
MEMORANDUM

To: City of Santa Clara

From: Townsend Public Affairs
Casey Elliott, Vice President & Chief Strategy Officer

Date: October 30, 2025

Subject: Q3 Legislative Update

Mid-September marked the conclusion of the first year of the 2025-26 Legislative Session. The Assembly and Senate were originally scheduled to hold floor sessions from September 2nd through 12th, in order to vote on and pass active bills prior to adjournment; however, a flurry of last-minute negotiations changed the timeline. On September 10th, Legislative Leadership and the Governor reached an agreement on Cap-and-Trade reauthorization, prompting both chambers to adopt special rules extending the session by one day. As a result, the Legislature concluded its work for the year on September 13th.

The final days of the session were characterized by spirited debate, particularly over measures affecting local governments, before most of the remaining bills advanced to the Governor's desk. With the extension of the session by one day, the Governor had until October 13th to act on measures approved by the Legislature.

In other notable developments, the Senate approved a formal resolution acknowledging Senator Monique Limón as the next Senate President pro Tempore. Under the provisions of the resolution, Senator Limón will formally assume the position of Senate pro Tem on November 17th.

With adjournment on September 13th, the Legislature entered its interim recess, which runs through the end of the year. Lawmakers are scheduled to reconvene for the 2026 Legislative Session beginning January 5, 2026.

October 2025 Legislative Update: Governor Signs Key Measures into Law

As the 2025 legislative session drew to a close, Governor Gavin Newsom finalized action on hundreds of bills ahead of the October 13 signing deadline, approving major policy packages across housing, labor, energy, public safety, health care, and disaster recovery.

Overall, during the 2025 legislative session, 917 measures reached the Governor's Desk; with 794 measures being signed into law, and 123 measures vetoed, for a veto rate of 13.4%. Of the measures signed into law, 476 were Assembly Bills and 318 were Senate Bills. Of the measures vetoed, 74 were Assembly Bills and 49 were Senate Bills.

Elections, Transparency, and Government Operations

Governor Newsom signed several measures aimed at strengthening public trust and government accountability. AB 16 (Alanis) updates the timelines for processing vote-by-mail ballots to align

with recent election law changes, while AB 343 (Pacheco) expands protections for public officials by broadening the definition of “elected or appointed official” in state law to safeguard personal information from disclosure. AB 769 (Wilson) modernizes governance procedures for regional park and open-space districts, improving flexibility for land management and voter-approved projects. Collectively, these measures reinforce California’s commitment to efficient, transparent, and secure public administration.

Disaster Recovery and the California FAIR Plan

Responding to recent wildfire impacts, Governor Newsom enacted a bipartisan 23-bill wildfire recovery package focused on rebuilding communities, improving insurance processes, and strengthening resilience. The new laws provide property tax relief and tenant protections for wildfire survivors, enhance permitting and rebuilding timelines, and impose stricter penalties for looting or impersonating first responders in disaster zones. Funding is directed toward wildfire prevention grants, vegetation management, and new research on fire risk modeling to improve long-term readiness statewide.

In a related move, the Governor signed a bipartisan package of five bills reforming the California FAIR Plan, the state’s insurer of last resort. The reforms introduce state-backed financing tools to expedite claims after disasters, expand coverage for manufactured homes, and add legislative appointees to the FAIR Plan governing board to improve oversight and accountability. Together, these actions strengthen California’s approach to insurance stability and disaster resilience amid rising climate risks.

Energy, Water, and Climate Resilience

California’s climate policy agenda remained a central focus this session, with the Governor signing several landmark measures into law that advance the state’s transition to a low-carbon economy. These actions reinforce California’s leadership in clean-energy innovation, methane reduction, and community-level climate adaptation, building on the state’s commitment to achieve carbon neutrality by 2045.

In energy and water policy, [AB 39 \(Zbur\)](#) strengthens local electrification and energy transition planning, while [AB 368 \(Ward\)](#) directs the California Energy Commission (CEC) to study the cost-effectiveness of passive house standards by climate zone. In a related effort, [SB 72 \(Caballero\)](#) revises the California Water Plan and sets new long-term water supply targets through 2050, establishing an interim goal of developing nine million acre-feet of additional water by 2040.

In climate policy, [AB 70 \(Aguiar-Curry\)](#) defines pyrolysis and allows biomethane derived from organic waste to count toward state procurement goals beginning in 2027. [AB 1046 \(Bains\)](#) exempts food processing establishments that have not historically disposed of organic waste in a landfill from specified organic waste management requirements.

These initiatives advance California’s broader climate strategy; reducing waste, accelerating decarbonization, and investing in long-term water security.

Housing and Land Use

Housing remained a top policy priority this session, with Governor Newsom signing an extensive package of bills to accelerate construction, streamline approvals, and strengthen local accountability. Among the most high-profile measures is [SB 79 \(Wiener\)](#), which streamlines the

development of qualifying housing near major transit stops by allowing such projects on sites zoned for residential, mixed-use, or commercial uses, subject to specified local and state standards. The law also authorizes transit agencies to adopt transit-oriented development (TOD) zoning standards for their own properties, advancing California's efforts to promote sustainable, transit-accessible communities and reduce vehicle dependence.

Additionally, the Governor signed two notable measures with contingent operation—[AB 670 \(Quirk-Silva\)](#) and [AB 726 \(Ávila Farías\)](#). Together, the bills expand local housing reporting requirements under California's Planning and Zoning Law to improve the tracking of housing production, rehabilitation, and preservation. Specifically, AB 670 requires cities and counties, beginning with reports due April 1, 2027, to include additional information in their annual housing reports, such as the number of new housing units, demolitions, and replacement housing. While AB 726 allows local agencies to include in those reports deed-restricted affordable housing units that are at least 15 years old and have been substantially rehabilitated with local funding, while clarifying that those rehabilitated units cannot be counted toward eligibility for streamlined housing approvals.

Health Care and Behavioral Health

Governor Newsom signed several bills aimed at expanding coverage, lowering costs, and improving behavioral health outcomes. [SB 41 \(Wiener\)](#) strengthens oversight of pharmacy benefit managers (PBMs) by requiring state licensure, prohibiting spread pricing, and mandating a transparent pass-through payment model to ensure fair reimbursement and greater accountability. [AB 224 \(Bonta\)](#) broadens California's essential health benefits benchmark plan—pending federal approval—to include coverage for hearing aids, specified durable medical equipment, and infertility treatment beginning January 1, 2027.

Addressing behavioral health and homelessness, [AB 348 \(Krell\)](#) makes individuals with serious mental illness—such as those experiencing unsheltered homelessness or transitioning from long-term institutional settings or incarceration—presumptively eligible for full-service partnership programs under the Behavioral Health Services Act. These partnerships provide intensive, coordinated services to support recovery, housing stability, and community reintegration.

Collectively, these measures reinforce the state's commitment to improving access to health care, reducing inequities, and integrating behavioral health within a more coordinated and equitable statewide care system.

Vetoed Measures

Alongside the substantial number of bills signed into law in October, Governor Newsom also vetoed several measures, citing fiscal constraints, administrative feasibility, and policy redundancy as key considerations. The vetoed bills reflect areas where the Administration's priorities diverged from the Legislature's, particularly around energy policy, environmental regulation, and data privacy.

Among the more notable vetoes was [AB 44 \(Schultz\)](#), which would have required the California Energy Commission (CEC) to establish "load modification protocols" for utilities and aggregators to better forecast and reduce energy demand, and [SB 454 \(McNerney\)](#), which proposed the creation of a PFAS Mitigation Fund to support water treatment efforts. The Governor also vetoed [SB 274 \(Cervantes\)](#), which sought to impose new annual auditing and data retention requirements on users of automated license plate recognition (ALPR) technology, and [AB 986 \(Muratsuchi\)](#),

which would have expanded the statutory definition of a state or local emergency to include landslides.

Governor Newsom's veto messages consistently emphasized a desire to avoid duplicative programs, unfunded mandates, or premature statutory changes in areas already under regulatory review. For example, several vetoed measures overlapped with ongoing administrative or budgetary initiatives, leading the Governor to defer action pending further evaluation. Collectively, these decisions underscore the Administration's fiscal caution and preference for targeted, coordinated policy implementation over the creation of new standalone programs.

While the vetoed bills will not move forward this session, many are eligible for reconsideration in January 2026. Lawmakers may revisit their proposals with revised funding structures or narrower scopes, particularly as the state prepares for the second year of the legislative cycle and continued debate over climate, data governance, and infrastructure policy.

Cap and Trade Extends 2025 Legislative Session

Legislators were engaged in an intense, time-sensitive effort during the final week of the legislative session, to extend the state's Cap and Trade program, now named the Cap and Invest program through 2045. The Assembly, Senate, and Governor's Office held near-daily negotiations to reach an agreement before the legislative session's end. State law required bills to be publicly available for 72 hours before a vote, meaning any deal needed to be finalized and printed by September 9 for consideration before the session ended on September 12th. An agreement was ultimately reached on September 10th, prompting the Legislature to adopt special rules extending the session to September 13th. At that stage, the legislative process was highly compressed, with proposals being shaped in real time and input flowing from lawmakers, administration officials, and key stakeholders.

The Cap and Trade program, enacted in 2006, sets a statewide limit on carbon emissions and allows major polluters to buy and sell allowances in a market system. Extending the program would not only reaffirm the state's long-term climate policy but also provide regulatory certainty for investors and markets, which experts say is crucial to keeping allowance prices stable. Without reauthorization, allowance prices are likely to remain at their floor, potentially costing the state billions in lost revenue for the Greenhouse Gas Reduction Fund; funds that finance climate projects and consumer utility bill credits.

The agreement was mostly split into two measures, one in each house. [AB 1207 \(Irwin\)](#) renews the program and makes modest adjustments to how the California Air Resources Board distributes free "allowances" (permits that authorize certain levels of emissions) to different types of regulated entities.

[SB 840 \(Limón\)](#) sets a framework for how the state will allocate revenue from the program beginning in 2026. It dedicates \$1 billion per year to High-Speed Rail and \$1 billion per year for the Legislature to allocate through the state budget. SB 840 also continues funding for housing, public transit, clean-air initiatives, wildfire prevention, and safe drinking water projects. In addition, it directs the air resources board to review its rules on "offsets", which allow companies to balance their emissions by funding reductions elsewhere, with an updated study due in 2026.

On September 19th, Governor Newsom signed the Cap-and-Invest program reauthorization into law.

Personal Income Tax Withholding Exceeds Expectations

In October, the Legislative Analyst's Office (LAO) [released](#) its Income Tax Withholding Tracker report, indicating that California's personal income tax withholding continues to exceed expectations. In September 2025, withholding collections were approximately \$925 million above the projections in the state budget—12% higher than estimated and 19% above the same month last year.

From June through September, total withholding rose about 13% over the prior year, generating roughly \$3.6 billion in additional revenue. The LAO attributed this growth in part to strong wage gains and increased withholdings from employee bonuses and stock-based compensation, which now make up a larger portion of overall receipts. These patterns suggest ongoing strength in payroll-driven income tax revenues heading into the final quarter of 2025.

Governor Newsom Announces Action to Withhold State Funding from Universities That Accept President Trump's "Compact"

On October 2nd, Governor Gavin Newsom [announced](#) that California will withhold state funding from any university in the state that signs on to the Trump Administration's proposed "Compact for Academic Excellence in Higher Education." According to the Governor's Office, the compact would place new conditions on universities in exchange for federal support.

The Governor stated that any agreement by a California institution would trigger the loss of state funding, including access to Cal Grants, California's \$2.8 billion student financial aid program. The proposal has reportedly been extended to nine universities nationwide, with the University of Southern California (USC) identified as the only California institution to have received the offer.

The White House has indicated that participation is voluntary, though observers note that its structure could advantage institutions that agree to its terms.

Looking ahead, universities in California may face a potential conflict between federal incentives and state penalties. Decisions about whether to participate could also carry implications for student aid, institutional funding, and long-term planning.

Governor Newsom's announcement highlights broader tensions between federal and state roles in higher education policy, with possible impacts on campus governance, funding streams, and institutional independence.

California's Legal Challenge to Federalization of the National Guard

On September 2nd, Governor Newsom [announced](#) that California would seek an injunction to block the Trump Administration from continuing its federalization of the California National Guard through Election Day. The move followed a court ruling earlier that same day that sided with the state in challenging the administration's authority on the matter.

Governor Newsom argued that keeping the Guard under federal control through November would risk undermining state sovereignty and could interfere with emergency response operations. By pursuing an injunction, California aimed to ensure that the Guard remained available for wildfire, disaster, and public safety duties during the critical fall months. The legal action was described by the Governor as both a constitutional matter and a practical safeguard—reflecting the state's

interest in defending the balance of authority between state and federal governments, while also ensuring operational readiness for emergencies.

Later that day, a federal judge reinforced California's position, ruling that the administration's deployment of National Guard troops in Los Angeles exceeded lawful authority. The court issued an injunction to prevent further federal use of the Guard for civilian law-enforcement purposes, but delayed enforcement to allow the federal government time to appeal. The Trump Administration has since filed its appeal with the Ninth Circuit, triggering a pause in the ruling's full effect. In response, the district court has placed further proceedings on hold until the appellate court weighs in.

As a result, California secured an initial legal victory but faces ongoing uncertainty while the case proceeds through appeal. The outcome will determine not only whether the state regains full control of its Guard forces during the election season, but also how far federal authority can extend into matters traditionally reserved to the states.

Lawsuit Filed Over Suspension of SNAP Benefits During Shutdown

On October 28th, Governor Newsom and Attorney General Rob Bonta [announced](#) that California joined a coalition of over 20 states in filing a lawsuit against the Trump Administration. The lawsuit alleges that the federal government is unlawfully withholding Supplemental Nutrition Assistance Program (SNAP) benefits during the ongoing federal government shutdown.

The lawsuit contends that the U.S. Department of Agriculture (USDA) is required to distribute November 2025 SNAP benefits using contingency funds previously appropriated by Congress to maintain the program through September 2026. The state argues that withholding these payments violates federal law and undermines access to food assistance for millions of households.

According to state officials, the suspension could affect approximately 5.5 million Californians who rely on SNAP for food security. The multistate legal action seeks to compel the federal government to release the funds and prevent what would be the first-ever suspension of SNAP benefits due to a government shutdown.

To mitigate the potential impact, Governor Newsom previously [announced](#) up to \$80 million in emergency state funding and mobilized the California National Guard to support food banks and community organizations across the state.

PRIORITY LEGISLATION

Legislative Calendar

Below are the upcoming relevant dates for the Legislature:

January 5th – Legislature reconvenes session

January 10th – Deadline for Governor to release his January Budget proposal

January 16th – Deadline for policy committees to consider two-year bills in their House of Origin

January 23rd – Deadline for fiscal committees to consider two-year bills in their House of Origin

January 31st – Deadline for two-year bills to be passed out of their House of Origin

Priority Bills

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 signed into law by the Governor.

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

Current 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. 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. Existing 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 [vetoed](#) by the Governor.

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 signed into law by the Governor

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

This bill would require that a housing development project within a specified distance of a transit-oriented development (TOD) stop, be an allowed use as a transit-oriented housing development on any site zoned for residential, mixed, or commercial development, if the development complies with applicable requirements. Among these requirements, the bill would require a project to include at least 5 dwelling units and 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 as well as applicable local objective general plan and zoning standards shall be deemed consistent, compliant, and in conformity with prescribed requirements. The bill would provide that a local government that denies a project meeting the requirements of these provisions located in a high-resource area

would be presumed in violation of the Housing Accountability Act and immediately liable for penalties, beginning on January 1, 2027. These provisions would not apply to a local agency until July 1, 2026. The bill would specify that a development proposed pursuant to these provisions is eligible for streamlined, ministerial approval pursuant to specified law, except that the bill would exempt a project under these provisions from specified requirements, and would specify that the project is required to comply with certain affordability requirements, under that law. Status: This measure was signed into law by the Governor.

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 Suspend 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 signed into law by the Governor.

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 Suspend 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 not considered by the Assembly Transportation Committee prior to the Second House Policy Committee deadline. As such, the measure is now a two-year bill and not eligible for additional consideration until January.

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. Status: This measure was signed into law by the Governor.

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. The bill would make it a crime to willfully or maliciously use a signal jammer to block state or local public safety communications, if the person knows or should know that using the signal jammer is likely to result in death or great bodily injury and great bodily injury or death is sustained by any person as a result of that use, punishable as either a misdemeanor or a felony. The bill would require forfeiture of the signal jamming device upon conviction for these crimes. Status: This measure was signed into law by the Governor.

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

This bill would, beginning July 1, 2026, and until January 1, 2030, require an eligible legislative body, as defined, to comply with additional meeting requirements, including that, except as specified, 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 meetings. Status: This measure was signed into law by the Governor.

FEDERAL LEGISLATIVE UPDATES

A Government Shutdown Began October 1st, Congress Remains Divided on an Offramp, Agencies Begin Closure and Post Guidance

A lapse in appropriations, more commonly referred to as a government shutdown, began at the end of Fiscal Year (FY25) on October 1st. In a last ditch effort to avoid the shutdown, two votes in the Senate on temporary continuing resolutions (CRs), to keep the government open at previous funding levels to allow more time for negotiations, bills failed on September 30th.

On September 19th, the House passed a clean CR, [HR 5371](#), to maintain current funding levels for seven weeks, allowing more time to pass the 12 annual appropriations bills. Meanwhile, the House and Senate Minority Leaders [released](#) a draft CR outlining their negotiating position. Advancing either CR in the Senate would require support from all Republican members, as well as seven Democratic Senators, which was not secured. The Senate Minority has withheld support, citing a lack of meaningful engagement from the Majority.

Three Democrat Senators voted in favor of the Republican proposal, and Senate Majority Leader John Thune has committed to holding a vote on the clean CR every voting day until the 60-vote

threshold to advance their CR is met. House Democrats reiterated their strong opposition to a clean CR and pushed their version in the leadup to the shutdown.

Prior to the shutdown, the White House and the Office of Management and Budget (OMB) sent a [memo](#) to federal agencies requesting they use the furlough of non-essential employees, typical of a shutdown, to instead conduct additional mass layoffs (reductions in force). Federal agencies have begun to publish their contingency plans, outlining their initial responses to a shutdown and the potential impacts on services recipients of federal grants, federal contractors, and the public will face due to the shutdown. The White House also posted additional [guidance](#) for current grantees and contractors.

The Department of Housing and Urban Development's (HUD) plan outlines continued operations of Ginnie Mae and the Federal Housing Administration and continued entitlement/formula funding disbursement, though monthly subsidy programs, including those for public housing, housing choice vouchers and multifamily assistance contracts, will operate only as long as funds remain available. The Department of Education will continue to operate Federal Student Aid (FSA) programs and collect student loan payments, though of the Agency's roughly 2500 staff, only around 500 are expected to be deemed essential. The majority of the Department of Veteran's Affairs (VA) will continue to operate, though research positions and some administrative functions are expected to close. The Social Security Administration will furlough approximately 12% of its workforce, and discontinue benefit verifications, FOIA requests, Medicare card replacement, and trainings. The Department of Agriculture will significantly reduce staffing, though food safety inspections will likely continue and food assistance benefits (SNAP/CalFresh, WIC, TANF) will continue until all remaining FY25 funding is expended.

Notably, the Environmental Protection Agency's (EPA) contingency plan outlined a 90% reduction in staffing, leaving only some types of legal enforcement, experiments, and staff to protect their various facilities working through the shutdown. Civil enforcement inspections, approval of state expenditures, permitting, and grant issuance are expected to stop. The Department of Transportation's (DOT) shutdown plan would keep air traffic controllers on the job though temporarily unpaid. Additionally, certain surface transportation programs will continue to operate alongside support functions necessary to provide timely payments to contractors and grantees.

The Administration has encouraged agencies to revise their contingency plans as needed the longer a government shutdown goes on, further reinforcing the idea of using a shutdown to conduct large reductions in force.

November 1st Impacts of the Shutdown Have the Potential to Push Negotiations Forward

As the shutdown of the federal government continues, pressure is increasing on Senate Democrats to vote for [HR 5371](#), the Republican introduced, House-passed 'clean' CR funding the government at FY25 levels through November 21st. Though Democrats also see the beginning of November as a pressure point for Republicans as health insurance premium increase notices will begin to be issued. Meanwhile, Republicans argue that the broader consequences of a shutdown, including missed paychecks for federal workers, reduced funding for social programs, and efforts to make furloughs permanent, are creating negotiating space in their favor.

Seven Democratic Senators are needed to pass the CR, which has been brought for a vote over 12 times in the Senate. Democrats maintain that their alternative, which would extend the Affordable Care Act health insurance premium subsidies and prevent future rescissions packages

is a reasonable alternative, and Republican commitments to negotiate once the government is open have not previously come to fruition.

An increasing number of ‘bullet’ bills have been introduced in Congress, funding individual programs or paying certain types of federal workers during the shutdown. The Administration has also [initiated](#) efforts to pay troops using donated funding and use tariff revenue to temporarily fund WIC. If any of the bills were to pass, they would lower the pressure on Congress to reopen the government, potentially prolonging the shutdown. House Speaker Mike Johnson has [rejected](#) efforts to fund certain social spending programs during the shutdown, arguing the CR under consideration in the Senate would fund them by reopening the government.

Agencies have begun the process of updating their contingency plans, detailing their operations under a shutdown, taking down their initial plans and are anticipated to post updated versions at the start of November.

Even if the current ‘clean’ CR were to pass, the November 21st end date would almost certainly necessitate another CR, as it generally takes six weeks for appropriators and staff to compile finished bills after a framework is agreed to by leadership. Republican leadership has proposed introducing a longer-term CR, until mid-January, though that would necessitate House Speaker Mike Johnson bringing the chamber back into session, the Speaker has kept the House out of session since mid-September.

Congress to Reorganize Fall Priorities Post Shutdown

To increase pressure on the Senate to act on the House-passed ‘clean’ CR and to avoid additional procedural votes, Speaker Mike Johnson has kept the House out of session since September 19th.

This has caused significant delays in what was anticipated to be a busy fall working on a variety of issues that saw progress during the August recess. Among those include the upcoming 2026 Surface Transportation Reauthorization Act, a partial Farm Bill to authorize programs not included in HR 1, the One Big Beautiful Bill Act (OBBBA), [permitting reform legislation](#), a second set of cryptocurrency or stablecoin bills, and artificial intelligence regulations. The National Defense Authorization Act (NDAA) progressed in the Senate through the shutdown and is now in conference between the two chambers.

Given the shortened time frame before the end of the year, and the general cycle of Congress, leadership is working to prioritize legislation to consider in the fall before the second session of the 119th Congress begins in January. It is likely the Farm Bill provisions not included in the OBBBA and the NDAA will take priority. On October 29th, Congressional Majority Leadership [acknowledged](#) the low probability of passing a second budget reconciliation package, the same legislative mechanism as the OBBBA, enacting large portions of the Administration’s agenda in one piece of legislation.

Administration Attempts to Use Shutdown to Layoff Federal Employees

In early October, the Administration began executing reductions in force (RIFs) of federal employees in an attempt to create additional pressure on Senate Democrats to pass [HR 5371](#), the House-passed clean CR that would temporarily maintain FY25 funding levels and end the government shutdown.

In a [court filing](#) by the Department of Justice (DOJ), in advance of an October 16th hearing, DOJ disclosed planned layoffs at federal agencies, including approximately 466 employees from the Department of Education, 1,100-1,200 from the Department of Health and Human Services, and 422 from the Department of Housing and Urban Development. Multiple federal employee unions are challenging the legality of RIFs during a shutdown.

The Administration previously [encouraged](#) agencies to use the furlough of federal employees to conduct mass layoffs, and [announced](#) a review of two infrastructure megaprojects in New York. The announcement calls for the review of compliance with a prior interim rule on diversity, equity, and inclusion, temporarily freezing funding for the projects, and [terminated](#) funding for clean energy projects, including \$1.2 billion for California's Alliance for Renewable Clean Hydrogen Energy Systems ([ARCHES](#)).

These actions are broadly viewed as executing the plans announced in March that caused Senate Democrats to acquiesce and allow a full-year CR to pass.

House Republicans Draft Letter of Support for HUD Continuum of Care Program

At the end of October, New York House Republican Reps. Andrew Garbarino and Nick LaLota circulated a [draft letter](#) urging the Department of Housing and Urban Development (HUD) to extend grant programs under the [Continuum of Care \(CoC\)](#) program for one year. A previous report indicated HUD intended to significantly [limit](#) the use of the funding for permanent supportive housing in accordance with [Executive Order 14321](#), Ending Crime and Disorder on America's Streets, signed by President Donald Trump in July.

The proposal sought to reallocate over half of the CoC funding for permanent supportive housing to transitional assistance, potentially stripping benefits from over 150 thousand recipients. The program has not published an updated Notice of Funding Opportunity (NOFO), which was anticipated in early October but delayed due to the ongoing government shutdown.

The letter highlighted that potential changes to the program that were [slated](#) to be introduced in the final NOFO for FY25 could destabilize individuals with severe disabilities, mental illness, and chronic health conditions who rely on the CoC funding for housing. The letter further argued that a one-year extension of the current grant agreements would prevent a lapse in services due to any policy changes and allow more time for HUD to transition recipients towards greater levels of self-sufficiency.

Senate Advances Wildfire and Air Safety Legislation

Continuing to work through the government shutdown, the Senate advanced legislation addressing aviation safety concerns surrounding the January crash in Washington, DC and wildfire legislation partially authored by California Senator Alex Padilla.

[S 2503](#), The Rotorcraft Operations Transparency and Oversight Reform (ROTOR) Act strengthens military flight regulations and disallows the military from declining to use or install civilian compatible transmitters on military aircraft. It also requires the Federal Aviation Administration (FAA) to review and evaluate helicopter routes near major airports and take additional deconfliction measures.

[S 1462](#), the Senate version of the Fix Our Forests Act with House companion [HR 471](#), which passed the House in January, would initiate a series of regulatory and programmatic changes

designed to support wildfire prevention in western states. The Senate version would create new programs and designate cross-jurisdictional “firesheds” to promote collaboration. It would also create a single interagency program for edge communities to build and retrofit infrastructure to be wildfire resistant and expand federal programs supporting forest health.

Given the bipartisan and bicameral nature of the bills, they are prime candidates to receive floor votes in the Senate before the end of the year.

Court Finds FEMA Did Not Comply with Order to Stop Immigration Funding Conditions

On October 14th, a federal judge [ruled](#) the Federal Emergency Management Agency (FEMA) and the Department of Homeland Security (DHS) did not [comply](#) with an order to remove immigration enforcement-related funding conditions from FEMA grant awards to state and local jurisdictions.

The Administration has been seeking to enforce local compliance with their interpretation of [8 USC §1373](#), following [Executive Order \(EO\) 14159](#), Protecting the American People Against Invasion, which directed all federal agencies to withhold funding for “sanctuary jurisdictions” to the maximum extent. The Administration has interpreted the statute to require affirmative cooperation with their immigration enforcement efforts, which many states have challenged with legal action, as the funding conditions began to appear in grant agreements across federal agencies.

According to the ruling, the conditions placed on recipients are unlawful and state recipients are eligible to accept the awards without regard to the contested conditions. FEMA is also required to amend all award documents to remove “Compliance with Federal Immigration Law” articles and reissue amended award documents within seven days of the ruling. FEMA is also facing another court challenge related to the [reallocation](#) of Building Resilient Infrastructure and Communities (BRIC) grants, which were summarily terminated for reallocation to other Administration priorities. The Judge in that case found that FEMA lacked the authority to redirect Congressionally appropriated funding elsewhere.