January 23, 2024

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

The Honorable Robert Rivas
Speaker of the Assembly
California State Assembly

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

The Honorable Jesse Gabriel
Chair, Assembly Budget Committee
California State Assembly

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

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

Re: Climate-Smart Transportation Infrastructure Investments in the FY2024-25 California State Budget

Dear Pro Tempore Atkins, Speaker Rivas, Senator Skinner, Assemblymember Gabriel, Senator Durazo, and Assemblymember Bennett,

We write to encourage you to take an innovative approach as you work to develop this year's sustainable transportation infrastructure budget. We acknowledge the immense challenge presented by the current budget environment, and are appreciative of the Governor's efforts to protect a substantial portion of sustainable transportation funding in the proposed FY2024-25 State Budget. But it is our belief that even under these conditions, a fiscally responsible transportation budget can make significant advances towards California's equity goals and statutorily required climate targets. We invite you to use the principles and solutions outlined below as a resource to aid you in crafting an ambitious vision for sustainable transportation in this year's budget, even as you navigate the practical realities of a steep deficit.

The Governor's proposed budget would reduce year-over-year spending on climate-friendly transportation by reducing annual Transit and Intercity Rail Capital Program (TIRCP) funding by $1 billion, delaying $150 million in investments in California's Highways-to-Boulevards program, and cutting $200 million in funding to the Active Transportation Program (ATP). Each of these programs is critical to advancing California's climate and equity priorities in the transportation sector, which remains the largest source of climate-pollution in the state, and which remains off-track to achieving the state's climate goals.

An abundance of dedicated transportation funding from both state revenues and the federal bipartisan infrastructure law means that there is no need to make cuts to funding programs that advance California's climate and equity priorities. The Governor's 2023-24 budget maintained ATP funding commitments by leveraging State Highway Account funding, yet fails to take the same approach this year—proposing a $200 million cut instead to one of the only California transportation infrastructure funding programs that aligns with the state's climate goals and sets a floor for investment in disadvantaged communities. With Caltrans' year-over-year budget proposed to increase by nearly $1 billion, there is no reason to divest from such a critical program.

Historical funding from the federal bipartisan infrastructure law can also be further leveraged to fund climate-friendly transportation infrastructure. Federal funds can be deployed strategically, using existing statutory flexibility to shift spending away from wasteful, polluting highway projects and toward critical transit, bike, and sidewalk infrastructure, as well as zero-emissions vehicle and workforce development programs. The Governor's January budget proposal fails to put this flexibility to use, potentially leaving billions of dollars on the table in the effort to grow climate-friendly investments.

A smart transportation budget will support the state's efforts to meet its "Core Four" climate, equity, safety, and economic development goals and statutory obligations. A history of unbalanced transportation spending continues to be the foremost obstacle in meeting these goals. We fear that the proposed budget continues this history. Outdated budgeting and project prioritization that increase motor vehicle throughput have enshrined in concrete a transportation system that actively contradicts and undermines our state's efforts to curb climate change. These policies increase traffic fatalities, force Californians to waste time on congested roadways because they have no alternative way to get where they need to go, and undermine efforts to provide opportunities for safe and equitable mobility to all Californians.

The current deficit is going to force challenging spending trade-offs and cuts in certain areas of the budget. It is imperative that those cuts be made in a targeted way that supports California's statutory goals, reducing spending that is out of alignment with climate and equity priorities while preserving critical funding commitments to public transit (including both capital projects and operations funding, and non-traditional public transit in rural communities), active transportation, and zero-emissions vehicle infrastructure—especially in disadvantaged communities. The four following actions would accomplish these goals by strengthening the alignment between California's strategic priorities and transportation infrastructure investments while allowing for necessary spending cuts.

1. Consider any proposed reductions in General Fund spending on transportation infrastructure in the context of our climate and equity goals. This means honoring existing transit, clean transportation funding and critical maintenance commitments, including but not limited to TIRCP ($2 billion/yr), ATP ($500 million/yr), and ZETCP ($1.1 million over four years).

In CARB's latest update to its Scoping Plan, the agency plainly stated that unless we achieve rapid and deep cuts in vehicle miles traveled (VMT), we will not achieve carbon neutrality by 2045 even if all new vehicles sold by 2035 are zero-emission. Meanwhile, statewide VMT continues to rise, saddling Californians with longer commutes, worse pollution, and higher costs of living.

Transit operations and infrastructure and active transportation infrastructure are a necessary component to achieving these ambitious climate goals, yet consistently go underfunded. By contrast, California's transportation leaders have done a remarkable job of bringing our road network into a state of good repair. According to California transportation agencies' "Rebuilding California" website, the state has already achieved or is on track to achieve all of its priority SB 1 state of good repair targets.

Maintenance investments are not at odds with new sustainable transportation investments, and a fix-it-first approach remains the right starting point for California's transportation investments. Still, more can and must be done to ensure that as we maintain our transportation system, we also honor our commitments to leave our roads better than we now find them—better in terms of each of the state's safety, environmental, equity, and economic development priorities.

2. Backfill General Fund cuts by leveraging the existing statutory flexibility of federal highway formula funds as well as funding from the State Highway Account. As summarized by the Georgetown Climate Center, federal statute has steadily increased the flexibility with which federal formula funds can be spent, providing all states with a variety of tools to ensure that available funds can be put to their highest and best use. California can move up to 50% of National Highway Performance Program funding (or nearly $1.25 billion) into the Surface Transportation Block Grant Program. This would make these funds eligible for a significantly wider array of investments, including investments in complete streets (including active transportation infrastructure and certain types of transit priority infrastructure), transit capital projects, climate resilience projects, workforce development programs, and more. Some of this flexibility is already leveraged by MPOs and other local government partners, but Caltrans could fully realize this potential with the support and leadership of the governor's office and the legislature in the budget process.

The state also has the ability to increase funding for public and active transportation infrastructure using existing revenue sources.[1] The Legislative Analyst's Office recently made it clear that the legislature has

[1] Despite the overall deficit from the 2023-24 budget, the Governor increased the state transportation budget, including a more than $5 billion increase for Caltrans with an infusion of over $500 million in new General Fund dollars. Arguably, this new infusion of funds can be leveraged for public and active transportation as well.

flexibility to shift funds from the SHA to support other transportation purposes, specifically clean transportation options.[2] The SHA has already been the major sustainable source of funding for the Active Transportation Program (ATP) since the ATP's inception in 2013. In the last decade, the state's transportation priorities have shifted without being fully supported by the necessary budget appropriations from our transportation funds. The SHA should provide additional ongoing and consistent funds for more sustainable transportation infrastructure.

3. Suspend California state investment in new highway capacity as an imprudent use of funds that the state cannot afford given the realities of the state budget. Last year, the state spent several billions on expansion projects on state highways and local streets and roads. According to the NRDC's (Natural Resources Defense Council's) analysis of ten of California's largest transportation funding programs, more than 81% of available transportation funding goes to projects that either increase or fail to reduce climate pollution, traffic fatalities, and vehicle miles traveled. The best empirical evidence demonstrates that these projects fundamentally do not deliver on their promises of lasting congestion relief, instead inducing new vehicle travel and its consequent emissions.[3] Recent reports by CARB, the Strategic Growth Council, and CalSTA (in draft) underscore the gap that remains between California's commitments and its state and local agencies' actions, even while demonstrating areas of progress.

Since these investments do not deliver public benefits, they should be eliminated, as a cost-saving measure in light of the current deficit. Taking this step will save state dollars well into the future. A recent LAO report warns that declining gas tax revenues will lead to significant shortfalls in transportation funds over the coming decades, potentially creating a funding gap of over $4 billion annually. Highway expansions will only exacerbate this gap by needlessly growing the state's roadway maintenance costs, a burden that falls primarily on taxpayer's shoulders. Moreover, the effects of such projects further contributing to climate change, environmental injustice, and cumulative pollution burdens on communities will need to be remediated for an untold future cost.

Investments impacted by suspension of funds under this criterion should be afforded the opportunity to rescope or reimagine projects to preserve investment levels and ensure community benefits.

4. Develop a multi-year funding commitment that ensures at least 50% of the State Highway Account (SHA) funds go to VMT-reducing projects while prioritizing investments in California's most burdened communities. Such a commitment can be attained in part by leveraging maintenance funds to expand clean transportation options – for example, by including complete streets elements in pavement rehabilitation projects. Other options include diverting funding away from traffic enforcement to invest in traffic calming and public transportation infrastructure, as that is a safer and more effective approach to achieving our transportation goals.

With strong leadership California can make progress towards a climate-smart transportation system, even in the midst of a steep budget deficit. Taken together, the above suggestions would

[2] In its analysis, "Proposed Budget Solutions in Transportation Programs" for the 2023-24 budget, the LAO described the 'trade-off' of shifting funds out of the SHA as reducing funds for maintenance and rehabilitation. It is notable, however, that the analysis does not address highway capacity expansion from the SHA as being an important value or priority being impacted if funds are shifted.

[3] Handy, Susan. "Increasing Highway Capacity Unlikely to Relieve Traffic Congestion," National Center for Sustainable Transportation. 2015.

represent a step change in California's pursuit of a sustainable and equitable future, while allowing for necessary budget solutions.

A shift from the reflexively building new highway lanes, major roadways, and interchange expansions to creating new, sustainable systems is long overdue. A tight budget year provides the legislature with an opportunity to begin this transition in earnest. Programs that fund multimodal infrastructure, such as the ATP, are among the most cost-effective in providing Californians with cleaner, safer, more affordable, and desirable transportation options. They should be prioritized over the costly, ineffective programming of funds for harmful roadway capacity expansions. California can and must take full advantage of the influx of federal transportation funding, as well as flexibility within the SHA, to deliver on California's promise to reduce climate pollution from its transportation sector.

We know that you share these goals and look forward to working with you to ensure that the 2024-2025 budget includes sufficient funding to build the community-enhancing, climate-friendly, public and active transportation infrastructure California desperately needs and which a climate-adapted transportation system requires.

Sincerely,

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