

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

**September 12, 2025**

**Agenda Item 3c**

**Cap and Trade Reauthorization Update**

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**Subject:**

Update on legislative negotiations related to reauthorization of the state's Cap and Trade program.

**Background:**

Earlier this year, Governor Newsom proposed extending the state's Cap and Trade program beyond its 2030 sunset date and making other program modifications, including renaming it the "Cap-and-Invest" program. Senate President pro Tempore McGuire and Assembly Speaker Rivas committed to prioritizing the extension and formed multiple committees and working groups to wrestle with key policy questions, including how to spend revenue generated by the program.

As of September 8, 2025, the Assembly and the Senate had released varying levels of details about their Cap-and-Invest proposals. A draft bill has circulated on the Assembly side, but the Senate proposal has only been described in summary form. Additionally, since publishing their bill, the Assembly released more details about their spending proposal. Both houses propose to extend the program through 2045; however, they take a different approach to the existing continuously appropriated programs: the Senate would impose a dollar cap at "roughly 2022/2023" amounts whereas the Assembly proposal would establish a five-year allocation cycle with eight funding categories and incorporate the continuous appropriations into the first cycle. The Senate proposal also makes modifications to the Assembly Bill 617 program, also known as the Community Air Protection Program (CAPP), which aims to reduce air pollution exposure in communities most impacted by air pollution in partnership with local air districts.

The two houses' differing approaches to the extension, as well as other priorities competing for legislators' time and energy, may result in the final agreement being delayed, either to a special session later this year or to next year. September 12 is the end of this year's regular legislative session.

Staff will provide an update at your meeting.

**Recommendation:**

Information

**Known Positions:**

N/A

**Attachments:**

- Attachment A: MTC-ABAG Cap and Trade Advocacy Principles
- Attachment B: Bay Area Coalition Letter
- Attachment C: Bay Area High-Speed Rail “Bookend Project” Fact Sheet
- Attachment D: Big 4 MPO Request for Greenhouse Gas Reduction Fund Funding to support Sustainable Communities Strategies implementation



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