

---

**MEMORANDUM**

---

**To:** City of Santa Clara

**From:** Townsend Public Affairs  
Casey Elliott, Vice President

**Date:** June 17, 2025

**Subject:** Q2 Legislative Update

---

The month of May was marked by key statutory deadlines for both the State Budget and the Legislature. On May 14<sup>th</sup>, Governor Newsom released the 2025-26 May Revision to his January budget proposal, reflecting updated revenue projections influenced by tax returns, inflation, and federal monetary policy. These adjustments may lead to additional spending cuts or the restoration of previously reduced programs.

Meanwhile, the Legislature faced two major deadlines: the Appropriations Committees' Suspense File hearings and the House of Origin deadline. On May 23, both Appropriations Committees considered hundreds of bills with fiscal impacts, using the Suspense File process to determine which measures would advance. Bills may be held for various reasons, including duplicative proposals, shifting author priorities, or political or fiscal infeasibility, especially in light of the state's projected budget deficit.

### **State Budget – May Revise**

On May 14<sup>th</sup>, Governor Newsom provided a presentation overview of the state's updated budget proposal. The May Revision, or "May Revise," is an update to the January budget proposal that reflects new revenue projections, economic trends, caseload updates, and evolving policy priorities. The May Revise provides the Governor with an opportunity to modify funding proposals and strategies ahead of final budget negotiations with the Legislature. By law, the Legislature must pass and send to the Governor a balanced budget by June 15. The 2025 May Revise responds to significant fiscal pressures and broader macroeconomic uncertainty, particularly in light of federal policy developments and inflationary pressures affecting state program costs.

With a combination of fund shifts, borrowing, reserve spending, and cost reductions, the May Revise mitigates a purported \$12 billion deficit in the 2025-26 budget year, while the Department of Finance forecasts annual shortfalls of \$14 billion in 2026-27, \$19 billion in 2027-28, and \$13 billion in 2028-29. The Health and Human Services piece of the budget saw the largest cost reductions across Medi-Cal premiums and eligibility, long-term care benefits, payments to health centers and rural health clinics, and In-Home Supportive Services, among others. The May Revise also proposes a 15-year extension (to 2045) of the state's cap-and-trade program, to be redubbed Cap-and-Invest, with a dedicated \$1 billion annual commitment to the High-Speed Rail project, and a shift in funds from the Greenhouse Gas Reduction Fund for CAL FIRE operations.

While the May Revise does not propose new large-scale housing funding, the Governor signaled support for the housing and infrastructure bond considered by the Legislature for placement on

the November 2026 ballot. To streamline housing production, the Governor emphasized reducing permitting delays and stronger accountability for local jurisdictions, even suggesting that future budget trailer language could build upon CEQA and permit streamlining efforts already underway this session. On the homelessness front, the May Revise includes limited new funding for homelessness programs, but reiterates the Administration's focus on accountability and performance outcomes. The revised budget proposal does not include a renewed round of the Homeless Housing, Assistance, and Prevention program, which typically provides \$1 billion in flexible funding to local governments to address homelessness. The future of this program is likely to be hashed out through negotiations with the Legislature. A full summary of the May Revise can be found [here](#).

Following the release of the May Revise, the Legislature has begun to undertake a series of informational hearings, as well as closed door negotiations, that will help to shape the final budget that will be approved by the Legislature prior to the constitutional deadline of June 15<sup>th</sup>.

### **Legislature Releases and Adopts Budget Plan**

On June 9<sup>th</sup>, the Legislature's Assembly and Senate Leadership announced their agreement on a budget plan in response to the Governor's May Revise. The Senate Budget and Fiscal Review Committee published a [24-page budget summary](#) outlining the budget agreement reached with Assembly leadership. The corresponding Assembly Budget Committee [report](#) was released soon thereafter.

The Legislature's summary explains how California's fiscal outlook has worsened since January driven primarily by weaker economic growth tied to federal tariff policies, resulting in an estimated \$16 billion drop in projected revenues. Additional strain has come from rising Medi-Cal costs and increased emergency spending in response to recent wildfires in LA County.

The budget priorities released this morning highlight major state investments in housing, homelessness response, local government support, and transportation infrastructure.

Overall, the Legislature's budget plan includes \$3.5 billion in reductions for 2025–26, growing to over \$12 billion in ongoing savings. It also reflects \$7.8 billion in revenue and borrowing solutions for 2025–26, along with \$1.0 billion from other measures such as fund shifts, deferrals, and delays.

Key highlights include:

#### Housing Affordability Package

The package takes a broad approach to addressing housing affordability by boosting the pace of new construction, increasing funding for affordable housing initiatives, revising the Renters Tax Credit to better support low- and middle-income residents, and easing the path to homeownership by eliminating the traditional 20% down payment requirement and lowering monthly mortgage payments by up to 30%. It includes the following core measures:

#### *Affordable Housing*

The budget directs significant resources toward affordable housing through two major funding streams:

- \$500 million in supplemental state Low-Income Housing Tax Credits (LIHTC), which helps unlock additional federal financing.

- \$120 million for the Multifamily Housing Program, supporting a range of rental housing projects targeting low- and moderate-income households.

These investments aim to expand the reach of state dollars by leveraging other public and private funding sources.

#### *Housing Production*

To accelerate new housing development, the Legislature supports the Governor's proposal (*pending final trailer bill negotiations*) which includes streamlining approval processes and testing new financing models. These efforts are being shaped by provisions in [AB 609 \(Wicks\)](#) and [SB 607 \(Wiener\)](#), which are serving as the framework for forthcoming trailer bill language.

#### *Rental Assistance*

Pending final legislative agreement, the Renters Tax Credit is set for major reform to provide more meaningful relief, especially for renters with dependents. If enacted, the revised credit could take effect in the 2026–27 fiscal year, offering expanded tax benefits to help offset housing costs for low- and moderate-income tenants.

#### *Homeownership Access*

To promote equitable access to homeownership, the budget includes \$300 million for the California Dream for All program, which helps first-time buyers overcome major financial barriers. This initiative is designed to promote generational wealth and homeownership stability across communities statewide.

#### Homelessness

##### *Encampment Resolution Fund (ERF)*

Reduces the 2025-26 ERF appropriation by \$100 million.

##### *Homelessness Response Funding*

Allocates \$500 million in fiscal year 2026-27 to the Homeless Housing, Assistance, and Prevention (HHAP) program, ensuring continued flexible funding for local jurisdictions to implement homelessness solutions, with strong oversight and accountability requirements.

##### *Enforcement and Oversight Expansion*

Authorizes increased staffing and resources for the Housing and Homelessness Accountability, Results, and Partnership (HHARP) unit within the Department of Housing and Community Development (HCD) to strengthen local government compliance with state housing and homelessness mandates through both collaborative support and enforcement tools.

#### Emergency Relief for Local Governments

The Legislature's budget framework authorizes emergency loans to support recovery efforts in Los Angeles and to stabilize Bay Area transit operations during ongoing fiscal challenges. Specifically, Los Angeles-area local governments may access up to \$1 billion over the next two years to aid in recovery from recent wildfires, while Bay Area transit agencies will be eligible to borrow up to \$750 million over the same period as they address budget shortfalls and await the recovery of local revenue sources.

These loans are structured to support the fiscal health of two critical regions to the state's economy, with the goal of promoting long-term economic stability. Loans will only be issued to jurisdictions that demonstrate a clear capacity for repayment, with specific terms to be outlined in forthcoming budget trailer bill language. Repayments will be credited to the state in the same

fiscal year the loans are disbursed, ensuring no adverse impact on the state's long-term fiscal position.

### Public Safety

In the area of public safety, the Legislature incorporates the Governor's proposed phased reductions to the California Department of Corrections and Rehabilitation budget, starting with \$230 million in savings in 2025-26 and growing to approximately \$1 billion annually by 2028-29. The plan also includes the Governor's proposal to close one state prison, generating \$150 million in ongoing savings, and approves reductions to the Jury Duty Pilot Program, resulting in \$27.5 million in savings. Additionally, the Legislature agrees with the Governor's proposal to loan \$150 million from the Unfair Competition Law Fund to the General Fund.

However, the Legislature diverges from the Governor's plan by rejecting a proposed \$50 million cut to the Flexible Cash Assistance for Survivors of Crime program, thereby maintaining critical support for vulnerable individuals. The budget also provides a one-time allocation of \$100 million for the implementation of Proposition 36, underscoring the Legislature's continued commitment to public safety and criminal justice reform.

On June 13<sup>th</sup>, the Senate and Assembly convened floor sessions to take up [SB 101](#), the bill that reflects the Legislative budget priorities that were announced at the beginning of last week. Both houses held several hours of debate, during which members offered wide-ranging commentary on the proposed spending plan. Lawmakers emphasized the budget's investments in critical policy areas such as education, health and human services, infrastructure, affordable housing, and public safety. At the same time, several members voiced concerns about the impact of proposed reductions and the reliance on one-time solutions to address structural imbalances.

Ultimately, SB 101 was passed by both houses, allowing the Legislature to fulfill its constitutional obligation to adopt a balanced budget by the statutory deadline. The budget bill was sent to the Governor and he has until June 27<sup>th</sup> to act on the measure.

While the passage of the budget bill will satisfy the constitutional requirement, it does not reflect an overall budget agreement between the Legislature and the Administration. Budget negotiations will continue over the coming days, and once an overall budget agreement has been reached, the Legislature will approve a series of budget trailer bills to implement the agreement. The final budget negotiations are expected to continue in for several days with the aim of approving a final budget package prior to the beginning of the new fiscal year on July 1<sup>st</sup>.

### **Appropriations Committees Consider the Fate of Hundreds of Bills**

On May 23<sup>rd</sup>, the Assembly and Senate Appropriations Committees held their respective Suspense File hearings to evaluate legislation from their house of origin with fiscal implications. This process serves as a "fiscal filter" for active bills before they are sent to the floor for final consideration. Typically, any bill with a fiscal impact drawing on state budget resources is placed on the fiscal committee's "Suspense File."

The Suspense File is essentially an accumulation of bills that have passed through their policy committee process to assess their fiscal impact to ensure their draw on state resources isn't unbudgeted or duplicative of existing efforts. Pursuant to statutory deadlines, fiscal committees must pass these bills by May 23, before they are passed onto their first house floor for consideration by the entire legislative body by June 6.

Suspense File hearings are known for their brisk pace, with Committee Chairs announcing the outcomes of hundreds of bills in rapid succession. Traditionally, the first suspense hearings of a legislative session happen in May, when lawmakers and their staff have a better idea of the budget picture for that year. Given the recent budget projections of an increasing budget deficit, lawmakers exercised prudence in moving forward bills with big price tags.

Of the 666 bills considered during the Assembly Appropriations Committee's Suspense File hearing, 435 passed, and 231 were held and deemed inactive for the remainder of the Session. Similarly, the Senate Appropriations Committee's Suspense File Agenda featured 432 total bills 307 of which were passed, and 114 were held and deemed inactive, and 11 became "2-Year" measures.

In total, there were 1,098 bills in the Suspense Files between both Committees; 742 passed to their House Floors, with 356 measures held in committee, for a 32.4% hold rate.

### **Senate Bill 79 (Wiener) Latest Amendments Released**

In May, significant amendments were made to [SB 79 \(Wiener\)](#), which proposes to streamline the approval of certain housing developments located near transit-oriented development (TOD) stops. The bill would require qualifying housing projects on residential, mixed-use, or commercial sites to be allowed by right if they meet specified criteria. It also establishes height and density standards based on proximity to TOD stops and presumes that local denial of eligible projects in high-resource areas violates the Housing Accountability Act. Additionally, qualifying developments would be eligible for streamlined ministerial approval.

Key amendments taken to the bill in May include:

- Revising the definition of "urban transit county" to mean a county with "more than 15 rail stations", instead of "15 or more rail transit stops."
- Adding a severability clause.
- Removing proposed changes to the Surplus Land Act, thereby reverting that section to current law.
- Eliminating provisions that would have made housing projects within one-half mile of a TOD stop allowable on "qualified light industrial sites."
  - As a result, the definition of "qualified light industrial site" was removed, along with related provisions that would have allowed local ordinances or plans to exempt such sites from the bill's requirements.
- Clarifying standards for residential developments located more than one-quarter mile but within one-half mile of a Tier 3 TOD stop:
  - In urban transit counties, such developments may be built up to 45 feet high or up to the local height limit, whichever is greater.
  - In non-urban transit counties, developments may be built up to the local height limit.

On June 3<sup>rd</sup>, SB 79 was considered on the Senate Floor. The measure ended up passing with a vote of 21-13. The bill is now in the Assembly where it has been referred to three policy committees for consideration. The measure will need to be considered, and approved, by all three committees prior to the policy committee deadline on July 18<sup>th</sup>.

## Proposition 1 Funding Update

The California Department of Health Care Services (DHCS) has announced a significant new funding opportunity through the Behavioral Health Continuum Infrastructure Program (BHCIP) as part of Proposition 1, approved by voters in March 2024. This next phase—Round 2: Unmet Needs—makes more than \$800 million available in competitive grants to support the development of behavioral health facilities across the state.

Funded through the Behavioral Health Infrastructure Bond Act of 2024, this round of BHCIP aims to close critical gaps in California's behavioral health care system. The funding will support the construction, acquisition, or rehabilitation of facilities that expand access to mental health and substance use disorder treatment, particularly for underserved and high-need populations. These include Medi-Cal beneficiaries, individuals experiencing homelessness, veterans, older adults, people with disabilities, and children and youth.

In keeping with the state's broader priorities, eligible projects must promote equity, support community-based alternatives to incarceration or hospitalization, and help individuals receive care in the least restrictive and most cost-effective settings. Regional partnerships, public-private collaborations, and service models that build new capacity are strongly encouraged.

Eligible applicants for this round of funding include cities, counties, tribal entities, nonprofit organizations, and for-profit organizations. Notably, for-profit entities without prior behavioral health experience must apply in partnership with an experienced service provider, such as a local government or nonprofit agency. All applicants must commit to serving Medi-Cal members and demonstrate project readiness at the time of application.

This round of the program anticipates funding a range of community-based behavioral health settings, such as:

- Crisis residential treatment centers
- Peer respite programs
- Outpatient and residential substance use disorder treatment facilities
- Crisis stabilization units
- Behavioral health urgent care clinics
- Short-term and long-term psychiatric residential programs

Projects must result in new or expanded capacity; funding will not support renovation of existing services or cover cost overruns from prior BHCIP awards. Correctional settings and school-based facilities are not eligible.

To be eligible to receive funding from this program, applicants must participate in a mandatory Pre-Application Consultation (PAC) process. Registration for PACs opens June 2, 2025, and all consultations must be completed by October 1, 2025. Applications are due no later than October 28, 2025. Award announcements are expected in Spring 2026. Applications will be evaluated on several criteria, including alignment with state priorities, demonstrated expansion of behavioral health services, financial and operational readiness, and local stakeholder support. Preference will be given to projects that serve high-need populations and regions with limited existing behavioral health infrastructure.

For full application materials, technical assistance resources, and updates, prospective applicants should visit the official BHCIP website: <https://infrastructure.buildingcalhhs.com>.



## State Officials Challenge Federal Action on Clean Air Policy

On May 22<sup>nd</sup>, Governor Gavin Newsom and Attorney General Rob Bonta [announced](#) plans to challenge a recent U.S. Senate vote aimed at revoking California's longstanding authority to set its own vehicle emissions standards under the Clean Air Act. The Senate, in a 51-44 vote, approved a measure to nullify the Environmental Protection Agency's (EPA) waivers that allow California to enforce stricter emissions regulations, including its requirement that all new vehicles sold be electric by 2035. California's authority to implement its own emissions standards, granted in the 1970s, has played a critical role in the state's efforts to combat air pollution. State officials argue that eliminating this authority could pose significant environmental and public health risks, especially in areas already burdened by poor air quality.

Although the Senate action has not yet become law and is expected to face legal challenges and a potential presidential veto, it marks a notable escalation in federal resistance to state-led clean transportation policies.

If the effort to revoke or limit EPA waiver authority succeeds, it would:

- Invalidate the waiver needed for the private and drayage fleet portions of the ACF regulation;
- Prevent California from requiring manufacturers to sell ZEV trucks; and
- Potentially stall or unwind similar regulations in other states that follow California's lead.

Public fleets remain subject to ACF regardless of the waiver status. Because local agencies are governed directly by state law, the state retains the authority to require public fleets — cities, counties, special districts, and state departments — to transition to zero-emission vehicles under the ACF timeline.

Local governments should expect the following:

- Continued compliance obligations under the public fleet provisions of ACF (e.g., 50% ZEV procurement in 2024; 100% by 2027);
- Ongoing reporting, procurement planning, and grant-seeking responsibilities; and
- Potential reprioritization of state incentives and support programs if private sector enforcement is delayed due to federal actions.

At the same time, local agencies may face:

- Supply chain impacts if manufacturer ZEV sales obligations are halted;
- Shifting market dynamics that could increase costs or delay the availability of compliant fleet vehicles; and
- Uncertainty for joint procurement efforts with private sector partners or regional collaboratives.

While the recent Senate vote introduces uncertainty regarding the future of California's zero-emission truck regulations for the private sector, local government fleets remain subject to the ACF regulation and are still expected to comply. With the Governor and Attorney General initiating legal action in response to the potential revocation of the state's federal waivers, the matter is now expected to proceed through the courts.

## Governor Newsom Issues Model Ordinance and Executive Order on Homeless Encampments

Following the U.S. Supreme Court's recent *Grants Pass v. Johnson* decision affirming that jurisdictions may regulate encampments when adequate shelter is available, Governor Newsom issued Executive Order N-1-24, directing state agencies to adopt and encourage humane, enforceable protocols for addressing encampments on public property. In response, the state has released a [model ordinance](#) that offers a flexible framework for cities and counties to manage encampments while ensuring access to shelter and services.

The model ordinance reflects three foundational principles:

1. *No criminalization* of unsheltered individuals when adequate shelter options are unavailable.
2. *Prioritization of shelter and supportive services* in all enforcement actions, with respect for the dignity and property of those affected.
3. *Preservation of local authority* to address public health, safety, and accessibility concerns in public spaces.

Supporting those principles, the model ordinance would prohibit semi-permanent structures and long-term encampment (3+ nights in the same spot or within 200 feet), particularly near sensitive areas like schools, sidewalks, and rights-of-way. Notice and outreach are required 48 hours before clearing an encampment, and offers of shelter and services must precede enforcement. Items of value and personal belongings are required to be stored for at least 60 days, but items posing health or safety hazards may be disposed of immediately.

## Governor's 2025 Reorganization Plan Could Reshape State Housing and Homelessness Delivery

Governor Newsom has proposed a 2025 Reorganization Plan that would significantly restructure the state's housing and homelessness functions by creating a new California Housing and Homelessness Agency (CHHA). The plan would consolidate key departments currently under the Business, Consumer Services, and Housing Agency (BCSH)—including HCD, CalHFA, and elements of the Civil Rights Department—into CHHA, and establish a new Housing Development and Finance Committee to coordinate housing-related funding and asset management statewide.

For local agencies, the reorganization is intended to streamline access to state programs, reduce administrative burdens, and improve policy coordination across departments. However, the transition could also affect how housing and homelessness resources are administered, particularly around grant oversight, compliance, and funding allocations.

The Little Hoover Commission has reviewed the proposal, and formal legislative consideration will begin Monday, May 13 at 9:00 AM with a joint hearing of the Assembly Business and Professions Committee and the Assembly Housing and Community Development Committee. The Legislature has 60 days to review, amend, or reject the plan. If no action is taken, the reorganization will take effect automatically.

Local governments are encouraged to track the process closely, engage with their legislative delegations, and submit input to ensure that implementation priorities reflect on-the-ground realities. More information, including the full plan, is [available here](#).



## PRIORITY LEGISLATION

### Legislative Calendar

Below are the upcoming relevant dates for the Legislature:

**June 15<sup>th</sup>** – Deadline for Legislature to pass a budget bill

**July 18<sup>th</sup>** – Deadline for Second House policy committees to pass measures

**July 19<sup>th</sup> – August 18<sup>th</sup>** – Legislative Summer Recess

**August 29<sup>th</sup>** – Deadline for Second House fiscal committees to pass measures

**September 12<sup>th</sup>** – Final day of session. Interim session begins upon adjournment

### Priority Bills

#### *AB 306 (Schultz) – Building regulations: state building standards*

Effective from June 1, 2025, to June 1, 2031, this measure prohibits cities and counties from modifying building standards, including those related to residential units, unless the California Building Standards Commission (Commission) deems such modifications necessary to protect health and safety as emergency standards. Additionally, AB 306 restricts the Commission from considering, approving, or adopting any new building standards affecting residential units during this period, unless similar emergency conditions are determined to exist. This measure would apply to all cities, including charter cities. Status: This measure was approved on the Assembly Floor (71-9) and is the Senate Housing Committee awaiting consideration.

#### *AB 544 (Davies) – Electric bicycles: required equipment*

Current law requires a bicycle operated during darkness on a highway, sidewalk, or bikeway to be equipped with, among other things, a red reflector or a solid or flashing red light with a built-in reflector on the rear that is visible from a distance of 500 feet to the rear when directly in front of lawful upper beams of headlamps on a motor vehicle. Current law defines “bicycle” for these purposes to, among other things, include an electric bicycle. Current law defines an electric bicycle as a bicycle equipped with fully operable pedals and an electric motor that does not exceed 750 watts of power and categorizes electric bicycles into 3 classes. This bill would require an electric bicycle during all hours to be equipped with a red reflector or a solid or flashing red light with a built-in reflector on the rear that is visible from a distance of 500 feet to the rear when directly in front of lawful upper beams of headlamps on a motor vehicle. Status: This measure was approved by the Senate Transportation Committee (13-0) and has been referred to the Senate Appropriations Committee for consideration.

#### *AB 650 (Papan) – Housing element: regional housing needs allocation*

Current law, under the Planning and Zoning Law, requires a public agency to administer its programs and activities relating to housing and community development in a manner to affirmatively further fair housing, and take no action that is materially inconsistent with its obligation to affirmatively further fair housing. Current law defines “affirmatively furthering fair housing,” as provided. The Planning and Zoning Law requires that a housing element include, among other things, a program that sets forth a schedule of actions during the planning period. Current law requires the Department of Housing and Community Development to develop a standardized reporting format for programs and actions taken pursuant to the requirement to affirmatively further fair housing. This bill would require the department to develop the above-described standardized reporting format on or before December 31, 2026. Status: This measure

was approved on the Assembly Floor (79-0) and is in the Senate awaiting referral to policy committee.

***AB 888 (Calderon) – California Safe Homes Grant Program***

This bill would establish the California Safe Homes grant program to be developed by the Department of Insurance to reduce local and statewide wildfire losses, among other things. The bill would require the department to prioritize specified needs when awarding grant funds, and would require eligible program applicants, which would include individuals, cities, counties, and special districts, to meet specified criteria. The bill would establish the Sustainable Insurance Account within the Insurance Fund and would make the funds available to the department for the program upon appropriation by the Legislature or upon receipt of federal or other grants or funds. The bill would require the department to collect specified information about the performance of the program and, on or before January 1, 2027, and every 2 years thereafter, to publish a performance report that would be posted to its internet website and submitted to the Legislature. Status: This measure was approved on the Assembly Floor (79-0) and is in the Senate awaiting referral to policy committee.

***SB 79 (Wiener) – Planning and zoning: transit-oriented development***

This bill would require that a housing development project, proposed within a specified distance of a transit-oriented development (TOD) stop, be an allowed use on any site zoned for residential, mixed, or commercial development, if the development complies with applicable requirements. The bill would establish requirements concerning height limits, density, and floor area ratio in accordance with a development's proximity to specified tiers of TOD stops. The bill would provide that, for the purposes of the Housing Accountability Act, a proposed development consistent with the applicable standards of these provisions shall be deemed consistent, compliant, and in conformity with prescribed requirements. Status: This measure was approved on the Senate Floor (21-13) and is now in the Assembly awaiting referral to a policy committee.

***SB 90 (Seyarto) – Grants: improvement to public evacuation routes: mobile rigid water storage***

The Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, known as Proposition 4, allows for \$10 billion in bonds to fund projects related to water safety, drought, wildfire resilience, and climate solutions. Approved in the November 2024 election, it allocates \$1.5 billion for wildfire prevention. This bill would include in the list of eligible projects grants to the above-mentioned entities for improvements to public evacuation routes in very high and high fire hazard severity zones, mobile rigid dip tanks to support firefighting efforts, prepositioned mobile rigid water storage, and improvements to the response and effectiveness of fire engines and helicopters. Status: This measure was held in the Senate Appropriations Committee on the Suspense File. The measure is now a two-year bill and not eligible for additional consideration until January 2026.

***SB 456 (Ashby) – Contractors: exemptions: muralists***

Current law makes it a misdemeanor for a person to engage in the business, or act in the capacity, of a contractor without a license, unless exempted. Current law exempts from the Contractors State License Law, among other things, a nonprofit corporation providing assistance to an owner, as specified. This bill would exempt from that law an artist who draws, paints, applies, executes, restores, or conserves a mural pursuant to an agreement with a person who could legally authorize the work. Status: This measure was approved on the Senate Floor (38-0) and is now in the Assembly awaiting referral to a policy committee.

*SB 496 (Hurtado) – Advanced Clean Fleet Regulation: appeals advisory committee*

This bill would require the state board to establish the Advanced Clean Fleets Regulation Appeals Advisory Committee by an unspecified date for purposes of reviewing appeals of denied requests for exemptions from the requirements of the Advanced Clean Fleets Regulation. The bill would require the committee to include representatives of specified governmental and nongovernmental entities. The bill would require the committee to meet monthly and would require recordings of its meetings to be made publicly available on the state board's internet website. The bill would require the committee to consider, and make a recommendation on, an appeal of an exemption request denial no later than 60 days after the appeal is made. The bill would require specified information relating to the committee's consideration of an appeal to be made publicly available on the state board's internet website. Status: This measure was held in the Senate Appropriations Committee on the Suspense File. The measure is now a two-year bill and not eligible for additional consideration until January 2026.

*SB 569 (Blakespear) – Department of Transportation: homeless encampments*

This bill would require the Department of Transportation to establish a dedicated liaison to, among other things, facilitate communication with local governments and relevant state agencies with regard to addressing homeless encampments within the state highway system and to oversee the development and implementation of delegated maintenance agreements between local agencies and the department in which both work together to reduce and remove homeless encampments within the department's jurisdiction. The bill would authorize the department to grant a single general entry permit for the duration of a delegated maintenance agreement to conduct activities authorized by the bill. The bill would require the department to submit an annual report to the Legislature summarizing specified information and recommendations regarding homeless encampments. Status: This measure was approved on the Senate Floor (38-0) and has been referred to the Assembly Transportation Committee for consideration.

*SB 634 (Perez) – Homelessness: civil and criminal penalties*

This bill would prohibit a local jurisdiction from adopting a local ordinance, or enforcing an existing ordinance, that prohibits a person or organization from providing support services to a person who is homeless or assisting a person who is homeless with any act related to basic survival. The bill would define various terms for these purposes. The bill would include findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities. Status: This measure was approved on the Senate Floor (23-11) and is now in the Assembly awaiting referral to a policy committee.

*SB 701 (Wahab) – Signal jammers*

Current law makes it an infraction to possess or equip a vehicle with a device that is capable of interfering with a device used by a law enforcement agency to measure the speed of moving objects and makes it a misdemeanor to possess four or more of those devices. This bill would make it a crime to manufacture, import, market, purchase, sell, or operate a signal jammer unless authorized to do so by the Federal Communications Commission, punishable by forfeiture of the signal jamming device, and either as an infraction or a misdemeanor. Status: This measure was approved on the Senate Floor (38-0) and has been referred to the Assembly Public Safety Committee for consideration.

*SB 707 (Durazo) – Open meetings: meeting and teleconference requirements*

This bill would, until January 1, 2030, require an eligible legislative body to comply with additional meeting requirements, including that all open and public meetings include an opportunity for members of the public to attend via a 2-way telephonic service or a 2-way audiovisual platform, as defined, and that the eligible legislative body take specified actions to encourage residents to

participate in public meeting. Status: This measure was approved on the Senate Floor (24-6) and is now in the Assembly awaiting referral to a policy committee.

## FEDERAL LEGISLATIVE UPDATES

This month, the House advanced its contribution to the budget reconciliation process by passing H.R. 1, the One Big Beautiful Bill Act, and formally initiated the Appropriations process after the President released a skinny budget request.

The White House kept its attention on foreign conflicts and economic diplomacy, attempting to negotiate trade deals and long-term stability in Ukraine, Gaza, and Iran. Meanwhile executive agencies began implementing the President's January and February executive orders, cancelling grants and shifting funding towards Administration priorities.

### The One Big Beautiful Bill Act Passed by House, Now Faces Amendment in the Senate

On May 22<sup>nd</sup>, the House passed [H.R. 1](#), the [One Big Beautiful Bill Act](#) (OBBBA), their contribution to the budget reconciliation package aimed at delivering major portions of President Donald Trump's agenda. The bill now heads to the Senate where it is expected to undergo additional changes in the coming weeks. The bill makes permanent the lower income tax rates from the 2017 Tax Cuts and Jobs Act (TCJA), provides \$150 billion in additional defense and border funding, restarts construction of the border wall, and raises the debt limit by \$4 trillion. It also includes a number of policies the President promised to deliver on the campaign trail that will [expire](#) by the end of his presidency, including a standard deduction increase for individuals (with an enhancement for seniors), a child tax credit supplement, no tax on tips and overtime, and a new deduction on interest for car loans. It also increases the State and Local Tax Deduction limit (SALT Cap) to \$40,000, with an income limit of \$500k.

To offset the cost of these policies, longer-standing Republican priorities were added, including welfare program reforms affecting the Supplemental Nutrition Assistance Program (SNAP) and Medicaid, along with reforming student aid and federal pensions, eliminating clean energy tax credits, and rescinding funding for financial watchdogs like the Consumer Financial Protection Bureau.

Republicans in the Senate have indicated their eagerness to amend the package, preserving the energy tax credits and softening the social safety net reforms. Speaker Mike Johnson pushed back on potential changes, citing the approaching X Date, when the US would hit the debt limit and begin to default on its financial obligations, in Mid-August as a fast approaching deadline for passing the bill, which would raise the debt limit.

The Speaker and Senate Majority Leader John Thune have committed to a July 4<sup>th</sup> deadline for delivering the OBBBA to the President's desk.

### Appropriations Process Began in Earnest, Frustration Grows Over Lack of Full Presidential Budget Request

The appropriations process began in earnest this month when the President released a "skinny" [budget request](#) on May 2<sup>nd</sup>. The request broadly seeks to codify the cuts made by the Department of Government Efficiency Service (DOGE), lower funding levels or eliminate legacy formula

programs not aligned with the Administration's priorities, and increase defense and immigration enforcement spending.

Due to the drastic nature of the cuts and the lack of specificity on hundreds of programs normally included in a presidential budget request, the document has been seen on Capitol Hill as more of a statement of values than a substantive negotiating framework. Cabinet secretaries spent the middle of the month testifying before the House and Senate Appropriations Committees on the request, and how proposed budget cuts would affect their agencies.

Despite this progress, there is growing frustration with the White House over the lack of a full budget request. A [letter](#) from the Ranking Members on the House and Senate Appropriations Committees echoed the concerns expressed during some of the hearings, that there is a lack of clarity on the President's priorities for funding hundreds of specific programs.

House Appropriations Chairman Tom Cole has committed to remaining as "close as possible" to the President's skinny budget request, even releasing a [markup calendar](#), but before markups, subcommittees and House Republican's will have to release draft language with more specifics. The draft language will also likely include lists of the approved Community Projects Funding (earmarks).

### **Senate Passes Congressional Review Act Recission of California's Clean Air Act Waivers**

On May 22<sup>nd</sup>, the Senate voted to [revoke](#) a waiver under the Clean Air Act that allowed California to set its own emissions standards above the federal maximum, specifically to enforce an EV mandate. There are two more waivers covering the phase-out of medium-heavy duty diesel vehicles, and a stricter standard on smog-forming emissions being considered for revocation.

The controversy around these waivers is that both the Senate Parliamentarian and the Government Accountability Office (GAO) have concluded the waivers are not regulations subject to the CRA. The waivers permit California to enforce higher emissions standards than the federal maximum established in the CAA and allows other states to adopt California's higher standards if they choose. Environmental Protection Agency Administrator Lee Zeldin argued that the submission of the waivers as if they were regulations was sufficient for Congress to revoke them. A group of Democratic Senators and Sen. Alex Padilla penned a [letter](#) arguing the opposite, stating allowing the vote would break precedent. Senate Minority Leader Chuck Schumer called the move a "nuclear" option effectively destroying the filibuster.

Having passed the House last month, the California Department of Justice and California Attorney General Rob Bonta [committed](#) to suing to preserve the waivers.

### **DOJ and DHS Formally Designate "Sanctuary Jurisdictions" to Withhold Funding From**

Pursuant to the instructions in [Executive Order \(EO\) 14287](#) and a prior Department of Justice (DOJ) [memo](#), DOJ and the Department of Homeland Security (DHS) [published](#) a list of "sanctuary jurisdictions." Under the EO, these jurisdictions could be prohibited from applying for/receiving federal funding from DOJ, such as upcoming grants for Community Oriented Policing Services (COPS).

In the President's first term, The Second Circuit Court of Appeals [held](#) that conditioning DOJ grants on immigration enforcement was allowed based on statute and the relevance of the grant's purpose (law enforcement) with immigration enforcement. As the case never rose to the Supreme

Court, it is likely another challenge will be brought depending on the penalties imposed on listed jurisdictions.

### **Governor Gavin Newsom Sues the Administration for a Preliminary Injunction on Tariffs**

California Governor Gavin Newsom and Attorney General (AG) Rob Bonta have [sued](#) the Trump Administration over the implementation of tariffs, claiming the President is exceeding the emergency authority he used to implement the tariffs. The updated suit also estimated the tariffs in their current form will cost California consumers \$25-40 billion and 64k jobs.

The AG had previously vowed to sue the Administration in April following the President's announcement of high "reciprocal tariffs" on what he then dubbed Liberation Day. Multiple pauses have kept the tariffs on all but Chinese goods around 10% as the Administration now seeks to negotiate new trade deals.

A previous attempt in the Senate to pass a resolution aimed at revoking the emergency authority was blocked by a procedural maneuver in the House stripping it of privileged consideration. It is unclear whether the lawsuit will be successful in obtaining a preliminary injunction.

### **DOT Begins Grant Cancellations Subsequent to February Executive Orders, More Expected to Come as Reviews Continue**

Department of Transportation (DOT) Secretary Sean Duffy [announced](#) the termination of \$54 million in grants that do not align with Administration priorities that the Secretary described as "woke." These cancellations follow several executive orders (EO) by the President directing reviews of discretionary funding recipients to ensure alignment between the Administration and the spending, even if already obligated.

These cancellations represent some of the first subsequent to the EOs, even though the Administration and the Department of Government Efficiency have broadly been cancelling grants and contracts since the inauguration. We expect more cancellations based on the EOs, which may be more durable against court challenges than prior cancellations.

Three of the seven cancelled grants were in California, one of which was for UC Davis's National Center for Sustainable Transportation supporting "accelerating equitable decarbonization" research. The others were a University of Southern California (USC) project researching how "the transportation system creates and perpetuates inequities" and a San Jose State University grant for research on racial disparities in the impact of auto-focused transportation improvements.