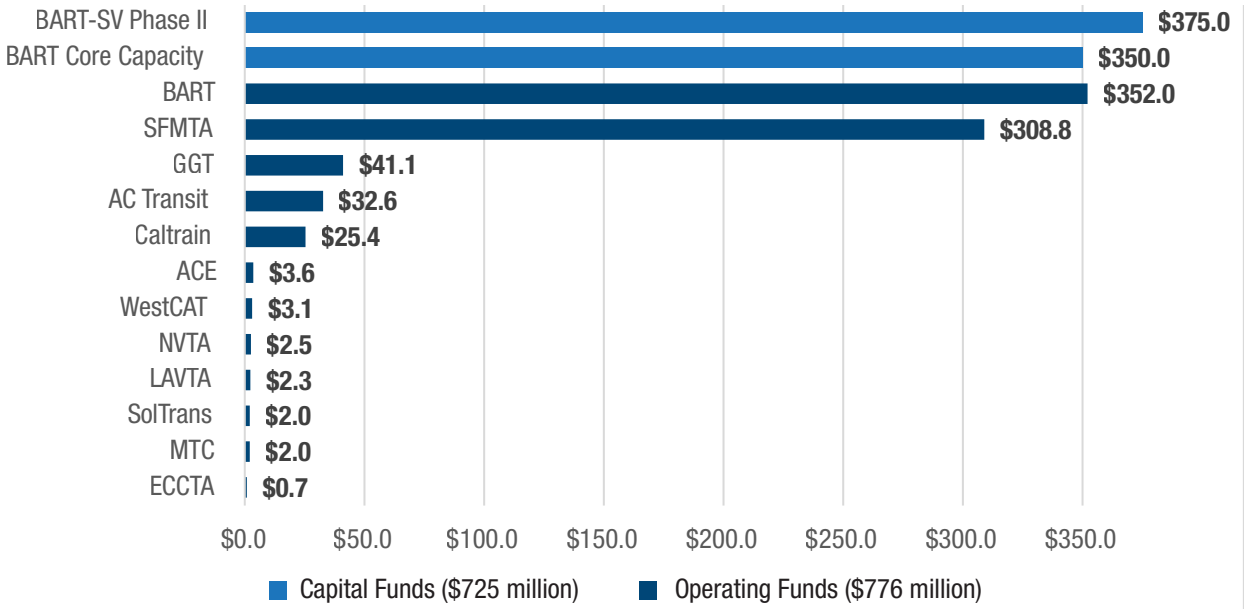

## Bay Area Response to Sustain and Improve Transit

In response to fallen ridership and ongoing financial challenges, MTC and Bay Area transit operators have taken action to increase efficiency and regional collaboration, attract and retain riders, maximize the impact of state and federal funding support, and identify potential new revenue streams. Within the first few months of the pandemic, MTC and Bay Area operators formed the Blue Ribbon Transit Recovery Task Force and developed the Bay Area Transit Transformation Action Plan, which identified a set of 27 actions that aim to reshape the transit system into a more connected, efficient, and user-focused network with efforts spanning fare integration, customer information, transit service, accessibility, and funding. As a result of the Action Plan, MTC adopted the Regional Network Management Framework in February 2023, supported by a newly-created Regional Network Management section, to continue advancing the priority initiatives identified in the Action Plan. Those early pandemic efforts to come together and solve a short-term crisis have led to the strongest regional transit coordination in the Bay Area's history, creating lasting positive change for Bay Area transit riders.

Following the passage of Senate Bill (SB) 125, which provided roughly $1.1 billion to the Bay Area as a near-term solution for sustaining transit service, MTC and Bay Area transit operators collaborated to quantify the region's operating and capital needs. In late 2023, MTC adopted a set of standardized shortfalls, which utilized consistent assumptions to assess each operator's funding need and inform the distribution of SB 125 funds in an objective manner. MTC's SB 125 Short-Term Financial Plan summarized the standardized shortfalls and proposed a combination of SB 125 funds and $300 million in discretionary regional, state, and federal funds to fulfill the region's operating and capital needs through FY 2025-26. SB 125 funds were also used to fund high-priority capital improvement projects leveraging over $6 billion in federal funds.

MTC also established a set of Regional Accountability Measures as a requirement for operators to receive SB 125 funds, providing incentives to enhance efficiency and improve

## SB 125 State and Regional Funding Plan (Millions)




customer experience, including continued participation in regional coordination initiatives as well as agency-specific projects to increase safety, improve fare collection, and implement service optimization plans. As of 2026, all $776 million in SB 125 and regional operations funding has been disbursed. Starting in FY 2026-27, the remaining $725 million in SB 125 funds will support the BART Core Capacity and BART to Silicon Valley Phase II projects.

Looking forward, MTC and Bay Area operators are engaged in a breadth of strategies to cut costs, increase ridership, and identify new funding sources. The remainder of this plan will outline the strategies in place as well as the region's future financial needs, the status of new funding initiatives, and the potential challenges MTC and operators will face in the pursuit of long-term sustainability for Bay Area transit.

(Photo: ©Noah Berger, 2023.)

(Photo: Courtesy of VTA.)

# Regional Strategies to Sustain Service and Retain Riders

At the core of transit operators' efforts to solve their financial challenges is their mission to keep the Bay Area moving with safe, reliable, affordable, high-quality public transportation. In the wake of the pandemic, Bay Area agencies have worked collaboratively and individually to enact strategies to retain and grow ridership, increase financial efficiency, and improve connectivity through regional coordination efforts led by MTC. These efforts have boosted ridership and sustained service to date and will continue to enhance the rider experience going forward.

## Service Quality and Reliability

Despite financial headwinds, Bay Area operators continue to increase service quality and reliability as a central strategy for ridership recovery and retention. While operators scaled back service to meet reduced demand and save costs early in the pandemic, many Bay Area operators have since restored or surpassed pre-pandemic service levels alongside improvements to routes, technology, infrastructure, and transit vehicles.

Several network redesign efforts launched in 2025 and 2026 have updated bus routes to enhance access, improve frequencies, expand coverage, and extend operating hours by shifting resources to higher demand areas and Equity Priority Communities without increasing operating costs. These plans aim to holistically reevaluate service and redesign bus routes to better align with post-pandemic travel patterns and economic conditions.

(Photo: ©Karl Nielsen, 2025.)

In August 2025, AC Transit implemented Realign, the agency's first major network redesign in decades. The new bus network prioritizes equity, frequency, and reliability to focus service in high-need and high-density areas while reducing delays and missed trips.

(Photo: Hannah Diaz, 2024)

The Marin-Sonoma Coordinated Transit Service Plan (MASCOTS) is a multi-year effort to streamline transit service in Marin and Sonoma counties by eliminating duplicative segments, aligning schedules, increasing connectivity, and optimizing headways across operators. Initial service changes for SMART, Golden Gate Transit, and local bus operators will take effect in 2026.

More details on the MASCOTS plan are available at mtc.ca.gov/planning/transportation/regional-transportation-studies/marin-sonoma-coordinated-transit-service-plan-mascots.

New vehicle tracking and dispatch software has also enabled operators like LAVTA and NVTA to improve on-time performance, headway management, and transfer timing by fine-tuning schedules and giving bus operators real-time schedule adherence information. Supported by MTC funding programs including the Bus Accelerated Infrastructure Delivery (BusAID) grant program, ongoing implementation of bus priority infrastructure such as transit signal priority, queue jumps, bus lanes, and curb management will further increase speed and reliability.

Other capital improvements such as recent procurement of new buses, including hybrid and battery electric vehicles, have lowered the region's average fleet age and improved safety and cleanliness for riders. BART and Caltrain have also fully replaced their train fleets with next-generation vehicles that are quieter, cleaner, and more spacious, increasing passenger comfort while lowering maintenance costs and reducing delays.

## Rider Experience and Safety

A top priority to attract riders back to Bay Area transit is ensuring the safety and security of riders, staff, and other road users. As operators continue to conduct regular risk assessments and staff trainings in collaboration with local safety authorities, many have also made upgrades to facilities and vehicles such as new lighting, cameras, collision detection systems, and access control systems. Other improvements have included updated rider code of conduct policies to establish specific rules and procedures for addressing safety concerns, as well as enhanced sanitization and cleaning since the onset of the pandemic.

In addition to safety, operators have engaged in a variety of efforts to improve customer experience by making Bay Area transit services more accessible and user-friendly. Real-time arrival information is available at hundreds of bus stops and rail stations

(Photo: ©Karl Nielsen, 2024.)

SolTrans, Tri-Delta Transit, and WestCAT are conducting Comprehensive Operational Analyses (COAs) to reevaluate service offerings in the context of post-pandemic transit needs and travel demand. These plans will adjust routes, frequencies, and service hours to improve access, reliability, and productivity without increasing operating costs.

(Photo: Joey Kotfica, 2025.)

Efforts from the Bay Area TRANSFER Plan have culminated in multiple "Big Sync" schedule changes. In August 2025, schedules for BART, Caltrain, and 18 local and regional bus routes were adjusted at four transit hubs across the Bay Area. Ideal transfers – where wait times are less than 10 minutes – at those stations were increased by 33% on weekdays and 47% on weekends, saving riders up to 20 minutes per trip.

throughout the region, and that number is increasing as agencies like ACE and Tri-Delta Transit continue to roll out digital signage along with other improved stop and station amenities including new shelters, lighting, restrooms, maps, and schedules. Several agencies have improved their online presence, with updated websites, informational videos, social media posts, and online schedules and maps. Regular customer appreciation and engagement events also help agencies promote their service, educate customers on special fare programs, and connect with riders to better understand their needs. Additionally, operators have leveraged special event services for sports games, cultural events, and school trips to reach new market segments.

Regionwide, operators have participated in schedule coordination with transit agency partners to reduce passenger wait times at interagency transfer points such as commuter bus connections to BART. Transit agencies also worked together to shift to a common operator sign-up schedule to facilitate simultaneous implementation of schedule changes. The Bay Area TRANSFER Plan identified opportunities for improved transfer timing at key regional hubs throughout the region, resulting in coordinated schedule changes at BART and Caltrain stations.

## Regional Network Management

Beyond the efforts of individual operators, MTC is collaborating with agencies on a series of regional coordination initiatives to maximize the impact of Bay Area transit as one interconnected regional network. Guided by the Transit Transformation Action Plan (Action Plan), the Regional Network Management Council oversees the work of staff and working groups that collaborate across agencies and carry out initiatives to improve fare integration, mapping and wayfinding, transit priority infrastructure, and accessibility.

Ongoing enhancements to Clipper, the Bay Area's unified fare payment system, include the Clipper START and Clipper BayPass programs in addition to the Next Generation Clipper system, which aims to improve affordability, facilitate transfers, and upgrade fare systems regionwide. Clipper START offers a 50% discount for low-income riders on all Bay Area transit services in a consolidated program. Since 2022, regional partners have also conducted a two-phase pilot of Clipper BayPass to study the potential impacts of a single unlimited pass for all public transit services in the Bay Area. Next Generation Clipper began rolling out in December 2025 to modernize fare collection regionwide by offering improved account management, instant access to added value, and acceptance of contactless debit and credit cards. The updated Clipper system also automates new free and discounted transfers between

(Photo: ©Noah Berger, 2025.)

operators and expands access to senior and youth discount programs with online enrollment.

The Regional Mapping and Wayfinding Project is working to make it easier to ride transit in the Bay Area by making wayfinding materials (maps, signs, etc.) more consistent and easier to identify.

(Photo: ©Noah Berger, 2025.)

In 2024, the Regional Mapping and Wayfinding Project installed prototype maps and signs at the El Cerrito del Norte BART station and Santa Rosa Transit Mall. The prototype evaluation found that new wayfinding materials significantly improved riders' ability to use transit and find needed information. In the next phase of the pilot, new signage and maps are being installed on select bus routes and at nine major transit hubs around the region.

Led by MTC in partnership with local agencies, the project is developing regional standards to make navigating transit more intuitive and accessible for all riders. Starting in 2024, prototypes of new maps and signs were installed at test locations such as El Cerrito and Santa Rosa to gather initial public feedback. MTC is now advancing pilot installations at nine major transit hubs and select bus corridors, the results of which will inform final design standards for use throughout the region.

In addition to funding programs and technical assistance, MTC's transit priority efforts have included the adoption of an official Transit Priority Policy for Roadways, which serves as guidance for the ongoing Transit Priority Roadway Assessment. This assessment, anticipated for completion in early 2027, will evaluate the need for and help prioritize investments in transit priority projects throughout the Bay Area, as well as create a design toolkit to enhance local capacity to incorporate transit-supportive elements into projects.

As part of the Action Plan's recommendations to improve regional accessibility, MTC launched the paratransit one-seat ride pilot program in 2026. This initiative funds programs to provide paratransit rides across

agency boundaries without transferring to another paratransit service, including the development of cost-sharing policies. The program builds upon existing coordination in the region to improve customer experience and ease of mobility for paratransit users.

## Fare Collection and Financial Efficiency

As the greatest source of revenue loss in the past six years, passenger fares have been a central focus for balancing transit finances across the Bay Area. In response to reduced fare revenues, operators have updated their fare policies and fare technology to maximize revenues while maintaining transit affordability. Fare increases have helped operators to keep pace with inflation in recent years, which is especially critical for operators with historically high farebox recovery. To moderate the impacts of raising fares, agencies are also taking steps to lower barriers by offering discount programs, fare capping policies, and special free and discounted fare programs for seniors and students.

Operators have also taken direct interventions to increase fare collection, including infrastructure investments, education, and enforcement. In August 2025, BART completed the installation of new fare gates in all stations with upgraded technology to offer more ways to pay, increase safety, and mitigate fare evasion. SFMTA conducted two public education campaigns in 2024 and 2025 with advertisements posted on transit vehicles and online that teach riders the importance of paying their fare. SFMTA and other rail operators in the region have also ramped up enforcement by hiring additional fare inspectors to educate riders and enforce penalties.

(Photo: ©Karl Nielsen, 2025.)

BART's Next Generation Fare Gates are designed to increase reliability and passenger throughput and serve as a strong deterrent against fare evasion. The gates offer new technology including tap-to-pay readers compatible with Next Generation Clipper and sensors to detect fare evasion as well as provide more time for people with wheelchairs, bikes, strollers, and luggage to pass through the gates.

Diminished operating revenues have also prompted Bay Area transit agencies to seek financial efficiency measures across fixed and variable costs including labor, fuel, and maintenance. Some agencies identified opportunities to reorganize departments and adjust staffing levels in response to changing conditions. The Caltrain Modernization Program lowered fuel costs by electrifying service from San Francisco to San José. In periods of reduced demand, BART shortened the length of its least crowded trains to maximize physical and fiscal resources. Agencies have also revised capital plans to defer or eliminate capital projects where possible, increasing the amount of revenues available for operations. However, operators still face significant state of good repair needs and continued challenges when balancing operating needs with critical projects to ensure the safety of passengers and the continued operation of transit services.

# Regional Strategies for Future Financial Stability

Even with the Bay Area's continued efforts to raise revenues, increase efficiency, and maximize regional coordination, existing revenue sources would leave many transit operators with significant operating shortfalls beginning in July 2026. Given the urgency and scale of the region's funding needs, MTC and operators have partnered with city, county, and state policymakers to identify immediate funding solutions including seeking authorization for a multi-county ballot measure that would secure dedicated revenue streams through 2040.

## Loans for Fiscal Year 2026-27

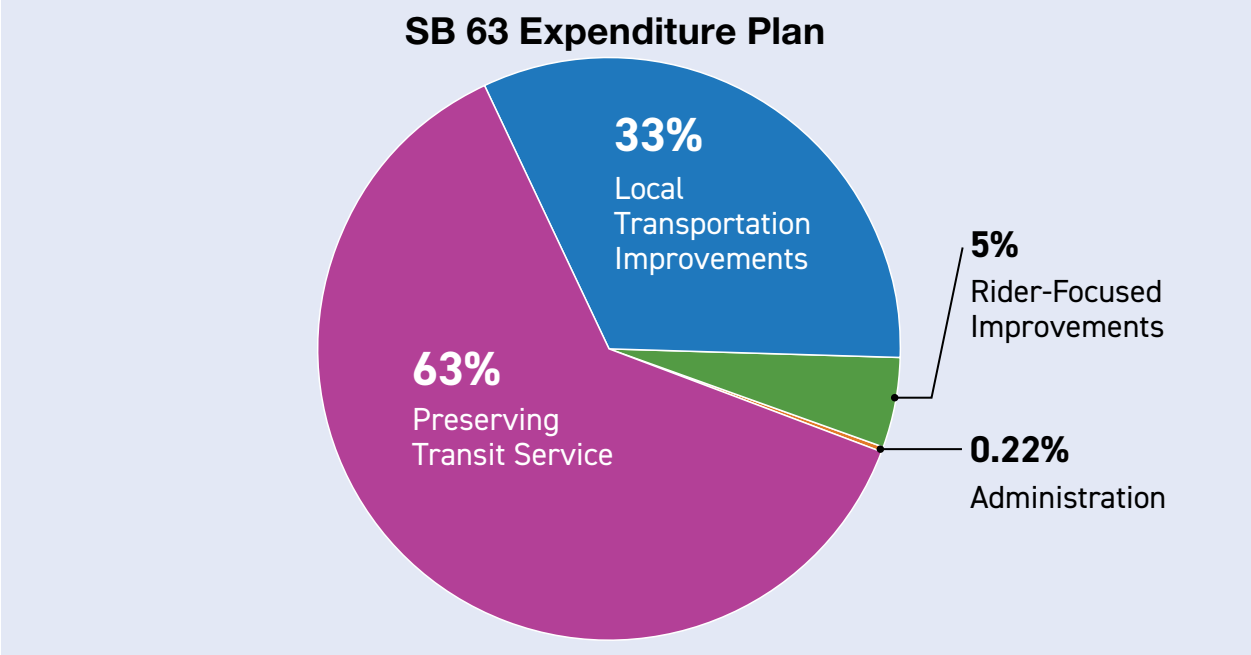
Fiscal Year 2026-27 represents a transitional year for Bay Area transit, as short-term operating support from SB 125, federal, and local programs concluded in FY 2025-26 and funds from the potential SB 63-authorized measure and the potential San Francisco parcel tax measure may not be available to operators until FY 2027-28. To bridge this funding gap, the Bay Area's largest operators are planning on strategic short-term borrowing.

The California Legislature acted in February 2026 to pass Assembly Bill 117 (AB 117), which provides MTC with a one-time $590 million loan of state funds to assist AC Transit, BART, Caltrain, and SFMTA with their budget shortfalls. The loan term is for 12 years with interest-only payments for the first two years.

## Senate Bill 63 Revenue Measure

A central piece in the Bay Area's strategy to sustain future transit service is Senate Bill 63 (SB 63), also called the Connect Bay Area Act, enacted in October 2025 to authorize a transportation funding measure on the November 2026 ballot in Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara counties. The measure would generate approximately $1 billion annually to sustain and improve transit operations and would be funded by a 14-year regional transportation sales tax (0.5% in each county except San Francisco, where the rate would be 1%). The measure would be administered by the newly established Public Transit Revenue Measure District, governed by the same board as MTC.

The SB 63 expenditure plan focuses on Bay Area transit operators with ongoing shortfalls that operate primarily within the participating counties. Approximately 63% of the measure's revenues would be dedicated to keep buses, trains and ferries moving on BART, Muni, Caltrain, AC Transit, San Francisco Bay Ferry, East Bay bus agencies and Golden Gate Transit. About one-third is guaranteed for Santa Clara Valley Transportation Authority (VTA), SamTrans, Contra Costa Transportation Authority, and Alameda County Transportation Commission, who have the flexibility to use the money for transit infrastructure and vehicles, running transit service, or paving roads with regular bus service. Around 5% would fund improvements to the rider experience by making transit faster, more affordable, more accessible for seniors and people with disabilities, and easier to navigate with improved signage. Finally, up to 0.22% can be used for measure administration costs incurred by MTC and the new Public Transit




Revenue Measure District. Measure proceeds can also cover specified one-time costs, such as election costs.

To ensure accountability and enhance financial efficiency for the largest recipients, SB 63 requires BART, Muni, Caltrain and AC Transit to participate in a Financial Efficiency Review conducted by an independent third party. The first phase of this review, completed in May 2026, summarized past cost-saving measures deployed by these four operators and identified early action strategies that would assist operators in improving rider outcomes and cost effectiveness moving forward.

If voters approve a measure authorized by SB 63 on the November 2026 ballot, additional oversight provisions will take effect, including an independent oversight committee, maintenance of effort requirements, and a process for counties to enforce accountability standards for transit agencies receiving SB 63 funds.

## San Francisco Revenue Measure

San Francisco officials and SFMTA have proposed a parcel tax measure to raise funds specifically for SFMTA as a complement to the SB 63 measure. This measure, which would also appear on the November 2026 ballot, would impose a 15-year progressive parcel tax on property owners, with higher rates for larger properties. The measure is anticipated to collect approximately $150 million annually and is designed to work alongside the five-county SB 63 measure to provide a sustainable source of transit revenue to help close SFMTA's operating

(Photo: Joey Kotfica, 2021.)

# Five-Year Financial Plan

Over the next five years, the greatest challenge for Bay Area transit will be to sustain high quality transit service in an environment where operating costs tend to outpace available revenues. This five-year forecast focuses on the 11 Bay Area transit agencies that received SB 125 operating support under MTC's standardized shortfalls framework: AC Transit, ACE, BART, Caltrain, Golden Gate Transit, LAVTA, NVTA, SolTrans, SFMTA, Tri-Delta Transit, and WestCAT. The remaining 16 operators have not faced significant operating shortfalls in recent years and are expected to continue receiving sufficient revenues to meet costs over the near term.

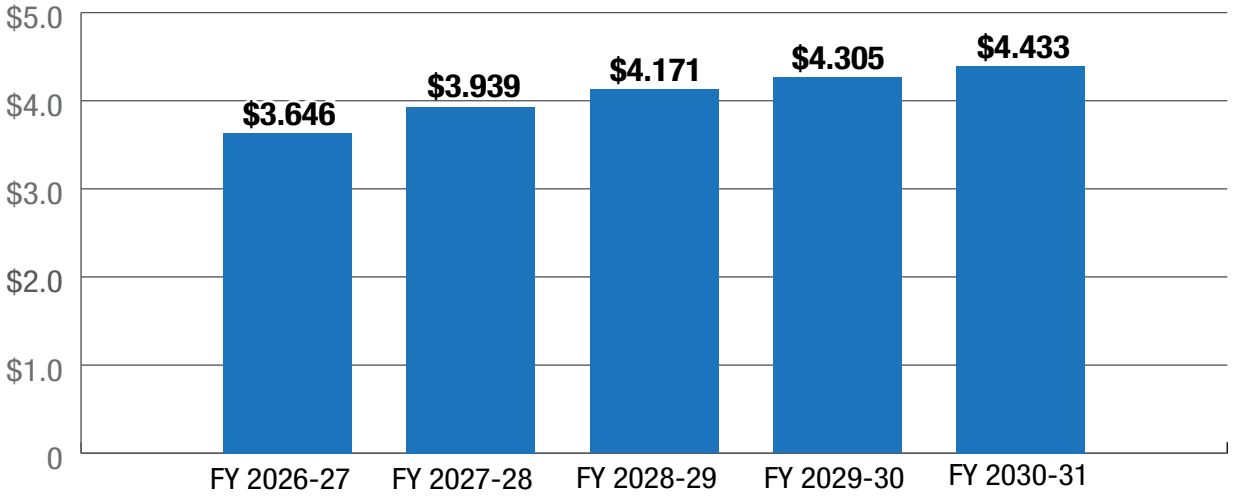
This analysis represents costs and revenues for maintaining current levels of service, where annual increases are a result of projected inflation, cost escalation, and ridership growth only. Financial figures are shown as the sum of near-term or projected budgets as reported by the 11 included agencies.

## Operating Expenses

From FY 2026-27 to FY 2030-31, operating costs for these 11 operators are forecast to increase from over $3.6 billion to more than $4.4 billion, at an average annual growth rate of 5.0%. In addition to expected annual inflation, operating costs will grow due to expenses that tend to outpace inflation such as labor, maintenance, and energy. Operators with contracted service will also experience one-time increases of up to 15% when renewing contracts. Beginning in FY 2026-27, the recipients of the AB 117 state loan will have increased debt service costs, including interest-only payments in the first two years followed by principal and interest payments for ten years starting in FY 2028-29. The highest repayment year is likely to be FY 2028-29, when estimated loan balances and interest rates could result in approximately $83 million in total repayment costs that year.

Future service improvements could raise costs beyond what is included in this forecast, if operators have opportunities to add trips, expand service areas, and increase capacity to meet growing transit demand across the

**Estimated Operating Expenses for Agencies with Projected Shortfalls (billions)**



region. Any service increases would be limited by operators' ability to fund additional service with increased revenues, likely from higher fare revenues stemming from ridership growth.

## Operating Revenues

From FY 2026-27 to FY 2030-31, operating revenues for these 11 operators are forecast to increase from over $3.5 billion to more than $4.1 billion, at an average annual growth rate of 4.1%. Other than fares, which are projected to increase over time due to assumed ridership growth, revenue growth from sources such as sales taxes are often limited to inflation-related escalation. Some revenue sources tend to grow slower than inflation unless they are directly increased, such as bridge tolls and fuel taxes, further slowing revenue growth relative to rising operating expenses.

**Estimated Operating Revenues for Agencies with Projected Shortfalls (billions)**

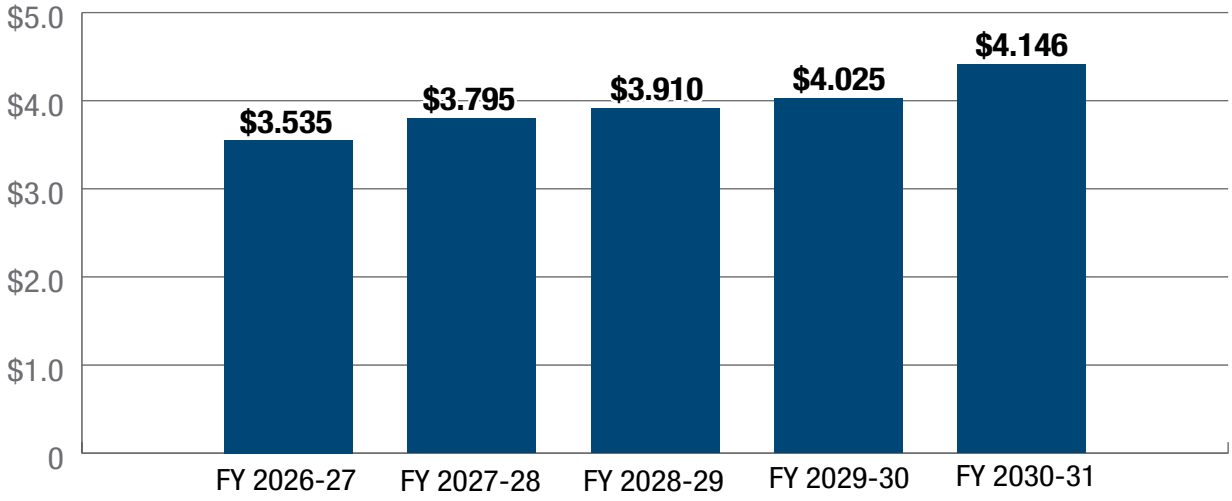


Table 1.
## Five-Year Operating Revenue Forecast for Agencies with Projected Shortfalls (FY 2026-27 to FY 2030-31)

| Revenue Source | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 |
|---|---|---|---|---|---|
| **Existing Sources** | | | | | |
| **Local** | 1,475 | 1,529 | 1,569 | 1,602 | 1,637 |
| **Regional** | 202 | 199 | 201 | 205 | 208 |
| **State** | 340 | 352 | 361 | 371 | 380 |
| **Federal** | 36 | 37 | 37 | 38 | 39 |
| **Passenger Fares** | 570 | 623 | 658 | 700 | 741 |
| **Parking** | 235 | 212 | 214 | 217 | 219 |
| **Other** | 86 | 85 | 85 | 87 | 88 |
| **Borrowing** | 590 | - | - | - | - |
| **Potential Sources (Subject to Voter Approval)** | | | | | |
| **SB 63 Measure*** | - | 593 | 613 | 633 | 655 |
| **SF Parcel Tax*** | - | 166 | 170 | 174 | 178 |
| **Total** | **3,535** | **3,795** | **3,910** | **4,025** | **4,146** |

Note: Numbers may not sum due to rounding

*SB 63 measure and San Francisco parcel tax values represent estimated revenues if ballot measures are approved by the voters. This analysis assumes revenues from both measures would be available to operators beginning in FY 2027-28 if approved.

Table 1 shows the breakdown of projected operating revenues over the five-year period. Existing dedicated sources from local and federal programs are expected to grow around 2.5% to 3% annually as sales tax receipts, assessed property taxes, and federal formulas increase over time. Regional funds, which primarily come from bridge tolls, are forecast to grow more slowly in proportion to increases in bridge crossing volumes. Most operators project annual increases in fare revenue greater than 5%, mirroring observed trends in ridership growth since 2020. Other directly generated sources such as parking, advertising, and rental income are expected to grow more gradually, similar to estimated inflation rates. Strategic borrowing, including funds from the AB 117 loan, will provide additional revenues in FY 2026-27 AC Transit, BART, Caltrain, and SFMTA.

Estimated revenues from the potential SB 63 sales tax and San Francisco parcel tax measures are shown starting in FY 2027-28. Each measure would be expected to provide annual revenue increases on track with inflation. Out of the 11 operators with shortfalls, AC Transit, BART, Caltrain, Golden Gate Transit, LAVTA, SFMTA, Tri-Delta Transit, and WestCAT would receive SB 63 measure revenues. Along with the county transportation agencies and MTC, five other operators not included in this analysis (County Connection, SamTrans, San Francisco Bay Ferry, Union City Transit, and VTA) would also receive SB 63 measure revenues for an estimated regional total of $975 million in FY 2027-28, 63% of which would directly contribute to transit operators' budgets. Both measures are subject to voter approval at the upcoming November 3rd, 2026 election.

(Photo: Courtesy of SamTrans)

## Operating Balance

Table 2 shows the resulting operating balance for the 11 Bay Area operators. Although the other 16 transit operators are not included, these figures represent the overall balance for the entire region because the excluded operators are not anticipated to face surpluses or shortfalls in the next five years. When including potential revenues from the San Francisco parcel tax and SB 63 measures as well as the AB 117 loan, the Bay Area faces a potential FY 2026-27 shortfall of $111 million at current service levels based on projected revenues. While loans and potential revenue sources mayfulfill the operating shortfalls of some Bay Area operators, other operators will continue to face funding gaps and may have to take steps to resolve their anticipated shortfalls.

To close this shortfall for the coming fiscal year, operators are developing various approaches to reduce operating costs, defer one-time costs, shift capital funding to operations, collect more funds from existing sources, or find other revenue sources. Although funds from the SB 63-authorized measure are anticipated to be available starting in FY 2027-28 if approved, some operators are also planning to use revenues accrued in FY 2026-27 to fund that year's operating expenses. Under the assumption of no changes to service levels, the regional shortfall is forecast to increase in the following four years due to rising costs outpacing revenue growth, reaching $287 million in FY 2030-31.

### Table 2.
### **Five-Year Operating Balance Forecast for Agencies with Projected Shortfalls** (FY 2026-27 to FY 2030-31)

| Category | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | FY 2030-31 |
|---|---|---|---|---|---|
| **Expenses** | (3,646) | (3,939) | (4,171) | (4,305) | (4,433) |
| **Existing Revenues** | 3,535 | 3,036 | 3,127 | 3,219 | 3,313 |
| **Potential Revenues** | - | 759 | 783 | 806 | 833 |
| **Surplus/(Shortfall)** | **(111)** | **(144)** | **(261)** | **(280)** | **(287)** |

Note: Numbers may not sum due to rounding

# Next Steps

## Implement SB 63 Financial Efficiency Review Early Action Strategies

By July 1, 2026, the four agencies participating in Phase 1 of the SB 63 Financial Efficiency Review will adopt a set of early action strategies adopted by the SB 63 Financial Efficiency Review Independent Oversight Committee. These strategies represent opportunities for near-term action that are within agencies' direct control, as well as intermediate steps that can help advance longer-term strategies. They focus on actions that transit agencies can reasonably implement or study within the next one to three years to improve service delivery and enhance customer experience using existing resources. Throughout the three-year period, MTC will track progress on the early action strategies through established accountability reporting procedures linked to the approval of annual operating allocations.

Should the proposed SB 63 ballot measure succeed, Phase 2 of the Financial Efficiency Review would begin in 2027. Phase 2 would focus on identifying a menu of cost-saving measures that could reduce one-time and ongoing fixed and variable costs for the four transit agencies, as well as conducting a comprehensive regional assessment of development and financing strategies to maximize the value of real property assets owned by each transit agency.

## Prepare for Near-Term Financial Uncertainties

The magnitude of operators' operating shortfalls in FY 2026-27 and beyond will greatly depend on the results of the November 2026 election. In particular, the proposed SB 63 measure could provide nearly $1 billion in annual revenues across the five contributing counties, 63% of which would be invested directly to sustain public transit, requiring agencies to prepare for vastly different outcomes within the next year. Although revenues from the proposed measures may not reach operators until the start of the following fiscal year or later, current service levels may not be sustainable as soon as early 2027 if one or both measures are not enacted. In preparation, some operators like BART are developing two versions of their agency budget, reflecting the different revenues available in the case of approval or rejection of the proposed SB 63 measure.

(Photo: Rebecca Long, 2023.)

(Photo: Joey Kotfica.)

Bay Area operators are also preparing for uncertainty by adapting service plans to maximize existing funding sources. Routes, frequencies, and hours of operations may be adjusted to prioritize key corridors, time periods with high demand, services with riders who rely on transit, and financially efficient services to make the best use of available revenues. Before and after the election, operators will continue to closely monitor expenditures and cash flow to ensure a balanced budget by the close of the fiscal year.

(Photo: Courtesy of VTA)

## Capitalize on Regional Coordination Efforts

Building upon regional coordination efforts which began at the start of the pandemic, MTC and transit operators will continue collaborating to improve the rider experience and regional efficiency. Service changes coming this year, including the MASCOTS plan implemented in April 2026, will boost frequencies and take advantage of interagency connectivity to do more with limited resources. Many Regional Network Management initiatives are also set to mature over the next year, including pilot projects for the paratransit one-seat ride program and rollouts of the new mapping and wayfinding standards. Transit priority projects across the region will begin reaching completion by early 2027, and Next Generation Clipper implementation will finish in 2026 as all users and accounts are fully transitioned to the new system. These regional initiatives aim to make the rider experience faster, more accessible, and more convenient, ultimately paving the way towards a financially sustainable transit system for the Bay Area.

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