August 25, 2026

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

The Honorable Monique Limón
Senate President Pro Tempore
1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable Robert Rivas
Speaker of the Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

RE: Senate Proposal to Protect Funding for Tier 3 Programs and SB 125

Governor Newsom, pro Tem Limón, and Speaker Rivas:

We, the undersigned organizations, write to you to with deep appreciation for the Senate's leadership on funding the Tier 3 Greenhouse Gas Reduction Fund (GGRF) programs, as reflected in the August 20 Senate proposal. While we support much of the Senate's plan to make additional investments in transportation, climate, and environmental justice programs, we believe that a final and comprehensive budget agreement must include funding for the affordable housing component of the Affordable Housing and Sustainable Communities (AHSC) program. We thank Senate President pro Tem Limón, Senator Laird, and Senator Reyes for releasing this proposal, which responds to the calls of Californians from across the state, and for standing up to protect the state's climate investments in the Tier 3 programs and the state's ongoing commitment to transit via SB 125.

In particular, we appreciate that the Senate proposal allocates additional discretionary funds to the Low Carbon Transit Operations Program (LCTOP), AB 617 Community Air Protection Program, Safe & Affordable Drinking Water Program (SAFER), and SB 125. **We urge the Legislature and Governor to act to honor the ongoing funding commitments made in SB 840 (Limon) [Chapter 121, Statutes of 2025] and reach a final budget agreement that allocates additional funding in the Fiscal Year 2026-27 budget to the AHSC Housing Allocation alongside LCTOP, AB 617, SAFER, and SB 125.**

As you know, our organizations, representing affordable housing, local government, transportation / transit, environmental, disability rights, business, and labor interests from across the state, have led the response to the California Air Resources Board's adoption of amendments to the Cap-and-Invest Program, which will reduce GGRF revenues by approximately $2 billion annually and leave little funding to honor the state's ongoing funding commitments to the Tier 3 programs established just last year in SB 840 (Limon). These programs support the buildout of affordable transit-oriented housing and major transit projects, deployment of zero-emission vehicles, transit service, fare free and discounted transit passes, community air quality initiatives, and safe drinking water for vulnerable communities, and have been at the center of the state's climate strategy since 2015. These programs also directly address the affordability crisis faced by Californians by expanding access to affordable housing and transit options; and supporting good paying, life-sustaining jobs.

We appreciate the Senate proposal because it responds to the need to protect the Tier 3 programs with the urgency this moment requires. The reductions in GGRF revenue and drastic cuts to Tier 3 programs we have sounded the alarm on for months are now evident in the latest GGRF estimates produced by the California Department of Finance. These estimates project a $663 million reduction in total annual GGRF revenue relative to the Governor's May Revise, a $900 million reduction in total annual GGRF revenue relative to the assumptions made in SB 840, and a cut of 82% for all Tier 3 programs in Fiscal Year 2026-27. These cuts, by program, are represented in **Appendix A**. As the state implements the California Air Resources Board (CARB)'s amendments to the Cap-and-Invest Program, total GGRF revenue is expected to be further reduced and Tier 3 programs zeroed out in future budget years. As noted by the Legislative Analyst's Office, *"[FY] 2026-27 GGRF revenue may represent a 'high water mark' compared to the coming years."*

Specifically, this proposal implements $1.128 billion GGRF expenditure plan for FY 2026-27 to make progress toward fulfilling the state's commitment to the Tier 3 programs and SB 125 program.

However, a core tenet of our cross-sector advocacy over the last four months has been to protect funding for all Tier 3 programs, in acknowledgement that all of these programs together are critical to deliver on the state's climate goals as well as to the communities and constituencies we support – communities that, today, are overburdened by poor air quality, the impacts of climate change, and the rising cost of living. As noted in **Appendix B**, the Senate's proposal omits supplemental investments in the TIRCP and AHSC Housing Allocation.

While our coalition continues to value continued and increased investment in the TIRCP, we understand that, with limited resources and major outstanding obligations to the SB 125 program in FYs 2026-27 and 2027-28 and the ongoing funding commitment to LCTOP, not all transit commitments could be met this year. We encourage the state to honor its ongoing funding commitment to TIRCP in the years ahead, which includes its commitments to fulfill previous grant awards

It is critical, however, that the AHSC Housing Allocation receive additional funding in the final three-party agreement this year. AHSC is the State's largest ongoing source of funding for affordable housing production, and currently faces a cut of 82% in FY 2026-27 in comparison to the amount promised under SB 840. This is deeply concerning, especially at a time when California's voters rank the cost of living and housing affordability as their top concerns. While the Veterans and Affordable Housing Bond on this November's ballot has been cited as a substitute for AHSC funding, it is not. The bond has not yet been passed by the voters, nor does it fund AHSC. Even if the bond does pass, its authors and supporters intended for it to complement – not substitute for – AHSC and state budget allocations, so that the state increases affordable housing production rather than maintains the status quo. And finally, bonds funds will not be available until 2028, leaving a yearlong gap in 2027 without AHSC or bond funding, during which affordable housing production will slow and development costs will rise.

By funding the currently proposed Tier 3 programs and the AHSC Housing Allocation, the state would reaffirm the centrality of investing in Tier 3 programs to the implementation of the Cap-and-Invest program and meeting the State's 2030 greenhouse gas emission reduction target. More specifically, this proposal would ensure that state investment in

major projects and services that combat climate change, improve local air quality, uplift communities and residents, and leverage billions of dollars in state and local funds continue in the years ahead.
Already, over the last decade, CARB reports that implemented projects funded by Tier 3 programs have delivered the following GHG emission reductions and benefits:

- AHSC
    - 6.6 million MTCO2e GHG emissions reduced
    - $4.85 billion invested, with $4.0 billion benefitting priority populations
    - 22,877 units of affordable housing funded
- TIRCP
    - 23.4 million MTCO2e GHG emissions reduced
    - $2.74 billion invested, with $1.58 billion benefitting priority populations
    - 263 transit projects implemented
- LCTOP
    - 7.4 million MTCO2e GHG emissions reduced
    - $1.23 billion invested, with $1.14 billion benefitting priority populations
    - 1,123 projects and services implemented
- AB 617
    - 282,500 MTCO2e GHG emissions reduced
    - $527 million invested, with $442.68 million benefitting priority populations
    - 9,004 projects implemented
- SAFER
    - $1.8 billion invested, with 100% benefiting priority populations
    - Investments in 320 water systems serving 3.3 million people

Inaction on this proposal – and not including additional funding for affordable housing – puts California at risk of major backsliding on our progress toward our affordability and climate goals. **We, therefore, urge you to work with our organizations to honor the ongoing funding commitments made in SB 840 (Limon) [Chapter 121, Statutes of 2025] and reach a final budget agreement that allocates additional funding in the Fiscal Year 2026-27 budget to the AHSC Housing Allocation alongside LCTOP, AB 617, SAFER, and SB 125.**

Additionally, we note that the proposal lays only the foundation of a long-term solution to GGRF funding for Tier 3 programs. **Because of this**, **we also urge the Legislature and Administration to work with us to find a permanent solution for GGRF in future fiscal years so that Tier 3 programs receive the full funding committed in SB 840 to make California more affordable and accessible for all.**

Sincerely,

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cc: Members and Staff, California State Legislature
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Joe Stephenshaw, Director, California Department of Finance
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Appendix A

Projected Cuts to Tier 3 Programs

Tier 3 Program	Tier 3 Funding Target per SB 840 (Limon)	Tier 3 as Projected in FY 26-27 Budget
AHSC - Affordable Housing*	$800 million	$107 million*
AHSC - Sustainable Communities*		$46 million*
Transit and Intercity Rail Capital Program (TIRCP)	$400 million	$76 million
Low Carbon Transit Operations Program (LCTOP)	$200 million	$38 million
AB 617 Community Air Protection Program	$250 million	$48 million
Safe & Affordable Drinking Water (SAFER) Program	$130 million	$25 million
*Previously jointly administered		

Appendix B

Senate Proposal to Protect Funding for Tier 3 Programs and SB 125

	Tier 3 Funding Target per SB 840 (Limon)	Tier 3 as Projected in FY 26-27 Budget	Senate Plan GGRF Augmentation	Other Funds	Total:	Notes/Details
Tier 3 Programs						
AHSC - Affordable Housing*	$560	$107			$107	
AHSC - Sustainable Communities*	$240	$46	$125		$171	Earmarks $70 million for Sustainable Agricultural Land Conservation (SALC)
Transit and Intercity Rail Capital Program (TIRCP)	$400	$76			$76	
Low Carbon Transit Operations Program (LCTOP)	$200	$38	$160		$198	
AB 617 Community Air Protection Program	$250	$48	$20	$150	$218	$150 million in General Fund appropriated in June
SB 901 Forest Health & Vegetation Management	$200	$38	$150		$188	
Safe & Affordable Drinking Water (SAFER) Program	$130	$25	$55	$100	$180	$100 million in funding from Proposition 4
Other Programs						
SB 125 - Zero Emission Transit Capital Program (ZETCP)	N/A	N/A	$230		$230	Fulfills scheduled FY 26-27 appropriation of SB 125
Funding Agricultural Replacement Measures for Emission Reduction (FARMER)	N/A	N/A	$10		$10	
Totals: (In Millions)	**$780**	**$149**	**$385**	**$250**	**$784**	

*Earlier this year, the State split the AHSCP in two: a Sustainable Communities component and an Affordable Housing component