May 22, 2025

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

The Honorable Mike McGuire, President pro Tempore
California State Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

The Honorable Robert Rivas, Speaker
California State Assembly
1021 O Street, Suite 8330
Sacramento, CA 95814

RE: Transit Investments in Cap-and-Invest Plan

Governor Newsom, pro Tem McGuire, Speaker Rivas:

On behalf of the California Transit Association, I write to you today to outline our priorities for Cap-and-Trade (now, *Cap-and-Invest)* reauthorization. This letter updates our December 23, 2024 letter on this topic and responds, in part, to the release of Governor Newsom's Cap-and-Invest Plan on May 14, 2025. The Association represents more than 220 member organizations nationwide, including 85 transit and rail agencies in California that provide service to urban, suburban, and rural communities and that operate a variety of transit modes.

Throughout their history, California transit agencies have been partners with the state in combatting climate change and addressing air quality issues by inciting mode shift, incubating and deploying near-zero and zero-emission vehicle technologies, and facilitating sustainable growth patterns throughout California. Since the enactment of AB 32 (Pavley) [Chapter 488, Statutes of 2006] and SB 862 (Committee on Budget and Fiscal Review) [Chapter 36, Statutes of 2014], this partnership has become more pronounced and inarguably more impactful. With funding from the Greenhouse Gas Reduction Fund (GGRF)-supported and continuously appropriated Transit and Intercity Rail Capital Program (TIRCP) and Low Carbon Transit Operations Program (LCTOP), transit agencies have delivered transformative transit projects and services statewide that substantially reduce greenhouse gas (GHG) emissions and that deliver myriad co-benefits to local communities, including air quality improvements, travel cost savings, and jobs (in manufacturing, construction, maintenance, and operations). These projects and services have conservatively leveraged billions of dollars in additional federal, state, and local funding over the last decade to maximize the scope of these projects and their benefits to Californians, including those residing in low-income and disadvantaged communities.

Additionally, California transit agencies have partnered with the California High-Speed Rail Authority to lay the foundation for an interconnected statewide system of mass transportation and with local governments and housing developers to remake our built environment to deliver more sustainable communities. What's more, California transit agencies have stepped up to become national leaders in the testing and deployment of heavy-duty zero-emission technologies, establishing a pathway to the electrification of California's heavy-duty vehicle sector. Put plainly, this long-standing partnership and California transit agencies' success in delivering these projects and services has driven California's climate success.

Against this backdrop, we were dismayed to see that the Governor's Cap-and-Invest plan is silent on continued investment in the TIRCP and LCTOP, two of the state's most cost-effective climate programs, beginning in Fiscal Year 2025-26, and proposes to eliminate a series of planned one-time expenditures from the GGRF in public transit, including critical funding approved by the state in 2023 to help transit agencies meet their base operational needs in the face of a looming fiscal cliff. The uncertainty created by the Governor's Cap-and-Invest plan now threatens nearly $3 billion in GGRF funding for public transit between FY 2025-26 and 2028-29, including approximately $2 billion in funding already programmed by the state and regional governments to individual transit projects and services.

As we understand that the Governor's Cap-and-Invest plan is a starting point for negotiations with the Legislature, we argue that the final Cap-and-Invest plan must be built on a foundation of investment in mass transportation — inclusive of investment in local transit and commuter and intercity passenger rail projects and services. Such a plan would acknowledge that VMT reduction and the transition to zero-emission transit vehicles have long been at the center of the state's GHG emission reduction and air quality improvement strategy and that we must reduce emissions from the transportation sector, specifically, to meet our climate goals. Moreover, such a plan would recognize that *"cost of living"* concerns and calls for *"affordability"* from everyday Californians extend beyond utility bills. According to the California Department of Housing and Community Development, after housing, transportation is the second-largest household expense. Public transit can and should continue to be central to the state's strategy for meeting its climate and air quality goals and must be part of the solution to California's affordability crisis.

Therefore, we principally urge the Governor and Legislature to act quickly to enact a final Cap-and-Invest plan that honors all existing commitments from the GGRF to California transit agencies through 2030, dedicates at least the same level of historic GGRF funding to public transit agencies beyond 2030, and streamlines program design to ensure California transit agencies can access and deploy this funding quickly.

Below we provide additional background and context in support of these requests.

Honor All Existing GGRF Commitments to Transit Agencies through 2030: SB 862 established the Cap-and-Trade Expenditure Plan and created the TIRCP and LCTOP, directing continuous appropriations of 10% and 5% of GGRF revenues, respectively, to these programs annually through 2020. This action recognized that mode shift to high-capacity public transit and the transition to zero-emission transit vehicles are essential strategies to meeting the state's climate and air quality goals. SB 32 (Pavley) [Chapter 249, Statutes of 2016] effectively extended these programs through 2030 in acknowledgement of their effectiveness. The Budget Acts of 2022 and 2023 subsequently augmented this ongoing support for California transit agencies by investing one-time GGRF revenues to major transit capital projects and services.

Due to these investments, between Fiscal Years 2025-26 and 2028-29, California transit agencies are scheduled to receive approximately $3 billion in continuously appropriated and one-time GGRF revenues. Of this total, approximately $2 billion from the GGRF has been programmed by the state and/or regional entities for specific projects and services.

These funding commitments include:

Continuous Appropriations

- **$920 million for the TIRCP**, which is necessary to honor existing grant awards made by the California State Transportation Agency (CalSTA) to California transit agencies in 2022 and 2024 for transformative transit and rail capital projects. This commitment is a portion of an expected $1.44 billion appropriation of GGRF revenues to the program.

- **$720 million for the LCTOP**, which would support future formula funding disbursements to California transit agencies to fund, among other things, increased service levels and the maintenance and/or expansion discount and fare free transit passes.

One-Time Appropriations

- **$690 million for the formula-based Zero-Emission Transit Capital Program (SB 125)**, which is necessary to honor formula funding disbursements made by CalSTA to regional agencies and California transit agencies, beginning in 2024, to support the transition to zero-emission vehicles and fund core transit operations. This flexible formula funding was approved by the Legislature in 2023 to help transit agencies in their recovery from the pandemic and to avoid the "fiscal cliff."

- **$188 million for the formula-based Transit and Intercity Rail Capital Program (SB 125),** which is necessary to honor formula funding disbursements made by CalSTA to regional agencies and California transit agencies, beginning in 2024, to support the transition to major capital projects and fund core transit operations. This flexible formula funding was approved by the Legislature in 2023 to help transit agencies in their recovery from the pandemic and to avoid the "fiscal cliff."

- **$200 million for the Transit and Intercity Rail Capital Program,** which is necessary to honor existing grant awards made by CalSTA to California transit agencies in 2023 for transformative transit and rail capital projects. This funding was approved by the Legislature in 2022 as part of the state's transportation funding package, which included the approval of the remaining balance of Proposition 1A funding for the high-speed rail project.

The Governor's Cap-and-Invest plan threatens these continuous appropriations by proposing to overextend the state's funding commitments from the GGRF, beginning in Fiscal Year 2025-26 – we estimate by almost $2 billion. This overextension will force cuts to, or trade-offs between, existing continuous and one-time funding commitments from the GGRF. Meanwhile, the Governor's Cap-and-Invest plan proposes to eliminate these one-time appropriations to transit, leaving the restoration of this funding to future negotiations with the Legislature.

The Association observes that failure to reach an agreement to honor these existing commitments from the GGRF (or failure to identify alternative funding at a commensurate level) will have far-reaching, and potentially devastating, impacts on transit projects and services statewide. These impacts may include delayed or stopped construction of major capital projects, canceled or scaled back transit vehicle purchase orders, the loss of federal matching funds, service cuts, and the hastening of fiscal emergencies at transit agencies. These project and service-level impacts may erode the ability of California transit agencies to meet the service needs of their riders, deliver projects that incite mode shift and reduce GHG emissions, and continue their conversion to zero-emission vehicles.

The Association recommends that the Legislature and the Administration reach agreement on a final Cap-and-Invest Plan that honors all existing commitments from the GGRF to California transit agencies through 2030.

Maintain and Increase Ongoing GGRF Funding Commitments to Transit Agencies Beyond 2030: Over the ten-year period since the enactment of SB 862, the TIRCP has invested approximately $2.5 billion in 245 transformative transit capital projects statewide, with 94% of this funding benefiting California's priority populations. According to the California Air Resources Board's (CARB) May 2024 Annual Report on Cap-and-Trade Auction Proceeds, this state investment in TIRCP will reduce 23 million metric tons (MMT) of carbon dioxide equivalent – the most of any Cap-and-Trade-supported program (and the equivalent of more than 5.3 million gas powered cars off the road annually). What's more, the TIRCP has leveraged significant federal funding from the Infrastructure Investment & Jobs Act (IIJA) programs, including, but not limited to the Capital Investment Grant Program, Bus & Bus Facilities Program, and Low or No Emissions Grant Program, allowing California to multiply the impact of GGRF investments.

Meanwhile, the LCTOP has invested approximately $1.2 billion in 1,003 transit service, fare discount, and zero-emission vehicle projects statewide over the last ten years, with 94% of this funding benefiting California's priority populations. The CARB report outlines that investment in LCTOP will reduce 6.9 million metric tons of carbon dioxide emissions (the equivalent of more than 776 million gallons of gasoline).

In the years ahead, we believe maintaining at the very least the level of ongoing funding these programs currently receive is critical for ensuring the state makes continued progress in the delivery of transit projects and services that significantly reduce GHG emissions and that provide Californians with high-quality travel alternatives. We also believe that the Cap-and-Invest plan presents an opportunity for the state to increase its support for public transit from the GGRF.

Based on data published by CARB, the state must increase transit ridership by 6-8 times to reach its GHG emission reduction goals. Transit agencies understand – and have consistently communicated to the state – that progress on this front will require heightened levels of state investment in transit capital projects and services as well as the enactment of state and local policy changes to, among other things, deliver transit priority on shared transportation infrastructure, and improve coordination between state and local land use, housing, and transportation decisions. While our agencies work to advance self-help measures and improvements to project and service delivery, including through the California State Transportation Agency's Transit Transformation Task Force, it's critical that the state expand its funding support for transit capital projects and services to build on these locally driven efforts.

The Association recommends that the Legislature and the Administration reach agreement on a final Cap-and-Invest Plan that maintains and increases the levels of GGRF funding for transit capital and operations, first established under SB 862, beyond 2030.

Streamline Program Design: Since SB 862 was enacted, the Association has sponsored a series of bills and engaged in program guideline development processes with administering agencies to streamline grant administration and to ensure that GGRF funds are available to meet local transit capital and service priorities. The Cap-and-Invest plan provides an opportunity for the Legislature and the Administration to advance improvements to the administration of the GGRF-supported transit programs. The goal of this effort is to get funding to agencies more quickly with fewer administrative impediments and more flexibility so that agencies can build and operate transit projects and programs faster, while still supporting the state's air quality goals.

We recommend that the Legislature and the Administration continue to engage the Association and its members to better understand issues faced by transit agencies related to the structure, guidelines, eligible projects, application, and funding allocation process for GGRF-supported transit programs. We intend for this engagement to help facilitate the streamlining of our programs.

Finally, as the state considers investments from the GGRF for the High-Speed Rail Project and the Affordable Housing Sustainable Communities (AHSC) Program, we emphasize that the emission reduction benefits of both potential investments priorities are heavily reliant on local and regional transit systems.

For high-speed rail, the project is sharing tracks, stations, and systems with existing rail operators (e.g. Caltrain, Metrolink) and the project's ridership and GHG emissions modeling assumes that a balance of their riders will connect to the system via local and regional transit systems. These systems require significant investment is needed in these shared corridors to ready them for high-speed rail operations, while also supporting their stand-alone operations and delivering near-term travel benefits to Californians.

For AHSC, individual affordable housing projects demonstrate GHG emissions benefits through their proximity to high-quality transit service and through project elements that fund improvements to local and regional transit systems. AHSC uniquely supports affordable housing and high-quality transit service as connected solutions to reduce both GHG emissions and addresses the combined housing and transportation affordability burden facing Californians. As many of these systems face significant funding challenges, any erosion to their service or inability to deliver on capital projects, can reasonably be expected to undermine the emissions benefits of the housing projects funded by the program. AHSC can be part of the funding solutions for these systems by ensuring its investments include more impactful public transit projects and services.

As such, we recommend that the Legislature and the Administration reach agreement on a final Cap-and-Invest Plan that allow these local and regional rail and transit systems to benefit from any GGRF funding set aside for the Project in support of the future project and/or projects that have direct connections to the high-speed rail system, including its transportation hubs (e.g. Salesforce Transit Center, Diridon Station, LA Union Station, Fresno Station, Anaheim Regional Transportation Intermodal Center). Additionally, we recommend that this agreement include additional flexibility in the AHSC program to support local and regional transit services.

Thank you for allowing the Association to share our priorities for the Cap-and-Invest plan. As always, the Association appreciates the opportunity to engage the Legislature and the Administration in funding and policy discussions that benefit the people of California. If you have any questions about this letter, please contact me at (916) 446-4656 x1034 or michael@caltransit.org.

Sincerely,

Michael Pimentel
Executive Director

cc: Members, California State Legislature
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