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TO: Board Members, Madera County Transportation Commission
FROM: Gus Khouri, President
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RE: STATE LEGISLATIVE UPDATE – 2025 OUTLOOK

GENERAL UPDATE

The new 2025-26 Session legislative class was sworn into office on Monday, December 2. Democrats will continue to hold supermajorities in both houses of the State Legislature (at least 75%), with a 30 to 10 margin in the Senate and a 61 to 19 advantage in the Assembly. The session reconvened on Wednesday, January 6. Assembly Members Esmeralda Soria (D) and David Tangipa (R) and Senators Marie Alvarado-Gil and Anna Caballero serve Madera County in the legislature. Congressmembers Adam Gray (D) and Tom McClintock (R) also serve the county in Congress. Below is a profile of each district.

Congressional District 5 includes the whole Counties of Amador, Tuolumne, Mariposa, and Calaveras; portions of Fresno, Stanislaus, **Madera,** and El Dorado Counties; Amador City, Angels, **Coarsegold,** Hughson, Ione, Jackson, Oakdale, **Oakhurst,** Placerville, Plymouth, Riverbank, Sonora, Sutter Creek, and Waterford, and portions of the Cities of Fresno, Turlock, and Modesto to balance population. These communities have tourism- and agriculture-based economies in large swaths of federal public lands. Shared interests include recreation, natural resource management, broadband access, healthcare, wildfires, and forest conservation. **Tom McClintock (R) is re-elected with 61.8% of the vote.**

Congressional District 13 includes all of Merced County, portions of Fresno, **Madera**, San Joaquin, and Stanislaus Counties, the whole Cities of San Joaquin, Patterson, Livingston, Dos Palos, Los Banos, Kerman, **Madera**, Atwater, Huron, Ceres, Mendota, Merced, Firebaugh, Lathrop, Coalinga, Newman, Gustine, and **Chowchilla**, and portions of the Cities of Modesto and Turlock. This district includes cities along Interstate 5 from Fresno County to San Joaquin County and communities along Highway 99. The district connects rural Valley communities with larger cities. These communities share interests in transportation and issues related to an agriculture- and food-processing-based economy. **Former Assembly Member Adam Gray (D) was elected to his first term by securing 187 more votes than incumbent John Duarte (R).**

Senate District 4 is based on nesting AD 8 and AD 22 and includes the whole Counties of Alpine, Amador, Calaveras, El Dorado, Inyo, Mariposa, Mono, Stanislaus, Tuolumne, and portions of **Madera**, Merced, Nevada, and Placer Counties. This district includes the whole Cities of Amador City, Angels, Bishop, Ceres, Hughson, Ione, Jackson, Modesto, Newman, Oakdale, Patterson, Placerville, Plymouth, Riverbank, Sonora, South Lake Tahoe, Sutter Creek, Turlock, Waterford, and the towns of Truckee and Mammoth Lakes. This district follows communities-of-interest requests from Sierra counties to be placed with neighboring counties to the north. Valley rural communities and some urban cities help populate this Sierra district. The district brings together communities with common interests in challenges of open space, water, broadband access, medical access, federal land management, national parks, tourism, emergency services, and transportation infrastructure. **Senator Marie Alvarado-Gil (R) represents this district. The seat is up for election in 2026.**

Senate District 14 is based on nesting AD 27 and AD 31. It includes portions of Fresno, **Madera**, Merced, and Tulare Counties, including the whole Cities of Atwater, **Chowchilla**, Coalinga, Dos Palos, Firebaugh, Fowler, Gustine, Huron, Kerman, Los Banos, **Madera**, Mendota, Merced, Orange Cove, Parlier, Reedley, Sanger, San Joaquin, and Selma, and portions of the Cities of Fresno and Livingston. Counties and cities are split to meet those obligations and balance the population in neighboring districts while considering communities of interest. Many of the cities in this district run along the main transportation routes of Interstate 5 and Highway 99 and share interests in the food processing economy, water, and agriculture. These are primarily Latino and immigrant communities that confront infrastructure challenges and concerns related to healthcare. **Senator Anna Caballero (D) represents this district.**

AD 8 consists of All Inyo, Tuolumne, Mariposa, and Mono and portions of Fresno, **Madera,** and Calaveras Counties. This district includes the entire Cities of Sonora, Angels, and Bishop, the town of Mammoth Lakes, and portions of Clovis and Fresno. Pieces of Madera and Fresno foothill communities are added to respect mountainous communities and to balance the population. This district keeps Sierra communities together, reflecting shared interests such as watersheds, fire protection, emergency response, and recreation. **David Tangipa (R), a former field representative for Fresno County Supervisor Nathan Magsig, beat out former Congressman George Radanovich to succeed termed-out Assembly Member Jim Patterson (R) by acquiring 52.6% of the vote.**

AD 27 consists of portions of Merced, Fresno, and **Madera Counties**, including the whole Cities of Coalinga, Kerman, San Joaquin, Merced, Mendota, Dos Palos, Madera, Los Banos, Firebaugh, Huron, Atwater, Chowchilla, and Livingston, and portions of the City of Fresno. Major commuting and transportation corridors are Interstate 5 and Highway 99. **Assemblymember Esmeralda Soria (D) should secure re-election with 52.3% of the vote.**

<u>Governor's Proposed FY 2025-26 State Budget</u>
On January 10, Governor Newsom released his proposed FY 2025-26 State Budget. The 2025-26 Budget, which contains $228.9 billion in General Fund spending (about 1.3% below 2024-25 levels), is projected to have a General Fund surplus of $363 million. This contrasts with the $2 billion deficit the Legislative Analyst's Office forecasted in November.

The economy has generally performed better than had been projected in the 2024-25 budget (an additional $16.7 billion in revenues compared to FY 23-24 and FY 24-25, leading to an upgrade to the forecast in the near term and long term. Stronger than anticipated performance of the economy, stock market, and cash receipts, combined with an improved economic outlook, have all contributed to upgraded forecasts. Although the budget is balanced and provides for significant reserves in the coming year, it anticipates shortfalls in subsequent fiscal years.

The proposed budget included a $7.1 billion withdrawal from the Budget Stabilization Account ("Rainy Day Fund"). This withdrawal was assumed as a part of the FY 2024-25 budget deal and will leave the account with a projected balance of $10.9 billion. The budget proposes statutory changes to allow the state to save more during economic upswings.

Cap-and-Trade

The budget states that the Administration and the Legislature will need to consider extending the cap-and-trade program beyond 2030 to achieve carbon neutrality. Although the program does not expire until 2030, extending it sooner would provide greater certainty and stability and allow for multi-year programming capacity for programs such as the Low Carbon Transit Operations Program and Transit and Intercity Rail Capital Program.

Impact on Transportation

The budget maintains the entirety of the transportation package included in recent budgets. This includes $7.7 billion for high-priority transit and rail infrastructure projects, $4.2 billion in Prop 1A funding for High-Speed Rail, $1.2 billion for projects that improve goods movement on rail and roadways at port terminals, $1.1 billion for Active Transportation Program projects, $1.1 billion for the Zero Emission Transit Capital Program, and $150 million for grade separation projects.

Committee Assignments

On January 3, Senate President pro Tempore Mike McGuire announced leadership and committee assignments. Senator Alvarado-Gil was appointed Vice Chair of the Committee on Agriculture. Senator Caballero was selected to continue serving as Chair of the Appropriations Committee and as a member of the Committees on Energy, Utilities and Communications, Housing, Insurance, Judiciary, Public Safety, and Rules.

On January 22, Assembly Speaker Robert Rivas announced committee assignments for the 2025-26 Regular Session. Assembly Member Soria was appointed Chair of the Committee on Agriculture and as a member of the Banking and Finance; Economic Development, Growth, and Household Impact; Governmental Organization; and Housing and Community Development Committees. Assembly Member Tangipa was appointed Vice Chair for the Committee on Insurance and as a member of the Budget, Elections, Health, and Utilities and Energy Committees.

Key Legislative Dates

Legislature reconvenes	January 6
Governor's Budget Introduced	January 10
Bill Request Deadline to Legislative Counsel	January 25
Bill Introduction Deadline	February 21
Spring Recess	April 10 - April 20
Policy Committee Hearing Deadline (fiscal bills)- House of origin bills	May 2
Policy Committee Hearing Deadline (non-fiscal)- House of origin bills	May 9
Fiscal Committee Deadline- Housing of Origin	May 23
Last Day to Pass House of origin Bills off the Floor	June 6
Budget Bill Passage Deadline	June 15
Policy Committee Deadline-2nd House	July 18
Summer Recess	July 18 - August 17

Fiscal Committee Deadline-2nd House	August 29
End of Regular Session- 1st year	September 12
Governor's Bill Signing Period Deadline	October 12
Legislature reconvenes for 2nd Year of Session	January 5, 2026

2025 Outlook

With a new President, republican controlled Congress, and 35 new state legislators, 2025 is shaping up to be a big year for decisions on transportation infrastructure and mobility investments. Below is a summary of issues of interest to MCTC.

Senate Bill 1 (SB1) competitive programs

In 2017, the legislature enacted SB 1 (Beall), Chapter 5, statutes of 2017, which provides $5.2 billion in annual revenues to fund traffic congestion relief, highway rehabilitation and safety, local street and road repair, and multi-modal options through investments in public transportation, commuter and intercity rail, and bicycle and pedestrian programs. MCTC has greatly benefited by receiving funding to address safety on State Routes 41 and 99, expand passenger rail service for ACE/San Joaquins, and Active Transportation grants.

State Air Quality and Mobility Objectives – Focus on VMT Reduction

Per AB 179 of 2017, the California Transportation Commission and California Air Resources Board must convene twice yearly to coordinate transportation, housing, and air quality policies, focusing on reducing vehicle miles traveled and greenhouse gas emissions. In 2020, the California Department of Housing and Community Development was added. Concurrently, the legislature continues to work on providing resources to develop additional affordable housing and assess job creation opportunities to help mitigate vehicle miles traveled.

On September 20, 2019, Governor Newsom issued Executive Order N-19-19, directing the California State Transportation Agency to leverage $5 billion in state funding to encourage mode shift, emphasizing reducing greenhouse gases and vehicle miles traveled. Regional transportation planning agencies face more significant challenges in addressing mobility and congestion management while accounting for local land use planning and complying with state mandates to reduce greenhouse gas emissions and vehicle miles traveled. Given the unique geography of Madera County and the travel patterns associated with the jobs-housing nexus and the infusion of goods movement traffic, reducing vehicle miles traveled is challenging, especially for disadvantaged communities that must travel further to access medical care, schools, job opportunities, or markets. The prospects for reducing greenhouse gas emissions, however, could be realized through investments made to improve the availability of charging station infrastructure and provide incentives for converting from gas-powered to electric passenger vehicles, where feasible, along the state highway system and continued passenger rail investments.

On September 23, 2020, Governor Newsom issued Executive Order N-79-20, which prohibits the sale of gasoline-powered passenger vehicles by 2035 and promotes zero-emission vehicles for future mobility needs. A successor funding mechanism will be needed since transportation is predominantly funded through the gas tax. In July 2021, the California State Transportation Agency adopted the Climate Action Plan for Transportation Infrastructure (CAPTI), which prioritizes multimodal investments to compel mode shift and limits highway capacity projects to be delivered on an as-needed basis.

In the Fall of 2024, CalSTA announced its intention to codify CAPTI, enforce more significant VMT reductions, and fund highway projects only as a last resort. Additionally, MCTC will need an approved Sustainable Communities Strategy to remain competitive in accessing SB 1 funding. MCTC will monitor these developments and advocate for completing safety projects along State Routes 41, 99, and 227.

Cap and Trade Program

California's climate policy is framed by three greenhouse gas (GHG) emission reduction targets: to 1990 levels by 2020, 40 percent below 1990 by 2030, and 80 percent below 1990 by 2050. California's cap-and-trade program, introduced by the California Air Resources Board (CARB) in 2012, is central to achieving these GHG emission reduction targets. Cap-and-trade is a market-based emissions trading system that establishes a declining cap on emissions over time and distributes tradeable credits under the cap. California's cap-and-trade program applies economy-wide, limiting approximately 85 percent of California's GHG emissions, and serves as a complement to a general backstop for the state's sector-specific policies, such as the Renewables Portfolio Standard and Low-Carbon Fuels Standard.

Over $9.5 billion has been generated since the inception of the program, including $2.3 billion in FY 24-25, with 60 percent of the proceeds being continuously appropriated to Affordable Housing and Sustainable Communities Programs managed by the Strategic Growth Council (20%), high-speed rail (25%), the Low Carbon Transit Operations Program (5%), and Transit and Intercity Rail Program (10%). The remaining 40 percent of the proceeds are subject to legislative appropriation for various items (water storage, wildfire prevention, coastal resilience).

Cap and Trade sunsets in 2030 without an extension. The legislature is expected to renew the program, but the discussion will center around how to divide the proceeds. This could impact MCTC's ability to continue accessing funding to expand passenger rail service via ACE/ San Joaquins/Valley Link, supplement transit capital and operations, and build the Madera station. MCTC has successfully acquired or supported awards to improve and allow for more frequent service.

Road User Charge – Gas Tax Successor Source

In 2014, the Legislature called for a pilot program (SB 1077) to study a road charge model as a possible replacement source for the gas tax. Due to the limited number of participants from rural and low-income areas and the truncated timeline, more work is needed to recommend an appropriate charge rate. Issues include protecting privacy relating to data collection, enforcement, and compliance. While the enactment of SB 1 has delayed possible implementation, the problem may rise to the forefront soon due to the prevalence of alternative fuel and electric vehicles, which do not pay at the pump. The Legislative Analyst's Office (LAO) estimates the state will experience a $5 billion reduction in funding over the next decade. The (LAO) report projects declines of $5 billion, or 64%, in the state's gasoline excise tax, $290 million, or 20%, in the diesel excise tax, and $420 million, or 20%, in the diesel sales tax, over the next decade.

The gas tax supports local streets and roads, highway maintenance, and the State Transportation Improvement Program, which is flexible formulaic funding that can be used for local streets and roads, highways, mass transit guideways, and active transportation. Each city and county would also see a reduction in funding for local streets and roads, as would Caltrans for maintaining the state highway system and transit agencies for transit capital and operations from a decline in the sales tax on gas and diesel.

Federal Funding
On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act of 2021 (IIJA P.I. 117-58), also known as the Bipartisan Infrastructure Law, which provides $1.2 trillion in investments through 2026 for federal-aid highways, transit, and highway safety, among other items. California is estimated to receive a distribution of $40 billion over the next five years as follows: $25.3 billion for federal-aid highways (60/40 split between state and local agencies); $9.45 billion to improve public transportation; $4.2 billion for bridge repair and seismic retrofits; and $384 million for expanding the electric vehicle charging network.

Concern exists about whether funds may be clawed back and whether a successor funding package will be considered, especially with the insolvent Highway Trust Fund.

The Newsom administration will closely monitor these developments and the potential impacts on unallocated funds or items such as high-speed rail. During his previous term, President Trump withheld over $4 billion in federal funds (President Biden awarded the funds once he took office) for the project. Several Republican congress members have also looked to redirect funding for other infrastructure purposes. The state could look elsewhere in the near term to keep the project moving, likely the Cap-and-Trade Program, if additional federal funds do not materialize.

Madera received a $55 million MEGA Grant and $80 million in TIRCP as a match. We will monitor closely and advocate for high-speed rail funding to protect the region's economic vitality.