

## STAFF REPORT

SUBJECT: Legislative Update

FROM: Jennifer Yeamans, Senior Grants & Management Specialist

DATE: May 27, 2025

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### Action Requested

Receive an informational update on recent legislative activities in Washington, D.C. and Sacramento and refer one position to the Board of Directors for approval.

### Background

In February 2025, the Board of Directors approved LAVTA's 2025 Legislative Program to support LAVTA's advocacy needs and priorities in the coming year. Since then, LAVTA staff along with our state and federal advocacy partners have tracked the full scope of legislative initiatives in both Sacramento and Washington, D.C., in consideration of LAVTA's interests. This update reports on recent legislative activities with a focus on legislation moving through the State Legislature, and recommends the Committee refer one position to the Board of Directors for approval.

### Discussion

#### *Federal Activities*

The most recent weekly report from LAVTA's Washington, D.C., representative Carpi & Clay is included as [Attachment 1](#). As reported last month, Congress is moving ahead with activities related to reauthorization of the federal surface transportation programs, currently authorized by the Infrastructure Investment and Jobs Act (IIJA) through September 2026. The process is extensive and involves multiple committees in both chambers. Meanwhile, earlier this month the Republican-led House continues to advance both a reconciliation package backed by the Administration as well as the President's FY26 "Skinny" budget proposal, which calls for a 22.6% reduction in non-defense spending, none of which are currently slated to impact transit.

On May 5, the Federal Transit Administration (FTA) released their full FY 2025 apportionments, which includes formula funds flowing to the Livermore-Pleasanton-Dublin Urbanized Area that LAVTA uses mainly for transit capital and ADA operating needs. For nationwide competitive bus grants, FTA will administer \$398 million in Bus and Bus Facilities program funds for FY25 and \$1.1 billion in Low or No Emission (LowNo) funds authorized under the IIJA. FTA released a Notice of Funding Opportunity for both programs on May 15, which staff is reviewing in relation to the LAVTA's current needs and priorities.

### *State Activities*

The Legislature has been hearing the last of bills introduced in their houses of origin prior to the June 6 deadline for them to advance from a floor vote to the other chamber. An updated matrix of bills being tracked by LAVTA's Sacramento advocate, Townsend Public Affairs (TPA), is included as Attachment 2, including LAVTA's past positions taken.

### State Budget Update

On May 14, Governor Newsom released the May revise of the FY 2025-26 state budget. Compared to January's preliminary budget, the May revise anticipates a shortfall of \$12 billion due to downgraded economic and revenue forecasts driven by changes in federal policy since January, specifically the broad imposition of tariffs, which are forecast to substantially trim corporate profit growth in 2025 and the revenues that the state draws from taxable corporate profits. Meanwhile, expenditures in many categories are expected to increase, including healthcare. The May revise would close the budget shortfall with a combination of spending reductions, borrowing from future commitments, and spreading the allowable withdrawal from reserves in 2024-25 over the next two years.

Within that shifting landscape, transportation revenues and expenditures on which LAVTA relies for both capital and operating needs are forecast to be relatively stable, though statewide sales and use taxes are forecast to be 0.7% lower than January's budget, due to lower-than-anticipated taxable sales in the second half of 2024 and extending into 2025 due to a weaker economic outlook. In addition, the budget proposes to eliminate certain spending categories that LAVTA relies on within the Cap and Trade framework as described below.

### Cap and Trade Reauthorization Update

Earlier in May, the Board approved a **Watch** position on AB 1207 (Irwin), one of the placeholder measures to reauthorize the state's cap-and-trade system created under the California Global Warming Solutions Act of 2006, which is currently set to expire December 31, 2030. LAVTA currently benefits from several existing competitive and formulaic programs aimed at expanding public transit as a mechanism to reduce greenhouse gas emissions in the transportation sector.

Since May's Board action, a clearer picture of the reauthorization process and timing has emerged through both Legislative leaders as well as the Governor's May Revise, which proposes an extension of the Cap-and-Trade program (re-dubbed "Cap-and-Invest"), with an intent to craft clear guiding principles that enable a stable and predictable price on carbon emissions to grow investments in carbon reduction and clean technologies through 2045. The May revise states the Administration's intent to work with the Legislature to design an expenditure plan that invests the program's proceeds in "transformative climate projects," such as High-Speed Rail, as well as other climate programs, starting as soon as FY26.

However, details proposed by Department of Finance staff to the Assembly Budget Subcommittee #4 on Climate Crisis, Resources, Energy, and Transportation at their May 15 hearing proposed to eliminate beginning in FY26 certain existing allocations and continuous appropriations currently authorized statutorily through FY29, including the formula-based Low Carbon Transit Operating Program (LCTOP) and the competitive Transit and Intercity

Rail Capital Program (TIRCP), both of which LAVTA plans to rely on to help fund its Atlantis facility construction needs in the coming years. The Governor's proposal also eliminates other funds intended to help sustain near-term Bay Area transit operating and capital needs in order to help balance the budget.

Consistent with LAVTA's 2025 Legislative Program, the Board may consider formalizing advocacy principles for the new Cap and Trade expenditure plan in alignment with its own principles as well as our industry and regional partners, which include the following:

- Support for a long-term extension, for predictability in both auction markets and for funding recipients
- Maintenance of continuous appropriation shares aimed at transportation and specifically growing transit ridership and supporting infrastructure needed to convert transit fleets to zero-emission
- Fair distribution of statewide funds in both competitive and formula-based programs
- Increased funding for transit operations and flexibility for use of formula funds to sustain existing operations.

Staff and TPA will continue to monitor reauthorization negotiations and bring further updates to the June 2 Board of Directors meeting as budget negotiations continue toward the June 15 legislative deadline.

#### SB 79 (Wiener) Overview

SB 79 has not previously been included on TPA's recommended watchlist for LAVTA, but an informational update on the bill's provisions is provided here. As currently drafted this bill would make transit-oriented development (TOD) an allowable use on specified sites, give transit agencies more flexibility under the Surplus Land Act, and exempt specified projects from the California Environmental Quality Act (CEQA). Specifically, the bill's author aims to tackle the housing affordability and climate crises together by allowing for upzoning land for multi-family homes up to 75 feet within a half mile of specified major train stations and bus rapid transit stops, in order to enhance the feasibility of TOD and increase access to high-quality transit. Second, the bill authorizes local transit agencies to develop at the same or greater density on land they own. Attachment 3 provides a summary analysis of the bill heard in the Senate Local Government Committee earlier this month, prior to being further amended on May 14.

LAVTA currently owns three parcels of land, all in Livermore: the Rutan operations and maintenance facility, the Atlantis operations and maintenance facility (both located in areas zoned for industrial uses), and the Livermore Transit Center. All of these are in active use for public transportation purposes and not considered surplus land. LAVTA does not currently operate service that would designate any of its own stops as a "major transit stop" (defined as the intersection of 2 or more major bus routes with a frequency of service interval of 15 minutes or less during peak commute hours), besides those already connecting to rail (BART and ACE); however, LAVTA's Long Range Transit Plan does identify future rail transfer stations in Livermore at Isabel and Midtown which do not currently meet this threshold but would in the future when served by Valley Link.

LAVTA's 2025 Legislative Program has two principles related to the policy objectives SB 79's author aims to advance:

- Enhance operating conditions to support safety and performance goals
- Enhance public transit's role in addressing climate change and air quality issues

However, the associated strategies the Board has adopted to advance these principles do not directly address local land use strategies or decisions. Rather, LAVTA's strategic priorities are more closely aligned with operational strategies such as ensuring passenger safety in and around our system to make it attractive to riders, advancing transit priority measures, and building support for transitioning to zero-emissions fleets.

This bill is controversial. Though it has passed through two policy committees thus far, it cleared both without the support of the committee chair, which is unusual. Its provisions are of limited applicability to LAVTA, though there could conceivably be future ridership benefits should other transit agencies currently owning surplus land within LAVTA's service area, such as BART, make use of its provisions to develop transit-oriented improvements that would help generate transit ridership in the future. Regardless, any such developments would be beyond the scope of LAVTA's direct influence or impact, and the bill's stated aims do not correspond closely to strategies identified in LAVTA's adopted Legislative Program. For these reasons, staff is not recommending the Board take a position on this bill.

#### **SB 752 (Richardson) – Recommend Support**

Earlier this month, pending further policy details and other agency and stakeholder positions, the LAVTA Board of Directors took a Watch position on this bill, which would extend the state General Fund-only sales and use tax exemption for public transportation agencies to purchase zero-emission vehicles from January 1, 2026, to January 1, 2028. On May 14, the bill passed the Senate Revenue and Taxation Committee unanimously, with the support of numerous transit agencies and the California Transit Association as co-sponsor, as well as the nation's only California-based zero-emission bus manufacturer, Gillig. There is no recorded opposition to this bill to date.

A full analysis by the Senate Revenue and Taxation Committee of both the state and local revenue implications as well as the list of organizations in support is provided as [Attachment 4](#). The bill is aligned with LAVTA's 2025 Legislative Program principle to "advocate for programs and incentives to minimize undue burdens including unfunded mandates on transit agencies transitioning to ZEB technology." For these reasons, staff is recommending the Board move from a Watch to a **Support** position on this bill.

#### **Next Steps**

If approved by the Board of Directors, LAVTA and TPA staff will communicate LAVTA's position to the relevant Committees of the Legislature and to our delegation. Staff with the support of TPA will continue provide updates to the Finance & Administration Committee and/or the Board as may be appropriate.

#### **Fiscal Impact**

None

**Recommendation**

Receive an informational report on recent legislative activities and refer one Support position to the Board of Directors for approval.

**Attachments:**

1. Federal Transportation Weekly Update (May 16)
2. State Legislative Matrix (partial; as of May 19)
3. SB 79 (Wiener) Analysis – Senate Local Government Committee
4. SB 752 (Richardson) Analysis – Senate Revenue & Taxation Committee



May 16, 2025

## NEXT WEEK IN CONGRESS

**Senate Committee to Consider Transportation Bills and Nominations.** On May 21<sup>st</sup>, the Commerce, Science, and Transportation Committee will hold a markup to consider the following transportation-related nominations and bills:

- [S. 337, the Household Goods Shipping Consumer Protection Act](#) – clarifies the authority of the Federal Motor Carrier Safety Administration (FMCSA) relating to the shipping of household goods.
- [S. 1442, the Combating Trafficking in Transportation Act](#) – allows the installation of human trafficking awareness signs at rest stops to be eligible for funding under the surface transportation block grant program.
- David Fink, to be the Administrator of the FRA
- Robert Gleason, to be a Director of the Amtrak Board of Directors

### [MORE INFORMATION](#)

**House Subcommittee to Hold Hearing on TSA Oversight.** On May 20<sup>th</sup>, the Homeland Security Subcommittee of the Appropriations Committee held a TSA Oversight hearing. TSA Acting Administrator Ha Nguyen McNeill will testify.

### [MORE INFORMATION](#)

## THIS WEEK IN CONGRESS

**Senate Committee Holds Hearing on Transportation Nominations.** On May 13<sup>th</sup>, the Commerce, Science, and Transportation Committee held a hearing to consider the following transportation-related nominations:

- David Fink, to be the Administrator of the FRA

- Robert Gleason, to be a Director of the Amtrak Board of Directors

During his opening statement, Chair Ted Cruz (R-TX) highlighted the qualifications of FRA Administrator nominee David Fink, noting his deep industry experience and strong safety record as a former CEO of Pan Am Railways. He also expressed support for Amtrak Board nominee Robert Gleason, citing his transportation background and interest in expanding service and improving accountability. Cruz emphasized that both nominees would promote regulatory clarity and strategic investment to strengthen America's rail system.

#### [MORE INFORMATION](#)

**Senate Committee Holds Hearing on FHWA Nomination.** On May 14<sup>th</sup>, the Environment & Public Works Committee held a hearing on the nomination of Sean McMaster, to be Administrator of FHWA. Chair Shelley Moore Capito (R-WV) praised Sean McMaster's public and private sector experience as strong preparation to lead the Federal Highway Administration. She underscored FHWA's vital role in funding and supporting surface transportation projects and urged swift action to address the agency's backlog of unsigned grant agreements. Capito expressed confidence in McMaster's ability to lead and emphasized the Committee's commitment to working with him on a long-term, bipartisan surface transportation reauthorization.

#### [MORE INFORMATION](#)

**Senate Committee Holds Hearing on FAA Reauthorization's Anniversary.** On May 14<sup>th</sup>, the Transportation & Infrastructure Committee held a hearing titled "FAA Reauthorization Act of 2024: An Update on Implementation One Year Later". Witnesses will include FAA Deputy Chief Operating Officer for the Air Traffic Organization, FAA Deputy Associate Administrator for Aviation Safety, and FAA Deputy Associate Administrator for Airports. During his opening statement, Chair Ted Cruz (R-TX) reflected on the FAA Reauthorization Act of 2024, which he co-led, highlighting its timely provisions to address outdated ATC systems, runway safety, and emerging aviation technologies. He emphasized the need for bold reforms to modernize the FAA, citing its ongoing struggles with staffing, infrastructure, and regulatory capacity amid the rise of drones and air taxis. Cruz also voiced strong support for Secretary Duffy's efforts to upgrade critical systems and reaffirmed the Committee's commitment to rigorous oversight of FAA implementation.

#### [MORE INFORMATION](#)

**House Subcommittee Holds Hearing on the DOT Budget.** On May 14<sup>th</sup>, the Transportation, Housing and Urban Development Subcommittee of the Appropriations Committee held a hearing on the DOT Budget. DOT Secretary Sean Duffy testified. During his opening statement, DOT Secretary Sean Duffy emphasized the administration's commitment to infrastructure development, highlighting over \$9.5 billion in taxpayer savings achieved by eliminating inefficiencies and redirecting funds from projects stalled by previous DEI and climate requirements. Duffy addressed the backlog of over 3,200 awarded projects lacking signed grant agreements and proposed consolidating tracking systems into a single dashboard to enhance transparency. The budget request includes \$26.7 billion in new discretionary funding, with major investments in FAA staffing and modernization, shipbuilding, port infrastructure, and rail safety.

#### [MORE INFORMATION](#)

**House Committee Holds Hearing on FAA Reauthorization’s Anniversary.** On May 15<sup>th</sup>, the Transportation & Infrastructure Committee held a hearing titled “FAA Reauthorization Act of 2024: An Update on Implementation One Year Later”. Witnesses included the FAA Associate Administrator of Aviation Safety, the Deputy Associate Administrator of Airports, the Deputy Chief Operating Officer of the Air Traffic Organization, and the Government Accountability Office. Chair Sam Graves (R-MO) highlighted that tomorrow marks one year since the FAA Reauthorization Act of 2024 became law—a bipartisan achievement shaped by extensive stakeholder input and supported by over 1,000 aviation groups. He emphasized the law’s comprehensive reforms across safety, workforce, infrastructure, and general aviation, and noted ongoing oversight efforts, including today’s hearing with the FAA and GAO to assess implementation progress, especially on ATC modernization backed by a \$12.5 billion Republican-led investment.

[\*\*MORE INFORMATION\*\*](#)

## **THIS WEEK AT THE DEPARTMENT OF TRANSPORTATION**

**DOT Approves 76 Grants Across All Agencies.** DOT has approved 76 infrastructure grants totaling more than \$607 million. A detailed breakdown of the grants released is below:

### **Office of the Secretary**

- Payments for Small Community Air Service Development Program
  - 2 projects (\$1.6 million)
- BUILD
  - 2 projects (\$19 million)
- INFRA
  - 2 projects (\$188 million)
- SS4A
  - 15 projects (\$3.4 million)

### **FAA**

- Airport Improvement Program – Supplemental
  - 5 projects (\$30 million)
- Airport Terminals Program
  - 6 projects (\$32 million)

### **FHWA**

- National Culvert Removal, Replacement, and Restoration Grant
  - 8 projects (\$33 million)
- Wildlife Crossings Pilot Program
  - 17 projects (\$126 million)

### **FRA**

- Consolidated Rail Infrastructure and Safety Improvements (CRISI)
  - 1 project (\$59 million)



- Railroad Crossing Elimination
  - 12 projects (\$36 million)

## **FTA**

- Buses and Bus Facilities Competitive
  - 1 project (\$12 million)
- Low or No Emission Grants Competitive
  - 4 projects (\$25 million)
- Tribal Transit Competitive
  - 1 project (\$412,000)

## **MARAD**

- Port Infrastructure Development Program
  - 1 project (\$7 million)

## **MORE INFORMATION**



**FAA Publishes Organ Transport Working Group Final Report.** FAA has published the final report of the Organ Transport Working Group that consisted of DOT, TSA, Healthy Resources & Services Administration, airlines, organ procurement organizations, organ transplant hospitals couriers, patient representatives, and unions representing flight attendants, pilots, dispatchers, and passenger service agents. The report concludes that while no federal regulations prohibit in-cabin organ transport, airlines are not obligated to permit it, leaving such decisions to individual carriers. The working group, comprising representatives from federal agencies, airlines, organ procurement organizations, transplant hospitals, couriers, unions, and patient advocates, developed 20 recommendations aimed at improving organ transport processes. These recommendations focus on five key areas: access, education, logistics, communication, and reporting. Additionally, the report includes suggestions for enhancing organ transport in cargo compartments, despite this not being within the original congressional directive. The FAA has already acted on two recommendations by issuing guidance on existing regulations and establishing an informational website for stakeholders.

## **MORE INFORMATION**



U.S. Department  
of Transportation  
**Federal Motor  
Carrier Safety  
Administration**

**FMCSA Removes Eight Devices from List of Registered ELDs.** FMCSA has removed eight devices from the agency's list of electronic logging devices (ELDs) due to failure in meeting minimum standards required by law.

[\*\*MORE INFORMATION\*\*](#)



**Federal Transit  
Administration**

**FTA Publishes FY 2025 Low or No Emission Bus NOFO.** FTA has published a notice of funding opportunity (NOFO) for the availability of \$1.1 billion in competitive grants under the Low or No Emission Grant Program (Low-No Program) for the purchase or lease of zero-emission and low-emission transit buses, including acquisition, construction, and leasing of required supporting facilities. Applications are due by July 14, 2025.

[\*\*MORE INFORMATION\*\*](#)

**FTA Publishes FY 2025 Buses and Bus Facilities NOFO.** FTA has published a NOFO for the availability of \$39.8 billion in competitive grants under the Buses and Bus Facilities Program to assist in the financing of buses and bus facilities capital projects, including replacing, rehabilitating, purchasing or leasing buses or related equipment, and rehabilitating, purchasing, constructing or leasing bus-related facilities. Applications are due by July 14, 2025.

[\*\*MORE INFORMATION\*\*](#)

**FTA Announces FY 2025 Full Year Apportionment Tables.** FTA has announced the full-year funding apportionment tables reflecting the funding provided in the full-year continuing resolution (CR).

[\*\*MORE INFORMATION\*\*](#)

## OTHER

**GAO Publishes Report on Options Available to Lactating Crew Members.** The Government Accountability Office (GAO) has published a report titled [Women in Aviation: Options Available to Lactating Crewmembers and Barriers to Expressing Breast Milk on the Job](#). The report examines the challenges faced by lactating airline crewmembers. It highlights that while some airlines offer options such as wearable breast pumps, airport lactation facilities, and extended leave, significant barriers remain. These include limited time during noncritical flight phases, lack of private spaces, and scheduling constraints. The report notes that the PUMP for Nursing Mothers Act excludes airline crewmembers, leaving them reliant on employer-provided accommodations. The FAA has issued guidance for assessing the safety of in-flight breast pump use, but its nonbinding nature leads to inconsistent implementation across airlines. The GAO recommends that the FAA provide clearer, enforceable guidance to ensure uniform support for lactating crewmembers across the aviation industry.



*Channon Hanna, Partner at Carpi & Clay Government Relations, brings over 20 years of expertise in navigating federal transportation policy complexities to advance priorities for public and private sector clients across all modes of transportation.*

## Livermore Amador Valley Transit Authority Legislative Matrix

### Recommend Support

**SB 752 (Richardson, D) Sales and use taxes: exemptions: California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project: transit buses.**

**Status:** 05/15/2025 - Set for hearing May 19.

**Calendar:** 05/19/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair



**Location:** 05/14/2025 - Senate Appropriations

**Summary:** Existing state sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. The Sales and Use Tax Law provides various exemptions from those taxes, including, until January 1, 2026, an exemption from those taxes with respect to the sale in this state of, and the storage, use, or other consumption in this state of, specified zero-emission technology transit buses sold to specified public agencies that are eligible for specified incentives from the State Air Resources Board. This bill would extend the exemption for specified zero-emission technology transit buses until January 1, 2028. This bill contains other related provisions. (Based on 02/21/2025 text)

### Recommend Watch (Formal)

**AB 1207 (Irwin, D) Climate change: market-based compliance mechanism: price ceiling.**

**Last Amended:** 03/17/2025

**Status:** 05/08/2025 - Read second time. Ordered to third reading.

**Calendar:** 05/19/25 #43 A-THIRD READING FILE - ASSEMBLY BILLS



**Location:** 05/08/2025 - Assembly THIRD READING

**Summary:** The California Global Warming Solutions Act of 2006, until January 1, 2031, authorizes the State Air Resources Board to adopt a regulation establishing a system of market-based declining aggregate emissions limits for sources or categories of sources that emit greenhouse gases (market-based compliance mechanism) that meets certain requirements. Current law requires the state board, in adopting the regulation to, among other things, establish a price ceiling for emission allowances sold by the state board. Current law requires the state board, in establishing the price ceiling, to consider specified factors, including the full social cost associated with emitting a metric ton of greenhouse gases. This bill would require the state board to instead consider the full social cost associated with emitting a metric ton of greenhouse gases, as determined by the United States Environmental Protection Agency in November 2023. (Based on 03/17/2025 text)

**SB 63 (Wiener, D) San Francisco Bay area: local revenue measure: transportation funding.**

**Last Amended:** 04/29/2025

**Status:** 05/12/2025 - May 12 hearing: Placed on APPR. suspense file.

**Calendar:** 05/23/25 S-APPROPRIATIONS SUSPENSE Upon adjournment of Session - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair



**Location:** 05/12/2025 - Senate APPR. SUSPENSE FILE

**Summary:** Current law creates the Metropolitan Transportation Commission as a local area planning agency for the 9-county San Francisco Bay area with comprehensive regional transportation planning and other related responsibilities. Current law creates various transit districts located in the San Francisco Bay area, with specified powers and duties relating to providing public transit services. This bill would establish the Transportation Revenue Measure District with jurisdiction extending throughout the boundaries of the Counties of Alameda and Contra Costa and the City and County of San Francisco and would require the district to be governed by the same board that governs the commission, thereby imposing a state-mandated

local program. The bill would authorize a retail transactions and use tax applicable to the entire district to be imposed by the board of the district or by a qualified voter initiative for a duration of 10 to 15 years, inclusive, and generally in an amount of 0.5%, subject to voter approval at the November 3, 2026, statewide general election. (Based on 04/29/2025 text)

**SB 840** **(Limón, D) Greenhouse gases: report.**

**Last Amended:** 03/26/2025

**Status:** 05/12/2025 - May 12 hearing: Placed on APPR. suspense file.

**Calendar:** 05/23/25 S-APPROPRIATIONS SUSPENSE Upon adjournment of Session - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair



**Location:** 05/12/2025 - Senate APPR. SUSPENSE FILE

**Summary:** The California Global Warming Solutions Act of 2006 requires the State Air Resources Board, in adopting rules and regulations to achieve the maximum technologically feasible and cost-effective greenhouse gas emissions reductions to ensure that the statewide greenhouse gas emissions are reduced to at least 40% below the 1990 levels no later than December 31, 2030. The act requires the Legislative Analyst's Office, until January 1, 2030, to annually submit to the Legislature a report on the economic impacts and benefits of those greenhouse gas emissions reduction targets. The act, until January 1, 2031, establishes the Independent Emissions Market Advisory Committee and requires the committee to annually report to the state board and the Joint Legislative Committee on Climate Change Policies on the environmental and economic performance of the regulations establishing the market-based compliance mechanism and other relevant climate change policies. This bill would extend indefinitely the requirement for the Legislative Analyst's Office to annually submit to the Legislature the report on the economic impacts and benefits of those greenhouse gas emissions targets. The bill would require the committee, at a public hearing, to review the annual report by the Legislative Analyst's Office. (Based on 03/26/2025 text)

## Recommend Watch (Informal)

**AB 939** **(Schultz, D) The Safe, Sustainable, Traffic-Reducing Transportation Bond Act of 2026.**

**Status:** 03/10/2025 - Referred to Com. on TRANS.



**Location:** 03/10/2025 - Assembly Transportation

**Summary:** Would enact the Safe, Sustainable, Traffic-Reducing Transportation Bond Act of 2026 which, if approved by the voters, would authorize the issuance of bonds in the amount of \$20,000,000,000 pursuant to the State General Obligation Bond Law to finance transit and passenger rail improvements, local streets and roads and active transportation projects, zero-emission vehicle investments, transportation freight infrastructure improvements, and grade separations and other critical safety improvements. The bill would provide for the submission of the bond act to the voters at the November 3, 2026, statewide general election. (Based on 02/19/2025 text)

**SB 419** **(Caballero, D) Hydrogen fuel.**

**Last Amended:** 05/05/2025

**Status:** 05/15/2025 - Set for hearing May 19.

**Calendar:** 05/19/25 S-APPROPRIATIONS 10 a.m. - 1021 O Street, Room 2200 CABALLERO, ANNA, Chair



**Location:** 05/14/2025 - Senate Appropriations

**Summary:** Current state sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. This bill would, on and after July 1, 2026, provide an exemption from the taxes imposed by the Sales and Use Tax Law for the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, hydrogen fuel, as defined. (Based on 05/05/2025 text)

## Support

**AB 394** **(Wilson, D) Public transportation providers.**

**Last Amended:** 04/23/2025

**Status:** 04/30/2025 - In committee: Set, first hearing. Referred to suspense file.



**Location:** 04/30/2025 - Assembly APPR. SUSPENSE FILE

**Summary:** Current law defines a battery as any willful and unlawful use of force or violence upon the person of another. Current law provides that when a battery is committed against the person of an operator, driver, or passenger on a bus, taxicab, streetcar, cable car, trackless trolley, or other motor vehicle, as specified, and the person who commits the offense knows or reasonably should know that the victim is engaged in the performance of their duties, the penalty is imprisonment in a county jail not exceeding one year, a fine not exceeding \$10,000, or both the fine and imprisonment. Current law also provides that if the victim is injured, the offense would be punished by a fine not exceeding \$10,000, by imprisonment in a county jail not exceeding one year or in the state prison for 16 months, 2, or 3 years, or by both that fine and imprisonment. This bill would expand this crime to apply to an employee, public transportation provider, or contractor of a public transportation provider. (Based on 04/23/2025 text)

**SB 239** (Arreguin, D) Open meetings: teleconferencing: subsidiary body.

**Last Amended:** 04/07/2025

**Status:** 05/08/2025 - Read second time. Ordered to third reading.

**Calendar:** 05/19/25 #83 S-SENATE BILLS -THIRD READING FILE



**Location:** 05/08/2025 - Senate THIRD READING

**Summary:** The Ralph M. Brown Act requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. The act generally requires for teleconferencing that the legislative body of a local agency that elects to use teleconferencing post agendas at all teleconference locations, identify each teleconference location in the notice and agenda of the meeting or proceeding, and have each teleconference location be accessible to the public. Current law also requires that, during the teleconference, at least a quorum of the members of the legislative body participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as specified. Current law, until January 1, 2026, authorizes specified neighborhood city councils to use alternate teleconferencing provisions related to notice, agenda, and public participation, as prescribed, if, among other requirements, the city council has adopted an authorizing resolution and 2/3 of the neighborhood city council votes to use alternate teleconference provisions, as specified. This bill would authorize a subsidiary body, as defined, to use alternative teleconferencing provisions and would impose requirements for notice, agenda, and public participation, as prescribed. The bill would require the subsidiary body to post the agenda at each physical meeting location designated by the subsidiary body, as specified. The bill would require the members of the subsidiary body to visibly appear on camera during the open portion of a meeting that is publicly accessible via the internet or other online platform, as specified. (Based on 04/07/2025 text)

General: TPA Monitoring

**AB 23** (DeMaio, R) The Cost of Living Reduction Act of 2025.

**Last Amended:** 03/25/2025

**Status:** 03/26/2025 - Re-referred to Com. on U. & E.



**Location:** 03/24/2025 - Assembly Utilities and Energy

**Summary:** Current law vests the State Energy Resources Conservation and Development Commission (Energy Commission) with various responsibilities for developing and implementing the state's energy policies. This bill, the Cost of Living Reduction Act of 2025, would require the Energy Commission and the Public Utilities Commission to post, and update monthly, dashboards on their internet websites that include the difference in average gasoline prices and the average total price of electricity or natural gas in California compared to national averages, and any California-specific taxes, fees, regulations, and policies that directly or indirectly contribute to higher gasoline and electricity or natural gas prices within the state, as specified. The bill would require the Energy Commission and the PUC, on or before July 1, 2026, to each submit a report to the Legislature on the governmental and nongovernmental drivers of California's higher gasoline prices and higher electricity and natural gas prices, and recommendations for policy changes to reduce the costs associated with those drivers, as specified. If the average price of gasoline in California exceeds 10% of the national average in the preceding quarter, the bill would require all taxes and fees on gasoline, as specified, to be suspended for a period of 6 months, and, if the average price of electricity or natural gas in California exceeds 10% of the national average in the preceding quarter, the bill would require the PUC to suspend the collection of all fees, as specified, charged on electricity and natural gas bills for a period of 6 months. (Based on 03/25/2025 text)

**AB 30** (Alvarez, D) State Air Resources Board: gasoline specifications: ethanol blends.

**Last Amended:** 03/26/2025

**Status:** 04/09/2025 - In committee: Set, first hearing. Referred to APPR. suspense file.



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## SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair  
2025 - 2026 Regular

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<b>Bill No:</b>	SB 79	<b>Hearing Date:</b>	4/30/25
<b>Author:</b>	Wiener	<b>Fiscal:</b>	Yes
<b>Version:</b>	4/23/25	<b>Consultant:</b>	Peterson

### ***LOCAL GOVERNMENT LAND: PUBLIC TRANSIT USE: HOUSING DEVELOPMENT: TRANSIT-ORIENTED DEVELOPMENT***

*Makes transit-oriented development an allowable use on specified sites, gives transit agencies more flexibility under the Surplus Land Act, and exempts specified projects from the California Environmental Quality Act.*

#### **Background**

***Land use.*** The California Constitution allows cities and counties to “make and enforce within its limits, all local, police, sanitary and other ordinances and regulations not in conflict with general laws.” It is from this fundamental power (commonly called the police power) that cities and counties derive their authority to regulate behavior to preserve the health, safety, and welfare of the public—including land use authority.

Cities and counties use their police power to enact zoning ordinances that shape development, such as setting maximum heights and densities for housing units, minimum numbers of required parking spaces, setbacks to preserve privacy, lot coverage ratios to increase open space, and others. These ordinances can also include conditions on development to address aesthetics, community impacts, or other particular site-specific consideration. Zoning ordinances and other development decisions must be consistent with the city or county’s general plan.

***Housing streamlining laws.*** Local governments have broad authority to define the specific approval processes needed to satisfy these considerations. Some housing projects can be permitted by city or county planning staff “ministerially” or without further approval from elected officials, but most large housing projects require “discretionary” approvals from local governments, such as a conditional use permit or a change in zoning laws. This process requires hearings by the local planning commission and public notice and may require additional approvals. In 2017, the Legislature enacted a substantial package of legislation aimed at addressing the state’s housing crisis. Among others, the Legislature enacted SB 35 (Wiener) to provide for a streamlined, ministerial process for approving housing developments that are in compliance with the applicable objective local planning standards—including the general plan, zoning ordinances, and objective design review standards. SB 35 was intended to enable developments that face local opposition, but are consistent with local objective development standards, to be constructed. To be eligible for streamlining under SB 35, a specified percentage of the total housing units in the development must be affordable to lower-income households.

SB 423 (Wiener, 2023) extended the sunset for SB 35 until January 1, 2036, and made many changes to SB 35’s provisions. Some of the most significant changes, included:

- Authorizing SB 35 to apply within the coastal zone, beginning January 1, 2025, consistent with the applicable local coastal plan or land use plan, except in areas that are environmentally sensitive or hazardous;
- Requiring that, in jurisdictions not meeting their housing targets for above moderate-households, projects eligible for SB 35 streamlining must contain at least 10% of the units affordable to very low-income households (i.e., 50% of the area median income (AMI) or below); and
- Amended labor standards that apply to projects over 85 feet in height above grade.

***Density bonus law.*** The state’s density bonus law grants certain benefits to developers who build affordable units in order to encourage greater affordable housing production. Density bonus law requires cities and counties to grant a density bonus when an applicant for a housing development of five or more units seeks and agrees to construct a project that will contain at least one of the following:

- 10 percent of the total units of a housing development for lower income households;
- 5 percent of the total units of a housing development for very low-income households;
- A senior citizen housing development or mobile home park;
- 10 percent of the units in a common interest development for moderate-income households;
- 10 percent of the total units for transitional foster youth, disabled veterans, or homeless persons; or
- 20 percent of the total units for lower income students in a student housing development.

If a project meets one of these conditions, the city or county must allow an increase in density on a sliding scale from 20 percent to 50 percent over the otherwise maximum allowable residential density under the applicable zoning ordinance and land use element of the general plan, depending on the percentage of affordable units.

***Incentives, concessions, waivers, and other benefits.*** Density bonus law (DBL) also grants “incentives or concessions” that can be used to modify development policies that add costs or reduce the number of units that a developer can build on a site. Incentives and concessions can vary widely based on the individual projects, but examples can include reduced fees, waivers of zoning codes, or reduced parking requirements. The number of incentives or concessions a project may be eligible for is based on the percentage of affordable units contained in the project, up to a maximum of four. DBL also allows “waivers” of any development standards that physically prevent the developer from constructing a project at the density allowed to the project, along with the incentives or concessions, under density bonus law. Finally, density bonus law reduces or eliminates the parking that can be required in connection with a project.

***Surplus Land Act.*** Public agencies are major landlords in some communities, owning significant pieces of real estate. When properties become surplus to an agency’s needs, public officials want to sell the land to recoup their investments. The Surplus Land Act (SLA) spells out the steps local agencies must follow when they want to dispose of land. It requires local governments to give a “first right of refusal” to other governments and nonprofit housing developers, and to negotiate in good faith with them to try to come to agreement. This means that local agencies must open their properties up to affordable housing developers first, even if they have a different purpose in mind for the property.



Before local officials can dispose of property, they must declare that the land is no longer needed for the agency's use in a public meeting and declare the land either "surplus land" or "exempt surplus land." Land that is being used for an agency's use is not subject to the SLA. "Agency's use" includes land that is being used, or is planned to be used pursuant to a written plan adopted by the local agency or will be disposed of to support agency work or operations.

As a general rule, agency's use cannot include commercial or industrial uses or activities, and land disposed of for the purpose of investment or generating revenue cannot be considered necessary for the agency's use. As a result, cities and counties are limited in their ability to dispose of properties for economic development or revenue generation purposes. However, most special districts are not subject to those restrictions on agency's use as long as they can demonstrate that use of the site will do one of the following:

- Directly further the express purpose of agency work or operations.
- Be expressly authorized by a statute governing the local agency.

Transit districts can only dispose of property for commercial or revenue generation purposes if they meet specific requirements for developing affordable housing across their portfolio of properties, and have made a certain amount of progress towards building that housing.

The SLA designates certain types of land as "exempt surplus land." Statute provides that the entirety of the SLA does not apply to disposals of exempt surplus land. All other surplus land must follow the procedures laid out in the SLA before a local agency can sell it.

***California's housing crisis.*** California has the largest concentration of severely unaffordable housing markets in the nation, with the average home value in California at \$773,363. To keep up with demand, the Department of Housing and Community Development (HCD) estimates that California must plan for the development of more than 2.5 million homes over the next eight years, and no less than one million of those homes must meet the needs of lower-income households (more than 640,000 very-low income and 385,000 low-income units are needed). For decades, not enough housing was constructed to meet need, resulting in a severe undersupply of housing.

According to HCD, completed residential construction is up 13.1% (99,130 units in 2022 to 112,076 units in 2023). Construction has been up every year since 2018. Additionally, the share of lower-income units in new development has nearly doubled since 2018, now representing 19% of permitted units and 16% of completed units in 2023. VLI unit completions increased by 44.2% from 2022-2023, while low-income unit completions rose by 75.7%, a 61.5% overall increase in affordable housing production.

Housing production advocates want to expand housing opportunities near transit stations.

### **Proposed Law**

Senate Bill 79 includes three major components:

- Makes transit-oriented development an allowable use on any site zoned residential, mixed, commercial, or light industrial development;
- Makes changes to the SLA; and

- Exempts certain projects on land owned by a public transit agency from the California Environmental Quality Act (CEQA).

***Transit oriented development.*** SB 79 makes housing development projects (projects) near transit-oriented development stops (TODS) an allowable use on any site zoned residential, mixed, commercial, or light industrial development. Under the measure, a TOD is a major transit stop, excluding any stop served by rail transit with a frequency of fewer than 10 total trains per weekday. Under the measure, there are three tiers of TODS:

- Tier 1: TODS served by heavy rail transit or very high frequency commuter rail;
- Tier 2: TODS, excluding Tier 1, served by light rail transit, high-frequency commuter rail, or by bus rapid transit service; and
- Tier 3: TODS, excluding Tier 1 and Tier 2, served by frequent commuter rail service or by ferry service.

The standards for a project depend on the tier, the distance from TODS, and whether the project is adjacent to TODS, as described in the table below.

Development proponents may seek a further increased density in accordance with applicable density bonus law. However, if a project proposes a height in excess of the local height limit, the local government does not have to grant additional height under density bonus law, unless the project is 100% affordable housing.

SB 79 allows a transit agency to adopt objective standards for both residential and commercial developments proposed on land owned the transit agency owns, or on which it has a permanent operating easement, if the objective standards allow for the same or greater development intensity as that allowed by local standards or applicable state law.

TODS Type	Distance from TODS	Standards for Project
<b>Tier 1</b>	¼ mile from stop	<ul style="list-style-type: none"> <li>• <b>Max Height:</b> 75 ft. or 95 ft. if adjacent to stop</li> <li>• <b>Min Density:</b> 120 units per acre (u/a) plus any density bonus or 160 u/a if adjacent to stop</li> <li>• <b>Floor Area Ratio (FAR):</b> 3.5 or 4.5 if adjacent to stop</li> <li>• + 3 concessions or incentives under DBL</li> </ul>
	¼ - ½ mile from stop	<ul style="list-style-type: none"> <li>• <b>Max Height:</b> 65 ft. or 85 ft. if adjacent to stop</li> <li>• <b>Min Density:</b> 100 u/a plus any density bonus or 140 u/a if adjacent to stop</li> <li>• <b>FAR:</b> 3 or 4 if adjacent to stop</li> <li>• + 2 concessions or incentives under DBL</li> </ul>
<b>Tier 2</b>	¼ mile from stop	<ul style="list-style-type: none"> <li>• <b>Max Height:</b> 65 ft. or 85 ft. if adjacent to stop</li> <li>• <b>Min Density:</b> 100 u/a plus any density bonus or 140 u/a if adjacent to stop</li> <li>• <b>FAR:</b> 3 or 4 if adjacent to stop</li> <li>• + 2 concessions or incentives under DBL</li> </ul>
	¼ - ½ mile from stop	<ul style="list-style-type: none"> <li>• <b>Max Height:</b> 55 ft. or 75 ft. if adjacent to stop</li> <li>• <b>Min Density:</b> 80 u/a plus any density bonus or 120 u/a if adjacent to stop</li> </ul>

		<ul style="list-style-type: none"> <li>• <b>FAR:</b> 2.5 or 3.5 if adjacent to stop</li> <li>• + 1 concessions or incentives under DBL</li> </ul>
<b>Tier 3:</b>	¼ mile from stop	<ul style="list-style-type: none"> <li>• <b>Max Height:</b> 55 ft. or 75 ft. if adjacent to stop</li> <li>• <b>Min Density:</b> 80 u/a plus any density bonus or 120 u/a if adjacent to stop</li> <li>• <b>FAR:</b> 2.5 or 3.5 if adjacent to stop</li> <li>• + 1 concession or incentive under DBL</li> </ul>
	¼ - ½ mile from stop	<ul style="list-style-type: none"> <li>• <b>Max Height:</b> 45 ft. or 65 ft. if adjacent to stop</li> <li>• <b>Min Density:</b> 60 u/a plus any density bonus or 100 u/a if adjacent to stop</li> <li>• <b>FAR:</b> 2 or 3 if adjacent to stop</li> <li>• No additional concessions or incentives</li> </ul>

Regardless of the tier, all SB 79 projects must comply with the anti-displacement provisions in the Housing Crisis Act of 2019 (SB 330, Skinner). Additionally, SB 79 projects are considered consistent, compliant, and in conformity with an applicable plan, program, policy, ordinance, standard, requirements or other similar provision for purposes of the Housing Accountability Act.

*Streamlining for SB 79 projects.* SB 79 projects can opt to use SB 35/423 streamlining provisions, but with some differences. Unlike SB 35/423 projects, SB 79 projects:

- Can be on a parcel within the coastal zone that is not zoned for multifamily housing;
- Do not have to be in a jurisdiction subject to SB 35/423 streamlining; and
- Do not have to be consistent with consistent with objective zoning standards, objective subdivision standards, and objective design review standards in effect at the time that the development is submitted to the local government.

To be eligible for streamlining, SB 79 projects must generally meet the same SB 35/423 affordability requirements.

*Local government accountability.* If a local government denies an SB 79 project in a high-resource area, as determined by the California Tax Credit Allocation Committee, then it is presumed to be in violation of the Housing Accountability Act (HAA), and is immediately liable for penalties under that law, unless it can demonstrate that it has a health, life, or safety reason for denying the project.

*Allowed local ordinances.* SB 79 allows local governments to adopt ordinances that revise applicable zoning requirements on individual sites within a TOD zone, provided that the revisions maintain an average density allowed for the applicable tier, or up to a 100% increase. Local governments must submit a copy of any ordinance to HCD for review within 60 days of adoption. When HCD receives an ordinance, it must review the ordinance and determine whether it complies with SB 79. If it determines the ordinance does not comply, then HCD must notify the local government in writing and give them a reasonable time, not to exceed 30 days, to respond. The local government must consider any findings HCD makes, and either amend the ordinance to comply with these findings, or adopt the ordinance without changes. If the local government adopts the ordinance without changes, it must explain the reasons why it believes the ordinance complies with SB 79 despite HCD's findings. If the local government adopts the

ordinance without making these findings, HCD can notify the Attorney General that the local government is violating SB 79.

***SLA changes.*** SB 79 expands the definition of “agency’s use,” to include any land leased to support public transit operations, which means these provisions do not go through the SLA process.

Also, SB 79 provides that in the case of a public transit operator, “agency use” can include commercial or industrial uses or activities, including nongovernmental retail, entertainment, or office development or be for the sole purpose of investment or generation of revenue if the agency’s governing body takes action in a public meeting declaring that the use of the site will do one of the following:

- Directly further the express purpose of agency work or operations; or
- Be expressly authorized by a statute governing the local agency, as specified.

***CEQA exemption.*** This bill also provides that CEQA does not apply to any public or private residential, commercial, or mixed-used project that, at the time the development proponent files the project application, is located entirely or principally on land a public transit agency owns, if it includes specified transit infrastructure or an agreement to finance transit infrastructure, maintenance, or operations.

### **Comments**

1. **Purpose of the bill.** According to the author, “SB 79 tackles the root causes of California’s affordability crisis by allowing more homes to be built near major public transportation stops and on land owned by transit agencies – bolstering transit use, slashing climate emissions, and supporting public transportation in the process.

“SB 79 allows more homes near transit in two major ways. First, SB 79 allows for upzoning land for multi-family homes up to 75 feet within a half mile of specified major train stations and bus rapid transit stops. This change will ensure that transit oriented developments (TODs) are feasible and enhance access to transit. Second, SB 79 authorizes local transit agencies to develop at the same or greater density on land they own. All TODs under SB 79 are eligible for the streamlined ministerial approvals process under SB 423 (Wiener, 2023) if they meet the law’s environmental, labor, and affordability standards.

“California needs to build millions of new homes in sustainable locations to meet state housing goals, slash climate emissions, and reduce the cost of living, but overly restrictive zoning codes make building such homes illegal. SB 79 allows building more homes near transit to lower costs for families while bolstering public transit use and supporting cash-strapped transit agencies.”

2. **Downtown train.** TOD projects host a multitude of benefits. They offer residents a place to live without needing a car to get around, and if that resident uses transit, could help address climate change. For higher-income households, TOD projects may reduce the number of vehicles they have or reduce the number of vehicle trips they take. For lower-income residents, they can offer even greater benefits. Rather than forcing these households to purchase a vehicle to travel to jobs, they can find a home that allows them to travel via transit. The state’s housing crisis is also most acute at lower income levels.

SB 79 allows more homebuilding on parcels near transit. While SB 79 requires certain levels of affordability on projects that opt to use SB 35/423 streamlining, developers can decide whether they want to avoid affordability requirements and associated costs in exchange for the traditional, discretionary housing approval process. Deed-restricted affordable housing units limit developers return on investment because they cannot charge rents or sell units for as high as they otherwise could. Additionally, SB 79 requires projects that do not use streamlining provisions to meet local inclusionary requirements, but not all local governments have such a policy. As a result, SB 79 does not guarantee that every SB 79 project will include some level of affordability.

Providing truly affordable housing opportunities is pivotal to ensuring that individuals experiencing homelessness, or at risk of homelessness, have a roof over their heads. While the state needs homes at all income levels, if projects do not have to include deed-restricted affordable units, the state may miss an opportunity to address its greatest housing needs on the parcels where housing for lower-income individuals may further multiple state goals, including both housing and improvements in transit ridership. Accordingly, while requiring an affordable housing component to all SB 79 projects may mean SB 79 generates fewer market-rate units, the overall public benefits may be greater. The Committee may wish to consider amending the bill to expand SB 79's affordable housing requirements.

3. Thank you, next. Local governments are subject to many planning requirements, especially when it comes to housing. The housing element process requires local agencies to consider many different factors, including how economic, environmental, fiscal, and community factors influence their ability to address regional housing needs. Among the many factors local agencies must include is a statement of the community's goals, quantified objectives, policies relative to affirmatively furthering fair housing, and to the maintenance, preservation, improvement, and development of housing. After balancing factors such as these, local governments have to identify and implement programs and policies to make sites available to accommodate their share of regional housing needs at all income levels, which, crucially, which must include any necessary rezonings. Existing law defines affirmatively furthering fair housing to require, "...taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws."<sup>1</sup> HCD must approve local housing elements as meeting the requirements of state law, and in recent years, the Legislature has strengthened requirements contained in, and consequences of violating, housing element law. If a local government does not rezone to allow development at the levels required in its approved housing element, or does not adopt a compliant housing element, it may be subject to various penalties, including enhanced fines and restrictions on land use authority. As a result, housing elements are more meaningful, and more local governments are faithfully implementing the law to allow for more dense development in a way that suits their communities.

Despite local governments' efforts to work through this process to meet their housing needs in a way that balances all these factors, SB 79 applies. Even for a well-meaning local government, such as a city HCD has designated as pro-housing and has a compliant housing element, a developer could build a project on a parcel near a TODS that conflicts with the planning and zoning decisions the local has made, potentially as part of adopting a compliant housing element,

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<sup>1</sup> Government Code §8899.50.

to balance these competing factors. Projects could be built in a manner that does not sufficiently account for housing needs at all income levels, or in a manner that goes against their efforts to affirmatively further fair housing and ensuring all communities have access to new housing opportunities. SB 79 allows local government enacts an ordinance to implement SB 79 that might provide some flexibility, but the Committee may wish to consider amending the bill to allow additional flexibility for local agencies that comply with state housing planning requirements.

4. Don't go chasing windfalls. Valuation of real estate is complicated, but a fundamental principle is that property is as valuable as its highest and best use allows. Land that can only accommodate construction of a few new units of housing is less valuable than land that can accommodate more, all else being equal, and same goes for larger developments versus smaller ones. When zoning rules change to allow more building, property values go up—an effect that was demonstrated in a recent study of upzoning in Chicago.<sup>2</sup> SB 79 allows more units to be built and reduces costs associated with developments by granting additional waivers and concessions of development policies. SB 79 also allows developers to choose the density, height, and FAR, up to the limits for the particular tier, potentially allowing them to maximize profits by building larger luxury units instead of smaller, lower priced ones. Many previous pieces of housing legislation have included provisions that help balance these private benefits with public benefits. For example, AB 2011 (Wicks, 2022) and the Middle Class Housing Act of 2022 (SB 6, Caballero) both made certain types of housing developments an allowable use on land zoned for commercial uses. AB 2011 required specific levels of affordable housing. Both measures included labor standards for all their projects, although the specific standards differ. Similarly, previous efforts at TOD upzoning, including SB 827 (Wiener, 2017) and SB 50 (Wiener, 2020), included provisions that provided explicit public benefits for projects, including certain affordability requirements. SB 79 includes some provisions in the same areas, but generally more limited requirements than previous housing production legislation. For example, SB 79 only requires specific affordability levels and labor standards if the developer opts to use SB 35/423 streamlining. If a developer opts not to use SB 35/423 streamlining, then the measure only requires the developer to meet a local inclusionary standard, if one exists. The Committee may wish to consider amending the bill to better balance private developer benefits with public benefits.

5. Changes. Studies are split on whether new housing development in a community significantly increases or decreases the net displacement of low-income households from an area. Some studies argue that new housing frees up less expensive units that would otherwise be occupied by high-income households,<sup>3</sup> while others argue that the effect is dependent on the specifics of the housing market in an area that determine whether the number of lower-income households moving into an area exceed the number moving out.<sup>4</sup> Previous legislation similar to SB 79 attempted to strike a balance by delaying implementation for sensitive communities, meaning low-income communities and communities of color at risk of gentrification, and permitted them to come up with a community plan and other policies to encourage multifamily development at varying income levels and protect vulnerable residents from displacement. SB 79, however,

<sup>2</sup> Yonah Freemark. (2020) "Upzoning Chicago: Impacts of a Zoning Reform on Property Values and Housing Construction." *Urban Affairs Review* 56(3), 758-789.

<sup>3</sup> Phillips, S., Manville, M., & Lens, M. (2021). "Research roundup: The effect of market-rate development on neighborhood rents." UCLA Lewis Center for Regional Policy Studies.

<sup>4</sup> Karen Chapple & Taesoo Song (29 Mar 2024): Can New Housing Supply Mitigate Displacement and Exclusion?, *Journal of the American Planning Association*, DOI: 10.1080/01944363.2024.2319293

does not identify or change its operation in any communities that might be more vulnerable to displacement. Instead, the bill cross-references the demolition protections in existing law that would apply to an SB 79 project in any case under the Housing Crisis Act. The Committee may wish to consider whether SB 79 should include more protections against displacement consistent with previous efforts.

6. I still haven't found what I'm looking for. SB 79's tiers of TODS would be a new concept in state law, so figuring out exactly where each tier is, and what projects would look like can be challenging to imagine. According to the author and sponsors, Tier 1 is intended to apply to the following stations: BART, LA Metro B and D lines, and 25 commuter rail stations. Tier 2 is intended to apply to SacRT Light Rail, SF Muni Metro, SF Muni streetcars, SF Van Ness BRT, VTA Light Rail, LA Metro A, C, E, G, J, and K Lines, San Diego MTS Trolley, Santa Ana Streetcar, 15 commuter rail stations, and 13 additional light rail or BRT stations. Tier 3 is intended to apply to 60 commuter rail stations and 10 ferry stations.

7. Imagine. California is a geographically and demographically diverse state, and that is reflected in its 483 cities and 58 counties. Local elected officials for each of those municipalities are charged by the California Constitution with protecting their citizens' welfare. One chief way local governments do this is by exercising control over what gets built in their community. Local officials weigh the need for additional housing against the concerns and desires of their constituents. Where appropriate, those officials enact ordinances to shape their communities based on local conditions and desires. SB 79 applies regardless of these efforts and the unique features of California's communities by requiring all communities near TODS to allow projects that meet SB 79's development requirements.

What existing housing exists near this vast range of transit stops varies greatly. For example, all BART stations are supposed to be tier 1 TODS. Some BART stations in places like San Francisco and Oakland already have large, tall structures surrounding them. However, in other places like Castro Valley, the neighborhoods surrounding the BART station are mostly single-family homes. Regardless of these differences, SB 79 treats these stops the same. In a suburban neighborhood like Castro Valley, this would represent a drastic change.

SB 79 includes some provisions that nod to local flexibility to tailor the bill's impacts to different communities. It allows local governments to enact ordinances to implement its provisions, and those ordinances can revise applicable zoning requirements on individual sites within a TOD zone, provided that revisions maintain the average density allowed for that tier, or up to a 100% increase. However, the bill is missing several details regarding "TOD zones," including a definition of TOD zone, that could raise questions for local governments that want to use this provision. To help ensure that SB 79 provides clear flexibility for local governments, the Committee may wish to consider amending the bill to clarify how local governments can make zoning decisions that deviate from SB 79 requirements, and require minimum densities for projects to ensure units are widely available and suitable for habitation at a range of income levels.

7. Don't you forget about me. Not only does SB 79 attempt to address the housing crisis, it also tries to address the fiscal challenges confronting the state's transit agencies. It does this in a couple ways.

- First, it allows transit agencies to adopt objective standards for both residential and commercial developments proposed on land owned the transit agency owns, or on which

it has a permanent operating easement. This allows transit agencies to make land use decisions that could conflict with those established by the city or county. However, the bill does not make clear whether this applies just to SB 79 projects or any residential or commercial development. The Committee may wish to consider amending SB 79 to clarify what projects a transit agency's zoning applies to.

- Second, it expands the definition of “agency’s use” in the SLA to include any land leased to support public transit operations. This means transit agencies could decide to lease their land for more market-rate housing, or other commercial or industrial uses, without first offering the parcel to affordable housing developers. Transit agencies already have this authority under the SLA if they adopt a program that commits to certain requirements for residential development, including a 25% inclusionary requirement, across their portfolio of properties. While SB 79’s SLA exemption could expand transit agencies’ revenue generating possibilities, it runs contrary to the purpose of the SLA, which is to prioritize affordable housing development over other competing priorities. As a result, this provision may reduce the availability of affordable housing in the state. The Committee may wish to consider amending SB 79 to remove the bill’s provisions amending the SLA.

8. Bring the noise. Unlike other recent housing streamlining bills, SB 79 expands the zones where housing can be built from residential and commercial to light industrial. Light industrial zoning varies across jurisdictions, but can include light manufacturing, warehouses, and other uses. Some light industrial zones may be adequate places to build housing, like next to a brewery. However, other light industrial zones might not be if there are potentially hazardous materials or involve pollution emissions like a warehouse. This sets a precedent for other legislation to follow, and could place housing opportunities in places that could present public health and safety risks. The Committee may wish to consider amending the bill to remove the authority to build SB 79 projects in light industrial zones.

9. Charter city. The California Constitution allows cities that adopt charters to control their own “municipal affairs.” In all other matters, charter cities must follow the general, statewide laws. Because the Constitution does not define municipal affairs, the courts determine whether a topic is a municipal affair or whether it is an issue of statewide concern. SB 79 says that its statutory provisions regarding TODS apply to charter cities because addressing the state’s housing crisis of availability and affordability is a matter of statewide concern.

10. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because SB 79 adds to the duties of local officials, Legislative Counsel says the bill imposes a new state mandate. SB 79 disclaims the state’s responsibility for providing reimbursement by citing local governments’ authority to charge for the costs of implementing the bill’s provisions.

11. Incoming! The Senate Rules Committee has ordered a double referral of SB 79: first to the Committee on Housing, which approved the bill at its April 22<sup>nd</sup> hearing on a vote of 6-2, and second to the Committee on Local Government.

### **Support and Opposition** (4/25/2025)

Support: California Yimby (Co-Sponsor)  
Greenbelt Alliance (Co-Sponsor)  
Spur (Co-Sponsor)



Streets for All (Co-Sponsor)

Alexander Pedersen - Vice Mayor, Capitola  
Brian Barnacle - Councilmember, Petaluma  
Casey Glaubman - Councilmember, Mount Shasta  
Emily Ramos - Vice Mayor, Mountain View  
James Coleman - Councilmember, South San Francisco  
Jed Leano, Councilmember, Claremont  
Jesse Zwick - Councilmember, Santa Monica  
Laura Nakamura - Vice Mayor, Concord  
Lucas Ramirez - Councilmember, Mountain View  
Mark Dinan - Vice Mayor, East Palo Alto  
Matthew Solomon - Councilmember, Emeryville  
Phoebe Shin Venkat - Councilmember, Foster City  
Rashi Kesarwani - Councilmember, Berkeley  
Rebecca Saltzman - Councilmember, El Cerrito  
Sergio Lopez - Mayor, Campbell  
Zach Hilton - Councilmember, Gilroy  
21st Century Alliance  
AARP  
Abundant Housing LA  
Active San Gabriel Valley  
All Voting Members of the North Westwood Neighborhood Council  
Bay Area Council  
Bike Culver City  
Bike East Bay  
Bike Long Beach  
Bikesd  
Business for Good San Diego  
Calbike  
California Apartment Association  
California Community Builders  
California Nightlife Association (CALNIGHT)  
Car-lite Long Beach  
Chamber of Progress  
Circulate San Diego  
City West Hollywood  
Climate Action Campaign  
Climate Hawks Vote  
Costa Mesa Alliance for Better Streets  
Council of Infill Builders  
East Bay for Everyone  
East Bay Leadership Council  
East Bay Yimby  
Eastside Housing for All  
Environmental Protection Information Center  
Everybody's Long Beach  
Families for Safe Streets San Diego  
Fieldstead and Company, INC.  
Fremont for Everyone  
Generation Housing

Glendale Yimby  
Grow the Richmond  
Hammond Climate Solutions Foundation  
House Sacramento  
Housing Action Coalition  
Housing Leadership Council of San Mateo County  
Housing Trust Silicon Valley  
Inclusive Lafayette  
Indivisible Sacramento  
Jamboree Housing Corporation  
Leadingage California  
Lisc San Diego  
Mountain View Yimby  
Napa-solano for Everyone  
National Independent Venue Association of California  
New Way Homes  
Northern Neighbors  
Our Time to ACT  
Pathway to Tomorrow  
Peninsula for Everyone  
People for Housing - Orange County  
People for Housing Oc  
People for Housing Orange County  
Prosperity California  
Redlands Yimby  
Remake Irvine Streets for Everyone (RISE)  
Ridesd  
San Diego County Bicycle Coalition  
San Fernando Valley for All  
San Francisco Yimby  
San Mateo County Economic Development Association (SAMCEDA)  
Santa Cruz Yimby  
Santa Rosa Yimby  
Sierra Business Council  
Silicon Valley Leadership Group  
Sloco Yimby  
South Bay Yimby  
South Pasadena Residents for Responsible Growth  
South San Francisco Councilmember James Coleman  
Streets are for Everyone (SAFE)  
Streets are for Everyone (SAFE) (ORG)  
Strong Towns Poway & Rb  
Strong Towns San Diego  
Strong Towns Santa Barbara  
Student Homes Coalition  
UC San Diego Housing Commission  
University of California Student Association  
Ventura County Yimby  
Walk Bike Berkeley  
Walk San Francisco

Westside for Everyone  
Wildlands Network  
Yimby Action  
Yimby Democrats of San Diego County  
Yimby LA  
Yimby Los Angeles  
Yimby Slo

Opposition: Allied Neighborhoods Association (of Santa Barbara)

Barbary Coast Neighborhood Association  
Brentwood Homeowners Association  
Burton Valley Neighborhoods Group  
California Cities for Local Control  
California Contract Cities Association  
California Preservation Foundation  
California Rural Legal Assistance Foundation  
Catalysts for Local Control  
Cheviot Hills (Los Angeles) Neighborhood Association  
Chinatown Community Development Center  
Citizen Marin  
Citizens Planning Association of Santa Barbara  
Citizens Preserving Venice  
City of Agoura Hills  
City of Anderson  
City of Artesia  
City of Azusa  
City of Belvedere  
City of Brentwood  
City of Calimesa  
City of Camarillo  
City of Carlsbad  
City of Chino  
City of Chino Hills  
City of Cloverdale  
City of Colton  
City of Concord  
City of Cotati  
City of Downey  
City of Encinitas  
City of Exeter  
City of Fairfield  
City of Folsom  
City of Fullerton  
City of Garden Grove  
City of Glendale  
City of Glendora  
City of Grand Terrace  
City of Hawthorne  
City of Hermosa Beach  
City of Hesperia

City of Highland  
City of Huntington Beach  
City of LA Mirada  
City of LA Quinta  
City of Lafayette  
City of Lakeport  
City of Lakewood CA  
City of Larkspur  
City of Lathrop  
City of Lawndale  
City of Lomita  
City of Los Alamitos  
City of Manhattan Beach  
City of Manteca  
City of Marina  
City of Mission Viejo  
City of Modesto  
City of Moorpark  
City of Moreno Valley  
City of Murrieta  
City of Napa  
City of Newport Beach  
City of Norwalk  
City of Oakley  
City of Oceanside  
City of Ontario  
City of Orange  
City of Orinda  
City of Palm Desert  
City of Palmdale  
City of Paramount  
City of Perris  
City of Pico Rivera  
City of Rancho Cordova  
City of Rancho Cucamonga  
City of Rancho Mirage  
City of Rancho Palos Verdes  
City of Redding  
City of Redlands  
City of Ripon  
City of Riverbank  
City of Rolling Hills Estates  
City of Rosemead  
City of San Fernando  
City of San Juan Capistrano  
City of San Luis Obispo  
City of San Marcos  
City of San Rafael  
City of Sausalito  
City of Scotts Valley

City of Simi Valley  
City of Solana Beach  
City of Stanton  
City of Thousand Oaks  
City of Torrance  
City of Tustin  
City of Upland  
City of Vista  
City of Walnut Creek  
City of Whittier  
City of Yucaipa  
Coalition for San Francisco Neighborhoods (CSFN)  
Coastal San Pedro Neighborhood Council  
Communities for a Better Environment  
Comstock Hills Homeowners Association  
Crescenta Highlands Neighborhood Association 2025  
Crescenta Valley Community Association 2025  
Del Rey Residents Association  
Disability Rights California  
Eastside Voice Long Beach CA  
Equitable Land Use Alliance (ELUA)  
Esperanza Community Housing Corporation  
Foothill Communities Association  
Friends of Historic Miracle Mile  
Grayburn Avenue Block Club  
Greater Toluca Lake Neighborhood Council  
Hills2000\_friends of the Hills  
Hollywoodland Homeowners Association, United Neighborhoods  
Homey  
Kennedy Commission  
Lafayette Homeowners Council  
Larchmont United Neighborhood Association  
Leadership Counsel for Justice & Accountability  
Leadership Counsel for Justice and Accountability  
League of California Cities  
Little Tokyo Service Center  
Livable California  
Livable Mountain View  
Long Beach Forward  
Marin County Council of Mayors & Council Members; City of  
Mental Health Advocacy Services  
Mission Street Neighbors  
Neighborhoods United SF  
Neighbors for a Better California  
Neighbors for a Better San Diego  
New Livable California DbA Livable California  
Nonprofit Housing Association of Northern California  
Orindans for Safe Emergency Evacuation  
Our Neighborhood Voices  
Our Neighborhood Voices -- Education Corporation

Pacific Palisades Community Council  
Physicians for Social Responsibility - Los Angeles  
Poder SF  
Public Advocates  
Public Counsel  
Public Interest Law Project  
Public Law Center  
Race & Equity in All Planning Coalition (REP-SF)  
Rise Economy  
Save Lafayette  
Sherman Oaks Homeowners Association  
Shift-Bay Area  
Spaulding Square Historical Preservation Overlay Zone (HPOZ)  
Strategic Actions for a Just Economy  
Sunnyvale United Neighbors  
Sunset Square Neighborhood Organization  
Town of Apple Valley  
United Neighbors  
Urban Habitat  
West Torrance Homeowners Association  
Western Center on Law & Poverty  
Westwood Hills Property Owners Association  
Westwood Homeowners Association  
Wilshire Montana Neighborhood Coalition  
Young Community Developers

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## SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair  
2025 - 2026 Regular

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**Bill No:** SB 752  
**Author:** Richardson  
**Version:** 2/21/25  
**Consultant:** Summers

**Hearing Date:** 5/14/25  
**Tax Levy:** Yes  
**Fiscal:** Yes

### ***SALES AND USE TAXES: EXEMPTIONS: CALIFORNIA HYBRID AND ZERO-EMISSION TRUCK AND BUS VOUCHER INCENTIVE PROJECT: TRANSIT BUSES***

*Extends the state General Fund-only sales and use tax exemption for public transportation agencies to purchase zero-emission vehicles from January 1, 2026, to January 1, 2028.*

### **Background**

**Tax expenditures.** California law allows various tax incentives, such as credits, deductions, exemptions, and exclusions. When a tax law is determined to have a cost in the form of foregone revenues, such as a sales and use tax exemption, state law refers to them as “tax expenditures.” The Legislature enacts such tax incentives to compensate taxpayers for incurring certain expenses, such as costs related to child adoption, or to influence certain behaviors, such as participating in charitable giving. The Legislature uses tax incentives to encourage taxpayers to do something they would not otherwise do but for the tax incentive. The Department of Finance must annually publish a list of tax expenditures, which currently totals around \$91.5 billion.

**Sales and use tax (SUT).** State law imposes the sales tax on every retailer selling tangible personal property in this state. Retailers must register with the California Department of Tax and Fee Administration (CDTFA) and remit sales tax amounts collected at sale to CDTFA. If the purchaser does not pay the sales tax to the retailer, the purchaser is liable for paying use tax to the CDTFA. The use tax is imposed on any person consuming tangible personal property in the state. The use tax must be remitted on or before the last day of the month following the quarterly period in which the person made the purchase. The use tax rate is the same as the sales tax rate. The table below shows that the current statewide SUT rate is 7.25%. Additionally, cities and counties may increase the sales and use tax rate up to 2% with voter approval for specific or general purposes pursuant to the California Constitution’s vote requirements.

Rate	Jurisdiction	Purpose/Authority
3.9375%	State (General Fund)	State general purposes
1.0625%	Local Revenue Fund (2011 Realignment)	Local governments to fund local public safety services
0.50%	State (1991 Realignment)	Local governments to fund health and welfare programs
0.50%	State (Proposition 172 - 1993)	Local governments to fund public safety services

Rate	Jurisdiction	Purpose/Authority
1.25%	Local (City/County) 1.00% City and County 0.25% Local transportation	City and county general operations.  Dedicated to county transportation purposes
<b>7.25%</b>	<b>Total Statewide Rate</b>	

**Tax exemptions.** Many items, such as prescription drugs, food, and poultry litter, are fully exempt from the SUT in California. Other items are exempted only from the state sales tax of 3.9375%, but not the local share, such as farm equipment and machinery, diesel fuel used for farming and food processing, teleproduction and postproduction equipment, timber harvesting equipment and machinery, and racehorse breeding stock. Further, while the United States government is exempt from paying the state SUT, state law does not provide a blanket exemption from the SUT for other public agencies such as cities, counties, special districts, or state agencies. As a result, these public agencies generally pay tax when purchasing tangible personal property or using it in the state.

**Zero-emission vehicle exemptions.** State law also provides SUT exemptions for specific vehicles purchased by certain buyers. In 2022, the Legislature enacted a state General Fund-only SUT exemption on qualifying zero or near-zero emission motor vehicles purchased or leased by qualified buyers under the Clean Cars 4 All program (SB 1382, Gonzalez). Eligibility for the Clean Cars 4 All program depends on the buyer's household income level, where they reside, and whether the vehicle is leased or purchased. The SUT exemption under SB 1382 applies to purchases made between January 1, 2023, and December 31, 2027.

In 2019, the Legislature enacted AB 784 (Mullin), authorizing a state General Fund-only SUT exemption for specified zero-emission technology transit buses sold to a city, county, city and county, transportation or transit district, or other public agency providing transit services to the public. To qualify for the exemption, the transit bus must be eligible for the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), which is funded by the Air Quality Improvement Program, the General Fund, and the Greenhouse Gas Reduction Fund under the California Air Resources Board (CARB). In 2022, the Legislature extended the exemption from January 1, 2024, to January 1, 2026 (AB 2622, Mullin).

**The Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project.** CARB administers the HVIP, created by the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (AB 118, Nunez). HVIP provides vouchers on a first-come, first-served basis for any fleet owner or operator, including commercial operators, local governments, and non-profit agencies, to replace current vehicle fleets with hybrid and zero-emission vehicles to provide clean air benefits.

Under HVIP, manufacturers apply to CARB to determine that the vehicles they produce meet clean air targets. If CARB certifies the vehicle model, CARB lists the vehicle model on its website as qualifying for vouchers. Voucher amounts can vary and are generally based on the kind of vehicle, weight, fuel source, the number of vehicles purchased, and whether the vehicle will be used in a disadvantaged community.

First, a potential purchaser contacts a vehicle dealer to purchase a vehicle eligible for a voucher. Second, the dealer verifies that HVIP funds are available and that CARB has certified the vehicle



as eligible for a voucher. The dealer then applies to a CARB-designated grantee (currently CALSTART) for a voucher. If approved, the purchaser then pays the dealer the vehicle's purchase price minus the voucher's value. The dealer then arranges to build the vehicle to suit the purchaser's order, if stock inventory vehicle models are not already eligible. Once the vehicle is placed in service, CALSTART reimburses the dealer upon presentation of the voucher. The purchaser must report to CARB regarding their usage of the vehicle.

CARB allocates funds appropriated by the Legislature from the Greenhouse Gas Reduction Fund (GGRF) to CALSTART to pay vouchers, which is funded from auction proceeds under the state's "Cap and Trade" program authorized by the Global Warming Solutions Act (AB 32, Nunez, 2006; extended by AB 398, E. Garcia, 2017). Each year, the Legislature appropriates GGRF funds to various agencies, including CARB, for various purposes, including HVIP. In 2021, the Legislature began appropriating General Fund money for HVIP, with Governor Newsom proposing more in his annual budget proposals to supplement GGRF revenues. However, the Governor's 2025-26 budget proposal does not contain explicit General Fund or GGRF revenue for HVIP. Additionally, CARB staff is not proposing to allocate additional funding to HVIP for FY 2024-25 due to the limited funding available in the State Budget and the needs in other project categories. HVIP has funds remaining from previous years' appropriations, and CARB will continue to administer previously allocated funds until the next budget appropriation. Fiscal Year 2025-26 Funding Plan for HVIP is not yet available.

**CARB Innovative Clean Transit (ICT) regulation.** CARB ICT regulation was adopted in December 2018 and requires all public transit agencies to gradually transition to a 100% zero-emission bus (ZEB) fleet. Beginning in 2029, 100% of new purchases by transit agencies must be ZEBs, with a goal for full transition by 2040. It applies to all transit agencies that own, operate, or lease buses with a gross vehicle weight rating over 14,000 lbs. It includes standard, articulated, over-the-road, double-decker, and cutaway buses.

Seeking to decrease the burden on transit agencies, encourage early compliance with the ICT regulation, and reduce emissions by accelerating the deployment of zero-emission vehicles, the California Transit Association wants to extend the sunset date for the zero-emission bus SUT exemption.

### **Proposed Law**

Senate Bill 752 extends the state General Fund-only sales and use tax exemption for public transportation agencies to purchase HVIP-eligible zero-emission vehicles from January 1, 2026, to January 1, 2028.

### **State Revenue Impact**

CDTFA estimates revenue losses from SB 752 to be \$2,900,000 annually and would result in minor absorbable costs to administer.

### **Comments**

1. Purpose of the bill. According to the author, "SB 752 simply extends an existing partial sales tax exemption for zero emission busses. Extending this partial sales tax exemption has the potential to save transit agencies up to \$50,000 per bus purchased, depending on the

manufacturer and technology. Assisting public transit's transition not only helps meet our climate goals but helps communities attain better air quality as well.”

2. Windfall? Tax expenditures produce two different outcomes. First, they reward behavior that would have occurred without the tax benefit, referred to as a windfall benefit. Second, purchasers act on the incentive created by the tax expenditure to generate certain activity that would not have occurred but for the tax benefit. SB 752 encouraged public agency purchasers to choose zero-emission medium and heavy-duty transit buses eligible for HVIP vouchers by allowing a state sales and use tax exemption, equal to 3.9375% of the purchase price. However, the ICT regulation requires all public transit agencies to gradually transition to a 100% zero-emission bus fleet. While a sales tax exemption provides a financial incentive for transit agencies to purchase ZEBs, the exemption largely serves as general financial assistance for transit providers rather than a “but for” tax benefit.

3. Tradeoffs. Existing tax law provides various credits, deductions, exclusions, and exemptions for taxpayers. Since the Legislature enacts these items to accomplish some governmental purpose which have a cost, in the form of foregone revenues, state law refers to them as “tax expenditures.” This bill would extend an existing tax expenditure, with potential costs to the state General Fund. With less General Fund money, the government has less funding for important public services such as education and public safety. As a result, the state will have to reduce spending or increase taxes to match the foregone revenue. The Committee may wish to consider whether SB 752 is worth the spending cuts or tax increases.

4. State, not local. In recent years, most new sales and use tax exemptions have included only the state share of the sales tax, such as equipment used in research and manufacturing, and equipment and fuel used in agriculture. SB 752 continues this trend by extending an existing exemption that only applies against the State General Fund portion of the Sales and Use Tax. As a result, SB 752 should not affect local revenues.

5. Legislative Analyst’s Office (LAO) Report. Pursuant to Section 41 requirements from AB 2622, the LAO issued a report on April 15, 2024, entitled “Evaluation of a Tax Exemption for Zero-Emission Buses.”<sup>1</sup> The report found that the share of new ZEB buses is growing (e.g., 28% of new large-agency buses in 2022). However, adoption is uneven; five of the state’s 21 large transit agencies did not acquire any ZEBs, while others are fully converted. The exemption likely contributed to early ZEB purchases, but its precise impact cannot be isolated due to other factors influencing the pace of ZEB adoption. The report also highlights that in addition to the ZEB exemption, several other state and federal programs offer funding that transit agencies may use to convert their bus fleets to ZEBs, such as the Transit and Intercity Rail Capital Program, the Zero-Emission Transit Capital Program, HVIP funding, and federal grants. LAO concludes that the exemption is not well-targeted to agencies in greatest fiscal distress or to those with the greatest ridership loss (e.g., rail systems) and recommends “that the Legislature allow the exemption to expire as scheduled under current law.”

6. Rebuttal to the LAO Report. The California Transit Association (CTA) contends that the LAO used performance indicators and fiscal criteria not authorized or intended by the Legislature. It argues that, when evaluated according to the actual statutory goals and metrics set out in the Section 41 findings and declarations of AB 2622, the exemption has been successful

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<sup>1</sup> Legislative Analyst's Office. (2024, April 15). *Evaluation of a tax exemption for zero-emission buses*. <https://lao.ca.gov/Publications/Report/4890>

and should be extended. Specifically, CTA argues that the following goals from AB 2622 Section 41 findings and declarations were achieved:

- To assist transit agencies in transitioning bus fleets to zero-emission by reducing upfront capital costs and incremental costs between technologies.
- To overcome an important upfront funding shortfall that currently impedes the procurement of zero-emission transit buses and is critically needed to help public transit agencies ramp up to the Innovative Clean Transit regulation.
- To eliminate mobile criteria pollutant emissions and clean the air in disadvantaged communities.
- To substantially reduce greenhouse gas emissions.

CTA also contends that the performance indicators from AB 2622 Section 41 findings and declarations demonstrate that the above-mentioned goals were achieved:

- The annual number of zero-emission transit bus purchases by transit authorities and agencies statewide.
- The annual number of zero-emission transit buses purchased in advance of the Innovative Clean Transit regulation timelines.

7. Section 41. Section 41 of the Revenue and Taxation Code requires any bill enacting a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, 2014). AB 2622 updated AB 784 Section 41 findings and declarations in several ways. However, SB 752 does not comply with the Section 41 requirements, as it does not make the required findings and declarations.

### **Support and Opposition** (5/9/25)

**Support:** California Transit Association (Sponsor)

California Electric Transportation Coalition

Central Contra Costa Transit Authority

City and County of San Francisco

Foothill Transit

GILLIG

Madera County Transportation Commission

Monterey-Salinas Transit

Orange County Transportation Authority

Riverside Transit Agency

Sacramento Regional Transit District

San Diego Metropolitan Transit System

San Francisco Municipal Transportation Agency

San Mateo County Transit District

Santa Cruz Metropolitan Transit District

Santa Monica Department of Transportation

Solano County Transit

Stanislaus Regional Transit Authority

Sunline Transit Agency

Transportation Authority of Marin

Opposition: None received.

**-- END --**