

# PLATINUM | ADVISORS

June 30, 2025

TO: Diane Shaw, President, AC Transit Board of Directors  
Members of the AC Transit Board of Directors  
Salvador Llamas, General Manager  
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FR: Steve Wallauch  
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**RE: Legislative Update**

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**Budget:** Since the passage of a skeletal budget bill, SB 101, on June 13<sup>th</sup>, the Governor and legislative leadership have been holding quiet behind closed doors negotiations on the final budget. The Governor has until June 27<sup>th</sup> to sign or veto SB 101. Earlier this week the radio silence on negotiations was broken when an agreement was reached. Early last week the amendments to 22 budget bill juniors and implementing trailer bills were put in print, and the legislature approved almost all of these measures on Friday June 27<sup>th</sup>, with a couple more expected to be approved today.

Governor Newsom issued a press release on June 27<sup>th</sup> stating he has signed all the budget bills sent to his office. However, in an unusual move, the Governor stated at the end of the press release that his signature on the state budget was contingent on the legislature approving either AB 130 or AB 131 on June 30<sup>th</sup>. AB 131 is the likely vehicles that the legislature will approve. This measure would establish the next round of funding for the Homeless Housing, Assistance, and Prevention (HHAP) program. In particular, the bill incorporates most of the provisions in SB 607 (Wiener) that would exempt many housing projects from CEQA.

AB 130 is another more controversial housing measure aimed at accelerating housing development in the state. However, given the stiff backlash from labor and environmental groups this proposal did not move forward last week. This proposal would have exempted most housing projects from CEQA, would have created a statewide vehicle miles traveled (VMT) mitigation bank, and would have established a specific minimum wage for construction workers on certain types of residential projects. This new minimum wage is seen as undercutting existing prevailing wage rates, and

was loudly and angrily opposed by labor representatives when this subject was heard by the Assembly and Senate Budget Committees last week.

The budget agreement closes a \$12 billion deficit while delaying some of the steep cuts to Medi-Cal and other safety net programs proposed by Newsom. Legislators have proposed staving off Newsom's proposed cuts, and rely instead on deferrals and borrowing from state reserves. The plan is banking the state's economic outlook improving in future years, allowing the state to reduce the severity of the reductions. However, California's economic outlook remains uncertain. It is anticipated potential further budget revisions (perhaps in special session this fall), especially given the uncertainty surrounding federal funding and potential cuts from the current federal administration.

A key point of contention and compromise revolves around Medi-Cal. Newsom initially proposed significant reductions for undocumented immigrants, including higher monthly premiums and an enrollment freeze. The agreement reached reduces the premiums from \$100 to \$30, includes a three-month "grace period" for re-enrollment, allowing undocumented immigrants who had their coverage lapse to re-enroll, and a freeze on new undocumented adult enrollment starting in 2026.

While negotiations continue on other parts of the budget, namely the allocation of cap & invest revenue and Proposition 4 bond funds, the bulk of the budget agreement has been approved, and signed by the Governor, even though the Governor is holding the budget package hostage while he waits one more bill.

- Includes budget bill language to provide up to \$750 million in loans for specified Bay Area transit operators, which includes BART and AC Transit. The budget bill language includes provisions stating the loans are contingent on passage of a trailer bill specifying the terms and structure of these loans. In addition, the budget bill language makes these loans contingent on the passage of legislation authorizing a regional measure to support the long-term financial stability of the transit operators.
- The agreement includes a commitment to restore \$1.1 billion in funds for transit projects. The source of this funding is primarily cap & invest auction revenue. The details of this agreement will be included in a future trailer bill on the extension and allocation of the cap & invest program.
- More money is shifted from cap-and-trade auction funds to the General Fund. A total of \$1 billion in 2025-26, up to \$1.25 billion in 2026-27, \$500 million in 2027-28, and \$500 million in 2028-29. Future year fund shifts may not be necessary if the condition of the General Fund improves, and final Greenhouse Gas Reduction Fund [GGRF] appropriations are planned for August or September budget action. Reauthorization of the GGRF cap and trade mechanism continues to be deferred to later consideration via the "policy bill process.")

- Approves the Cap and Invest May Revision Finance Letter but approves only a \$500 million annual fund shift in 2025-26 and 2026-27 for CalFIRE baseline operations, with remaining Greenhouse Gas Reduction (GGRF) dollars to be appropriated later. The Governor proposed shifting \$1.5 billion to CalFIRE.
- Cuts \$42.8 million General Fund for the Offshore Wind infrastructure program from 2022- 23, which is backfilled with Proposition 4 funding.
- Adopts trailer bill language establishing the Games Route Network for the LA 2028 Olympics and Paralympics.
- Provides \$25 million General Fund on a one-time basis in 2025-26 to establish a new Clean California Community Cleanup and Employment Pathways Grant Program.
- Appropriates \$27,709,000 in operating expenses in Public Transportation Account funds for the maintenance and overhaul of passenger rail equipment for Fiscal Year (FY) 2025- 26.
- Appropriates \$17.6 million one-time from the State Highway Account in 2025-26 and 92 positions to plan and design a seamless transportation network that supports the Los Angeles 2028 Olympics and Paralympics Games.