



AFFILIATED AGENCIES

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway Emergencies*

*Consolidated Transportation
Service Agency*

*Congestion Management
Agency*

June 4, 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

Subject: Concerns Regarding Cap-and-Trade (Cap-and-Invest) Proposal in Fiscal Year 2025-26 May Revision

Dear Governor Newsom, Senator McGuire, and Speaker Rivas:

On behalf of the Orange County Transportation Authority (OCTA), I am writing to express strong concerns regarding the proposed Cap-and-Trade (proposed to be rebranded to Cap-and-Invest) framework outlined in the Governor's May Revision of the Fiscal Year (FY) 2025-26 State Budget. While we appreciate the Governor's commitment to providing certainty to future funding under the program, the current proposal significantly jeopardizes the transit capital and operations programs that have long relied on these revenues to support essential public transportation services and infrastructure.

Because of the proposal's silence on maintaining investments for one-time investments in transit and ongoing appropriations, the proposal will have the impact of reducing or eliminating critical Greenhouse Gas Reduction Fund (GGRF) investments in the Transit and Intercity Rail Capital Program (TIRCP), the Low Carbon Transit Operations Program (LCTOP), and the Zero-Emission Transit Capital Program (ZETCP). These changes would reduce the planned \$1 billion investment in formula-based TIRCP for FY 2025-26 to \$812 million, eliminate \$200 million for TIRCP Cycle 6, and eliminate \$690 million for ZETCP in FYs 2026-27 and 2027-28. In addition, the proposal does not reaffirm continuous appropriations to TIRCP and LCTOP, putting the future of these successful programs at risk.

This is particularly concerning given the Legislature's demonstrated commitment to public transit in recent years, most notably through the passage of

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SB 125 (Chapter 58, Statutes of 2023), which established the formula-based TIRCP and ZETCP programs to provide stable and equitable funding to support transit capital and operations. In addition, the 2023-24 State Budget shifted funds from the General Fund into the GGRF to protect and sustain transit investments during a period of budget uncertainty, reinforcing the Legislature's recognition of the essential role these programs play in supporting mobility across the state.

This level of uncertainty threatens OCTA's ability to maintain and expand critical transit services and deliver infrastructure that supports regional mobility and access. Projects like the OC Streetcar, resiliency work on the Los Angeles – San Diego – San Luis Obispo Rail Corridor, and support for Metrolink commuter rail service operations are essential to providing safe, reliable, and connected transportation options in southern California. OCTA's Youth Ride Free Program and our transition to a zero-emission bus fleet also depend on funding from programs like LCTOP and ZETCP. These investments help reduce greenhouse gas emissions, expand access to opportunity, and build long-term ridership.

To that end, OCTA recently adopted Cap-and-Trade principles, as detailed in the attachment, to guide our engagement on policy matters such as those under consideration. The concerns outlined in this letter are consistent with these principles, which include the following:

- **Support for the continuation of existing GGRF investments in transit capital and operations programs, such as TIRCP and LCTOP:** The final framework must honor all existing funding commitments through 2030. This includes not only sustaining current investment levels but identifying opportunities to grow funding streams in future years to meet increasing demand for capital and operational support.
- **Opposition to any proposals that would divert existing funding away from effective regional use:** The Legislature's previous decisions to create formula-based programs and protect these investments should continue to guide the State's approach.
- **Support for maximizing formula-based distribution of Cap-and-Trade revenues for transportation purposes to support regional transportation needs and locally driven solutions:** OCTA urges the continuation and strengthening of formula-based funding, such as done with the TIRCP and ZETCP funding provided under SB 125. These resources offer flexibility to address both capital and operational priorities

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and are critical to maintaining project delivery timelines and leveraging other funding sources, including federal dollars.

Unfortunately, the current proposal does not align with these principles. By shifting focus away from programs that have a proven track record of delivering high-impact transit projects and services, it risks undermining long-standing commitments and jeopardizing critical progress already underway. We respectfully urge the Legislature to work with the Administration to ensure that the final plan protects and continues investments in the transit capital and operations programs that are vital to achieving California's mobility, access, and economic goals. These investments are already delivering measurable benefits and should remain central to the State's strategy moving forward.

Thank you for your attention to this important issue and for your ongoing leadership in providing critical funding for transit. If you or your staff have any questions, please contact Kristin Jacinto, Executive Director of Government Relations, at (714) 560-5754 or kjacinto@octa.net.

Sincerely,



Doug Chaffee
Chair

DC:aec

c: Members, Orange County State Legislative Delegation
The Honorable Scott Wiener, Chair, Senate Budget and Fiscal Review Committee
The Honorable Jesse Gabriel, Chair, Assembly Committee on Budget
The Honorable Laura Richardson, Chair, Senate Budget Subcommittee #5 on Corrections, Public Safety, Judiciary, Labor and Transportation
The Honorable Steve Bennett, Chair, Assembly Budget Subcommittee #4 on Climate Crisis, Resources, Energy and Transportation
Darrell E. Johnson, Chief Executive Officer
Topp Strategies

Enclosure

Orange County Transportation Authority Cap-and-Trade Principles

- Support the continuation of existing Greenhouse Gas Reduction Fund investments in transit capital and operations programs, such as the Transit and Intercity Rail Capital Program and the Low Carbon Transit Operations Program. Oppose any proposals that would divert existing funding away from effective regional use.
- Encourage use of Cap-and-Trade revenues to help meet state zero-emission vehicle mandates for transit.
- Support efforts to reduce the administrative complexity of Cap-and-Trade programs to ensure timely and predictable distribution of funds. Streamlined processes help agencies deliver projects more efficiently and minimize overhead.
- Support a dedicated increase in Cap-and-Trade funding for capital projects of regional significance, with a focus on connectivity and bookend rail investments that strengthen both local and interregional infrastructure.
- Increase formula-based transit operations funding to aid in the recovery, stabilization, and expansion of transit and rail services.
- Support adjustments to the Affordable Housing and Sustainable Communities Program to ensure transportation projects receive consideration.
- Maximize formula-based distribution of Cap-and-Trade revenues for transportation purposes to support regional transportation needs and support locally-driven solutions to serve communities effectively.
- Support dedicated allocations of Cap-and-Trade revenues for projects related to climate adaptation, such as transportation projects along the Los Angeles – San Diego – San Luis Obispo Rail Corridor, particularly those addressing coastal erosion, sea-level rise, and extreme weather impacts.