SPUR
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August 19, 2025

The Honorable Gavin Newsom
Governor of California
1021 O Street, Ste. 9000
Sacramento, CA 95814

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

The Honorable Mike McGuire
Senate pro Tem
1021 O Street, Ste. 8518
Sacramento, CA 95814

Senator Monique Limón
Chair, Senate Climate Working Group
1021 O Street, Ste. 7610
Sacramento, CA 95814

Assemblymember Jacqui Irwin
Chair, Assembly Cap & Trade Working Group
1021 O Street, Ste. 5630
Sacramento, CA 95814

Re: Cap-and-Trade (Cap-and-Invest) Reauthorization Priorities

Dear Governor Newsom, Speaker Rivas, pro Tem McGuire, Senator Limón and Assemblymember Irwin,

SPUR is a non-profit public policy organization that works to make the San Francisco Bay Area more sustainable, equitable and prosperous through research, education and advocacy. We write to reiterate our strong support for the reauthorization of the Cap-and-Trade (Cap-and-Invest) program through 2045 and share our priorities for the Greenhouse Gas Reduction Fund expenditure plan. As an update to our letter submitted in May 2025, this letter offers specific recommendations to reform the GGRF's public transit and affordable housing programs (TIRCP, LCTOP, and AHSC) in order to more directly connect the state's policy goals and strategic priorities with funding decisions, simplify the state's approach to funding transit, and address the diversity of transit needs across the state. In reauthorizing Cap-and-Trade, we urge the state to:

1. **Expand or maintain the level of continuous funding for public transit and affordable housing from Cap-and-Invest auction proceeds, including for the AHSC, TIRCP, and LCTOP programs.**

Since its inception, the single most important source of funding for affordable housing construction in the Bay Area has been the Affordable Housing and Sustainable Communities (AHSC) program. AHSC has been used to deliver thousands of units of affordable housing in the region. Without it, our ability to deliver affordable housing, especially in infill locations with good access to transit, is significantly diminished. This will set back our efforts to build more housing that is affordable to all people, reduce the cost of living, and grow transit ridership.

2. **Ensure that the Bay Area continues to receive its fair share of funding from GGRF.**

The Bay Area plays a critical role in meeting the state's greenhouse gas reduction goals. For instance, more than 30% of all transit trips occur in the Bay Area and our existing transit network is an anchor for climate-friendly infill housing. In recent years, continuous appropriations for public transit (TIRCP, LCTOP, part of AHSC) have generated approximately $1 billion annually. Funding from these programs have enabled the Bay Area to plan and build projects that reduce pollutants that are harmful to the climate and to human health, provide affordable mobility and access for all people, leverage billions of dollars in federal funds, build thousands of units of affordable housing, create thousands of jobs, and support the region's economy. Funding from the Cap-and-Invest program remains vital to the Bay Area's ability to build affordable housing and to ensure transit operators can continue supporting the state's mobility, affordability, climate and quality of life goals.

3. **Honor the existing multiyear awards from continuous and discretionary programs through the end of FY2030.**

The state has committed more than $1 billion annually through multiyear awards to public transit projects and programs across the state through continuous appropriations and approximately $400 million per year through discretionary programs through FY2029-FY2030. These funds are an irreplaceable part of the projects' funding plans and are critical to securing federal funding. In addition, discretionary programs such as the Zero Emission Transit Capital Program remain essential to avoid near-term service cuts and to run a successful regional campaign for new, sustainable funding.

We strongly urge you to honor these capital project awards, as well as the commitments to provide $1.1 billion in relief funding (SB125, 2023) and issue a $750 million loan to BART, SFMTA, Caltrain, and AC Transit to help Bay Area transit systems avoid going over a fiscal cliff before going to voters for new revenue in November 2026.

4. **Dedicate a portion of high-speed rail's continuous appropriation to rail projects that support, and provide connectivity to, the completed high-speed rail system in the state's major metropolitan regions.**

The success of the state's high-speed rail program depends on its connections to major economic and population centers, specifically the San Francisco Bay Area and Los Angeles metropolitan region. We encourage the state to fund the delivery of "joint benefit" capital investments to support a successful high-speed rail (HSR) system and create thousands of unionized construction jobs. This could include fully funding a small number of transit capital projects in each corridor that support higher levels of rail service, integrate and connect to the future high-speed rail system, and improve multimodal safety and access. Fully funding these projects will ensure that these projects get built more quickly and cost effectively. Regional priorities include the San José Diridon Integrated Station Plan including the extension of BART to Diridon Station, grade separations and safety improvements on the Caltrain rail corridor, and The Portal. This package of projects will integrate HSR into the heart of the Bay Area's population and job centers and have already leveraged a significant amount of local and federal funding.

4. Increase the amount of flexible, formula-based funding that can be spent on operations, maintenance, and state of good repair in order to sustain and improve existing public transit service.

Taking public transit instead of driving reduces greenhouse gas emissions, decreases congestion and the emissions generated from idling cars. We strongly encourage the state to ensure that the Cap-and-Invest program recognizes the significant climate benefits of serving existing riders/keeping existing riders on transit, including through increasing formula funding that is flexible so that it can be used for transit operations, maintenance, state of good repair, or for capital projects.

Further, there is a strong and direct statistical correlation between the amount of service hours provided and transit ridership. The more service hours provided, the higher the ridership. The higher the ridership, the lower the greenhouse gas emissions. But providing more service hours requires more operating funding.

Predictability

Shifting more funding into formula-based programs provides operators with predictability than competitive programs. We encourage the state to distribute formula funding from GGRF using a formula that directly aligns with the state's twin goals of increasing ridership and decreasing greenhouse gas emissions. This approach reinforces the state policy goals, provides operators with greater certainty over their budgets from year to year, and has the added benefit of providing new and needed funding to small-and-midsized agencies that do not score highly in competitive capital programs.

Should the state decide to use a more formula-based approach for new flexible funds, we recommend using a formula that more closely aligns with the state's policy goals. A population- and revenue- based formula, which is currently used by LCTOP (and State Transit Assistance), is disconnected from the state's policy goals. In contrast, distributing 50% of the funds by ridership and 50% of the funds by passenger miles traveled ensures that state funds are paying for productivity and ridership, which means that the state is directly investing in greenhouse gas reductions and incentivizing ridership.

Flexibility

We also urge the state to make programs more flexible so that more state funds can be used for operations, maintenance, and state of good repair. Transit systems across the state vary greatly in the types of services they provide, the geographies and populations they serve, and the age and condition of their assets, and the scope of their capital programs. As such, operators across the state are going to have a large spectrum of financial needs. The way to address the diversity of needs across systems and regions is to provide flexible funding so that transit operators can allocate investments based on the highest need.

We encourage the state to consider the following reforms to the GGRF programs to increase the amount of funding available for transit and maximize flexibility and predictability:

- **Distribute flexible funds by formula.** One approach is to use a formula that distributes 50% of the funds by passenger miles traveled and 50% of the funds by ridership, rather than through a population- or revenue- based formula.

- **Allow TIRCP funds to be used on preventative maintenance and state of good repair investments**. This would be budget-relieving and create more flexibility within local and regional funds.

- **Increase the overall amount of flexible funding available by re-investing the interest that is generated by the TIRCP program back into TIRCP** instead of the total fund balance, or a new flexible program.

- **Increase the continuous appropriation to LCTOP and provide a guaranteed minimum to the program** to ensure predictability over the life of the program.

- **Allow LCTOP funds to be used for existing operations**, continuing a waiver that was put in place after the COVID-19 pandemic.

- **Simplify the requirements associated with LCTOP** distribution to simplify the administration of the program.

A long-term extension will provide certainty for sustained emissions reductions and secure additional investments in public transit and affordable housing, which will continue supporting the state's climate goals and providing a strong foundation for the region's economy, which is beneficial to the state as a whole. We appreciate any further opportunities to engage the Legislature and Administration in Cap-and-Invest funding and policy discussions.

Sincerely,

Laura Tolkoff
Transportation Policy Director

Cc: Members, California State Legislature
Lauren Sanchez, Senior Advisor for Climate, Office of Governor Gavin Newsom
Joe Stephenshaw, Director, Department of Finance
Steven Cliff, Executive Officer, California Air Resources Board

Toks Omishakin, Secretary, California State Transportation Agency
Gustavo Velasquez, Director, California Department of Housing and Community Development