

Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee

March 14, 2025

Agenda Item 3b

Cap and Trade Update and Advocacy Principles

Subject:

Overview of Cap and Trade extension discussions in Sacramento and requested support of the recommended principles to guide MTC and ABAG's advocacy.

Overview:

California's Cap and Trade program is a market-based mechanism to reduce emissions from large greenhouse gas (GHG) emitters by creating an annual cap on the level of allowable statewide emissions which declines over time. The program was established through Assembly Bill (AB) 32 (Nunez, 2006) and renewed from 2020 through 2030 via AB 398 (Garcia, 2017). Cap and Trade generates revenue through the sale of emission allowances. The California Air Resources Board (CARB) hosts quarterly auctions where those allowances are bought and sold; auction proceeds are deposited into the Greenhouse Gas Reduction Fund (GGRF). Over the past four years, annual proceeds have averaged \$4.3 billion. Of these, 60 percent is continuously appropriated to transportation and affordable housing, allocated as follows:

- **California High-Speed Rail: 25 percent**
Funds are directly allocated to the California High Speed Rail Authority.
- **Affordable Housing and Sustainable Communities (AHSC): 20 percent**
Competitive grants for affordable housing and transit access improvements. The program is administered by California's Strategic Growth Council.
- **Transit and Intercity Rail Capital Program (TIRCP): 10 percent**
Competitive grants administered by the California State Transportation Agency for transit and intercity rail capital projects that reduce GHG emissions. GGRF funds are augmented annually by SB 1 funds as well as periodic General Fund appropriations.
- **Low Carbon Transportation Operations Program (LCTOP): 5 percent**
Formula-based funding for GHG-reducing transit operations. Half the funds allocated to MTC for distribution; half to transit operators via a revenue-based formula.

This continuous appropriation was established through SB 862 (2014), a Cap and Trade implementation budget trailer bill. The bill's aim was to direct Cap and Trade resources to clean transportation and sustainable community initiatives in line with SB 375 (Steinberg, 2008), which requires regions to develop sustainable communities strategies (SCS) – Plan Bay Area 2050 in the Bay Area – to meet state climate goals through transportation and land use planning. Other ongoing obligations include five percent (up to \$130 million) for safe and affordable drinking water, offsets for a suspended manufacturing and use tax and a fire prevention fee. The remaining funds are allocated annually through the state budget process, with at least 35 percent of total GGRF revenues required to benefit low-income disadvantaged communities, as defined by the California Environmental Protection Agency's CalEnviroScreen tool.

Cap and Trade in the Bay Area

Cap and Trade funds play an important role in supporting transit and affordable housing in the Bay Area. Since 2015, the Bay Area has secured over \$5 billion from the \$16 billion available under the competitive TIRCP program, AHSC, and LCTOP, with the Bay Area's share averaging between 32 percent and 37 percent, depending on the program. While this exceeds the Bay Area's 20 percent population share, it reflects the Bay Area's high transit usage and strong demand for transit-oriented development.

More recently, SB 125 committed \$5.1 billion statewide for transit funding, including nearly \$1.1 billion for the formula-based Zero-Emission Transit Capital Program (ZETCP), which is primarily funded through the GGRF. Funds are distributed by formula to regional transportation planning agencies (MTC in the Bay Area) and may be used to fund transit operating or zero emission transit capital improvements. The Bay Area's share of ZETCP is 37 percent.

Proposed Principles

The California Legislature has begun discussions on extending the Cap and Trade program beyond 2030. MTC and ABAG included support for extending and expanding the program in the 2025 Joint Advocacy Program, recognizing it as a critical tool for achieving state climate goals and sustaining essential transportation and housing investments. Staff recommends the Commission and ABAG Executive Board adopt the principles in Attachment A to further guide advocacy. We look forward to the Committee's feedback on these proposed principles.

Recommendation:

Support / ABAG Executive Board Approval

Support / Commission Approval

Attachments:

- Attachment A: Draft MTC/ABAG Cap and Trade Advocacy Principles
- Attachment B: Bay Area's Cap and Trade Funding History
- Attachment C: Climate Safe Infrastructure Coalition Cap and Trade Priorities
- Attachment D: California Transit Association Cap and Trade Principles
- Attachment E: Housing, Environmental and Equity Organization Shared Cap and Trade Principles

Andrew B. Fremier

Draft MTC/ABAG Cap and Trade Advocacy Principles

1. Support Long-Term Extension of Cap and Trade Program

The Cap and Trade program is one of California’s most effective tools for reducing greenhouse gas (GHG) emissions and meeting the state’s climate goals. By capping emissions and creating financial incentives for GHG reductions, the program drives long-term decarbonization while generating critical funding for climate friendly projects, including sustainable transportation and transit-oriented affordable housing. A long-term extension will provide the certainty needed to sustain emissions reductions, stabilize the market, ensure continued funding certainty for projects and programs that support a more sustainable and equitable future.

2. Sustained Investment in Transportation and Affordable Housing

Maintain at least the current 60 percent continuous appropriation for transportation and transit-accessible affordable housing. Given that transportation remains the largest contributor to GHG emissions in California, it is essential for our climate goals to sustain and expand clean transportation options, support high levels of transit ridership and increase availability of affordable housing located near transit.

3. Fair Share for the Bay Area

Any updates to the structure of the Cap and Trade program should maintain the Bay Area’s ability to compete effectively for funding and strengthen Bay Area competitiveness. If formula-based approaches are considered for existing or new programs, formulas must ensure the Bay Area continues to receive a fair share – consistent with historical allocations – so that it can continue to meet high levels of transit ridership demand, expand transit options, build more affordable housing near transit and implement Plan Bay Area, the region’s sustainable communities strategy (SCS).

4. Equitable Distribution of Resources

Advocate that policies intended to steer Cap and Trade funds into the state’s low-income and historically marginalized communities are inclusive of the Bay Area’s Equity Priority Communities, which reflect the region’s disproportionately high cost of housing.

5. Ensure Efficient and Effective Use of Cap-and-Trade Revenues

Cap and Trade revenues should be deployed efficiently to advance California's climate goals. Minimizing administrative burdens will ensure funds are put to work on high-impact projects that deliver real climate benefits. Retaining and expanding program flexibility will allow investments to be prioritized based on the highest needs, which may vary by region over time, ensuring the responsive and effective use of resources to meet the state's climate and resilience goals.

6. Increased Funding for Transit Operations

Advocate for formula-based funding from Cap and Trade to support sustaining service for existing transit riders and attracting new riders through SB 125's Zero-Emission Transit Capital Program model. This funding would serve as a complement and a potential backstop to a Bay Area regional transportation measure.

7. Assist with Implementation of Sustainable Communities Strategies

Sustain and enhance Cap and Trade resources as a tool to implement Plan Bay Area 2050 and other region's SCSes, California's framework for reducing greenhouse gas emissions from transportation by requiring the state's metro areas to plan for a future in which transit, walking and biking are convenient, affordable and reliable options. Accelerate GHG reduction by providing a formula-based, continuous allocation of Cap and Trade funds to regions for SCS implementation; funds could be used to advance each region's unique approach to meeting its SCS goals, be that investing in improvements to expand transit service, sustaining transit operations in high-ridership corridors, and/or advancing zero-emission transit fleet transitions.

8. Enhancing Resilience to Climate-Fueled Natural Hazards

Support investments in planning and projects that support the Bay Area and California in adapting to a changing climate, including, but not limited to, sea level rise, wildfires and heat. Prioritize funding to protect critical infrastructure and surrounding communities.

Bay Area’s Cap and Trade Funding History

Cap and Trade funds play an important role in supporting transit and affordable housing in the Bay Area. Since 2015, the Bay Area has secured over \$5 billion from the \$16 billion available under the continuously appropriated Transit and Intercity Rail Capital Program (TIRCP), Affordable Housing and Sustainable Communities (AHSC) program, and Low Carbon Transit Operations Program (LCTOP). More recently, SB 125 created the \$1.1 billion Zero-Emission Transit Capital Program (ZETCP), which is primarily funded through the GGRF. As shown in the chart below, the Bay Area’s share of statewide funds averages 32 percent and 37 percent, depending on the program. While this exceeds the Bay Area’s 20 percent population share, it reflects the Bay Area’s high transit usage and strong demand for transit-oriented development.

Bay Area Cap and Trade Funding History

Programs	Statewide Funding	Bay Area Awards	Bay Area Share	Notes
TIRCP (2015-2029)	\$10.8 billion	\$3.4 billion	32%	TIRCP helps fund major Bay Area transit expansion and modernization projects, including Caltrain Electrification, SMART to Windsor, San Francisco Bay Ferry electrification, the Portal, Valley Link, BART Transbay Core Capacity, and BART to Silicon Valley Phase 2.
AHSC (2015-2024)	\$4 billion	\$1.5 billion	36%	Approximately 2/3 of the Bay Area’s AHSC funds support new transit-oriented affordable housing and the remaining 1/3 improves bicycle, pedestrian and transit access for residents of affordable housing.
LCTOP (2015-2024)	\$1.2 billion	\$440 million	37%	LCTOP provides funds for expanded bus or rail service, Bay Area zero emission bus and ferry fleet transitions, and free or reduced transit fare programs.
ZETCP (2024-2028)	\$1.1 billion	\$400 million	37%	ZETCP serves as emergency transit operating funds to mitigate dire service cuts.

Notes:

- TIRCP is distributed competitively by the California State Transportation Agency (CalSTA). Because CalSTA's practice includes committing future year funds, the figures in the chart reflect TIRCP funding commitments through 2029. Totals include continuously appropriated revenues from the Greenhouse Gas Reduction Fund (GGRF) and SB1 as well as a \$3 billion in state general funds distributed via the competitive TIRCP program.
- AHSC is distributed competitively to affordable housing projects with connected transportation improvements.
- LCTOP is distributed via the State Transit Assistance (STA) formula, with 50% statewide distributed to transit operators on revenue basis and 50% distributed to regional transportation planning agencies (RTPAs) on a population basis.
- ZETCP is distributed to RTPAs via the STA formula, described above. Of the \$1.1 billion in total ZETCP, \$910 million is funded through the GGRF and the remainder is funded from the state's Public Transportation Account.
- Not included in table is 25% continuous appropriation for High Speed Rail (totaling \$6.7 billion through Feb 2024), 5% (up to \$130 million) for Safe and Affordable Drinking Water, and \$200 million for forests and wildfire protection that are continuously appropriated each year.

DRAFT as of 3/4/2025

For Climate Safe Infrastructure Coalition Discussion and Distribution

Climate Safe Infrastructure Coalition

**California's Cap & Trade Program Should Prioritize Investments in Infrastructure
Projects that Maximize Emissions Reductions, Enhance Climate Safety and Support
Middle-Class Jobs**

California's Cap & Trade program is set to expire in 2030. As lawmakers consider reauthorizing this program, they should prioritize proven investments in physical and natural infrastructure that will reduce the greatest amount of greenhouse gas emissions; that make us safer and more resilient to the impacts of climate change; and investments that create good paying middle-class jobs. Climate change and extreme weather are here. We need an *improved* Cap & Trade program that focuses on effectiveness, accountability and affordability.

The Climate Safe Infrastructure Coalition supports improving the Cap & Trade program by investing in the following:

State Supported Transit and Rail Infrastructure

- Expand a more focused Transit and Intercity Rail Capital Program to fund transit projects across the state. Increased dedicated allocation to capital projects of regional significance with funds to be used for connectivity and bookend projects including:
 - High Speed Rail, Caltrain, Metrolink, Salesforce Transit Center, Diridon Station, LA Union Station, Fresno Station, Anaheim Regional Transportation Intermodal Center, ACE Train, SMART, San Joaquin Regional Rail
- Increased operations funding commitment to support the recovery, stabilization, and growth of transit and rail service statewide.

State Wildfire Resilience Infrastructure

- Significant allocation to high wildfire risk counties to fund:
 - Firefighting capital infrastructure and personnel
 - Statewide wildfire fuel mitigation funding
 - Public Safety emergency water supply infrastructure
 - Funding to expand local fire evacuation routes

Local Land Use Infrastructure to Support High Density and Infill Development

- Continuous allocation to local, rural and regional governments to support projects consistent with a sustainable communities strategy
 - Funding for local infrastructure around Transit Oriented Development
 - Conversion of underutilized urban office and commercial into housing
 - Continued funding for affordable housing and sustainable communities' and transformative climate communities efforts

Climate Adaptation and Sea Level Rise Infrastructure to Keep Californians Safe

- Continuous allocation for projects related to climate adaptation, including:
 - Annual allocation for levee improvements and catastrophic flooding prevention
 - Relocate or replace existing transportation and other critical infrastructure threatened by sea level rise such as Highway 37 and Highway 1
 - Funding to protect costal airports including LAX, SFO and SAN
 - Municipal waste and recycling infrastructure

Clean Local Transportation Infrastructure

- Annual funding for local government to safely implement green transportation infrastructure
 - Hydrogen and EV charging infrastructure
 - Support for local Active Transportation Infrastructure
 - Funding for local government and transit clean fleet compliance
 - Develop network of regional VMT mitigation banks to offset local transportation project costs



Connecting us.

December 23, 2024

The Honorable Gavin Newsom, Governor
State of California
1021 O Street, Suite 9000
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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: Cap-and-Trade Reauthorization Principles

Governor Newsom, pro Tem McGuire, Speaker Rivas:

On behalf of the California Transit Association, I write to you today to share the public transit industry's Cap-and-Trade reauthorization principles. The submittal of this letter follows the Association's November 25 meeting with the California State Senate's Cap-and-Trade Working Group, as well as additional meetings with Legislative and Administration staff, and is intended to satisfy my commitment to submit a letter to the Legislature by the end of the calendar year, formalizing the then-conceptual principles. I ask that you please consider these principles, and continue to engage the Association and its members, as discussions on Cap-and-Trade reauthorization continue in the State Capitol in 2025.

In advancing these principles to you, I wish to offer the following overarching observation: the Greenhouse Gas Reduction Fund (GGRF)-supported transit programs established under Senate Bill (SB) 862 (Committee on Budget & Fiscal Review) [Chapter 36, Statutes of 2014] are critical to the future of public transit in our state and foundational to the state's efforts to address the single largest greenhouse gas (GHG) emissions contributing sector and meet California's GHG reduction targets beyond 2030. These programs have facilitated the delivery of transformative transit projects and services statewide that substantially reduce greenhouse gas (GHG) emissions, leverage significant federal funds to maximize the benefits of state investment, and deliver a myriad of co-benefits to local communities, including air quality improvements and jobs (in manufacturing, construction, maintenance, and operations).

These principles are a product of the Association's newly established Cap-and-Trade Subcommittee, which was constituted by our Executive Committee to develop our principles, policy, and programmatic recommendations for Cap-and-Trade reauthorization. The Subcommittee is comprised of representatives from 9 transit agencies statewide, intentionally

chosen by our Executive Committee to represent the diverse perspectives and needs of transit agencies across the state that provide service to urban, suburban, and rural communities and that operate a variety of modes. The reauthorization principles presented below in this letter are a result of preliminary discussions with the Subcommittee, conducted in December 2024. As we continue to meet internally in 2025, we intend to provide you with more detailed policy and programmatic recommendations to, among other things, further improve the administration of GGRF-supported transit programs.

Protect Current Levels of Cap-and-Trade Funding for Public Transit: The Cap-and-Trade Expenditure Plan established by SB 862 recognized the mode shift to high-capacity public transit as an essential strategy to meeting the state's GHG emission reduction goals by establishing the Transit and Intercity Rail Capital Program (TIRCP) and Low Carbon Transit Operations Program (LCTOP) and directing continuous appropriations from the GGRF to these programs.

Over the nearly ten-year period since the enactment of SB 862, the TIRCP, which receives 10% of all auction proceeds deposited in the GGRF, has invested approximately \$2.5 billion in 245 transformative transit capital projects statewide, with 94% of this funding benefitting 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 the GGRF investments.

Meanwhile, the LCTOP, which receives 5% of all auction proceeds deposited into the GGRF, has invested approximately \$1.2 billion in 1,003 transit service and zero-emission vehicle projects statewide over the last ten years, with 94% of this funding benefitting 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, maintaining the level of funding these programs currently receive will be 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.

The Association recommends that the Legislature and the Administration protect the levels of GGRF funding for transit capital and operations established under SB 862.

Increase Current Levels of Cap-and-Trade Funding for Public Transit: While SB 862's investments in the TIRCP and LCTOP have built the foundation for improved public transit throughout California, data published by CARB shows that the state must do more to reduce vehicle miles traveled to reach its GHG emissions goals, requiring a 6-8 times increase in transit ridership.

Transit agencies understand – and have consistently communicated to the state through the California State Transportation Agency's Transit Transformation Task Force – 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. Together, these approaches would expand access to public transit service, increase its frequency and reliability, and more fully demonstrate that public transit can be a competitive travel option with driving.

As we have engaged in these discussions, we have noted the tremendous demand for transit capital funding demonstrated by transit agencies and local communities. Today, demand for TIRCP funding outstrips the funding available in the program 2-to-1, a dynamic that will be further exacerbated as transit agencies work to comply with the state-mandated transition to zero-emission vehicles (across all transit modes) and as California navigates an increasingly difficult federal funding landscape. Put plainly, the state must provide further support to transit agencies to help them transition to zero-emission vehicles that are on average 2-3 times more expensive than the conventionally fueled technologies they replace or risk forcing transit agencies to make counterproductive trade-offs between capital and operational investment. Additionally, should the state consider implementing changes to GGRF-supported transit program prior to 2030, the state should factor in that California will receive few federal grant awards from the remaining IIJA funding over the next four years and prepare to continue to advance transit projects and services with only state and local support.

Additionally, while transit agencies are making strong progress on their recovery from the pandemic thanks to the state's investment of funding from SB 125 (Committee on Budget and Fiscal Review) [Chapter, Statutes of 2023], we must now address the historic chronic underfunding of transit operations – at all levels of government. This will require broader discussion in the years ahead on a variety of new revenue sources to support the delivery of fast and frequent transit service but must begin with serious consideration of directing additional and flexible GGRF funds to transit operations.

Furthermore, in 2014, when SB 862 was being negotiated, the Affordable Housing and Sustainable Communities Program (AHSCP) was created as an additional funding program for public transit and active transportation, with up to half of the revenues supporting the AHSCP available for these purposes. However, the AHSCP has instead prioritized housing investment (a significant priority for the state) at the expense of transit and active transportation. The AHSCP, if it continues, should be made to better ensure its investments include more impactful public transit projects and services in order to meet GHG reduction goals.

The Association recommends that the Legislature and the Administration increase the levels of GGRF funding for transit capital and operations beyond those established under SB 862. Additionally, the Association recommends that any new transit capital funding be available to transit agencies to support their transition to zero-emission vehicles, including infrastructure buildout, as mandated by the state.

Ensure Any Dedicated High-Speed Rail Revenue Supports Current Regional Rail Corridors to Prepare for High-Speed Rail Implementation Throughout the State: The High-Speed Rail Project (Project) has been a priority for California for over a decade and as such, has received the largest percentage of the continuously appropriated Cap-and-Trade funding. Initially, when the Legislature and Governor agreed, under SB 862, to direct 25% of all auction proceeds deposited in the GGRF to the Project, the amount estimated for the project was \$500-\$600 million annually.

In recent years, according to the Project's 2024 Business Plan, high-speed rail has received over \$1 billion annually in GGRF funds, with the trend expected to continue for the foreseeable future. While the Project currently has no dedicated ongoing revenue outside the GGRF, its

success is heavily reliant on local and regional systems that support the Project. In the Bay Area and Southern California, the Project is sharing tracks, stations, and systems with existing rail operators (e.g. Caltrain, Metrolink) and significant investment is needed in these corridors to ready them for high-speed rail operations, while also supporting their stand-alone operations and delivering near-term travel benefits to Californians.

As such, we recommend that the Legislature and the Administration 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).

Reform Funding Programs to Streamline Grant Administration, Delivery of Funds, and Enhance Funding Certainty: 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. Cap-and-Trade reauthorization 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 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.

Thank you for allowing the Association to share our principles for Cap-and-Trade reauthorization. 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
Joe Stephenshaw, Director, Department of Finance
Lauren Sanchez, Senior Advisor for Climate, Office of Governor Gavin Newsom
Steven Cliff, Executive Officer, California Air Resources Board
Toks Omishakin, Secretary, California State Transportation Agency
Erin Curtis, Director, California Strategic Growth Council
Gustavo Velasquez, Director, California Department of Housing and Community Development
Executive Committee, California Transit Association
State Legislative Committee, California Transit Association
Cap-and-Trade Reauthorization Subcommittee, California Transit Association





March 4, 2025

Senate Pro Tem Mike McGuire
1021 O Street, Suite 8518
Sacramento, CA 95814

Assembly Speaker Robert Rivas
1021 O Street, Suite 8330
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Senator Catherine Blakespear
Chair, Senate Environmental Quality Committee
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Senator Monique Limon
Chair, Senate Climate Working Group
1021 I Street, Suite 7610
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Assembly Member Isaac Bryan
Chair, Assembly Natural Resources Committee
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Assembly Member Jacqui Irwin
Chair, Assembly Cap & Trade Working Group
1021 O Street, Suite 6220
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Dear Pro Tem McGuire, Speaker Rivas, Senator Blakespear, Senator Limon, Assembly Member Bryan and Assembly Member Irwin,

The undersigned transportation, housing, environmental and equity organizations are writing to communicate our priorities surrounding the potential renewal of California's Cap-and-Trade Program.

Funding affordable housing and sustainable transportation is fundamental to addressing climate change, encouraging economic prosperity for all Californians, and advancing equity. Housing and transportation can represent 59% of household income for moderate income households living in California.¹ A large majority of low income Californians are severely housing burdened and 18% don't own a car, underscoring a need to live in communities well-served by public transportation.² The transportation and housing sectors have an enormous impact on our climate, and thus provide an enormous opportunity to reduce greenhouse gas emissions: taken together, passenger vehicles and housing account for 34.2% of the total state greenhouse gas emissions.³

As you consider changes to the Cap and Trade program and Greenhouse Gas Reduction Fund appropriations, we ask you to consider the following three priorities:

- 1. Protect, and if possible expand, current percentages of Cap and Trade continuous appropriation for the time-proven Affordable Housing Sustainable Communities Program (AHSC), the Transit and Intercity Rail Capital Program (TIRCP), and the Low Carbon Transit Operations Program (LCTOP).**

¹ [Center for Neighborhood Technology | H+T Index](#)

² [Housing burden | National Equity Atlas](#)

³ [GHG Emission Inventory Graphs | California Air Resources Board](#)

2. **Add additional flexibility to existing Greenhouse Gas Reduction Fund transit programs to help address our state's current transportation needs.**
3. **Support the [recommendations](#) of the Environmental Justice community to reform the Cap-and-Trade program design and expenditures and maintain, or possibly expand, SB 535 and AB 1550 investment requirements in impacted communities.**

Why Funding Affordable Housing and Transit Together Matters

California continues to face a severe housing shortage and increasingly devastating climate disasters. A critical solution to these interlocking issues is affordable low-carbon housing investment in infill, walkable, bikeable, transit-connected neighborhoods - which gives residents safe resilient places to live, provides access to mobility options that are healthy for their body and reduces emissions, and connects residents to plentiful amenities and opportunities.

Funding affordable housing jointly with transportation is especially beneficial as each reinforces the other's affordability, equity and climate impacts. Building dense infill affordable housing near transit brings much needed riders to public transit systems, contributing to revenue generation and ultimately to an upward spiral of transit service and investment. Public transit investments serving affordable housing provides critically needed mobility options for residents, connecting them to destinations and amenities.

In recent years, California has passed countless laws that make it easier to build housing near transit in order to make the state more affordable to middle- and low-income households. These include exemptions and streamlined adoption for housing in transit-oriented locations, waiving parking minimums in order to reduce the cost of building, extra density bonuses for affordable housing, and more. These landmark housing laws will be significantly weakened or rendered ineffective without high-quality public transit. This, in turn, makes it more difficult for people to afford to live in California and reduces good-paying jobs from transit-oriented construction.

In order to reach our goals to create a safe, resilient, prosperous California for all, we must build communities that are affordable, connected, and safe from disasters. Joint investments in dense infill affordable housing co-located with sustainable transportation investments will enable communities in all parts of the state to face the future.

Our Transit and Housing Priorities

1. Protect - and if possible expand - current percentages of Cap and Trade continuous appropriation for vital affordable housing and transit programs, specifically the Affordable Housing Sustainable Communities Program (AHSC), the Transit and Intercity Rail Capital Program (TIRCP), and the Low Carbon Transit Operations Program (LCTOP).

The Affordable Housing Sustainable Communities Program (AHSC), the Transit and Intercity Rail Capital Program (TIRCP), and the Low Carbon Transit Operations Program (LCTOP) are essential programs that effectively reduce greenhouse gas emissions while reducing housing and transportation costs. 94% of TIRCP and LCTOP funds and 87% of AHSC funds directly benefit California's priority populations.⁴

The AHSC is central to achieving the statewide climate goals through its investment in affordable homes and transit infrastructure developments that improve economic well-being and physical health for

⁴ [California Climate Investments 2024 Annual Report, Cap-and-Trade Auction Proceeds](#)

underserved Californians while also reducing greenhouse gas (GHGs) emissions. In 2023 alone, AHSC created over 2,200 affordable housing units and accessible low-carbon modes of transportation, including investments in better public transit and safer biking and walking. Projects implemented in 2023 are expected to reduce GHG emissions by 787 thousand metric tons of greenhouse gas emissions. AHSC projects continue to be a key strategy in the state's goal of building 2.5 million new homes by 2030.⁵

LCTOP provides transit operations funding that increases access to jobs, education, housing, reducing over 470 million vehicle miles traveled and almost 7 million metric tons of greenhouse gas emissions over the life of the program.⁶ TIRCP funds essential transit capital funding across the state, leveraging an additional \$37 from additional sources for each dollar invested. In 2023, TIRCP reduced 5.5 million metric tons of GHG emissions and created 15,863 new jobs.⁷

2. Add additional flexibility to existing Greenhouse Gas Reduction Fund transit programs

The development of California's high-speed rail system will provide a clean alternative to driving or flying, significantly reducing greenhouse gas emissions and spurring economic growth. However, High Speed Rail's success depends on local and regional services that support the project and significant investment is needed to make them ready for high speed rail operations, while also supporting their stand-alone operations and delivering near-term travel benefits to Californians. To allow for near-term emissions reduction, we recommended making local and regional rail and transit systems that have direct connections to the high-speed rail system eligible to benefit from the 25% continuous appropriation allocation to the high-speed rail system, including but not limited to transit operations, capitalized maintenance, capital reinvestment, and station modernization and redevelopment.

Current law requires transit agencies to use Low Carbon Transit Operations Program dollars only to enhance or expand their transit service, increase transit mode share, or for the purchase of zero-emission buses and the installation of necessary equipment and infrastructure. These limits were established by the State Legislature to ensure that these dollars, sourced from the Greenhouse Gas Reduction Fund, deliver year-over-year climate benefits. However, transit agencies require flexibility in the dollars already allocated to maintain existing service and stave off additional service cuts during this crisis, which could lead to GHG increases. We recommend additional flexibility within LCTOP to allow funds to be spent on preventing service cuts and regrowing ridership.

3. Support the [recommendations](#) of the Environmental Justice community to reform the Cap-and-Trade program design and expenditures and maintain, or possibly expand, SB 535 and AB 1550 investment requirements in impacted communities.

Frontline communities have seen very few greenhouse gas emissions reductions or air quality improvements across regulated entities,⁸ and more effective and equitable strategies supported by environmental justice communities are underinvested.⁹ Tightening the program by removing free allowances, offsets, and other reforms will achieve reductions of climate and health pollution and increase the Greenhouse Gas Reduction Fund, adding revenue to support existing and additional expenditures that prioritize frontline communities.

Sincerely,

⁵ [Affordable Housing and Sustainable Communities Program](#)

⁶ [Low-Carbon Transit Operations Program — California Climate Investments](#)

⁷ [Transit and Intercity Rail Capital Program — California Climate Investments](#)

⁸ [Environmental Justice Issues in California's Cap and Trade System; Reforming California's Cap and Trade Program Policy Brief](#)

⁹ [AB 617's flawed implementation must not be repeated](#)

Zack Deutsch-Gross
Policy Director, Transform

Mark Stivers
Director of Advocacy, California Housing
Partnership

Christopher Martin
Policy Director, Housing California

Eli Lipmen,
Executive Director, Move LA

Heather Hood
VP & Market Leader, Northern California,
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Laurel Paget-Seekins,
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Adina Levin
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John Nicoletti
Chief Operating Officer, Habitat for Humanity
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