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**From:** Wiggins, Stephanie N  
**Sent:** Thursday, September 11, 2025 5:33 PM  
**Subject:** Legislative Alert: Agreement Reached on the Extension of Cap-and-Invest



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**Three-Party Agreement Reached on the Extension of Cap-and-Invest Program**

Yesterday, amendments to [SB 840](#) (Limón) and [AB 1207](#) (Irwin) came into print, representing the culmination of the cap-and-invest (previously cap-and-trade) negotiations between the Governor and leadership in the Senate and Assembly. These bills address two different components of the cap-and-invest program. Together, the bills would reauthorize the program for an additional 15 years, to 2045, and aim to provide greater certainty in auctions between now and the original expiration date of 2030.

AB 1207 concerns the mechanism by which the cap-and-invest market is run. SB 840 concerns the way that revenues from the auctions are allocated through the Greenhouse Gas Reduction Fund (GGRF). Currently, statutorily required GGRP appropriations are allocated through percentages to programs such as High-Speed Rail, Affordable Housing and Sustainable Communities, Transit and Intercity Rail Capital Program (TIRCP), Low Carbon Transit Operations Program (LCTOP), among others. SB 840 converts these appropriations to fixed numbers, and allocates them in a tiered process. The first tier continuously appropriates \$1 billion to the High-Speed Rail Authority. The second tier contains \$1 billion, reserved for appropriation by the Legislature through the annual budget process. For the 2026-27 fiscal year, the bill states that it is the intent of the legislature to appropriate \$125 million to fund transit passes, with further detail not yet available. The third tier for appropriation, after the previous tiers are fully funded, includes \$400 million for the TIRCP and \$200 million for the LCTOP. If auction revenues fall below the amount needed to fund this tier, reductions would be made proportionately. However, if auction revenues come in higher than expected, the excess is returned to the General Fund.

Though the Legislature was originally due to adjourn for the first year of the session on Friday, the 72-hour rule by which bills must be in print before voting means that SB 840 and AB 1207 may be voted on Saturday morning. If passed by the required two-thirds vote in both houses, the bills would go to the Governor for a final signing decision. Metro staff are currently reviewing the language of both bills and will have further updates as more information becomes available.

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