

MEMORANDUM

To: **City of Hayward**
Mayor Mark Salinas
Mayor Pro Tempore Julie Roche
Members of the City Council

From: **Townsend Public Affairs**
Niccolo De Luca, Vice President and Chief Advocacy Officer
Carlin Shelby, Deputy Director
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Date: **November 18, 2025**

Subject: **2025 Legislative Session: Overview and Key Actions**

2025 STATE LEGISLATIVE OVERVIEW

Strategic Engagement on Priority State Legislation

During the 2025 California Legislative Session, the City of Hayward closely monitored and engaged on priority legislation affecting housing production, land-use authority, transportation investments, fiscal sustainability, and public governance. Although the City did not take formal positions, TPA actively worked with bill authors, committee staff, regional partners, and statewide associations to shape outcomes, secure amendments, and protect Hayward’s operational and policy interests.

Bill Number & Author	Title / Description	Actions (City of Hayward / TPA Engagement)	Outcome
AB 259 (Rubio)	<i>Open meetings: local agencies: teleconferences.</i> Expands Brown Act teleconferencing flexibility and accessibility. Incorporated into SB 707.	Coordinated with regional city manager/city clerk networks and the League of California Cities to track implementation impacts; monitored integration into SB 707.	Incorporated into SB 707; Signed into law.
AB 306 (Schultz)	<i>Building regulations: state building standards.</i> Significantly restricts local amendments to residential building codes unless justified by climatic, geological, or topographical conditions.	Engaged with author’s office and committee staff to advocate for broader exceptions; worked with regional planning partners to analyze impacts on Hayward’s green building requirements; coordinated with HCD on applicability timeline.	Incorporated into Budget Trailer Bill AB 130; Signed into law.
AB 650 (Papan)	<i>Housing element: RHNA refinements.</i> Proposed adjustments to improve coordination between local governments and HCD in	Worked with regional partners to support technical refinements aligned with Hayward’s Housing Element; briefed staff on implications for future RHNA cycles; monitored negotiations with HCD.	Vetoed by Governor.

	housing element assessment processes.		
SB 63 (Wiener)	<i>Bay Area Transportation Revenue Measure.</i> Authorizes a five-county transportation tax measure for 2026 ballot, including rail, transit, multimodal, and safety corridors.	Monitored amendments affecting Alameda County jurisdictions; coordinated with regional staff and transportation coalitions; engaged legislative staff to ensure East Bay funding parity and transparency.	Two-year bill; eligible for 2026 action.
SB 79 (Wiener)	<i>Statewide TOD upzoning.</i> Establishes by-right housing near transit, authorizes transit agencies to adopt objective standards, preempts certain local zoning controls.	Worked with author's office and Senate Housing Committee to monitor amendments; coordinated with AC Transit/BART and regional partners to assess station-area impacts; advised Hayward on interaction with Housing Element and local TOD plans.	Signed into law.
SB 239 (Arreguín)	<i>Open meetings: teleconferencing for subsidiary bodies.</i> Updated Brown Act rules for advisory bodies; integrated into SB 707.	Worked with local clerks and statewide governance partners to track alignment with Hayward's existing commission/committee practices; supported technical clean-up amendments.	Incorporated into SB 707; Signed into law.
SB 346 (Durazo)	<i>Transient occupancy tax: short-term rental facilitators.</i> Expands TOT collection authority for local agencies.	Coordinated with regional finance directors and the author's office to ensure local enforcement mechanisms remained intact; evaluated revenue implications for Hayward – particularly in preparation for upcoming Bay Area sporting events.	Signed into law.
SB 456 (Ashby)	<i>Contractors: muralist licensing exemption.</i> Exempts muralists from contractor licensing requirements.	Engaged with author's staff to confirm scope aligned with Hayward's public art and cultural programming; briefed staff on implementation.	Signed into law.
SB 707 (Durazo)	<i>Brown Act Modernization.</i> Broad update to public meeting requirements including translation thresholds, two-way public participation, remote access standards, and teleconference rules.	Worked closely with author's office and coalition partners to secure key amendments including: <ul style="list-style-type: none"> • 6-month implementation delay • Clarifying procedures for disrupted public access • Reasonable agenda translation thresholds • Limiting punitive liability for technical failures • Clarifying applicability to subsidiary bodies 	Signed into law.
AB 736 (Wicks) / SB 417 (Cabaldon)	<i>Affordable Housing Bond Act of 2026.</i> Proposed statewide bond for affordable housing production, preservation, and supportive housing.	Coordinated with authors' offices and regional partners to advocate for inclusion of accessible Local Housing Trust Fund (LHTF) dollars; tracked negotiations over program structure and local set-asides.	Two-year bills; pending 2026 action.

Overview

The 2025 legislative session came to a drawn-out close on Saturday, September 13, after a frenzied final week marked by last-minute proposals, late amendments, and negotiations between leadership in both houses and the Governor's administration. This adjournment capped the first year of the two-year 2025–26 Legislative Session, during which California lawmakers introduced a total of 2,397 bills. Of these, 1,536 bills advanced through both houses of the Legislature—600 from the Senate and 936 from the Assembly. Governor Newsom ultimately signed 794 measures into law and vetoed 123, with the remainder either withdrawn, held, or pending at adjournment. The Governor's deadline to sign or veto bills was October 12, marking the close of a highly active session defined by a heavy focus on housing, climate, public safety, and fiscal stabilization.

While end-of-session policy pushes are a familiar feature of California's legislative process, this year stood out for the number of sweeping amendments dropped into bill vehicles in the final 72 hours. These efforts targeted major issues such as Cap and Trade reauthorization, housing and land use, and public safety reforms.

Governor Newsom had a strong hand in session-end negotiations, seeking to shape outcomes around his climate and energy priorities as he enters his final year in office in 2026. Ultimately, his Administration worked closely with legislative leaders to advance several priority measures that took shape in several energy and climate-related measures in the last week of session.

Given the State's ongoing fiscal challenges, vetoes are expected to mirror prior years, with the Governor frequently citing insufficient state resources to implement new programs and more fiscal uncertainty on the horizon. The Governor has until October 13 to sign or veto these measures; any measures left unsigned by that deadline will automatically become law. Unless otherwise specified, statutes signed into law this year will generally take effect January 1, 2026.

The end of the 2025 legislative session marks the beginning of the Interim Recess and the ramp-up to the November 2025 statewide special election, where Proposition 50, focused on redistricting, will be the headline measure on the ballot. The Legislature is scheduled to reconvene on January 5, 2026.

Brown Act Reforms

During the COVID-19 pandemic, the Legislature passed a series of bills allowing local governments to meet remotely via two-way telephonic and/or audio-visual platforms, such as Zoom or Microsoft Teams. Included in these packages of bills was the authorization for members of the local legislative bodies to participate remotely without identifying their specific location as long as members of the public were also allowed to participate remotely.

One of those authorizations, [AB 2449](#) (Rubio, 2022), is set to expire on January 1, 2026. In order to ensure continuity in the law for local public agencies, the Legislature set out at the beginning of the year to modernize the Brown Act related to remote participation and transparency. Several different bills were introduced throughout the legislative session, each tackling a unique piece of the puzzle for remote participation and access, including [AB 259](#) (Rubio) to extend the sunset from AB 2449, [AB 409](#) (Arambula) addressing community college student body organizations, [AB 467](#) (Fong) related to neighborhood councils, and [SB 239](#) (Arreguín) covering subsidiary bodies.

All of the bills were eventually folded in [SB 707](#) (Durazo), encompassing a broad range of changes to the Brown Act focusing on transparency and public access. Specifically, SB 707 requires certain eligible legislative bodies (namely large public agencies, or public agencies in large counties) to have two-way telephonic and/or audio-visual platforms available at all meetings of the legislative body, such as City Council Meetings, Board of Supervisors Meetings, or Board of Directors I. This requirement does not extend to committees or other subsidiary bodies of the legislative body, such as commission meetings. However, should members of the legislative body wish to participate remotely in committees or subsidiary bodies that are not purely advisory without posting their location, then the local agency must have a two-way telephonic and/or audio-visual platform set up for the public to participate and provide public comment.

Furthermore, SB 707 requires the translation of agendas (not the entire agenda packet) into all languages spoken by at least 20% of the population that also speak English “less than well”, according to the American Community Survey of 2023. The maximum amount of languages that a local agency would need to translate is capped at three. Currently, the bill allows for the translation of agendas through electronic or digital means and provides legal protections for inaccurate translations. The bill would also require local governments to provide a space near the meeting location for the public to post their own translated agendas and provides similar legal protections for any content displayed this way.

SB 707 was passed by the Legislature on the final evening of the legislative session and is currently on the Governor's desk. Senator Durazo, the bill's main author, received last minute opposition from certain transparency stakeholder groups in her District related to the agenda translation requirements the final few days of the legislative session, prompting her to attempt to address them next year in a cleanup bill.

Energy Affordability and Infrastructure

Headlining the priorities of the Governor and Legislature this session was addressing the State's most pressing energy challenges. As a bundled response to rising fuel and electricity costs, wildfire liability and utility risk, and the need to maintain reliability while meeting climate goals, members of the legislature introduced, amended, and advanced six measures:

- [SB 237](#) (Grayson) adjusts permitting and regulatory processes tied to in-state fuel production and gasoline specifications, intended to reduce supply shocks and reduce volatility in the price of fuel. The measure would provide some flexibility for oil operations while adding new safety oversight, but received criticism for increasing oil production in the state.
- [SB 352](#) (Reyes) expands community air monitoring and environmental justice programs by codifying the Bureau of Environmental Justice in the Department of Justice. The measure also builds on [AB 617](#) (Cristina Garcia, 2017) to assist communities disproportionately impacted by air pollution.
- [SB 254](#) (Becker) contains sweeping reforms to the mechanics of the state's electric and gas utilities to address rising electricity rates, reduce costs related to wildfire mitigation, authorize financing tools for transmission infrastructure, and streamline permits for clean energy projects.
- [AB 825](#) (Petrie-Norris) reflects the vision for the Pathways Initiative Step 2 proposal by authorizing California Independent System Operator (CAISO) and several utilities to use voluntary regional energy markets governed by a regional organization, which is intended to expand energy markets.

- [SB 840](#) (Limón) establishes the Cap and Invest expenditure plan from the Greenhouse Gas Reduction Fund, dedicating funding to the new Legislative Counsel Climate Bureau, High-Speed Rail, Affordable Housing and Sustainable Communities (AHSC) Program, Transit and Intercity Rail Capital Program (TIRCP), and Low Carbon Transit Operations Program (LCTOP).
- [AB 1207](#) (Irwin) reauthorizes and renames the State's Cap and Invest program, while modifying components of the program reflective of the State's intent to deliver on its climate goals while funding climate, transit, energy, and air quality programs.

The six bills were framed as a balanced deal to stabilize energy supplies, improve wildfire financing, and strengthen environmental protections, but they also revealed the political tensions within the Legislature.

Lawmakers packaged these measures to solve interconnected problems: affordability and fuel stability (SB 237), wildfire financial exposure and rate protection (SB 254), community air monitoring and environmental justice (SB 352), and broader grid and market fixes with funding to climate-conscious projects (AB 825, SB 840, AB 1207). Building that coalition required trading policy priorities between advocates and members. Progressives wanted stronger climate and environmental protections, moderates and some labor and rural lawmakers pushed for economic relief and reliability measures, and industry (utilities, oil and gas, transmission sponsors) pushed for regulatory certainty and financing mechanisms. The result was a compromise: concessions on fuel and permitting paired with enhanced monitoring and wildfire finance reforms. That balancing act produced cross-aisle support on some pieces and sharp opposition on others.

As such, amendments to the bills came just up against and even after the Tuesday, September 9 deadline to amend bills, which would give the Legislature the constitutionally required 72 hours before voting on the final versions of the bills. Four of these measures were amended on Wednesday, September 10, pushing their eligibility for a floor vote until Saturday, September 13.

It is likely these bills will be signed into law, and implementation will depend heavily on regulatory rulemaking, particularly for the wildfire financing program and the regional transmission provisions. Stakeholders across the spectrum are preparing for the next round of debate, whether in the Governor's office, the regulatory process, or the courts. The six-bill package marks one of the most significant energy compromises of the session, blending affordability, reliability, and environmental policy into a single set of measures passed under the pressure of end of session deadlines.

Housing and Homelessness

After the scramble to address housing and homelessness this year during the June 30th budget deadline, most notably with the passage of landmark CEQA exemption bills, [AB 130](#) and [SB 131](#), the Legislature prioritized cleanup legislation for the quickly written bills. [SB 158](#) was introduced as the vehicle with the intent of providing statutory changes necessary to implement the Budget Act of 2025.

This was the budget trailer bill relating to land use that included some provisions of importance to cities. One of the key provisions included the requirement of State Housing and Community Development (HCD) to prepare to administer Round 7 of the Homeless Housing, Assistance and Prevention (HHAP) program with the goal that the initial Round 7 disbursement will be available to grantees meeting the statutory provisions beginning September 1, 2026. These funds are

critical to cities and counties when addressing the unhoused. Other important provisions impacting local governments in SB 158 include:

- Permit Streamlining: Extends PSA timelines to ministerial housing projects under the Housing Crisis Act.
- CEQA Deadlines: Adjusts lead agency deadline for infill housing approvals to 30 days after the later of (1) tribal consultation or (2) Housing Accountability Act timelines.
- CEQA Definitions: Expands “natural and protected lands” to include lands in adopted conservation or resource protection plans.
- Builder’s Remedy Projects: Larger than 4 acres is not eligible for CEQA streamlining and CEQA exemption thresholds reduced from <5 acres to <4 acres).
- Expanded CEQA Applicability: Applies CEQA to certain housing projects based on local population size and proximity to sensitive environmental/historic resources.

These provisions extended from conversations between legislators during the summer recess, with several expressing concerns about the lack of protection for natural lands and proximity to historic sites. Some controversy arose surrounding the updated provisions as they were altered to specifically block the development of a controversial apartment complex in the district of the incoming President Pro Tempore of the Senate, Monique Limón. SB 158 passed both chambers on Saturday afternoon.

As mentioned earlier, [SB 840](#) by Senator Limón was passed and appropriated \$800 million annually from GGRF revenues towards the AHSC program. The bill also includes a provision stating that as GGRF revenues decrease, the AHSC program can never receive less than 10% of annual GGRF revenue. The AHSC program provides grants and loans to projects that integrate low-carbon transportation and affordable housing, with an emphasis on providing benefits to disadvantaged and low-income communities.

Additionally, [SB 634](#) by Senator Sasha Pérez passed both houses and was sent to the Governor’s desk. This bill started out as an extremely controversial measure that would have prohibited cities from imposing any penalties on a person who is homeless or for any act immediately relating to homelessness. Given the instant and extreme backlash from local governments and police departments across the state, the bill was significantly amended to prohibit cities from adopting or enforcing ordinances that prohibit a person or organization from providing support services to a person who is homeless. Many cities removed their opposition after these amendments were introduced, but some jurisdictions remained in opposition, citing their concern that this could protect needle exchange programs for homeless individuals.

Immigration Response

In response to heightened ICE enforcement in California, the Legislature has moved forward a package of bills now awaiting the Governor’s action.

With families and students concerned about immigration enforcement on school campuses, [AB 49](#) (Muratsuchi) would require agents to present a valid judicial warrant before being allowed access. [SB 98](#) (Perez) would strengthen communication with parents and guardians by requiring schools to notify them when immigration enforcement is present on campus. To address the impact of these activities on school attendance, [AB 1348](#) (Bains) would classify immigration enforcement as an emergency for funding purposes, allowing up to 10 days of student absences to still count toward state apportionment.

As local policies and federal enforcement continue to lack alignment, many agencies are seeking clarity. [SB 580](#) (Durazo) directs the Attorney General to issue model policies for how local agencies should handle immigration enforcement, which must be implemented by 2027.

As ICE raids increase without coordination with local agencies, lawmakers have introduced measures to strengthen officer identification and transparency standards. [SB 805](#) (Perez) requires law enforcement agencies in California to adopt written policies ensuring visible identification of officers, with limited exemptions, and authorizes peace officers to request ID if impersonation is suspected. The author collaborated with law enforcement associations on amendments that addressed their concerns, leading to the removal of opposition and ensuring their continued role in implementation.

The most contentious bill in the package is [SB 627](#) (Wiener), which passed despite continued opposition from law enforcement. The measure prohibits state and federal law enforcement officers from wearing facial coverings while on duty, with limited exemptions. The final bill analysis raised concerns that this broad prohibition could conflict with the Dormant Commerce Clause, suggesting the measure is likely to face legal challenges once implemented.

Together, these bills reflect the Legislature's response to federal immigration enforcement activity and its effort to establish clearer policies for schools, families, and local agencies.

Labor & Public Employment

In the 2023-2024 legislative session, several different bills aiming to give additional power and influence to public sector unions were signed into law. The 2025 legislative session was no different, with multiple bills introduced that are expected to create significant impediments to local governments' ability to contract with the private sector for services.

Specifically, [AB 339](#) (Ortega) was passed by the Legislature, which requires the governing body of a public agency to give an impacted recognized employee organization no less than 30 days' written notice before issuing a request for proposals, request for quotes, or renewing or extending an existing contract, to perform services that are within the scope of work of the job classifications represented by the recognized employee organization.

The written notice shall include all of the following:

- The anticipated duration of the contract.
- The scope of work under the contract.
- The anticipated cost of the contract.
- The draft solicitation, or if not yet drafted, any information that would normally be included in a solicitation.
- The reason the public agency believes the contract is necessary.
- The bill provides that if an emergency or other exigent circumstance prevents the public agency from providing the amount of notice required, the public agency shall provide as much advance notice as is practicable under the circumstances.

Despite certain setbacks during the legislative session related to contracting, local governments secured a win with [SB 456](#) (Ashby), which would exempt an artist who draws, paints, applies, executes, restores, or conserves a mural from the requirement to have a contractor's license from

the Contractors State License Board. Recently interpretations of law have resulted in muralists and local government employers being threatened with litigation. SB 456 would make it clear that local muralists do not have to be licensed or possess any certification to engage in muralist activities.

Land Use

Transit-Oriented Development

[SB 79](#) (Wiener) saw a significant level of engagement for local agencies throughout the state, many of them with concerns about local land use authority. In response to those concerns, the bill was amended a total of 15 times this session.

As ultimately approved by the Legislature, SB 79 (Wiener) will apply only to "urban transit counties" which are those with more than 15 rail stations within the county. Per the bill sponsors, the counties in which SB 79 will apply are Los Angeles, Orange, San Francisco, Alameda, Santa Clara, San Mateo, Sacramento, and San Diego. Earlier versions of the bill would have had Tier 3 provisions apply to qualifying transit stops outside urban transit counties, but that language was ultimately removed. With the removal of Tier 3, the bill now captures Transit Oriented Development (TOD) and categorizes them under two tiers (Tier 1 and Tier 2) based on the type and frequency of transit.

A jurisdiction falls into Tier 1 when it is located within an urban transit county and has parcels located within one-half mile of a qualifying rail station. These stations include heavy rail, light rail, or commuter rail stops that meet service frequency thresholds set in the bill. Once an area qualifies as Tier 1, local governments are required to apply the most permissive set of land-use standards near those stations, reducing their discretion over zoning and development approvals. This includes minimum height allowances in the range of 85 feet near the qualifying station, regardless of existing local height limits. Additionally, projects meeting Tier 1 standards must be processed ministerially, with limited CEQA review or discretionary hearings.

The Tier 2 provisions within SB 79 apply to jurisdictions located in an urban transit county that have parcels located within one-half mile of a qualifying light rail or commuter rail station that meets a lower frequency threshold than Tier 1. While still significant, Tier 2 designations apply to areas with moderate levels of transit service, such as regional commuter lines or light rail corridors with less frequent service than heavy rail or major hubs. Key Tier 2 requirements include height allowances up to about 65 feet with projects also being approved ministerially. SB 79 allows local agencies to adopt a TOD alternative plan through a housing element amendment, specific plan, zoning overlay, or ordinance, as long as it achieves compliance with the bill. Alternative plans include some narrow exceptions for high fire zones, sea-level rise areas, and historic sites.

The bill's requirements will not take effect immediately. Implementation is delayed until July 1, 2026, and for local agencies, the new standards will not apply until the start of the 7th Regional Housing Needs Allocation (RHNA) cycle.

For local governments, SB 79 means reduced flexibility over zoning and development approvals near major transit stations. Cities and counties in the designated urban transit counties must now plan for increased housing density, height allowances, and streamlined approvals in these transit-oriented areas, with state law overriding conflicting local standards.

Revenue and Taxation

Transit Revenue Measure District

As transit ridership has yet to fully recover to pre-pandemic levels, Senators Wiener and Arreguín partnered to author [SB 63](#) to establish the Transportation Revenue Measure District (TRMD) encompassing Alameda, Contra Costa, Santa Clara, and San Mateo counties, along with the City and County of San Francisco. The measure authorizes the TRMD, with administrative support from the Metropolitan Transportation Commission (MTC), to place a regional sales tax on the November 2026 ballot to fund operations for Bay Area transit agencies.

The regional sales tax would last 14 years and is projected to raise over \$1 billion annually, distributed among the major operators based on each county's contributions. To ensure accountability, SB 63 requires financial efficiency reviews, independent oversight committees, and the creation of ad hoc adjudication committees that can withhold up to 7% of an operator's funding.

Divvied up between BART, ACT Transit, Muni, Caltrain, East Bay small bus operators, the San Francisco Bay Ferry, the Golden Gate Bridge District, and a discretionary "return to source" pot of funding, the measure would dedicate funding mostly for transit operations expenses, with some local flexibilities.

Taxpayer Protection Act

A re-run of the 2024 Taxpayer Protection Act has been submitted as a proposed initiative for the 2026 November ballot. The 2024 measure was touted to close loopholes that weakened voter-approved tax accountability measures and to increase the vote threshold to pass a voter-initiated special tax at the local level. However, the California Supreme Court ruled the measure could not go before the voters and removed the Act from the ballot. Central to their ruling was the potential impact the initiative would have on the State's "basic plan of government."

Three different versions of the new initiative were cleared for circulation earlier this summer, and proponents have until late-February to submit 875,000 valid signatures. The intent again is to raise the threshold for votes on local taxes to 2/3 and to sunset all previously approved non-conforming taxes two years after passage. If the initiative should qualify and survive legal challenges, it would appear on the November 2026 ballot.

STATE BUDGET AND FUNDING OPPORTUNITIES

Budget & Fiscal Policy

California's 2025 legislative session was again dominated by efforts to manage a sizeable budget deficit of approximately \$12 billion. Facing revenue shortfalls and slower economic growth, the Governor and Legislature leaned on a familiar mix of borrowing, reserve withdrawals, and cost shifts to close the gap. While the State avoided the most dramatic program cuts, the solutions were spread across multiple fiscal tools, reconciling both the scale of the deficit and the competing demands of legislative priorities.

As in prior years, many of the most consequential decisions came from trailer bills passed as late as into the final week of session, and amending prior years' budgets. These measures finalized

the details of the budget package and implemented agreements negotiated between the Administration and legislative leaders. Among the most significant were [AB 130](#), [SB 131](#), [SB 105](#), and [SB 158](#) which carried technical but important fiscal provisions and programmatic adjustments. A late tranche of trailer bills was heard and approved over the last few days of the session, ranging in subject area from health and human services to higher education to memorandums of understanding with state employee bargaining units. Late-session action also included the annual Greenhouse Gas Reduction Fund (GGRF) expenditure plan, this year as a component of Cap and Trade reauthorization, which directs billions of dollars in auction revenues to climate, transportation, and community projects.

In addition, the session's fiscal work featured a Prop 4 expenditure plan to allocate constitutionally required funding approved by voters last November as a part of the statewide climate bond, as well as responses to federal HR1, which carried implications for state tax conformity and compliance. For the rollout of Prop 4 funding, SB 105 appropriated a total of \$3.287 billion from the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024. This funding includes:

- \$1.2 billion for Safe Drinking Water, Drought, Flood, and Water Resilience,
- \$416 million for Wildfire and Forest Resilience,
- \$279 million for Coastal Resilience,
- \$110 million for Extreme Heat Mitigation,
- \$390 million for Biodiversity and Nature-Based Solutions
- \$153 million for Climate Smart Agriculture,
- \$466 million for Park Creation and Outdoor Access
- \$275 million for Clean Air and Energy

To shore up responses to HR 1 and other federal policy changes, the Legislature included various allocations to state programs to avoid harmful effects or loss of services. Many of these actions involve safety net and human services program such as the State's CalFresh program, emergency food banks, attorney positions at the California Health and Human Services Agency, gender affirming care coverage, and the State's application for the Rural Health Transformative program.

Looking forward, budget writers and fiscal analysts caution that future deficits remain likely. The 2025 budget relied heavily on one-time solutions, such as reserve withdrawals and cost shifts, rather than long-term structural reforms. While these strategies provide immediate relief, they set up the possibility of renewed shortfalls in the next economic downturn. As a result, the next session is expected to reopen debates about revenue measures, program growth, and the sustainability of California's fiscal commitments.

Cap and Trade Reauthorization

Some of this year's most laudable and impactful legislation happened in the truest of political styles: in a closed room, sealed with a handshake. And because that language was introduced at the very last minute permissible on the legislative calendar, lawmakers had to waive rules to extend this year's Legislative Session, from Friday to Saturday, in order to vote on the reauthorization of California's Cap and Trade program, renamed Cap-and-Invest, and a series of climate and energy sister bills, which they did, in the early hours of the morning of the last day of the legislative calendar with almost no one having read what they were voting on.

Cap-and-Invest wasn't technically slated to sunset until 2030, which technically meant there was more time for the Legislature to work out its renewal. But pessimism was heavy that it could be done, which boded ill for this year's emissions credit sales (one study indicated that pessimism last year cost the State an extra \$3 billion in auction revenues), a drop in which could have cost billions to the programs funded by the revenues in an already underwater fiscal year.

Early in the legislative season, no one thought Cap-and-invest would come down to the wire. It seemed to have momentum out of the gate as Assembly working groups met early to take the first shot at drafting a proposal. But that language didn't emerge in writing until the first week of August, just before the State Legislature returned from Summer Recess. Even after months, the Assembly's language was drastically far apart from the working document Senate leadership was utilizing in its own internal and external conversations. The Governor wanted to ensure that whatever the outcome of the Cap-and-Invest negotiations would be, gas prices were going to remain stable, not see a surge. In the face of drastic federal cuts to climate funding, he also wanted to ensure long-term funding for combating wildfires and the State's beleaguered high-speed rail project. As such, he requested \$1 billion for high-speed rail and another \$1.5 billion for wildfire funding. The Assembly language granted him all three of those things while prioritizing transitioning from gas production to electricity consumption. The Senate conceded on all three of those points but wanted to ensure that communities impacted by the increased emissions were accounted for in the programs funded by Cap-and Invest.

After a 90-minute in-person meeting between the Governor, Speaker Robert Rivas, and President Pro Tempore Mike McGuire, an accord had been reached. In the end, Cap-and-Invest passed via two bills. Assemblymember Irwin advanced amendments to [AB 1207](#), officially rebranding the program Cap-and-Invest and extending it until 2045. In a win for emitters, AB 1207 set an emissions price cap, essentially lowering the price of emissions credits. It also provided free emissions credits to polluters to keep their business in California.

Senator Limón, the Senate President Pro Tempore-elect, put forward [SB 840](#), codifying a reimagined plan for the State's spending from the Greenhouse Gase Reduction Fund (GGRF). In so doing, SB 840 ends percentage-based continuous appropriations and instead assigns funded programs a dollar amount to be funded. Also reflected in the bill was one of her colleagues' most frequent requests: legislative oversight. SB 840 added a mandate that the California Air Resources Board (CARB) report to the Legislature every 5 years on the efficacy of programs and funding. To further that, SB 840 provides one-time funding to create the Legislative Counsel's office Climate Bureau, responsible for tracking and processing these reports and related legislative efforts.

The remaining funds fall into three categories: \$1 billion for high-speed rail, fee backfills (\$70-\$90 million SRA Fee backfill and \$100-\$140 million Manufacturing Tax Credit backfill), and continuous appropriations.

Among the continuous appropriations are some of the State's most significant projects to combat climate change in the long-term, particularly transportation emissions, which are the source of 50% of all emissions in California. To that end, \$1 billion is allocated to the State Legislature to disburse at their discretion through the budget process. From their funds they are to pay: \$125 million for transit passes, \$25 million to seed UC Climate Research Center, and \$85 million for supporting climate-focused technology, with the rest of the funds to be allocated at their discretion.

Next to be paid from the GGRF is \$800 million for Affordable Housing and Sustainable Communities (affordable housing built near transit). This program has resulted in 279,964 affordable homes being built, 41,579 vehicles removed from the roadway, and a reduction of 5.7 million metric tons of GHG emissions avoided. Other transportation programs include \$400 million for the Transit and Intercity Rail Capital Program and \$200 million for the Low Carbon Transit Operations Program.

Finally come an assorted group of programs: \$250 million for CARB for air protection programs, \$200 million for the Department of Forestry, with the very specific provisions that 82.5% of those funds will pay for fire prevention and 17.5% of those funds will pay for fire reduction. \$130 million is to be allocated for clean water with any remaining funds to be allocated by the State Legislature.

Funding Highlights Include:

- \$1 billion for the High-speed rail.
- \$70 – 90 million State Responsibility Area (SRA) fee backfill.
- \$100 – 140 million for the manufacturing tax credit backfill.
- \$1 billion dedicated to Legislature-controlled climate funds, including \$125 million for transit passes, \$25 million for a UC Climate Research Center, \$85 million for climate tech, and the remainder as discretionary funding.
- \$800 million Affordable Housing & Sustainable Communities (AHSC), a program that has over the course of its life resulted in 279,964 homes built; 41,579 vehicles removed; 5.7M metric tons GHG reduced.
- \$400 million for the Transit & Intercity Rail Capital Program.
- \$200 million for the Low Carbon Transit Operations Program.
- \$250 million for CARB air protection.
- \$200 million to CAL FIRE for fire prevention and reduction.
- \$130 million for Safe and Affordable Drinking Water.
- Any remaining funds are subject to the Legislature's discretion

Looking Forward: Positioning the City for New Funding Opportunities

Looking ahead, Townsend Public Affairs will continue to provide the City with consistent, strategic support across the full spectrum of state and federal grant opportunities. With the implementation of Prop 4 now underway and the next rounds of climate and infrastructure funding scheduled to be programmed over the coming year, we will work closely with City leadership and your state legislative delegation to identify competitive projects, align local priorities with emerging grant criteria, and position the City early for upcoming cycles.

This includes monitoring program guidelines as they are drafted, flagging discretionary and formula-based funding streams relevant to local needs, and coordinating targeted advocacy with committee staff, Administration officials, and legislative champions. In addition to Prop 4 resources, TPA will track earmark opportunities embedded in future state budget negotiations—including transportation, climate resilience, parks, and community infrastructure—to ensure that the City is well-prepared to seek direct allocations and to seize opportunities as they arise. Through continuous engagement, early planning, and coordinated advocacy, TPA will ensure the City remains highly competitive and fully informed as the next generation of state investment decisions takes shape.