KHOURI CONSULTING

November 10, 2025

TO: Board Members, Madera County Transportation Commission

FROM: Gus Khouri, President
Mitch Weiss, Legislative Advocate
Khouri Consulting LLC

RE: STATE LEGISLATIVE UPDATE – NOVEMBER

General Update

The legislature extended Session and met through Saturday, September 13, to vote on the extension of Cap and Trade, among other issues. Governor Newsom had until October 13 to sign or veto bills. He reviewed 917 bills, signing 794 bills and vetoing 123. This resulted in a veto rate of just over 13%. Bills that remain in the house of origin must make it to the other house by January 31 to stay alive next year. For bills in the other house, they must pass each policy committee by the end of June.

Legislation of Interest

Below is a list of bills signed into law that were of interest to MCTC.

1. **AB 289 (Haney)** authorizes Caltrans to establish a speed safety system pilot program for automated speed enforcement in state highway construction or maintenance areas.

2. **AB 377 (Tangipa)** requires the High-Speed Rail Authority, as part of the business plan that is due on or before May 1, 2026, to provide a detailed funding plan for the Merced to Bakersfield segment that includes specific information, including an updated estimate of the funding gap for completing the segment and a strategy for addressing the funding gap.

3. **AB 1014 (Rodgers)** allows Caltrans to reduce speed limits by five miles per hour if the highway is in a safety corridor, business district, or has a high level of bicycles and pedestrians.

4. **AB 1207 (Irwin)** extends the newly branded Cap and Invest program through 2045.

5. **AB 1275 (Elhawary**) requires the Department of Housing and Community Development (HCD) to determine the existing and projected housing need for each region with a council of government

(COG) three years prior to the region's housing element update, instead of two years.

6. **SB 71 (Wiener)** removes the existing 2030 sunset from the California Environmental Quality Act (CEQA) for active transportation, pedestrian, and bicycle plans, and adds new, permanent exemptions for transit comprehensive operational analyses and transit route changes. The bill also extends the CEQA exemption from 20203 to 2040 for micro transit, paratransit, and shuttles.

7. **SB 707 (Durazo)** allows subsidiary bodies to meet virtually under the Brown Act until January 1, 2030.

2026 Outlook

While the legislature helped resolve the uncertainty of the continuation of the Cap and Trade, now rebranded as the Cap and Invest Program, the legislature will face complex challenges in 2026. Senator Monique Limón will be the next Senate President pro Tempore of the Senate, working with Assembly Speaker Robert Rivas and Governor Newsom, who is in his final year, to address a myriad of issues, which include a $10B-$12B General Fund deficit forecast. Below is a summary of topics for 2026.

Cap and Invest- Excess Revenues

The Cap and Invest Program has been revised to provide line-item details as outlined above, installing a cap on funding for programs such as the Low Carbon Transit Operations Program and the Transit and Intercity Rail Capital Program. The Department of Finance estimates Cap and Invest revenues for FY 2026-27 to be $4.2 billion, down from the $4.4 billion realized for FY 2025-26. The projected reduced forecast is due to a steep decline in auction proceeds from what was an uncertain market before the extension. However, there is a high probability that higher-than-projected revenues may materialize, providing an opportunity to supplement funding for transit capital and operations, including passenger rail, or support items such as the State Route 233 Interchange Project.

SB 375 Extension

Metropolitan planning organizations, such as MCTC, must prepare a sustainable communities strategy to be eligible to access state grant funding opportunities. The SCS is a document that details how a region intends to create livable communities by addressing housing needs, reducing miles traveled, and greenhouse gas emissions. The California Air Resources Board, which approves the plans, has become more stringent in its approval process due to ever-changing greenhouse gas reduction targets that do not correlate with a region's density, demographics, or travel patterns. MCTC has been a recipient of SB 1 competitive grant funding and must continue to have access to it to address multimodal needs and safety projects on the state highway system.

Road User Charge – Gas Tax Successor Source

In 2014, the Legislature initiated a pilot program (SB 1077) to study a road charge model as a potential replacement 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.

MCTC receives approximately $4.5M to $6.5M million from each cycle of the State Transportation Improvement Program, a flexible, formulaic funding source that can be used for local streets and roads, highways, mass transit guideways, and active transportation. This figure would be reduced without a solution. 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, due to a decline in the sales tax on diesel.