Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 741 (Blakespear) – As Amended July 1, 2026

Policy Committee: Transportation Vote: 15 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill makes numerous changes to the Low Carbon Transit Operations Program (LCTOP) by, among other things, streamlining how transit agencies may expend funds and expanding eligible uses of LCTOP funds.

More specifically, this bill, among other things:

1) Requires LCTOP funds be expended only on the following services and programs and provides that expenditures made pursuant to these provisions are deemed to reduce greenhouse gas (GHG) emissions:

   a) Maintenance or expansion of bus, rail, or ferry services, including equipment acquisition, vehicles, fueling, maintenance, and other costs to operate bus, rail, and ferry services.

   b) Transit fare subsidies, including discounted and free student transit passes.

   c) Network and fare integration technology improvements.

2) Requires expenditure of LCTOP funds on buses to be in accordance with the Air Resources Board's (ARB) Innovative Clean Transit regulations.

3) Repeals the requirement for LCTOP funds be expended on:

   a) Expenditures that directly enhance or expand transit service by supporting new or expanded bus or rail services, new or expanded waterborne transit, or expanded intermodal transit facilities, as specified.

   b) Operational expenditures that increase transit mode share.

   c) Expenditures related to the purchase of zero-emission (ZE) buses, including electric buses, and the installation of the necessary equipment and infrastructure to operate and support these ZE buses.

3) Repeals the requirement for a recipient transit agency to demonstrate that each expenditure of program funds allocated to the agency reduces GHG emissions and does not supplant another source of funds.

4) Repeals the requirement that the Department of Transportation (Caltrans), in coordination with ARB, develop specified guidelines and reporting requirements.

5) Requires a transit agency to submit to Caltrans a list of services or programs (for a single year or multiple years) proposed to be funded with LCTOP funds before receiving the funds as well as annual documentation that includes a description and the location of each completed service or program, as specified and repeals and restructures several other existing requirements applicable to recipient transit agencies and Caltrans.

6) Requires Caltrans to report to the State Controller's Office (SCO) a recipient transit agency that has submitted a list of services or programs and is eligible for funding for the applicable fiscal year, and requires the Controller, upon receipt of the report, to allocate funds, as specified.

FISCAL EFFECT:

1) By expanding the eligible uses of LCTOP funds (by allowing the program to fund transit maintenance and non-ZE buses, for example) and eliminating the requirement for a transit agency to demonstrate that each expenditure reduces GHG emissions, this bill creates ongoing cost pressures of an unknown but potentially significant amount on the program to provide additional funding to a broader swath of project categories.

   LCTOP, funded through the Greenhouse Gas Reduction Fund (GGRF), has invested over $1.4 billion in projects over the past decade – funding over 1,500 projects to help local transit agencies launch new or expanded transit services, purchase ZE fleet vehicles, build ZE infrastructure, and make public transportation more affordable.

   Until recently, LCTOP received 5% of the proceeds of each quarterly cap-and-invest program auction. As part of last year's extension of the cap-and-invest program, SB 840 (Limon), Chapter 121, Statutes of 2025, made various modifications (including creating funding "tiers") to the allocation of GGRF revenues starting in fiscal year 2026-27. SB 840 places LCTOP in tier three and allocates $200 million annually to the program. Tier three programs receive funding only after all tier one and tier two programs' funding commitments are met. When GGRF revenues fall short, tier three programs are subject to proportional funding reductions.

   Analysis by the Legislative Analyst's Office indicates there will not be enough GGRF money available annually to fund all of the Legislature's priorities each year, and it is likely all tier three programs – including LCTOP – will be defunded.

2) Caltrans' Division of Mass Transit, which administers LCTOP, anticipates any administrative costs to be minor and absorbable.

3) ARB reports minor and absorbable costs.

COMMENTS:

1) **Purpose.** According to the author:

> [LCTOP] is a key resource as the state reduces transportation emissions. Over time, added administrative requirements have made the program increasingly complex for local agencies and stakeholders. SB 741 streamlines program administration based on years of implementation experience. As agencies face growing fiscal pressures and work to improve service and increase ridership, SB 741 will help maximize the impact of these critical investments.

2) **Background.** LCTOP, administered by Caltrans, in coordination with ARB and SCO, provides operating and capital assistance for transit agencies to reduce GHG emissions and improve mobility. Among other statutory requirements, any transit agency whose service area includes disadvantaged communities (DACs) must spend at least 50% of the LCTOP funds it receives on projects that will benefit DACs.

   The California Transit Association (CTA), the sponsor of this bill, argues that while LCTOP has been one of the state's most important tools for sustaining and expanding public transit, the program has proven difficult and unwieldy to administer. CTA writes, "Agencies face complicated and redundant documentation and ongoing compliance requirements and a sometimes-inflexible Caltrans review process. This results in staff time and resources that should go toward serving riders instead being spent on paperwork."

   CTA contends this bill modernizes LCTOP by expanding eligible uses to include transit maintenance, eliminates redundant GHG demonstration requirements for continuing programs, simplifies Caltrans' administrative role to mirror existing, effective programs like the State Transit Assistance - State of Good Repair program, and clarifies that agencies may continue funding previously approved services without having to restart the application process on regular intervals.

   Writing in a support-if-amended position, a coalition of organizations and "advocates for transit operations funding and equitable public transit service" request that the bill be amended to maintain the GHG reduction objective in the program and continue to limit eligibility for transit vehicle purchases with LCTOP funds to ZE transit vehicles and charging and fueling infrastructure.

Analysis Prepared by: Nikita Koraddi / APPR. / (916) 319-2081