STAFF REPORT

MEETING DATE: 7/22/2026 **Staff Report No.** 26-318

TO: **AC Transit Board of Directors**

FROM: **Salvador Llamas, General Manager/Chief Executive Officer**

SUBJECT: **Monthly Legislative Report**

ACTION ITEM

AGENDA PLANNING REQUEST: ☐

RECOMMENDED ACTION(S):

Consider receiving the monthly legislative report and approval of legislative positions, if necessary.

Staff Contact:
Claudia Burgos, Executive Director of External Affairs & Customer Experience

STRATEGIC IMPORTANCE:

Goal - Strong Public and Policymaker Support
Initiative - Financial Efficiency and Revenue Maximization

The Monthly Legislative Report tracks state, regional, and federal legislation to ensure alignment with the District's Strategic Plan and its goal of maintaining strong public and policymaker support. Policy decisions at all levels can impact District operations and revenues, making ongoing monitoring and engagement essential.

BUDGETARY/FISCAL IMPACT:

There is no budgetary or fiscal impact associated with this report.

BACKGROUND/RATIONALE:

Federal Update

Office of Management and Budget (OMB) Proposed Grant Rules: On May 28, the Office of Management and Budget published a Notice of Proposed Rulemaking (NPRM) that establishes a more centralized, executive-level review process for federal grant awards. If enacted, these regulations would give political appointees expanded authority over the approval and termination of federal funding.

The primary implications for AC Transit include:

- **Subjective Evaluation Risk:** Federal competitive grant applications would undergo pre-issuance reviews by political appointees rather than technical evaluations solely by agency subject-matter experts.

- **Post-Award Vulnerability:** The introduction of a new "national interest" termination clause could expose active, multi-year Federal Transit Administration (FTA) grants-including those awarded under previous federal administrations-to mid-cycle termination risk, independent of District compliance.
- **Reimbursement Delays:** Federal grant reimbursement has generally been simple and quick once the District completed the lengthy grant application and allocation process. Reimbursement requests would now require justification, the required content of which is not defined. The sheer volume of reimbursement requests that would need manual review could be an issue for federal agencies working with reduced staff.

FY 2027 Transportation, Housing and Urban Development (THUD) Appropriations: On June 3, the House Appropriations Committee approved the FY 2027 THUD Appropriations bill. During committee debate, an amendment was introduced and adopted to withhold federal funds from local jurisdictions that deny Department of Homeland Security (DHS) requests for advance notice regarding the release of undocumented immigrants from local custody. Committee leadership noted this provision could broadly impact funding for various local jurisdictions, including the 2026 FIFA World Cup host locations.

Department of Transportation: Rescission of Title VI Provisions. On June 11, 2026, the Department of Transportation (DOT) removed key civil rights protections from its Title VI regulations to align with a presidential executive order focused on meritocracy. Under the new rule, the DOT will no longer penalize local agencies for "disparate impact"-meaning policies that are neutral on paper but result in accidental, unequal outcomes for different racial or ethnic groups. The rule also eliminates the authority for local programs to voluntarily use affirmative action without a history of proven discrimination, and rolls back oversight on hiring practices. Federal funding can no longer be withheld based on statistical inequalities alone, and a violation will only be triggered if a local agency is proven to have *intentionally* discriminated based on race, color, or national origin. Despite these changes to the federal Title VI requirements, California maintains stringent state -level civil rights protections that will fill the gap left by these Title VI changes.

State Update

FY 2026-27 State Budget Package (AB 109): The Legislature met its constitutional June 15 deadline by passing AB 109, a $356 billion spending plan that represents a legislative agreement between the House and Senate. The plan is $6.5 billion more than what the Governor proposed in his May Revision. This increase is based on an updated Legislative Analyst's Office (LAO) revenue forecast that projects the state will receive an additional $5.5 billion over the budget period.

The Legislature's framework maintains a balanced budget through FY 2027-28 by rejecting several proposed safety-net reductions and deferring or modifying specific reductions enacted last year. Governor Newsom signed this bill into law on June 29; a final compromise spending plan is anticipated by the July 1 statutory deadline.

While AB 109 outlines the core spending plan, several critical policy details will be resolved via upcoming budget trailer bills:

- **Cap-and-Invest Revenue:** Most Cap-and-Invest auction revenue allocations remain unresolved. Ongoing negotiations into August will address the California Air Resources Board's (CARB) proposed credit reductions and establish a revised spending plan based on projected auction proceeds.

- **SB 125 Transit Provisions & TDA Exemptions:** A pending trailer bill is expected to extend certain Transportation Development Act (TDA) exemptions, including relaxed farebox recovery requirements. However, the existing freeze on State Transit Assistance (STA) allocations is scheduled to sunset on July 1. Negotiations continue regarding the exact duration of the extended exemptions.

November Ballot Measure: Lawmakers struck a last-minute deal with the Howard Jarvis Taxpayers Association that will place Assembly Constitutional Amendment 22 (ACA 22) on the ballot this November. If approved by voters, ACA 22 would require all citizen-initiated special tax measures to pass with a two-thirds vote starting January 1, 2027. As part of the agreement, ACA 22 would not retroactively invalidate past taxes and so would not affect the Regional Transit Measure. ACA 22 was authored by Assemblymember Buffy Wicks.

Staff recommend the Board adopt the following legislative positions.

SUPPORT SB 741 (Blakespear): Low Carbon Transit Operation Program. This bill would streamline the administrative and reporting requirements of the Low Carbon Transit Operations Program (LCTOP). While maintaining the program's core focus on expanding transit and reducing emissions, the bill cuts regulatory red tape. Passage of this bill would make it faster and more cost-effective for the District to secure and deploy these state funds.

ADVANTAGES/DISADVANTAGES:

No alternatives were considered as this report provides an update of monthly legislative activities.

ALTERNATIVES ANALYSIS:

No alternatives were considered as this report provides an update of monthly legislative activities.

PRIOR RELEVANT BOARD ACTION/POLICIES:

Staff Report No. 25-411a: Adopted 2026 Federal and State Advocacy Programs

ATTACHMENTS:

1. Federal update
2. State Update
3. Matrix of State Legislation
4. 2026 Federal Advocacy Program
5. 2026 State Advocacy Program

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