



Joe A. Gonsalves & Son

Anthony D. Gonsalves

Jason A. Gonsalves

Paul A. Gonsalves

PROFESSIONAL LEGISLATIVE REPRESENTATION

925 L ST. - SUITE 250 - SACRAMENTO, CA 95814-3766

916 441-8597 - FAX 916 441-5061

Email: gonsalves@gonsalvi.com

Legislative Update

This year, the Legislature introduced 2,833 bills between the two houses, with 1,777 in the Assembly and 1056 in the Senate. Originally, the Legislature was scheduled to adjourn on September 12, 2025, however, due to late amendments to numerous Cap-and-Invest bills and budget trailer bills, coupled with the 72-hour in-print rule, legislators waived the rules to make final adjournment on Saturday, September 13, 2025, to hear those bills. The Governor had until October 13, 2025 to act on legislation, and this year he signed 1,124 bills and vetoed 123 bills. That means there are 1,098 2-year bills that Legislators will try to move in January 2026.

At the start of this year, the State had to grapple with the devastating wildfires that heavily impacted the Los Angeles region. In addition to the fires, the State was facing a massive budget deficit and declared an affordability crisis throughout the State. These issues lead to the Legislature focusing on policy issues this year around wildfire mitigation, housing & homelessness, local control and environmental policy. The following will provide you with a summary of these priority areas from this past year:

Housing

Much like prior years, the Legislature focused on various housing and development legislation that is particularly impactful to local governments. The following will provide you with summaries of legislation that are most likely to impact Cupertino:

AB 648 (Z'Bur) Community Colleges: Housing: local zoning regulations; exemption:

This bill would provide that a community college district is not required to comply with the zoning ordinances of a city, county, or city and county, for a university housing development project constructed on property owned or leased by a community college district if specific requirements are met. If the project includes units for faculty and staff, the bill would require the community college district to ensure that a portion of the units of the project are made available at affordable rents to extremely low income faculty and staff and lower income faculty and staff.

This bill was signed by the Governor on October 6, 2025.

AB 650 (Papan) Planning and zoning: housing element: regional housing needs:

Extends a number of timelines in the process of determining regional housing needs, regional housing needs allocations, and housing element revisions, and requires the Department of Housing and Community Development (HCD) to provide specific analysis or text to local governments to remedy deficiencies in their draft housing element revisions.

This bill was vetoed by the Governor. His veto message expressed concern that this bill would inappropriately shift responsibility for preparing housing elements from local jurisdictions to HCD and would add at least \$11 million in new annual costs.

SB 79 (Wiener) Housing Development: transit-oriented development:

This bill requires a housing development project within a specified radius of existing or currently proposed major transit-oriented development (TOD) stop, as defined, be an allowable use on a site zoned for residential, mixed, or commercial development, if the housing development meets certain requirements. This bill also allows a transit agency to adopt TOD zoning standards for district-owned land located in a TOD zone.

This bill was signed by the Governor on October 10, 2025.

Local Control

AB 340 (Ahrens) Employer-employee relations: confidential communications:

This bill would prohibit a public employer from questioning a public employee, a representative of a recognized employee organization, or an exclusive representative regarding communications made in confidence between an employee and an employee representative in connection with representation relating to any matter within the scope of the recognized employee organization's representation.

This bill was held in the Senate Appropriations Committee due to costs.

SB 63 (Wiener) San Francisco Bay area: local revenue measure: public transit funding:

This bill creates the Transportation Revenue Measure District to include Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara counties. Authorizes the District to impose, either directly or through a qualified voter initiative, a retail transaction and use tax, to be administered by the Metropolitan Transportation Commission (MTC), for a duration of 14 years, to be placed on the November 2026 ballot to fund transit operations for Bay Area transit operators. Requires certain transit operators receiving funds from the

regional revenue measure to comply with a financial efficiency review and oversight recommendations

This bill was signed by the Governor on October 13, 2025

SB 753 (Cortese) Special business regulations: shopping carts:

Allows a city or county to only retrieve and return a shopping cart to a retailer and recover its actual costs if it has adopted an ordinance that meets specified criteria, cap the actual costs at \$100, and reduce the fine from \$150 to \$100 for failing to retrieve a shopping cart.

This bill was signed by the Governor on October 13, 2025.

Environmental Policy

Cap-and-Invest

This year, the Legislature took action to extend California's Cap-and-Trade program, which was slated to expire in 2030. The program sets a declining limit on total greenhouse gas emissions in the state from major polluters. Companies must reduce their emissions, buy allowances from the state or other businesses, or fund projects aimed at offsetting their pollution. Unfortunately, the recent Cap-and-Trade auctions have been underproducing due to the uncertainty of the program. The Legislature recognized that the Cap-and-Trade revenues, which are deposited into the Greenhouse Gas Reduction Fund (GGRF), were coming in \$500 million less at every quarterly auction. Because of this, the legislature prioritized reauthorizing the Cap-and-Trade program until 2045 and renamed it the Cap-and-Invest Program.

AB 1207 (Irwin) Climate change: market-based compliance mechanism: extension

Reauthorizes the program through 2045 and better aligns the declining cap on emissions with the state's climate targets and potentially boost carbon-removal projects. It would also change the name to "cap and invest" to emphasize its funding of climate programs.

The Governor signed this bill on September 19, 2025.

SB 840 (Limon) Greenhouse gases: Greenhouse Gas Reduction Fund: studies

Commits annual funding from the program's revenues. It includes \$1 billion for the state's high-speed rail project, \$800 million for an affordable housing program, \$250 million for community air protection programs and \$1 billion for the Legislature to decide on annually.

The Governor signed this bill on September 19, 2025.

SB 501 (Allen) Household Hazardous Waste Producer Responsibility Act.

This bill establishes an extended producer responsibility (EPR) or stewardship program for the collection, transportation, recycling, and the safe and proper management of products containing household hazardous waste (HHW) in California.

This bill was held in the Senate Appropriations Committee due to Costs.

Proposition 4 Allocations:

The 2025–26 state budget allocates \$3.5 billion from this bond, marking the first year of a multiyear spending plan. This allocation is slightly higher than the \$2.7 billion initially proposed, reflecting legislative augmentations.

Key Allocations in the 2025–26 Budget:

Water and Climate Resilience: \$1.1 billion is designated for safe drinking water, drought, flood, and water resilience programs.

Wildfire and Forest Resilience: \$325 million is allocated to enhance forest health and wildfire prevention efforts.

Coastal Resilience: \$173 million is earmarked for projects addressing sea level rise and coastal protection.

Nature-Based Climate Solutions: \$286 million is set aside for biodiversity protection and nature-based climate solutions.

Clean Energy: \$275 million is allocated for clean energy initiatives.

Park Creation and Outdoor Access: \$286 million is designated for expanding parks and recreational facilities, particularly in underserved communities.

Extreme Heat Mitigation: \$102 million is allocated for programs aimed at reducing the impacts of extreme heat.

Climate-Smart Agriculture: \$134 million is set aside for supporting climate-smart agriculture practices

State Budget

California's 2025–26 state budget, signed into law by Governor Newsom on June 27, 2025, addresses a projected \$12 billion deficit through a combination of spending reductions, borrowing, and strategic financial maneuvers. The final budget totals approximately \$325 billion and includes over 20 budget trailer bills that implement various policy changes and fiscal strategies.

To balance the budget, the state employed several key strategies:

Spending Reductions: Approximately \$3.5 billion in cuts were made across various sectors, including health care and social services, to reduce ongoing expenditure growth and maintain budget balance.

Borrowing: The budget authorizes \$7.8 billion in borrowing to cover short-term revenue shortfalls, allowing the state to meet its financial obligations while awaiting future revenues.

Reserves: To manage the budget shortfall, the state drew from several key reserve accounts, including:

- Budget Stabilization Account (BSA): A \$7.1 billion withdrawal was made from the BSA. This account is designed to provide a cushion during economic downturns.
- Safety Net Reserve Fund: The balance in this fund was depleted, with a zero balance projected for the end of the fiscal year.
- Special Fund for Economic Uncertainties (SFEU): An estimated \$4.5 billion was allocated from the SFEU, which is used at the discretion of the Governor and Legislature to address unforeseen fiscal needs.

Other Solutions: An additional \$1 billion was identified through funding shifts and other financial strategies to further close the deficit.

In addition to the budget that was adopted at the end of June, the Legislature adopted numerous budget trailer bills in the final week of session to make necessary adjustments. Those budget bills include:

SB 157 (Committee on Budget and Fiscal Review) Public Safety:

This bill updates the methodology for performance-based grants to county probation departments, Appropriates \$103.7 million General Fund to the State Community Corrections Performance Incentives Fund for a performance maintenance, and streamlines specified contracting requirements.

This bill was signed by the Governor on September 17, 2025

SB 158 (Committee on Budget and Fiscal Review) Land Use:

Allocates \$500 million for Round 7 of the Homeless Housing, Assistance, and Prevention (HHAP) program, aiming to support local governments in addressing homelessness. The

California Department of Housing and Community Development is tasked with administering these funds, with disbursements expected to begin on September 1, 2026.

This bill was signed by the Governor on October 11, 2025

SB 159 (Committee on Budget and Fiscal Review) Revenue and Taxation:

This bill introduces exemptions under the Personal Income Tax Law and Corporation Tax Law for certain wildfire-related expenses, providing financial relief to affected entities.

This bill was signed by the Governor on September 17, 2025

SB 160 (Committee on Budget and Fiscal Review) Background Checks:

Mandates FBI background checks for specific individuals, enhancing the state's ability to screen individuals for various purposes.

This bill was signed by the Governor on September 17, 2025

SB 161 (Committee on Budget and Fiscal Review) State Employment:

Addresses matters related to state employment and bargaining units, ensuring that state employment practices align with current policies and agreements.

This bill was signed by the Governor on September 17, 2025

SB 162 (Committee on Budget and Fiscal Review) Elections:

Implements changes to election procedures, including adjustments to voter registration and election security measures, to improve the electoral process.

This bill was signed by the Governor on September 17, 2025

AB 144 (Committee on Budget and Fiscal Review) Human Services:

Includes provisions for CalFresh payment error rate mitigation and the implementation of federal H.R. 1 (Public Law 119-21), aiming to streamline and enhance the efficiency of human services programs.

This bill was signed by the Governor on September 17, 2025

SB 151 (Committee on Budget and Fiscal Review) Early Childhood Education and Childcare:

Introduces measures to expand and improve early childhood education and childcare services, ensuring better access and quality for families across the state.

This bill was signed by the Governor on September 17, 2025

SB 153 (Committee on Budget and Fiscal Review) Transportation:

Addresses transportation funding and policy, including provisions for high-speed rail projects and other infrastructure developments to enhance the state's transportation network.

This bill was signed by the Governor on September 17, 2025

SB 156 (Committee on Budget and Fiscal Review) Labor:

Includes a \$372 million one-time supplemental payment toward the California Public Employees' Retirement System (CalPERS) state plans' unfunded liabilities, utilizing available Proposition 2 debt repayment funding. This action results from many unions opting to suspend employer Other Post-Employment Benefits (OPEB) contributions during bargaining this year.

This bill was signed by the Governor on September 17, 2025

2025 November Special Election

California Proposition 50, appearing on the November 4, 2025, special election ballot, proposes a temporary redrawing of the state's congressional district maps. If approved, it would replace the current maps drawn by the independent California Citizens Redistricting Commission with new maps crafted by the state legislature. These new maps would be used for the 2026, 2028, and 2030 U.S. House elections, after which the independent commission would resume its role in redistricting following the 2030 Census.

Purpose: The proposition is a response to recent partisan redistricting in Texas, which added Republican-leaning districts. California lawmakers aim to counteract this by adjusting their own district boundaries.

Map Design: The proposed maps are designed to favor Democrats by incorporating more Democratic-leaning urban and suburban voters into several districts, potentially converting previously competitive or Republican-held seats into safely Democratic ones.

Process: The new maps were drawn by Democratic consultants and adopted by the state legislature. They would remain in effect until the independent commission draws new maps after the 2030 Census.

Fiscal Impact: The Legislative Analyst's Office estimates one-time costs to counties of up to a few million dollars to update election materials to reflect the new district maps.

Arguments For and Against: Supporters argue that the proposition is necessary to counteract partisan gerrymandering in other states and to ensure fair representation for

California voters. Opponents contend that the measure undermines the independent redistricting process established by voters and could lead to increased partisan polarization.

Next Legislative Session and the 2026 Legislative Process

The Legislature will officially reconvene for the 2025-26 legislative session on January 5, 2025. This is the start of the second year of a 2-year session. The Legislature will have until January 31, 2026 to move any 2-year bill out of its house of origin. Additionally, the deadline to submit language to Legislative Counsel for new bills is January 23, 2026, followed by the bill introduction deadline on February 20, 2026.

In addition, back in June, the Senate Democrats elected Senator Monique Limon from the Santa Barbara area to be the next Pro Tem since Pro Tem McGuire is termed out next year. The transition was supposed to take place early next year, but frustrations from the end of session drove the transition to take place on November 17th.

With a new Pro Tem comes a lot of changes in the Senate. There will be a new Senate leadership team, new Senate Committee Chairs, and the makeup of the Senate committees will change.