



March 1, 2025

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

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

Re: Legislative Discussions, Cap-and-Trade Program Extension

Dear Pro Tem McGuire and Speaker Rivas:

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 represent 59% of all household costs for moderate income households 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).**
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.

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

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

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

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 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

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

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](#)

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,

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](#)

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