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*Government and legislative Affairs*

DODD AND CHABAAN STRATEGIES, LLC

May 21, 2026

## **MEMORANDUM**

To: Jamar Stamps

From: Mark Watts  
Senior Adviser & Advocate

Subject: **May 2026 Report, Budget & Administrative Updates**

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I am pleased to provide the following report on recent legislative advocacy and other legislative and administrative updates.

NOTE – ADDENDUM; I have added this as there were hearings in both houses this past 7-10 days on this vital topic.

### **CARB's Proposed 2026 Cap-and-Invest Amendments Impact on Transit Agency Operations**

CARB's proposed amendments to the **Cap-and-Invest program** (formerly Cap-and-Trade), scheduled for a Board vote on May 28-29, 2026, are intended to align the program with 2030 climate targets, extend it to 2045 (per 2025 legislation AB 1207/SB 840), and address affordability and emissions leakage.

The most direct and significant concern for state program revenues affects regional and local transit agencies. This is due to the projected **potential sharp reduction in Greenhouse Gas Reduction Fund (GGRF)** revenues. These funds support key transit programs like:

- **Low Carbon Transit Operations Program (LCTOP)** - BART, county transit entities, Caltrain
- **Transit and Intercity Rail Capital Program (TIRCP)** – BART, county transit entities, Caltrain
- **Affordable Housing and Sustainable Communities (AHSC)** (which includes transit-oriented development)

### ***Legislature***

May 15 was the deadline for measures with a fiscal impact to pass from the fiscal committees; this typically frames the release of hundreds of bills from the respective house's Suspense files,

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setting up a couple of key weeks that sees only work undertaken on the budget and floor actions on bills.

### ***State Budget, Transportation information***

Senate Budget Subcommittee No. 2 heard Governor Newsom's proposals on the expenditure of Greenhouse Gas Reduction Fund (GGRF) revenues for FY 2026-27 on April 9, following a corresponding hearing in Assembly Budget Subcommittee No. 4 on March 11. Transit advocates as well as regional agencies lined up to express concerns about the Governor's GGRF expenditure plan, which excludes \$230 million for the Zero Emission Transit Capital Program (ZETCP) in 2026-27. This funding, along with an additional \$460 million in FY 2027-28, was part of the SB 125 deal in 2023 that allows regional agencies (MTC in the Bay Area) to flex funding between capital and operational needs to support transit recovery.

Transportation and public transit advocates are also pushing for funding certainty for the Transit and Intercity Rail Capital Program (TIRCP) and the Low Carbon Transit Operations Program (LCTOP) in the GGRF. Due to the restructuring of the GGRF expenditure plan last year, several consecutive weak auctions, and proposed California Air Resources Board (CARB) regulations implementing the cap-and-invest program that would increase the climate credit rebate, GGRF revenues could be reduced to approximately \$2 billion annually. At this level of funding, there would be no additional GGRF available for TIRCP and LCTOP in 2026-27.

Budget subcommittees have yet to take any formal action on the Administration's GGRF expenditure plan. The Governor will submit his revised budget proposal to the Legislature by May 15. It will reflect updated revenue and expenditure estimates and may include new or amended policy proposals, including proposals related to GGRF expenditures. The Legislature will hold subsequent budget hearings prior to negotiating with the Administration to pass a balanced budget by the June 15 constitutional deadline.

### ***Draft VMT Mitigation Guidelines Released***

The Governor's Office of Land Use and Climate Innovation (LCI) is seeking to establish a new statewide Vehicle Miles Traveled (VMT) Mitigation Program. The draft guidelines provide a framework for how projects may mitigate transportation impacts under the California Environmental Quality Act (CEQA) using this new, opt-in approach for state and local lead agencies.

The draft guidance outlines how the program will operate, including:

- **Mitigation Structure:** Projects with significant VMT impacts may contribute funds to the Transit-Oriented Development Implementation Fund (TDIF) as an optional mitigation strategy, with contribution amounts tied to estimated VMT reduction outcomes.

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- **Regional Framework:** Mitigation investments are prioritized within the same region as the project, with limited flexibility to fund projects in adjacent regions based on defined proximity criteria.
- **Location-Efficient Areas:** Priority is given to areas with lower-than-average VMT, strong transit access, and infill characteristics, ensuring a nexus between project impacts and mitigation investments.
- **VMT Reduction Methodology:** Credits are based on differences in trip generation and travel behavior between affordable and market-rate housing.
- **CEQA Compliance:** The program is structured to meet CEQA requirements, including nexus, proportionality, additionality, and enforceability.

AB 130 introduces a new, state-level mitigation option that could reshape how transportation impacts are addressed under CEQA. While it offers a potentially streamlined pathway, key questions remain regarding cost, implementation, and applicability across different regions – particularly for land development and transportation projects outside transit-rich areas. LCI is accepting public comments on the draft guidance through May 8, 2026. AB 130 requires LCI to adopt final guidance by July 1, 2026.

### **Bills of Interest**

**SB1408 (Arreguin)**, This bill sponsored by the Contra Costa Transportation Authority (CCTA), extends the authorization to impose a transportation sales tax. The measure has passed Senate committees and is pending consideration on the Senate Floor.

**AB 2679 (Hadwick)**, this bill, sponsored by Placer County Transportation Planning Agency (PCTPA) on behalf of local cities, was amended in April to meet concerns that the introduced version would have resulted in a “shift” of a modest amount of revenues from moderate and large cities. The measure successfully passed the Assembly Transportation Committee unanimously on April 21 and is expected to be heard later this week in the Assembly Appropriations committee.

**AB 2560 (Schultz)** this bill would codify the current goals of Governor Newsom’s Climate Action Plan for Transportation Infrastructure (CAPTI) was significantly amended in the Assembly Transportation Committee to address of both the Committee and various stakeholders, including the Self-Help Counties Coalition and the California Association of Councils of Government (CALCOG).

The April amendments removed language that would have applied the current CAPTI goals to six specific formulaic and competitive state transportation funding programs and authorized the California State Transportation Agency (CalSTA) to continue to update CAPTI goals in the future.