

California Legislature



January 18, 2023

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

The Honorable Anthony Rendon
Speaker of the Assembly
California State Assembly

The Honorable Nancy Skinner
Chair, Senate Budget Committee
California State Senate

The Honorable Phil Y. Ting
Chair, Assembly Budget Committee
California State Assembly

Honorable María Elena Durazo
Chair, Budget Subcommittee No. 5
California State Senate

Honorable Steve Bennett
Chair, Budget Subcommittee No. 3
California State Assembly

Dear Pro Tempore Atkins, Speaker Rendon, Senator Skinner, Assemblymember Ting, Senator Durazo, and Assemblymember Bennett,

We write to express concern about the major proposed funding reductions for public transportation in the Governor's recently released FY 2023-24 budget proposal. We also write to formalize our call for the state to provide sorely needed transit operations funding as part of next fiscal year's budget. California's transit agencies are facing major funding shortfalls - in some cases, as early as this coming year - that would seriously impact the ability of these systems to maintain service for Californians, including our most vulnerable residents who are transit-reliant. **The state budget must provide sorely needed transit operations funding to help agencies avoid these shortfalls as federal emergency funding ends and as agencies' fare revenue recovers.**

Transit agencies across California are at risk of drastic service cuts due to large near-term operating budget shortfalls. For some agencies, these budget shortfalls pose an existential threat to their long-term viability. These budget shortfalls are driven by three main factors:

1. Ridership trends throughout the state have not recovered to pre-pandemic levels due in part to changed commute patterns and the increased prevalence of remote work. While ridership continues to rebound, that rebound has been slow.
2. Operating and capital costs are rising due to inflation.
3. Federal emergency relief funds – provided during the pandemic to sustain transit agencies – are set to run out — for some in the coming fiscal year.

In the absence of new state funding to address these budget shortfalls, many agencies may soon be forced to implement major service cuts. If transit service becomes less frequent, and thus less attractive to riders, these potential cuts would result in further ridership and revenue losses, which would necessitate still more service cuts. Additionally, some agencies may need to increase fares or slow down much needed capital projects.

In the Bay Area, operators – particularly those with historically high farebox recovery (i.e. revenue collected from fares relative to operating expenses) – face significant annual budget shortfalls. Agencies such as the San Francisco Bay Area Rapid Transit District (BART) could be forced to cut multiple lines of service as early as 2025, and would still be faced with budget shortfalls perpetuated by declining ridership as service declines.

In addition, some Southern California transit agencies have relied on high farebox recovery ratios to operate and are now facing significant budget shortfalls. Due to changing travel patterns caused by the pandemic, for example, Metrolink’s farebox recovery ratio declined significantly from 40 percent pre-pandemic to less than 12 percent today. Passenger rail operators will require additional revenues to overcome this gap as commuter ridership recovery is slower than expected for rail operators throughout the state.

Transit agencies statewide are affected by the ridership downturn resulting from the pandemic, the effects of inflation on operating and capital costs, and the depletion of federal emergency relief funding. One example is the Los Angeles County Metropolitan Transportation Authority - currently, the agency has recovered about 70 percent of pre-pandemic ridership, but still faces a major structural fiscal threat.

Failing to provide public transit agencies with operating funding, as they continue to recover and stabilize operations from pandemic ridership declines, is not an option. The service cuts that would result would lead to fewer mobility options for Californians, increased driving, congestion, and greenhouse gas emissions, undermining our shared equity, access, mobility, and climate goals. Near-term operations funding from the state will help provide agencies with time to identify long-term, sustainable funding and operational models that will improve transit service and protect against future service declines.

Further, the Governor’s proposed \$2 billion reduction in previously committed funding to the Transit and Intercity Rail Capital Program (TIRCP) in the coming fiscal years will seriously hamper the potential for these funds to help meet the aforementioned challenges and stymie the state’s ability to unlock historic sums of federal capital funding right when we need to be investing in improving our transit systems to incentivize ridership.

Moreover, reduced state assistance for transit capital projects, including projects already in progress, will stress transit agency budgets and further hamper their ability to sustain operations. While a trigger to restore the funding is proposed in the event of an improving fiscal outlook in January 2024, the reduction itself and uncertainty about the economic outlook harm agencies’ ability to identify a committed funding source to get matching federal dollars. Frankly, we consider the full \$4 billion investment in transit as an integral part of the 2022 agreement that provided the remaining funding for the high-speed rail project, as well as much needed funding to the Active Transportation Program and Climate Adaptation Program.

Pro Tempore Atkins, Speaker Rendon, Senator Skinner, Assemblymember Ting, Senator Durazo, and Assemblymember Bennett

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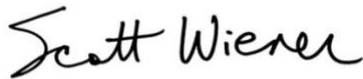
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We understand the state is projecting a budget shortfall and that difficult choices must be made. However, allowing the state's transit systems to unravel would have long-term, possibly irreversible, devastating impacts on California's transportation system and climate goals. Transit is an essential service for millions of Californians as they go about their daily lives - whether going to work, school, home, doctor's appointments, grocery shopping, or any other number of trips. As we noted earlier, transit is also an essential tool in meeting California's ambitious climate goals and avoiding increased traffic congestion by reducing vehicle miles traveled per capita.

Given the pressing and potentially disastrous consequences that could result from a failure for the state to help transit agencies bridge the gaps in funding needs until a long-term revenue source is identified, we reiterate the need for the budget to address operating funding challenges while exploring ways to improve operations and bring riders back to California's transit systems. The state's budget should also honor and restore previously committed TIRCP funds for transit projects to help avoid additionally stressing transit agency budgets. Additionally, the budget should extend statutory relief provided to California's transit agencies through Fiscal Year 2024-25.

Thank you for considering our perspective on this critical issue.

Sincerely,



Scott Wiener
Senator, 11th District



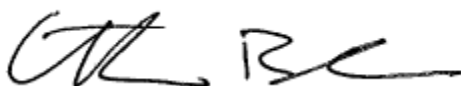
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Assemblymember, 54th District



Catherine Blakespear
Senator, 38th District



Mia Bonta
Assemblymember, 18th District



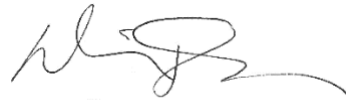
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