California Transit Association
SPUR
Bay Area Council
Bay Area Host Committee
Move California
YIMBY Action
AARP California
Seamless Bay Area
Silicon Valley Bicycle Coalition
San Francisco Bicycle Coalition
San Francisco Building and Construction Trades Council
IBEW Local 6
SEIU Local 1021 Stronger Together
SEIU California Stronger Together
San Francisco Taxi Workers Alliance
California Teamsters Public Affairs Council
California ATU Conference Board
Transport Workers Local 320
UNITE HERE!
San Francisco Transit Riders
Kid Safe SF
East Bay Transit Riders Union
NRDC
Active SGV
SF Climate Emergency Coalition
California State Legislative Board SMART
Streets for All
San Francisco Chamber of Commerce
San Francisco League of Conservation Voters
Bike East Bay
350 Bay Area Action
nextgen california
Public Advocates Making Rights Real
Urban Habitat
Sunrise Bay Area
Senior & Disability Action
Circulate San Diego
California Walks
SAMCEDA San Mateo County Economic Development Association
Vision Zero Network
TransForm
Move LA
CCAEJ
The Greenlining Institute
Greenbelt Alliance
Walk San Francisco
Richmond Family SF
Transbay Coalition
Golden Gate Bridge Highway & Transportation District
BART
SolTrans
MTS
Livermore Amador Valley Transit Authority
samTrans
Metropolitan Transportation Commission
AC Transit
SFMTA
County Connection
WestCAT
Caltrain
MST Monterey-Salinas Transit
San Francisco Bay Ferry
Tri Delta Transit
San Joaquin Regional Rail Commission
ENDC Eastern Neighborhoods Democratic Club
South Beach • Rincon • Mission Bay SB|R|MB NA Neighborhood Association
Santa Cruz Metro
Citizens' Climate Lobby San Francisco
CalBike California Bicycle Coalition
Genesis A Gamaliel Affiliate
ClimatePlan
Sustainable Claremont

The Honorable Mike McGuire
President pro Tem
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Sacramento, CA 95814

The Honorable Robert Rivas
Speaker
California State Assembly
1021 O Street, Ste 8330

Senator Scott Wiener
California State Senate
1021 O Street, Ste 8620
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Senator Laura Richardson
California State Senate
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Assemblymember Jesse Gabriel
California State Assembly
P.O. Box 942849
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Assemblymember Steve Bennett
California State Assembly
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March 5, 2025

Re: Request for $2 billion in new funding to save and improve public transit

Dear Pro Tem McGuire, Speaker Rivas, Senator Wiener, Assemblymember Gabriel, Senator Richardson, and Assemblymember Bennett:

The undersigned organizations care deeply about public transit across California. **The undersigned organizations are deeply grateful for preserving $4 billion for TIRCP and providing an additional $1.1 billion in flexible funding for public transit in 2023.** This relief funding allowed transit agencies to avert severe service cuts and to continue providing high-quality service that is critical for access, mobility, and economic recovery. It also provided the funding needed to help operators offer safer, cleaner, and more reliable service that better meets the needs of customers.

Unfortunately, while many agencies work toward new local funding solutions, they still continue to face significant fiscal pressures. These pressures come from the lingering effects of the pandemic on remote work, ongoing impacts of the pandemic on local and regional economies, safety concerns of transit riders and operators, capital costs associated with maintenance, modernization, replacement, and expansion, as well as rising operating and capital costs.

<u>Therefore, the undersigned organizations respectfully urge the state to provide $2 billion in new funding over two years for public transit beginning in fiscal year 2025 -2026 until other solutions are secured. Because recovery has been uneven and no two agencies are</u>

alike, it is critical that both operating needs and capital projects are eligible uses of the funding.

Why are transit operators facing budget shortfalls?

Unfortunately, California's largest and most productive transit systems continue to face a severe and imminent operating deficit, but almost all agencies have significant operating needs.

Many transit agencies in the state continue to face fiscal challenges due to a combination of the lingering effects of the pandemic on remote work, ongoing impacts of the pandemic on local and regional economies, capital costs associated with maintenance, modernization, replacement, and expansion, as well as inflationary pressures. These continued financial challenges are not the result of mismanagement or inefficiency, but rather due to factors largely beyond their control.

The effects of the pandemic have been dramatic and ongoing, and they have impacted agencies unevenly because each agency has a different mix of revenue sources. Those that were largely self-supporting pre-pandemic through fares, parking fees, and local taxes - such as BART and Muni - continue to suffer the most and have the large, acute operating shortfalls starting in FY2026.

The largest and most productive operators in the state have the most acute operating shortfalls. Muni, BART, AC Transit, and Caltrain- account for more than 80% of the Bay Area's transit ridership and nearly a third of all ridership in the state. Given that they account for so much of California's transit ridership, their vulnerability jeopardizes the state's ability to reduce climate pollution and improve equity and affordability.

While some agencies have acute operating shortfalls, almost all agencies have significant needs for operating funding. Additional expenses to improve the cleanliness and safety, such as enhanced cleanings, fare inspectors, and crisis intervention specialists come from agencies' operating budgets. Other agencies also have operating needs that predated the pandemic. For example, Inland California has grown faster than any other part of the state and these communities need additional transit service to meet their needs. Additionally, agencies that are expanding their systems require both new capital funding *and* new operating funding because it will cost more to operate and maintain the larger systems. For all these reasons, many transit operators across the state have significant operating needs.

Transit agencies also need funding for capital investments.

Most transit agencies also have significant capital needs. Transit agencies must comply with the CARB ICT rule, which requires transit operators to replace their buses with zero-emission buses that are significantly more expensive than existing fleets, requiring significant capital funding. Additionally, the Olympics, Paralympics, and World Cup will draw attention to California and are all reasons to accelerate capital investments. Importantly, transit expansions require both new capital funding and new operating funding because it will cost more to operate and maintain larger systems.

The state also has 4 projects in the FTA Capital Investment Grant pipeline, and two - the extension of BART to San José and Santa Clara and the Portal - are expecting full funding grant agreements. In light of the new federal administration, these projects and agreements face an uncertain future. Many of these projects are already very expensive, are already supported through local taxes, and face inflationary pressures. A four year construction delay will increase the costs of these projects significantly.

Soon, our state will be on the world stage as host to the World Cup, the Olympic and Paralympic Games, and the Super Bowl. Hundreds of thousands of spectators will need to use public transit to get to events. Providing a safe, clean and comfortable experience for spectators requires substantial investment. Further, completing new rail and bus lines and making first- and last-mile connections are needed to help spectators move safely and comfortably. Yet there is significant uncertainty about whether the federal government will approve outstanding funding requests to prepare for these events. Further, when Los Angeles and Paris were awarded the honor of hosting the 2024 and 2028 summer olympics, both cities committed to hosting games that helped support climate goals and left lasting benefits to the cities and their residents. Both cities committed to achieving this through transportation. Paris used the opportunity to expand their bicycle network –now one of the best in the world. Los Angeles committed to a Car-Free Olympics, but we remain far from achieving that commitment. This is the time to accelerate our investments for the benefit of both visitors and residents.

Transit operators need more financial support now while they simultaneously work towards self-help options.

Many operators and counties are considering new revenue streams in light of financial challenges. However, these could take multiple election cycles; by then, it will be too late. Many operators hit a fiscal cliff in FY26-FY27 and will have to take drastic actions. Multi-year funding from the state can prevent these drastic actions.

For example, San Diego MTS expects a budget deficit of roughly $100 million per year starting in 2027, and is exploring fare increases, service cuts, and a ballot measure to fill the gap–though recent ballot measures have not passed. Counties in the Bay Area are progressing towards a new multi-county tax measure for transportation, it could take multiple election cycles for voters to pass such a measure. If that happens, BART, Caltrain, AC Transit, and other smaller operators will also be facing a fiscal cliff before 2028. And even if the measure were to pass in 2026, Muni would still have a significant funding shortfall. A multicounty measure as currently discussed by MTC would significantly help BART, Caltrain, and AC Transit but would not solve Muni's operating shortfall.

Simply put, additional funding is again needed as a bridge until additional sources are secured.

What will happen without intervention?

Without intervention, transit agencies will have no choice but to cut service, defer maintenance, and halt capital investments and construction.

Transit agencies will be forced to cut service will make it impossible to recover and grow ridership, which is counterproductive to the state's goal of increasing ridership, as frequency is foundational for ridership. This is especially true for rail agencies, which cannot cut their way to a balanced budget due to high fixed costs.

Transit agencies are also deferring maintenance and delaying capital investments to save money. To close budget deficits, some transit agencies have started to defer vehicle maintenance, which is simply borrowing against the future. This is ultimately more costly in the end because maintenance is more cost-effective than repair and replacement. Infrastructure that falls into disrepair can lead to safety and reliability problems, which can dissuade people from riding.

To close a $35 million deficit in FY2026, BART is deferring capital investments. Among other approaches such as significant reductions in service or delaying the move to zero emissions technologies, San Diego MTS is considering shifting $160 million of federal and state money now devoted to capital projects and maintenance to operations. MTC shifted $130 million in federal transit funds from its transit capital program to operating costs to help sustain transit operations. When maintenance and capital investments are halted, there are fewer opportunities for high-quality unionized workers and capital costs will increase due to delays.

California will not be able to meaningfully improve affordability without public transit.

In addition to the critical role that public transit plays in achieving the state's climate goals, it must also be part of any strategy to make California more affordable. The state's overreliance on cars is fueling the affordability crisis in new ways. Today, car ownership is the second largest expense for Californians, second only to housing.[1] Without predictable and adequate funding for public transit, California will not be able to tackle the affordability crisis in any real way nor realize the dream of a *California for All.*

Put simply, there is no affordable substitute for high-quality public transit. In places that have little or no public transit, people own more cars, drive more, and therefore pay more for mobility, with the median income household paying between $1100-$1600 per month for transportation. In high-cost housing markets, the ability to rely on transit for some or all of their mobility needs is how many people make ends meet. Californians are undoubtedly going to feel it in their wallets when they have to rely on ride-hailing services or purchase a car if transit agencies are forced to cut down service.

California will undermine its housing policies if public transit declines.

In recent years, California has passed countless laws that make it easier to build housing near transit in order to make the state more affordable to middle- and low-income households. These include streamlined approvals for housing in transit-oriented locations, waiving parking minimums in order to reduce the cost of building, extra density bonuses for affordable housing, and more.

Yet major budget shortfalls are causing transit operators to reduce transit frequency and to consider eliminating stops entirely. These landmark housing laws will be significantly weakened or rendered ineffective without high-quality public transit. This, in turn, will undermine California's efforts to produce desperately-needed housing and will reduce good-paying jobs from transit-oriented construction.

For all these reasons, the undersigned organizations respectfully urge the state to provide $2 billion in new funding over two years for public transit beginning in fiscal year 2025 -2026 until other solutions are secured. Because recovery has been uneven and no two agencies are alike, it is critical that both operating needs and capital projects are eligible uses of the funding.

California has ambitious goals that depend on high-quality public transit across the state. To achieve those goals, public transit will need more funding. Thank you for considering our request and for once again recognizing the critical role of public transit in California, now and in the future.

[1] Most households pay more than 15% of their income on transportation, and that number is growing.

Sincerely,

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Senator Roger Niello, Vice Chair of the Senate Budget Committee
Assemblymember Heath Flora, Vice Chair of the Assembly Budget Committee
Senator Dave Cortese, Chair of the Senate Transportation Committee
Assemblymember Lori Wilson, Chair of the Assembly Transportation Committee
Assemblymember Laurie Davis, Vice Chair of the Assembly Transportation Committee
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