



TO: SANDAG BOARD OF DIRECTORS
FROM: ELLISON WILSON ADVOCACY, LLC
SUBJECT: SANDAG LEGISLATIVE REPORT – SEPTEMBER 2025

Legislative Overview

Following a chaotic final month of the legislative year, the Legislature concluded the first year of the 2025-26 Legislative Session on September 13th. In order to pass a number of bills with late amendments, the Legislature extended their year by one day, which also gives the Governor an extra day to sign or veto all bills sent to him.

The remaining legislative calendar for 2025 includes:

- October 13: Last day for the Governor to sign or veto all bills

The Legislature is scheduled to return to commence the second year of the Session on Monday, January 5th, 2026.

Governor Signs Late Legislation to Extend Cap-and-Trade Program through 2045

The details of an agreement between the Governor and Legislature on extending the state's Cap-and-Trade program, including an expenditure plan for its revenues from the Greenhouse Gas Reduction Fund (GGRF) were (finally) released on September 10th in amendments to AB 1207 (Irwin) and SB 840 (Limon). As quick background, the Cap-and-Trade program serves an important role in helping the state ensure that it meets its GHG reduction goals by depositing these revenues into the state's GGRF – which, from its inception through 2023-24, Cap-and-Trade auctions have provided roughly \$31 billion for GGRF. These GGRF revenues have been used to support a wide range of programs, including transportation and housing projects. As SANDAG is a direct and indirect beneficiary of GGRF funding, it was deeply engaged in ongoing advocacy efforts to preserve and expand funding for its priority programs and projects.

While all parties indicated early in the year that extending the program was a priority, in the final few weeks negotiations between the two houses stalled and it was unclear whether a deal would be reached before the Legislature was scheduled to adjourn on September 12th. Technically it wasn't, as implementing legislation wasn't amended until after the 72-hour in-print requirement (per Prop 54), however, the Legislature suspended its rules to extend their year into Saturday, September 13th, in order to take up these bills prior to adjournment for the year.

Both bills, AB 1207 and SB 840, were ultimately passed by both houses with a 2/3rds vote, signed by the Governor on September 19th, and will go into effect immediately. Below are summaries of the two implementing bills.

AB 1207 (Irwin) – “Cap-and-Invest” Extension Bill

Overall, AB 1207 reauthorizes the program until January 1, 2046, renames it the Cap-and-Invest program (per the Governor’s request), and makes various changes to the program, including how CARB distributes its free “allowances.”

SB 840 (Limon) – GGRF Expenditure Bill

Overall, SB 840 dictates how the revenues from the program, which are distributed to the Greenhouse Gas Reduction Fund (GGRF), will be spent. Additionally, the bill requires CARB to conduct a study by 12/31/26 on “offset projects.” The bill proposes to spend GGRF funds as follows:

1. **2025-26 Fiscal Year:** Maintains the existing GGRF expenditure plan through July 1, 2026. Under the current GGRF expenditure plan, certain continuous appropriations are set in statute including 25% of all annual revenues going to the High-Speed Rail Project, 20% to the Affordable Housing and Sustainable Communities Program, 10% to the Transit and Intercity Rail Capital Program (TIRCP), 5% to the Low Carbon Transit Operations Program, etc. Additional significant funding from the GGRF is provided to various programs through discretionary expenditures determined by the Legislature on an annual basis through the state budget process.
2. **Beginning with the 2026-27 fiscal year:** GGRF funds shall be distributed as follows:
 1. Certain fees are initially taken off the top, including:
 - Replacement of the revenues generated by the State Responsibility Area (SRA) fire prevention fee (\$70-90 million/year until 2031)
 - Amounts appropriated for a partial sales and use tax exemption for certain manufacturing, research and development, and power generation equipment purchased or leased by qualifying businesses (\$100-150 million/year until 2031)
 - \$3M for the establishment of the Legislative Counsel Climate Bureau
 2. Next, \$1B is continuously appropriated to the High-Speed Rail Authority
 3. Next, \$1B shall be reserved for appropriation by the Legislature, with the following intended expenditures for the 2026-27 fiscal year:
 - \$125M for transit passes
 - \$25M for seed funding for a University of California Climate Research Center
 - \$15M for rebuilding Topanga Park
 - \$85M for “an entity chosen by the Legislature to support climate-focused technological innovation, related research, and the deployment of climate solutions”
 4. Next, the following amounts shall be continuously appropriated each year (subject to proportional reductions by the Department of Finance if revenues are insufficient):
 - \$800M to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program (no less than 10% of the annual proceeds shall be expended for affordable housing)
 - \$400M to CalSTA for the Transit and Intercity Rail Capital Program (TIRCP)
 - \$250M to CARB for community air protection programs and allocated for financial incentives to reduce mobile and stationary sources of criteria air pollutants or toxic air contaminants consistent with community emissions reduction programs
 - \$200M to CalSTA for the Low Carbon Transit Operations Program
 - \$200M to the Department of Forestry and Fire Protection to be allocated as follows:
 - 82.5% for healthy forest and fire prevention programs

- 17.5% for the completion of prescribed fire and other fuel reduction projects through proven forestry practices consistent with the recommendations of the California Forest Carbon Plan
 - \$130M for the Safe and Affordable Drinking Water Fund
5. Finally, any remaining amounts shall be appropriated by the Legislature in the annual Budget Act

Controversial TOD Housing Bill Survives Legislature; Headed to Governor

SB 79 by Senator Wiener, the SANDAG-opposed highly controversial bill that preempts local zoning authority by imposing by-right development standards near qualifying transit stops, narrowly advanced through the legislative process, despite fierce opposition from local governments. This bill would permit developments up to seven stories high and a density of 120 homes per acre. SB 79 squeaked off the Senate Floor back in June with the bare minimum 21 votes, followed by close Assembly committee votes, including passage by the Assembly Appropriations Committee on August 29th by just one vote. Amendments taken by the Appropriations Committee eliminated applicability of the bill to “tier 3” TOD stops, which included areas with “frequent commuter rail” defined as a commuter rail service with a total of at least 24 daily trains per weekday across both directions. It still would apply to TOD stops at least served by light rail transit, “high-frequency commuter rail” (defined as at least 48 trains per day), or bus service with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods. Additionally, in the final days of the legislative year, amendments were taken to add certain labor standards to any developments authorized in the bill, thus removing opposition from the powerful State Building and Construction Trades Council, which also eliminated a block of “no” votes.

After extensive debate, the bill was ultimately passed off the Assembly Floor, 43-19, with San Diego Delegation Assemblymembers Alvarez, Patel, Sharp-Collins, and Ward voting in favor and Assemblymembers Boerner, Davies, and DeMaio voting against. Shortly thereafter, when back on the Senate Floor for a concurrence vote, the bill momentarily got the necessary 21 votes before Senator Richardson changed her “yes” vote to “no.” Stalled at 20 votes for a few minutes, ultimately Senator Wiener brought the bill back up and Senator Grove voted in favor, once again giving it the necessary 21 votes for passage. Once again, the bill passed by the bare number of votes, with Senator Padilla voting in favor and Senators Blakespear and Jones voting “no.” Senator Weber Pierson abstained from the vote.

The bill is now headed to Governor Newsom for a signature.

On a positive note, AB 650 (Papan) was also unanimously passed by the Legislature. This is the SANDAG-sponsored bill that extends many of the timelines in the process of determining regional housing needs (RHND), regional housing needs allocations (RHNA), and housing element revisions, and requires HCD to provide specific analysis to local governments to remedy deficiencies in their draft housing element revisions. Despite being (dubiously) tagged with an \$11 million annual cost to HDC for 52 new staff positions purportedly needed if the bill is signed into law, AB 650 survived the Senate Appropriations Committee suspense hearing and will now head to the Governor for a signature.

Update on SANDAG Position Bills

Following the conclusion of the legislative year, below is a status update on all the bills SANDAG took a formal position on in 2025:

SUPPORT

- AB 259 (Rubio) – AMENDED INTO SB 707, WHICH WAS PASSED BY THE LEGISLATURE
 - AB 259 was a Brown Act bill, which extended certain teleconferencing procedures
- AB 334 (Petrie-Norris) – FAILED TO BE PASSED; MADE A TWO-YEAR BILL

- AB 334 facilitates California joining a nationally interoperable toll system
- AB 650 (Papan) – PASSED BY THE LEGISLATURE; SENT TO THE GOVERNOR
 - AB 650 allows local governments to begin the housing element update process six months early and provide greater certainty and reduce ambiguity in the housing element review process.
- AB 655 (Alvarez) – SIGNED INTO LAW
 - AB 655 adds legislative member to the California-Mexico Border Council
- SB 71 (Wiener) – PASSED BY THE LEGISLATURE; SENT TO THE GOVERNOR
 - SB 71 expands and extends CEQA exemptions for transit projects
- SB 233 (Seyarto) – PASSED BY THE LEGISLATURE; SENT TO THE GOVERNOR
 - SB 233 adds 1 additional year for HCD to consult with COGs in RHND process

OPPOSE

- SB 79 (Wiener) – PASSED BY THE LEGISLATURE; SENT TO THE GOVERNOR
 - SB 79 preempts local zoning authority by imposing state-determined, by-right development standards near qualifying transit stops.

Governor Appoints New CARB Chair Lauren Sanchez

In mid-September, Governor Newsom announced that California Air Resources Board (CARB) Chair Liane Randolph would be retiring early from the role, effective September 30, 2025. As of October 1, the Governor’s current Senior Advisor to the Governor for Climate Lauren Sanchez would serve as the incoming CARB Chair. Dubbed by Governor Newsom as his “most trusted climate advisor and the chief architect of California’s climate agenda,” including the state’s Cap-and-Trade program, Sanchez has served in her current role since 2021, before which, she was Senior Advisor for the Special Presidential Envoy for Climate in the Biden-Harris Administration, Deputy Secretary for Climate Policy and Intergovernmental Relations at the California Environmental Protection Agency from 2019 to 2021 and International Policy Director at the California Air Resources Board from 2018 to 2019.