



February 16, 2022

The Honorable Toni G. Atkins
Senate President Pro Tempore
California State Senate

The Honorable Anthony Rendon
Assembly Speaker
California State Assembly

The Honorable Nancy Skinner
Chair, Senate Budget and
Fiscal Review Committee

The Honorable Phil Ting
Chair, Assembly Committee on Budget

Re: Transportation Funding in FY 2022-23 State Budget

Dear President Pro-Tem Atkins, Speaker Rendon, Chair Skinner and Chair Ting:

The Metropolitan Transportation Commission (MTC) and the undersigned public transit agencies, county transportation agencies and other key partners are writing to share our continued support for the Administration’s \$4.2 billion request for funding from Proposition 1A to complete the Central Valley segment of high-speed rail and reiterate our request for a minimum of \$10 billion statewide from General Fund surplus revenues to support local and regional transportation priorities with the first 80 percent of the funds distributed as follows:

- At least \$5 billion for public transit statewide
- \$2 billion for active transportation
- \$1 billion for climate resilience funding to protect our surface transportation system

These funds will help California compete for highly competitive federal grant programs established or expanded by Congress under the Bipartisan Infrastructure Law. Our request leaves \$2 billion subject to more deliberation given the diverse needs across the state, including clean freight, railroad safety and grade crossings, highway mobility improvements, transportation electrification, and critical roadway and bridge repairs, including the seismic retrofit of the Golden Gate Bridge. Our Southern California partners are calling for \$19 billion statewide, across various categories, including at least \$10 billion for public transit and \$2 billion for trade corridors. As you contemplate how to balance competing priorities, we would urge you to be bold and seize this moment to help deliver the sustainable, affordable and equitable transportation system we are already planning and that the Golden State deserves.

Transit Operating Funding Also Needed: Federal Funds Will Start to Run Out in 2023

Among Bay Area operators, fare and other revenues continue to remain far below pre-COVID levels. Transit agencies were given a crucial lifeline with federal relief funding. However, the Bay Area is experiencing the slowest transit ridership recovery in the nation and federal relief funds for some operators will be exhausted beginning in 2023, before revenues are expected to recover. In total, an average annual deficit of over \$500 million is projected for Bay Area operators over the next five years. Like our Southern California transportation partners, we urge

the Legislature to augment transit operating funding, in addition to the \$5 billion for transit capital, to provide transit agencies with a financial safety net so that they can continue to provide reliable service for the state's most vulnerable residents while also attracting new riders. We recommend distributing these funds by formula and separate from any transit capital funds in light of State Appropriations Limit (SAL) concerns.

Response to Governor's Budget— Augment General Fund Support for a Climate-Friendly, Safer and More Equitable Transportation System

The Governor's FY 2022-23 Budget requests \$2 billion for the Transit and Intercity Rail Capital Program (TIRCP) statewide. While we appreciate that this doubles what Governor Newsom requested for TIRCP as part of last year's transportation package, it is still far below what's needed to deliver on the state's Climate Action Plan for Transportation Infrastructure (CAPTI) and create a robust, accessible, and integrated Northern California transit network. Given the magnitude of the budget surplus and concerns with the SAL, we continue to urge you to be bold and invest **at least \$5 billion in public transit capital needs statewide.**

Bay Area project needs that could be funded from this allocation include a range of priorities across our systems, including:

- Transit facilities and infrastructure, including zero emission bus charging facilities
- Vehicle fleet replacement and expansion, to transition to a zero emission fleet
- Service expansion and corridor enhancements
- Transit Station upgrades for improved accessibility

All these projects work together to create synergistic benefits throughout the interconnected nine-county Bay Area. For example, the completion of large capital projects such as Caltrain Electrification, BART to Silicon Valley Phase 2, and BART Core Capacity will enhance transit service, cut down on travel times and transfers, connect to future rail networks, and remove cars off the Bay Area's congested highways. Other projects, such as the Downtown Rail Extension and Diridon Station, are integrally linked to the Bay Area realizing the full benefits of High Speed Rail. Our smaller operators likewise have significant underfunded needs related to transit electrification, station improvements, and expansion/modernization projects, such as Valley Link, among other needs.

Invest More in Active Transportation and Climate Resilience

We continue to support our original request for \$2 billion for active transportation and \$1 billion for climate resilience, both significantly higher than the Governor's request of \$750 million related to active transportation/safety and \$400 million for climate resilience. These investments lift up equity, as our poorest, most vulnerable communities suffer disproportionate gaps when it comes to bike and pedestrian safety and face the most climate change-driven impacts.

Bay Area projects that could be funded from these categories include, but are not limited to:

- Build a complete streets network, including 10,000 miles of new bike lanes and paths
- First mile/last mile connectivity
- Shared use paths/streetscapes

- Sea level rise mitigation, including marsh restoration, levees, and seawalls to protect adjacent highways and local roads, such as State Route 37, and communities from flooding and inundation.

Ensure Geographic Equity in Distribution of Transit Funds

In addition to seeking more funding for public transit, we continue to recommend the Legislature make use of well-established formulas to distribute most of the \$5 billion General Fund transit augmentation to help ensure geographic equity and direct funds to high-priority projects as efficiently as possible. Historically, the Legislature has done this by making use of needs-based formulas. Specific to public transit, the Legislature has relied upon the well-established State Transit Assistance (STA) formula to distribute transit capital funds via Senate Bill 1 (2017) and Proposition 1B (2006) transit funding.

Consistent with California's overall policy framework for mobility-related transportation investments, we continue to recommend a 75/25 split between formula-based funds where 75 percent of funds are directed to the regional level by formula and 25 percent of funds are selected by the state through a competitive approach. This aligns with a recent letter from Southern California transportation agencies, endorsing a mix of formula and competitive programs.

Specifically, we recommend that 75 percent of a General Fund transit capital augmentation be distributed to regions based on their *combined* population and revenue-based STA formula share. Doing so will help to get the funds to projects quickly and ensure that the projects selected are those that are best aligned with regional priorities as expressed in the sustainable communities strategies (SCS), such as Plan Bay Area 2050. This plan, just adopted last November, is forecast to cut greenhouse gas emissions by each Bay Area resident by 20 percent by 2035 (compared to 2005), but the plan requires significant new investment to come to fruition.


Allow One-Time Adjustments to TIRCP Eligibility

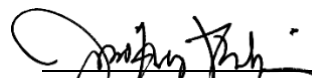
The remaining 25 percent of funds would be selected by the California State Transportation Agency through the Transit and Intercity Rail Capital Program (TIRCP). Given the one-time nature of these funds, we recommend budget trailer bill language for the General Fund augmentation to ensure that these monies can address the state's most urgent priorities that would otherwise be ineligible or not compete well under the traditional TIRCP program. See attached for a draft of proposed trailer bill language to achieve this goal.


Don't Freeze the Gas Tax


In closing, we would like to also register our concerns and opposition to the Administration's proposal to forego the automatic inflation adjustment for the gas tax, which was wisely incorporated into SB 1 in 2017, the first time the state raised the gasoline excise tax since 1994. California's transportation system continues to face significant, deferred maintenance on the state highway system and the local road network upon which buses, cyclists and pedestrians rely for safe travel. Deferring the automatic adjustments even for just one year sets a dangerous precedent that would put a \$523 million hole in transportation funding without guaranteeing any savings to consumers since there's no guarantee that the estimated 3-cent/gallon tax reduction would trickle down to prices at the pump. If the Legislature wants to help Californians struggling with high gasoline prices and rising inflation overall, we believe a direct tax rebate would be a more effective option that avoids long-term risks to our transportation system.


Thank you for your leadership and for your support of our transportation system. We look forward to working with each of you as the FY 2022-23 State Budget deliberations commence. If you have any questions regarding this letter, please contact Rebecca Long, MTC's Acting Director of Legislation and Public Affairs at rlong@bayareametro.gov or 510-504-7914.



Therese W. McMillan
Executive Director, MTC

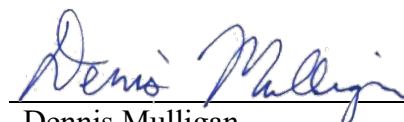

Jeff Tumlin
Director of Transportation, San Francisco
Municipal Transportation Agency



Robert Powers
General Manager, BART

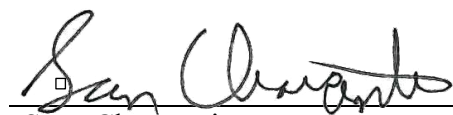

Mike Hursh
General Manager, AC Transit

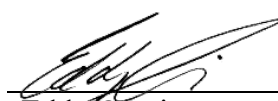

Carter Mau
Acting General Manager/CEO/Executive
Director – SanTrans/San Mateo County
Transportation Authority



Michelle Bouchard
Acting Executive Director, Caltrain

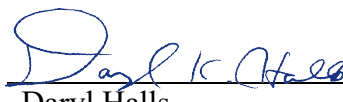

Dennis Mulligan
General Manager, Golden Gate Bridge,
Highway and Transportation District


Tilly Chang
Executive Director, San Francisco County
Transportation Authority

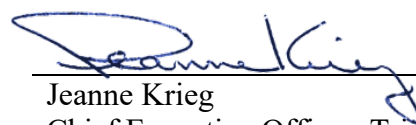

Sean Charpentier
Executive Director, San Mateo County
CCAG

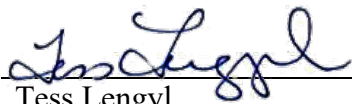

Eddy Cumins
General Manager, SMART


Tim Haile
Executive Director, CCTA


Daryl Halls
Executive Director, Solano Transportation
Authority (Solano Express)


Alicia John-Baptiste
President and CEO, SPUR



Jeanne Krieg
Chief Executive Officer, Tri Delta Transit



Tess Lengyl
Executive Director, Alameda County
Transportation Commission



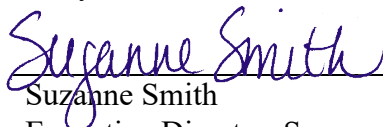
Kate Miller
Executive Director, Napa Valley
Transportation Authority (VINE)



Seamus Murphy
Executive Director, San Francisco Bay
Ferry



Anne Richman
Executive Director Transportation Authority
of Marin



Suzanne Smith
Executive Director, Sonoma County
Transportation Authority



Nancy Wheelan
General Manager, Marin Transit

cc: Bay Area Legislative Delegation
The Honorable Richard Bloom, Chair, Assembly Budget Subcommittee #3
The Honorable María Elena Durazo, Chair, Senate Budget Subcommittee #5
Mr. Toks Omishakin, Acting Secretary, California State Transportation Agency
Ms. Ronda Paschal, Deputy Legislative Secretary, Office of Governor Newsom

**Draft Proposed Trailer Bill or Budget Bill Language for
Transit and Intercity Rail Capital Program (TIRCP)**

(a) Funds appropriated to the Transit and Intercity Rail Capital Program under this Item (General Fund - 0001) shall be reserved for each of the following purposes:

(1) To support delivery of capital projects that have previously received grants from the Transit and Intercity Rail Program. In selecting projects for funding under this paragraph, the Agency shall prioritize projects that meet all of the following criteria:

A) The project has already begun construction or are within XX months of beginning construction

B) The project has experienced cost escalations or loss of matching fund sources resulting from, in whole or in part, circumstances related to the COVID-19 pandemic.

C) The project has committed federal funding that is dependent on resolution of issues identified in (B).

(2) To invest in new or upgraded infrastructure necessary to support ongoing or enhanced transit service or the transition to a zero-emission transit fleet, including maintenance and operations facilities.

(3) Other projects with a secondary nexus to greenhouse gas emissions reductions, including projects that support a transit system's ability to operate service, projects to improve access to transit, including station access improvements, and other projects to preserve or attract riders.

(4) Project development for projects or project phases included within an adopted sustainable communities strategy that anticipate seeking federal matching funds. No more than ___ percent of this appropriation shall be available for this purpose.

(b) The Agency shall establish an application review and prioritization process to award funding appropriated in this Item by June 30, 2023 in accordance with subdivision (a) that is separate and apart from the Agency's prioritization of funds for the Transit and Intercity Rail Capital Program that are not derived from the General Fund.