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**To:** **City of Santa Clara**

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

**Date:** March 25, 2025

**Subject:** **Q1 Legislative Update**

February 21 marked the deadline for introducing new bills in the Legislature, officially concluding the 2025 bill introduction period. Over the course of two months, lawmakers submitted a total of 2,350 measures for consideration—850 bills from the Senate and 1,500 from the Assembly.

This year, legislators are operating under new bill limits aimed at streamlining the legislative process. The Senate and Assembly have reduced their respective caps to 35 bills per member, over the course of the two-year session, down from previous limits of 40 in the Senate and 50 in the Assembly. These adjustments are intended to promote a more focused set of policy priorities and enhance the efficiency of the legislative process.

With the introduction period now closed, the Legislature shifts its attention to the next phase: policy committee hearings, where bills will undergo their first formal review. In the coming weeks, hundreds of measures will be examined in policy and fiscal committees, helping shape the year's legislative agenda. Committees have already begun holding informational and oversight hearings in preparation for evaluating the newly introduced proposals.

## Update on State Revenues and Budget Implications

The Legislative Analyst's Office (LAO) reported potential higher-than-expected revenues for 2024-25, with estimates suggesting $4.4 billion above the Governor's Budget projections for 2024-25 and $2.4 billion above for 2025-26. This increase is primarily driven by stock market gains boosting high-income tax collections, though corporate and sales tax revenues remain weaker.

Despite this, the net budget impact may be limited. Much of the additional revenue must go to schools and reserves, and higher revenues in 2025-26 could reduce planned rainy-day fund withdrawals.

The LAO warns that stock market sustainability and inflation risks remain uncertain and advises policymakers to interpret revenue forecasts with caution. Their new forecasting guidelines emphasize:

- Expect multi-billion-dollar variances in state revenue forecasts.
- Focus on larger trends rather than smaller differences in projections.
- Weigh upside and downside risks when planning.

- Be cautious in interpreting early-year tax collection trends.
- Recognize that revenues and the economy do not always align.

Reinforcing the LAO's findings, in their most recent monthly Finance Bulletin, the Department of Finance indicated that February's General Fund cash receipts were $2.3 billion, or 24.9%, above the Governor's Budget forecast. This brings year-to-date revenues $4.6 billion, or 3.8%, above estimates despite the Governor's Budget being crafted before the tax filing deadline was extended for Los Angeles County taxpayers impacted by the recent wildfires.

Personal income tax and corporation tax receipts drove February's performance at $1 billion and $296 million above projections, respectively, while sales and use tax receipts dropped $167 million below estimates. With just a couple months until the Governor's May Revise, the Senate and Assembly Budget Committees are busy holding Subcommittee hearings soliciting updates and proposals from state departments, but most items are held open until a later date pending action before the adoption of a final budget bill.

## STATE LEGISLATURE

As the bill introduction deadline steadily approached in the month of February, Speaker Robert Rivas released his legislative priorities, particularly on affordability—a central theme that has taken shape after the Los Angeles-area wildfires and a special session focused on countering federal policies dominated the first weeks of the legislative year. His strategy includes:

1. **Fast-Tracking Housing Legislation** – A package of bills will be introduced to expedite housing construction, especially in fire-ravaged coastal areas. These measures will require local governments and state agencies to accelerate permit approvals, freeze building standards, and enhance tenant protections for displaced residents. Speaker Rivas plans to add urgency clauses, ensuring the bills take effect immediately.

2. **Committee Hearings on Affordability** – On February 26, the Assembly's Economic Development, Growth, and Household Impact Committee began a series of hearings on key cost-of-living challenges, including LA fire recovery, grocery prices, transportation, child care, and health care costs.

3. **Assessing Additional Affordability Legislation** – As lawmakers introduced bills before the deadline, Speaker Rivas began to evaluate which proposals could become part of a second round of affordability legislation, expected to be announced this spring. He previously stated that all legislation this session should be evaluated based on its impact on working families.

Several affordability-focused bills are already in play, addressing student loan debt forgiveness, tax breaks on essential goods, lower utility bills, and expanded child tax credits. However, housing remains the top priority, especially after the devastating LA wildfires, which destroyed over 16,000 homes and structures in a region already struggling with one of the nation's worst housing shortages.

In addition to the focus on affordability, notable upcoming hearings include an informational hearing on Proposition 36 implementation—which deals with sentencing reforms for nonviolent drug offenders—and a hearing on the state's cap-and-trade program and plans for its impending reauthorization. These discussions will be key in shaping California's approach to criminal justice and environmental policy moving forward.

## Joint Public Safety Committee Hearing on Proposition 36 Implementation

In late February, the Assembly and Senate Public Safety Committees held a joint informational hearing to assess the statewide implementation of Proposition 36, the voter-approved measure reinstating felony charges for certain drug and theft crimes. The discussion focused on funding challenges, the impact on state prisons and local jails, and the need for mental health and substance use treatment resources.

Key takeaways from the hearing:

- Funding Gaps & Legislative Response: Prop 36 did not include a dedicated funding mechanism, leaving it to lawmakers and the Governor to determine how to cover the estimated 4,000 additional state prison inmates and increased caseloads in local courts and jails. Senator Jesse Arreguin, Chair of the Senate Public Safety Committee, reiterated that lawmakers are committed to ensuring funding aligns with voter intent.
- Judicial & Law Enforcement Perspectives: The Judicial Council of California reported an estimated 30,000–40,000 new felony cases statewide, with more than 56% involving drug-related offenses. Some law enforcement officials supported the measure as a tool to address retail theft and drug-related crime, while others raised concerns about the lack of treatment capacity for individuals opting for mandated rehabilitation.
- Legislative Analyst's Office (LAO) Findings: The LAO challenged the Newsom Administration's prison population projections, claiming they were overstated and should be revised in May. The office also urged increased legislative oversight to determine proper funding for local courts.
- Equity & Rehabilitation Concerns: Public defenders from Alameda and Stanislaus Counties raised concerns over racial disparities in felony filings and the lack of available treatment options, which has left some individuals waiting in jail without access to services.

The hearing underscored the need for a comprehensive funding plan to support courts, jails, and rehabilitation programs. Further legislative hearings are expected as budget negotiations continue and lawmakers work to balance public safety with effective rehabilitation strategies.

## Proposition 4 Implementation Update: Wildfire Prevention Funding and New Fire Regulations

With the passage of Proposition 4 in November 2024, California voters approved a $10 billion Climate Resilience Bond, directing significant funding toward wildfire prevention, water infrastructure, coastal protection, and climate adaptation projects. Of this, $1.5 billion is earmarked for wildfire prevention and forest resilience over the next five years, with $325 million proposed for the FY25/26 cycle. Given the increasing severity of wildfires, rising insurance costs, and the need for stronger fire mitigation efforts, these funds are being expedited to support fire-prone communities ahead of the 2025 fire season.

On February 26, the Assembly Budget Subcommittee convened to discuss the allocation of these wildfire prevention funds. Key proposals include:

- $9 million to CalOES for the Wildfire Mitigation Grant Program
- $6 million to the Department of Conservation's Regional Forest and Fire Capacity Program
- $11 million for forest and vegetative waste removal
- $80 million to CalFire and the Sierra Nevada Conservancy for regional wildfire prevention projects

- $82 million for the Forest Health Program
- $59 million for local fire prevention grants
- $10 million for fuel reduction, structure hardening, reforestation, and land acquisitions, with 50% prioritized for low-income households

A major priority in the funding plan is ensuring at least 40% of funds benefit disadvantaged communities. CalFire noted that this goal is typically met, though adjustments may be made as needed to ensure equitable distribution. Two pilot projects in Riverside and Siskiyou counties will test localized funding approaches.

While much of the Proposition 4 wildfire funding will be distributed through existing CalFire and CalOES programs, concerns remain over uncertainties in FEMA matching funds and the allocation of the remaining $39 million in uncommitted resources. Moving forward, legislative discussions will focus on ensuring these funds reach the most at-risk communities, strengthening local fire mitigation efforts, and addressing gaps in insurance affordability.

### Senate Budget and Fiscal Review Committee: Transit Funding in California

In February, the Senate Budget and Fiscal Review Committee convened an informational hearing on transit funding in California. Committee members received testimony from three panels, which provided an overview of transit funding and operations, examined recent state investments, and shared perspectives from transit operators.

The Legislative Analyst's Office (LAO) presented an overview of the state's transit funding and highlighted its primary revenue sources and recent financial shifts. The COVID-19 pandemic severely impacted transit ridership and agency budgets, with ridership dropping over 50% in 2020. Although recovery is ongoing, 2023 ridership remained 29% below pre-pandemic levels. To address short-term funding gaps, the federal government provided nearly $70 billion nationwide, with California agencies receiving $9.8 billion. These funds helped stabilize operations, prevent layoffs, and maintain essential services. However, as federal relief wanes, some agencies continue to face financial challenges, requiring additional long-term solutions.

Senate Bill 125 (SB 125), passed in 2023, allocated funding to support public transit agencies across the state, providing both short-term relief and long-term investment. SB 125 designated a portion of state transportation funds to help agencies address budget shortfalls, maintain operations, and enhance service reliability. Notably, SB 125 introduced flexibility in the use of certain state transit funds, enabling agencies to cover operating expenses. In addition to this immediate support, the legislation aimed to boost transit ridership and modernize public transportation infrastructure.

A key provision of SB 125 is the creation of a Transit Transformation Task Force (task force). The task force will develop policy recommendations on various issues, including service and fare coordination, land use and housing policies to promote transit use, and improving safety and cleanliness of services. Additionally, it will focus on workforce recruitment and retention, as well as identifying new revenue sources for transit operations and capital projects.

Mark Tollefson, CalSTA Undersecretary, provided an update to the Committee about the task force, and its progress on several key strategies. One of the primary focuses of the task force has been expediting the delivery of transit-supportive projects. Among the recommendations approved by the task force thus far include allowing exemptions or preemptions of local and state permitting requirements for identified priority transit routes and establishing by-right permitting for transit infrastructure such as bus shelters and transit priority lanes within cities and state right-of-ways. CalSTA, in consultation with the task force, is required to submit its final report with policy recommendations to the Legislature by October 31, 2025.

Key discussion points with Committee Members included the need for long-term, sustainable funding solutions, and Members debated the role of transit subsidies in comparison to road infrastructure investments and the broader public benefits of transit funding. Safety concerns, fare revenue challenges, and public perception of transit were also central to the conversation, with agencies implementing enhanced cleaning, security measures, and fare enforcement to improve the rider experience.

Looking forward, transit agencies will continue refining financial projections and exploring funding solutions to address anticipated budget shortfalls, particularly as SB 125 funding expires in 2026. Lawmakers will assess options for additional state support while considering long-term funding mechanisms, such as potential local tax measures. Meanwhile, agencies will implement key capital projects and service expansions, including rail developments, service restorations, and the transition to zero-emission fleets, while evaluating ridership trends and operational efficiencies. Efforts to enhance public safety and service reliability will also continue, with investments in security personnel, infrastructure, and de-escalation training. Transit leaders and stakeholders will maintain engagement with the Legislature to advocate for sustainable funding solutions, emphasizing the economic, environmental, and equity benefits of public transportation.

### Governor Announces New Housing and Homelessness Accountability Website, States Intentions for Future Rounds of Flexible Homeless Funding

In late February, Governor Gavin Newsom launched Accountability.ca.gov, a new statewide platform to track housing and homelessness funding, reinforcing his push for greater accountability and a stronger focus on encampment abatement. The tool provides county-level data on housing production, compliance with state mandates, homelessness trends, and fund allocations.

Alongside this, the Governor signaled a major shift in homelessness funding, prioritizing encampment resolution over broader homelessness initiatives. He announced his intention to add a clawback provision to future rounds of the Homeless Housing, Assistance, and Prevention (HHAP) program, which would allow the state to reclaim funds from jurisdictions that fail to fully utilize their allocations or demonstrate measurable progress.

Additionally, the HHAP Round 6 NOFO was released in February, making $760 million available to local jurisdictions. However, Newsom has excluded additional HHAP funding from the January budget, instead redirecting state resources toward the Encampment Resolution Grant Program, which prioritizes the removal of encampments and the transition of individuals into stable housing. These changes mark a clear shift in the administration's priorities, with a heightened focus on visible reductions in street homelessness and strict accountability for local governments. Jurisdictions should review the Accountability.ca.gov platform and HHAP funding guidelines to ensure compliance with evolving state expectations.

### LCFS Amendment Review and Market Response

The California Air Resources Board (CARB) announced that the Office of Administrative Law (OAL) has disapproved the agency's amendments to the Low Carbon Fuel Standard (LCFS) on technical grounds related to clarity requirements. According to CARB, this procedural decision does not impact the substance of the amendments, and the agency will revise the language accordingly before resubmitting for approval. The LCFS remains in effect in its current form.

Despite CARB's assurances, the announcement triggered significant volatility in the LCFS credit market, with prices dropping from $75 per ton to $57 before rebounding to $66, according to market sources. The amendments in question, which were approved by CARB in November 2023, were designed to increase program stringency and drive up credit prices for lower-carbon fuels. This follows a period of record-low credit prices, largely due to an oversupply of renewable diesel in the market since 2021.

The delay has also reignited policy debates over potential fuel price impacts. Critics, including Senate Minority Leader Brian Jones, framed the development as a pause on what they characterize as a state-imposed gas price increase. Meanwhile, industry groups benefiting from LCFS credits, such as biofuel and hydrogen producers, have urged swift resolution to avoid market uncertainty.

OAL's disapproval of regulatory amendments is not uncommon. Since 2022, OAL has rejected seven CARB regulations on similar clarity grounds, with subsequent approvals following an average resubmission timeline of 130 days, according to industry analysis.

Separately, attention is turning to California's cap-and-trade program, as CARB prepares to release results from the latest quarterly auction. Previous auctions have shown carbon allowance prices hovering just above the state-set price floor, raising concerns about market stability. Legislative discussions on cap-and-trade reauthorization ahead of its 2030 sunset, led by Assemblymember Isaac Bryan and others, are expected to intensify in response to auction outcomes.

The delay in LCFS amendments creates uncertainty for local governments relying on LCFS credit revenues for clean transportation projects. Expected increases in credit values are now on hold, affecting EV infrastructure, fleet electrification, and transit programs. Municipal fleets may see a temporary reprieve from fuel cost increases, but long-term uncertainty remains. Planning and budgeting for state climate goals may require adjustments, and legislative debates over LCFS impacts could shape future funding.

## PRIORITY LEGISLATION

### Legislative Calendar

Below are the upcoming relevant dates for the Legislature:

**May 2nd** – Last day for fiscal bills to be passed by policy committees
**May 9th** – Last day for non-fiscal bills to be passed by policy committees
**May 23rd** – Last day for bills to be passed by fiscal committees
**June 6th** – Last day for bills to pass out of their House of Origin

## Priority Bill Introductions

*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. <u>Status: This measure was approved by the Assembly Appropriations Committee (14-0) and is currently awaiting consideration on the Assembly Floor.</u>

*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. <u>Status: This measure has been referred to the Assembly Transportation Committee.</u>

*AB 712 (Wicks) – Housing reform laws: enforcement actions: fines and penalties*
Current law within the Planning and Zoning Law, in certain civil actions or proceedings against a public entity that has issued specified approvals for a housing development, authorizes a court to award all reasonably incurred costs of suit to a prevailing public entity or nonprofit housing corporation that is a real party in interest and the permit applicant of the low- or moderate-income housing if the court makes specified findings. This bill, where the applicant for a housing development is a prevailing party in an action brought by the applicant to enforce a housing reform law against a public agency, would entitle an applicant for a housing development project to reasonable attorney’s fees and costs and would require a court to impose fines on a local agency. The bill would prohibit a public agency from requiring the applicant to indemnify, defend, or hold harmless the public agency in any action alleging the public agency violated the applicant’s rights or deprived the applicant of the benefits or protection provide by a housing reform law. <u>Status: This measure has been referred to the Assembly Housing and Community Development Committee.</u>

*AB 906 (Gonzalez) – Planning and zoning: housing elements*
This bill would additionally require the 2nd analysis to demonstrate that the jurisdiction has accommodated a meaningful portion of its share of the regional housing need for lower income households on sites located in higher income, racially exclusive areas to the extent that those areas exist within the jurisdiction. <u>Status: This measure has been referred to the Assembly Housing and Community Development Committee.</u>

*AB 956 (Quirk-Silva) – Accessory dwelling units: ministerial approval*
Current law requires a local agency to ministerially approve building permit applications within a residential or mixed-use zone to create, among others, one detached, new construction, accessory dwelling unit that does not exceed 4-foot side and rear yard setbacks for a lot with a

proposed or existing single-family dwelling, as specified. This bill would increase the number of detached, new construction, accessory dwelling units that a local agency is required to ministerially approve on lots with a proposed or existing single-family dwelling to 2. Status: This measure has been referred to the Assembly Housing and Community Development Committee.

*SB 79 (Wiener) – Planning and zoning: transit-oriented development*
Current law defines "surplus land" as land a local agency declares unnecessary for its use. The bill expands the definition of "agency's use" to include land leased for public transit operations and allows districts or public transit operators to use land for commercial or industrial purposes. This bill mandates that any residential development proposed near a transit-oriented development (TOD) stop must be permitted on land zoned for residential, commercial, mixed, or light industrial use if it meets certain requirements. It sets guidelines for height limits, density, and floor area ratio based on proximity to TOD stops. It strengthens the enforcement of housing accountability and requires streamlined approval processes for compliant projects. Under CEQA, certain transportation projects are already exempt from environmental review. The bill extends these exemptions to include residential, commercial, or mixed-use projects on land owned by or with easements in favor of transit agencies, with specific qualifications. However, the construction of new facilities for passenger rail storage at separate locations remains subject to CEQA. Status: This measure has been referred to the Senate Housing 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 measure expands the list of fundable projects to include improvements to public evacuation routes, firefighting support facilities like mobile rigid dip tanks and water storage, and enhancements to fire engines and helicopters. Status: This measure was approved by the Senate Governmental Organization Committee (13-0) and has been referred to the Senate Natural Resources and Water Committee.

*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. This bill would exempt from that law a muralist who produces a mural pursuant to an agreement with a person who could legally authorize the work. Status: This measure has been referred to the Senate Business and Professions Committee and is scheduled to be considered on April 7th.

*SB 569 (Blakespear) – Department of Transportation: homeless encampments*
The bill would require the Department of Transportation to develop a joint action plan for each district of the department in which homeless encampments are located on department property in collaboration with local governments located in the district. The bill would require the department, upon appropriation by the Legislature, to allocate funds to support collaborative efforts with local governments to address homeless encampments on department property. The bill would require the department to establish an advisory committee in each district for the purpose of providing advice on the implementation of these provisions. The bill would require the department to submit an annual report to the Legislature summarizing specified information and recommendations regarding homeless encampments on department property. Status: This measure has been referred to the Senate Transportation Committee.

*SB 707 (Durazo) – Open meetings: meeting and teleconference requirements*
This bill would, until January 1, 2030, require a city council or a county board of supervisors 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 two-way telephonic option or a two-way audiovisual platform, as defined, that a system is in place for requesting and receiving interpretation services for public meetings, as specified, and that good faith efforts are made to encourage residents to participate in public meetings. Status: This measure has been referred to the Senate Local Government Committee and is scheduled to be considered on April 2nd.

## FEDERAL LEGISLATIVE UPDATES

### House and Senate Pass a Continuing Resolution to Avert Government Shutdown

On March 11th, the House of Representatives passed the Full-Year Continuing Appropriations and Extensions Act, 2025 (H.R. 1968) to prevent a government shutdown. The bill extends federal funding through September 2025. H.R. 1968 does not include earmarked projects that would have been funded by the FY2025 House and Senate appropriations bills released last year. On March 14th, the Senate voted 62-38 to pass H.R. 1968 sending it to President Trump's desk, where he then signed the legislation thereby averting a government shutdown.

The legislation largely maintains FY2024 spending levels, reallocating funds to decrease non-defense spending by $13 billion and increase defense funding by $6 billion. The bill removes $20.2 billion in IRS funds from the Inflation Reduction Act. It extends expiring health provisions and other programs, including the National Flood Insurance Program and the Temporary Assistance for Needy Families program.

### Republicans on the House Ways and Means Committee Begin Drafting Tax Legislation

In March, Republicans on the House Ways and Means Committee began the process of drafting large-scale tax legislation, officially moving to the next step of the budget reconciliation process. Budget reconciliation is a legislative process that allows expedited passage of certain budget-related bills with a simple majority vote in the Senate and only occurs when one party controls the White House, Senate, and House. Republicans on the House Ways and Means Committee seek to extend the expiring provisions of the 2017 Tax Cuts and Jobs Act (2017 TCJA) and incorporate President Trump's favored ideas, like eliminating taxes on tips.

In February, the House and Senate passed dueling budget resolutions to complete the first step of the reconciliation process. The House's resolution is more robust, calling for $4.5 trillion in tax cuts and $1.5 trillion in spending cuts over the next decade. The baseline numbers cannot permanently extend the 2017 TCJA without significant spending cuts or revenue increases. Republicans on the House Ways and Means Committee will discuss how to implement them over the coming weeks.

Republicans on the Senate Finance Committee have not begun drafting their tax legislation. Senate Majority Leader John Thune prefers a two-bill approach, which would deliver President Trump an immediate win and buy more time for negotiations on how to effectively extend the 2017 TCJA. The Senate's resolution is narrower, focusing on immigration and defense policies. They intend to produce a second budget reconciliation package that focuses on cutting taxes.

President Trump has endorsed the House's one-bill approach. The House and the Senate will not be able to proceed with the budget reconciliation process until they reach an agreement on a path forward.

### Governor Newsom Requests $40 Billion in Aid for LA Fires

On February 21, Governor Gavin Newsom sent a letter to congressional leaders requesting $40 billion in federal funding to cover the long-term recovery and rebuilding effort for the Los Angeles fires. In the letter, Governor Newsom wrote that as the state continues to assess the damage while conducting active response and recovery efforts, officials expect to identify additional funding needs beyond the $40 billion. Senators Adam Schiff and Alex Padilla came out in support of the Governor's latest request.

Governor Newsom outlined $16.8 billion for public assistance emergency work, $9.9 billion to repair houses and businesses, $5.3 billion for business loans, $4.32 billion for business grants, $2 billion for low-income housing tax credits and hundreds of millions more for transportation, water infrastructure, and other programs.

The letter comes amid weeks of debate centered around whether the anticipated disaster aid for California would come with conditions. President Donald Trump, congressional Republicans and presidential allies contended the money for California should come with strings attached

### Department of Transportation Moves to Freeze Some Non-Obligated Federal Funds and Rescinds Two Biden Administration Memos

In March, the Department of Transportation's leadership circulated an internal memo instructing the agency to freeze and review all discretionary grants or cooperative agreements that are not fully obligated and involve bicycles, climate, equity, electric vehicles or charging infrastructure. The memo directs staff to review competitive grants from FY2022-FY2025 that have not been fully obligated to ensure alignment with the Trump administration's priorities, potentially putting those projects' federal funding at risk.

The guidance memo specifically directs DOT offices to:

"Identify programs for which award selections may have included any of the following elements: equity activities, Diversity, Equity, and Inclusion (DEI) activities, climate change activities, environmental justice (EJ) activities, gender-specific activities, when the primary purpose is bicycle infrastructure (i.e., recreational trails and shared-use paths, etc.), electric vehicles (EV), and EV charging infrastructure. Additionally, project-by-project review of selections to identify any project scope elements for potential removal are required for any programs that meet the criteria below:

- Statutory language includes equity requirements, climate considerations, or bicycle infrastructure.
- NOFO mandatory evaluation criteria includes equity and/or climate requirements.
- Eligible activities included bicycle infrastructure, EV and/or EV charging infrastructure."

Department leadership will examine the findings of the review and decide whether to let a specific project proceed, cancel, or revise it.

Department of Transportation Secretary Sean Duffy also rescinded two memos that were issued during the Biden Administration providing instruction for implementing the Infrastructure Investment and Jobs Act, the bipartisan infrastructure law enacted in 2021. The memos encouraged states to address how climate change and equity impact infrastructure projects, and directed federal agencies to maximize the impact of funding for such projects. Secretary Duffy said the memos conflicted with Congress's intent when it passed the Bipartisan Infrastructure Law.

This move aligns with President Trump's broader efforts to scale back electric vehicle policies and diversity, equity, and inclusion efforts. In February, the Department of Transportation's Federal Highway Administration announced it would suspend federal funding for electric vehicle charging stations along U.S. highways.

### House Moves to Undo Biden Era Energy Rules

The House recently voted to repeal two key regulations from the Biden administration, leveraging the Congressional Review Act (CRA), which allows Congress to overturn federal rules with a joint resolution of disapproval. The CRA process requires passage in both chambers and is subject to a presidential veto, making it more effective when Congress and the White House are controlled by the same party.

First, the House voted to repeal the methane fee, a provision established under the Inflation Reduction Act that imposes penalties on methane emissions exceeding a set threshold. The fee is scheduled to begin at $900 per metric ton in 2024 and rise to $1,500 by 2026. Republicans and oil industry groups have criticized the fee as a tax on natural gas and have filed lawsuits to block its implementation. Additionally, Republicans have discussed repealing the methane fee as part of a broader reconciliation package.

The House also voted to block a 2024 regulation from the Biden administration requiring higher energy efficiency standards for gas-burning tankless water heaters, set to take effect in December 2029. The rule, issued by the Department of Energy under the Energy Policy and Conservation Act, aims to reduce carbon emissions and lower consumer gas bills. However, opponents argue that it would limit consumer choice and raise prices by eliminating more affordable models. The Trump administration announced a postponement of this rule in February 2025.

### Trump Administration Challenges California Over Ban on Gasoline Cars

The Environmental Protection Agency (EPA) will submit air pollution waivers to Congress for review in an initial strike against California car pollution regulations. The regulations compel zero-emission vehicle sales, which the President says limits consumer choice. EPA Administrator Lee Zeldin said he would formally subject EPA's approval of those California rules to congressional scrutiny.

The move empowers congressional Republicans to swiftly repeal the pollution standards using expedited procedures under a law known as the Congressional Review Act. Doing so could effectively wipe away California's Clean Cars II program, which mandates zero-emission vehicles and ultimately bans the sale of gasoline-powered cars in 2035. Carmakers, auto dealers and fuel producers that have called California's standards unachievable. Refiners and biofuel producers have challenged some of the requirements in federal court.

The Congressional Review Act allows Congress to review and repeal federal regulations issued by executive agencies within a specified time frame through a joint resolution of disapproval. It could take months for the agency to justify a reversal. In the meantime, the requirements are already affecting automakers. Under Clean Cars II, automakers in California and others abiding by the regulation must sell at least 35% zero-emission vehicles in 2026.

### Trump Administration Halts Program to Expand US EV Chargers

The Department of Transportation's Federal Highway Administration (FHWA) announced in a letter that it is suspending approval of funds intended to be distributed to states from the National Electric Vehicle Infrastructure Formula Program (NEVI). NEVI provides funding to add chargers mostly along the interstate highway system. No new obligations will occur under the program, but reimbursements for existing commitments will continue to avoid disruption.

In the letter, the FHWA stated that most statutory formula programs require the Secretary to make the prescribed apportionments to the States on a specific date and then make the funds available for obligation, but the NEVI oversteps boundaries by requiring the Secretary to approve a plan for each State describing how the State intends to use its NEVI funds. The FHWA aims to have updated draft NEVI Formula Guidance published for public comment in the spring.

The NEVI program was included in the 2021 Bipartisan Infrastructure Law. It allocated $5 billion over five years to install chargers in every state in an effort to jump-start acceptance of the plug-in cars. President Trump has made rescinding President Biden's pro-EV initiatives a key plank of his economic platform. In his address at the Republican National Convention in July, he promised to "end the electric vehicle mandate from day one" of his second administration.

California has led the United States in the number of electric vehicles and charging locations every year since 2016, accounting for 37% of U.S. registered light-duty EVs and 27% of EV charging locations at the end of 2022.

### President Trump Signs Executive Order Continuing the Reduction of the Federal Bureaucracy

On March 14, President Donald Trump signed an executive order entitled "Continuing the Reduction of the Federal Bureaucracy" that aims to eliminate seven federal government offices with varying functions. The Trump administration seeks to further decrease the size of the federal government. The Department of Government Efficiency (DOGE) has sought to reduce federal spending by eliminating programs that the administration deems "federal overreach" or "unnecessary."

The affected entities include the:

- United States Interagency Council on Homelessness
- Community Development Financial Institutions Fund
- Federal Mediation and Conciliation Service
- United States Agency for Global Media
- Woodrow Wilson International Center for Scholars
- Institute of Museum and Library Services
- Minority Business Development Agency

As is the case with all executive orders, the actions must be conducted within the bounds of law. As a result, the executive order states that “the non-statutory components and functions of [the named] government entities shall be eliminated to the maximum extent consistent with applicable law, and such entities shall reduce the performance of their statutory functions and associated personnel to the minimum presence and function required by law.” This executive order could be challenged in court, although a case has not been introduced.