



May 14, 2024

Governor Gavin Newsom
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: Temporary Freeze of Public Transit Funding

Dear Governor Newsom:

Bay Area public transit operators and the Metropolitan Transportation Commission (MTC) write today to thank you for preserving transit funding from last year's budget agreement in your May Revision to the Fiscal Year (FY) 2024-25 State Budget. We also want to go on the record to share the impact of the current spending freeze on funding appropriated for California's transit agencies as part of the FY 2023-24 Budget. This funding for the Transit and Intercity Rail Capital Program (TIRCP) and Zero Emission Transit Capital Program (ZETCP), in the amount of \$2.41 billion statewide, was scheduled to be released no later than April 30.

We are proud to have participated in the statewide coalition that helped secure the TIRCP and ZETCP funding in AB 102 (Ting), as part of a multi-year, \$5.1 billion package of transit investments. This formula funding with flexibility will support our region's recovery from the pandemic and coordinated agency efforts to implement transformational, rider-facing improvements and spur ridership growth into the future.

In accordance with accountability requirements established by SB 125 (Skinner), MTC developed and submitted a Short-Term Financial Plan for the Bay Area at the end of last year. In addition to detailing how state funding will help sustain and transform transit in the region, the plan outlines regional funding contributed to support transit operations, accountability measures for specific operators, and current efforts around a potential regional transportation revenue measure in 2026 to provide a long-term source of revenue.

The Bay Area is estimated to receive \$1.1 billion from AB 102/SB 125 between FY 2023-24 and FY 2026-27. MTC has committed \$725 million in TIRCP formula funding to two existing capital projects – BART Core Capacity and BART to Silicon Valley Phase 2. Prioritizing these investments is consistent with MTC’s longstanding advocacy for advancing these critical projects and is expected to leverage \$6-8 billion in federal funding.

Understanding that the shortfalls forecasted by Bay Area transit operators represent an existential threat to continued transit service, MTC is making \$446 million in AB 102/SB 125 funding available for transit operations in addition to \$28 million in TIRCP interest earned and \$300 million in regionally controlled funds. MTC was expecting to receive approximately \$530 million year one TIRCP and ZETCP allocations on April 30.

While a short delay in receiving these resources will not cause immediate cash flow issues for the identified capital projects or transit operations in the Bay Area, a prolonged freeze and potential cuts will have broader impacts. Project delivery schedules will enable MTC to invest these funds in accordance with SB 125 guidelines. The Bay Area’s SB 125 Short-term Financial Plan depends on \$28 million in interest generated by TIRCP funding to help cover operators’ standardized shortfalls through the end of FY 2025-26. The early action item to delay a portion of the TIRCP funds for one year will reduce the TIRCP interest earning capacity. We estimate a 60-day freeze would further reduce interest earnings by approximately \$4.5 million. Further delays would introduce even more risk.

Finally, we want to express concern as to what this freeze may mean for transit funding within the FY 2024-25 Budget. While we understand that the state faces an ever-increasing deficit, if agreed-to transit investments are cut, it will cause a ripple effect throughout our regional and statewide economies. Transit agencies facing “fiscal cliffs” will reach them sooner, leading to reduced service for our communities, stunting mobility and economic growth, and eventually forcing layoffs in the transit sector. Disruption to major capital projects would also have broader economic impacts related to long-term regional growth, housing affordability, and commercial development near transit.

We thank you for the support your administration and the Legislature have shown public transit. With the release of the May Revision, we understand the budgetary pressures the state is facing and stand ready to work with you and the Legislature as a partner moving forward on solutions, including supporting the early action budget plan’s one-year delay of TIRCP funding for FY 2024-25. However, to avoid significant impacts to Bay Area communities and the public transit operators that serve them, we request that funds otherwise appropriated be unfrozen as soon as possible.

Thank you for your consideration of our request.

Sincerely,

**Rashidi Barnes, Chief Executive Officer, Eastern Contra Costa Transit Authority (ECCTA)
Michelle Bouchard, Executive Director, Peninsula Corridor Joint Powers Board (Caltrain)**

Andrew Fremier, Executive Director, Metropolitan Transportation Commission (MTC)
Carolyn Gonot, General Manager/Chief Executive Officer, Santa Clara Valley Transportation Authority (VTA)
Michael Hursh, General Manager, Alameda-Contra Costa Transit District (AC Transit)
Beth Kranda, Executive Director, Solano County Transit (SolTrans)
Kate Miller, Executive Director, Napa Valley Transportation Authority (NVTA)
Stacey Mortensen, Executive Director, Altamont Corridor Express (ACE)
Denis Mulligan, General Manager, Golden Gate Bridge, Highway and Transportation District
Seamus Murphy, Executive Director, Water Emergency Transportation Authority (WETA)
Robert Powers, General Manager, San Francisco Bay Area Rapid Transit District (BART)
Rob Thompson, General Manager, Western Contra Costa Transit Authority (WestCAT)
Jeffrey Tumlin, Director of Transportation, San Francisco Municipal Transportation Agency (SFMTA)
Christy Wegner, Executive Director, Livermore Amador Valley Transit Authority (LAVTA)

cc: The Honorable Mike McGuire, President pro Tempore, California State Senate
 The Honorable Robert Rivas, Speaker, California State Assembly
 The Honorable Scott Wiener, Chair, Senate Budget and Fiscal Review Committee
 The Honorable Aisha Wahab, Chair, Senate Budget Subcommittee No. 5
 The Honorable Jesse Gabriel, Chair, Assembly Budget Committee
 The Honorable Steve Bennett, Chair, Assembly Budget Subcommittee No. 4
 Toks Omishakin, Secretary, California State Transportation Agency
 Mark Tollefson, Undersecretary, California State Transportation Agency
 Chad Edison, Chief Deputy Secretary, California State Transportation Agency
 Joe Stephanshaw, Director, California Department of Finance
 Erika Li, Chief Deputy Director, California Department of Finance