

BOARD MEETING DATE: March 6, 2026

AGENDA NO. 17

REPORT: Legislative Committee

SYNOPSIS: The Legislative Committee held a hybrid meeting on Friday, February 13, 2026. The following is a summary of the meeting.

Receive and file this report and approve agenda items as specified in this letter.

Manuel V. Perez, Committee Chair
Legislative Committee

LTO:CG:PC:EV:MC:MC

Call to Order

Committee Chair Manuel V. Perez called the meeting to order at 9:03 a.m.

Roll Call

Committee Members

Present: Manuel V. Perez Committee Chair
Vice Mayor Brenda Olmos
Supervisor Janet Nguyen
Absent: Supervisor Curt Hagman
Mayor Patricia Lock Dawson

For additional details of the Legislative Committee Meeting, please refer to the Webcast.

DISCUSSION ITEMS:

1. Update on the Governor's 2026-27 Proposed Budget

Helen Kerstein, Principal Fiscal and Policy Analyst with the California Legislative Analyst's Office (LAO), provided an overview of the Governor's 2026–27 Proposed Budget and focused on air quality related components. For additional details, please refer to the Webcast beginning at 4:41.

Chair Perez requested additional information regarding potential budget cuts impacting air quality programs related to South Coast AQMD. Ms. Kerstein agreed to provide links to a series of reports on the budget.

There was no public comment.

For additional information, please refer to the [Webcast](#) beginning at 5:13.

WRITTEN REPORTS/ DISCUSSION ITEMS:

2. Update and Discussion on Federal Legislative Issues

South Coast AQMD's federal legislative consultants (Carmen Group, Kadesh & Associates, and Cassidy & Associates) provided written reports on key Washington D.C. issues.

Dal Harper, Carmen Group, provided an update on the launch of the Office of Wildland Fire Service in the Department of the Interior. For additional information, please refer to the [Webcast](#) beginning at 28:22.

Mark Kadesh, Kadesh & Associates, provided a timeline for the Fiscal Year 2027 Budget and Appropriations process. For additional information, please refer to the [Webcast](#) beginning at 29:55.

Kelly Riddle, Cassidy & Associates, reported on U.S. EPA's recent announcement to repeal the 2009 Endangerment Finding. For additional information, please refer to the [Webcast](#) beginning at 33:36.

There was no public comment.

3. Update and Discussion on State Legislative Issues

South Coast AQMD's state legislative consultants (Buckley Government Affairs, Joe A. Gonsalves & Son, and Resolute) provided written reports on key Sacramento issues.

Ross Buckley, Buckley Government Affairs, reported that the Senate Rules Committee approved the appointment of Mayor Lock Dawson to the CARB Board. The appointment will advance to the Senate floor for final approval. For additional information, please refer to the [Webcast](#) beginning at 36:12.

Paul Gonsalves, Joe A. Gonsalves & Son, informed the Committee about key legislative deadlines, including the upcoming bill introduction deadline on February 20, and the bill limit for legislators. For additional information, please refer to the [Webcast](#) beginning at 37:01.

David Quintana, Resolute, provided an update on the state budget including a recent report by the Office of Assembly Speaker Robert Rivas that there was approximately \$6 billion in additional revenue received by the state that was above projections. For additional information, please refer to the [Webcast](#) beginning at 38:58.

Chair Perez inquired whether Ms. Kerstein wished to comment on the discrepancy between the LAO's fiscal outlook and the projections made by the Governor's Proposed Budget. Ms. Kerstein responded that artificial intelligence driven growth and the robust stock market have contributed to favorable short-term conditions and noted that budget forecasting is challenging. For additional information, please refer to the [Webcast](#) beginning at 40:21.

Ryan Kenny, Policy Director for Clean Energy, provided public comment regarding emissions from heavy-duty diesel vehicles.

Harvy Eder provided public comment expressing concerns about greenhouse gas emissions and encouraged the use of alcohol-based fuels to reduce those emissions.

OTHER MATTERS:

4. Other Business

There was no other business to report.

5. Public Comment Period

There was no public comment.

6. Next Meeting Date

The next regular Legislative Committee meeting is scheduled for Friday, March 13, 2026 at 9:00 a.m.

Adjournment

The meeting was adjourned at 9:43 a.m.

Attachments

1. Attendance Record
2. Update on Federal Legislative Issues – Written Reports
3. Update on State Legislative Issues – Written Reports

ATTACHMENT 1

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT LEGISLATIVE COMMITTEE MEETING ATTENDANCE RECORD – February 13, 2026

Supervisor V. Manuel Perez	South Coast AQMD Board Member
Vice Mayor Brenda Olmos	South Coast AQMD Board Member
Supervisor Janet Nguyen	South Coast AQMD Board Member
Marisela Santana	Board Consultant (Olmos)
Helen Kerstein	California Legislative Analyst's Office
Ross Buckley	Buckley Government Affairs, LLC
Kelly Riddle	Cassidy & Associates
Dal Harper	Carmen Group
Paul Gonsalves	Joe A. Gonsalves & Son
Mark Kadesh	Kadesh & Associates
David Quintana	Resolute
Lou Bronstein.....	Public Member
Harvey Eder	Public Member
Grace Garner	Public Member
Ryan Kenny	Public Member
Bill LaMarr	Public Member
L. Fernandez	Public Member
Nicole Rice	Public Member
Patty Senecal	Public Member
Petter Whittingham	Public Member
Jason Aspell	South Coast AQMD Staff
Cesar Ayala	South Coast AQMD Staff
Barbara Baird	South Coast AQMD Staff
Cindy Bustillos.....	South Coast AQMD Staff
Lara Brown	South Coast AQMD Staff
Anissa Cessa Heard-Johnson	South Coast AQMD Staff
Maria Corralejo.....	South Coast AQMD Staff
Matthew Ceja	South Coast AQMD Staff
Philip Crabbe	South Coast AQMD Staff
Scott Gallegos	South Coast AQMD Staff
Carlos Gonzalez	South Coast AQMD Staff
De Groeneveld	South Coast AQMD Staff
Alex Han	South Coast AQMD Staff
Sheri Hanizavareh	South Coast AQMD Staff
Aaron Katzenstein	South Coast AQMD Staff
Angela Kim.....	South Coast AQMD Staff
Grace Leblanc	South Coast AQMD Staff
Howard Lee.....	South Coast AQMD Staff

Jocelyn Lee South Coast AQMD Staff
Jason Low South Coast AQMD Staff
Terrence Mann South Coast AQMD Staff
Ian McMillan South Coast AQMD Staff
Nahal Mogharabi South Coast AQMD Staff
Ron Moskowitz South Coast AQMD Staff
Ghislain Muberwa South Coast AQMD Staff
Robert Paud..... South Coast AQMD Staff
Sarah Rees..... South Coast AQMD Staff
Mary Reichert South Coast AQMD Staff
Lisa Tanaka South Coast AQMD Staff
Brian Tomasovic South Coast AQMD Staff
Mei Wang South Coast AQMD Staff
Victor Yip South Coast AQMD Staff

ATTACHMENT 2A



Carmen Group
I N C O R P O R A T E D

To: South Coast AQMD Legislative Committee

From: Carmen Group

Date: January 22, 2026

Re: Federal Update – Executive Branch

Congress: In January, Congress moved to clear several pieces of unfinished business carried over from the end of the year as lawmakers worked to avoid a government shutdown ahead of the January 30th deadline. Specifically, the House and Senate approved a three-bill FY 26 appropriations “minibus” on January 15th that included: the Interior, Environment and Related Agencies bill; the Energy and Water Development bill; and the Commerce, Justice, Science and Related Agencies bill which will fund the Environmental Protection Agency, the Department of Energy and other federal agencies through September 30, 2026. That package has been sent to the President for signature. The remaining four FY 26 appropriations bills have been negotiated between the House and Senate, and the House passed that package today with final Senate approval slated for next week.

Also in January, Speaker Johnson invited President Trump to deliver the State of the Union address on February 24, 2026, setting the stage for the President to outline his legislative and regulatory priorities early in the year. The Administration's FY 2027 budget request to Congress is expected to be released in February.

Environmental Protection Agency

EPA Seeks New Members for Farm, Ranch, and Rural Communities Advisory Committee: In January, the Environmental Protection Agency [announced](#) it is seeking new members for its Farm, Ranch, and Rural Communities Advisory Committee, which provides input on the implementation of environmental policies affecting agricultural and rural stakeholders. This committee advises EPA Administrator on specific topics of relevance to agriculture as identified by the Agriculture Advisor. Committee members include representatives from academia, industry, non-governmental organizations, and state, local, and tribal governments and generally meets twice a year. Applications for this Committee must be submitted by March 2, 2026.

EPA Announces Soil Sampling Initiative to Support Los Angeles Fire Cleanup: In January, the Environmental Protection Agency [announced](#) a soil sampling initiative to assist residents further validate cleanup efforts following recent wildfire impacts and develop best practices for future wildfire responses nationwide. This is a voluntary effort funded by FEMA. The sampling will focus on lead, based on scientific evidence from an

Proven Process. Proven Results.

801 Pennsylvania Avenue, NW, Suite 730, Washington DC 20004 T 202.785.0500 carmengroup.com

extensive study conducted by the Los Angeles County Department of Public Health in September 2025. EPA says it is working closely with LA County, the California Environmental Protection Agency (CalEPA), and other partners throughout this process with results of this effort expected by late spring.

Department of Interior

Interior Launches U.S. Wildland Fire Service: In January, the Department of the Interior [announced](#) the launch of a U.S. Wildland Fire Service to improve coordination, workforce capacity, and response to wildfire risks nationwide and selected Brian Fennessy to oversee this new Service. The Department says that the Wildland Fire Service will streamline decision-making allowing the Department to respond quickly and effectively to wildfire threats to better protect lives, communities, critical infrastructure and public and tribal lands through a more integrated approach.

Interior Announces Landmark Agreement to Modernize the National Electric Grid: In January, the Department of the Interior [announced](#) a landmark agreement through the National Environmental Development Council to advance grid modernization and transmission development across federal lands within the PJM market serving the Mid-Atlantic and parts of the Midwest. The Administration secured an agreement with several states to advance more than \$15 billion in new power-generation projects. The agreement is designed to streamline coordination and permitting for grid infrastructure projects.

Council on Environmental Quality

CEQ Finalizes Removal of NEPA Implementing Regulations: In January, the Council on Environmental Quality [announced](#) that they finalized a rule removing its National Environmental Policy Act implementing regulations. CEQ says the action represents a significant shift in the federal environmental review framework, transferring greater discretion to individual federal agencies in how NEPA reviews are conducted. This final rule adopts CEQ's earlier interim final rule that concluded CEQ lacks authority to issue regulations binding other federal agencies.

CEQ Issues Guidance on Emergencies: In January, CEQ issued new NEPA emergency [guidance](#) to provide clarity on how Federal agencies should comply with NEPA when responding to emergency situations including catastrophic wildfires, threats to species and habitat, economic crises, infectious disease outbreaks and states of emergency declared by the President. CEQ says this guidance will help Federal agencies with rapid response and delivery of assistance to the American people while ensuring all necessary legal requirements and environmental considerations are fully addressed.

Outreach: In January, Carmen Group continued to track the latest information on congressional and Administration activity related to FY 26 appropriations, permitting reform, and transportation reauthorization.

ATTACHMENT 2B

KADESH & ASSOCIATES

South Coast AQMD Report for February 2026
Legislative Meeting covering January 2026
Kadesh & Associates

Despite the relatively short voting schedule in January, it appears as of the time of this update that Congress may be able to complete the FY26 process just in time to avert a partial government shutdown on January 30.

The House and Senate approved, by overwhelming bipartisan margins, the Interior-Environment funding bill for FY26, which includes EPA. The Senate vote was 82-15, and the House vote was 397-28. Overall in the bill, the EPA budget was decreased by 4%, but that is a far better outcome than President Trump's FY26 budget request had sought, and better than the outlook earlier in the appropriations process. More importantly, all three clean air programs that the South Coast AQMD advocates for most directly ended up in great shape:

- The Targeted Airshed Grants program was funded at \$67.8 million, the same as FY25;
- The diesel emission (DERA) grant program was level funded at \$90m, the same as last year, after the President's budget proposed to eliminate it; and
- Clean Air Act Section 103/105 grants – also proposed to be eliminated in last year's budget request – are funded at \$236.6 million, which is actually a modest increase of \$750,000 over last year's final enacted number.

That bill is now on the President's desk to be signed into law. That leaves Congress with six individual appropriations bills that need to be finalized and signed by January 30: Defense, Financial Services, Labor-HHS, State & Foreign Operations, and Transportation-HUD. All other departments are either already funded through September 30, 2026, or included with the EPA bill awaiting signature.

This final set of funding bills has proved to be especially tricky, primarily because of the Homeland Security appropriations bill, but also due to concerns about E15 ethanol fuel sales. However, it seems more likely than not that a partial government shutdown will be avoided. The House has now passed final versions of all of these bills, with the Homeland Security vote receiving very few Democratic votes (it was the closest vote to date, approved by a margin of 220-207). Immediately after approving the last of these funding bills, House leadership then canceled the scheduled votes for Friday and headed home until the first week of February.

The Senate is supposed to return from a weeklong recess the week of January 26 to finish the process, although the exact timing may shift due to the snowstorm that is currently headed east.

The State of the Union Address is scheduled for February 24 and, usually, the President's budget request comes out right after. The FY 2027 budget request will be the informal start of the annual Congressional appropriations cycle when member requests will be considered.

KADESH & ASSOCIATES

Kadesh & Associates Activity Summary-

-Worked with South Coast AQMD and the congressional delegation on FY26 and FY27 appropriations, House and Senate clean air legislation, and other legislative developments.

Contacts: Contacts included staff and Members throughout the CA delegation, Senate offices, and members of key committees.

ATTACHMENT 2C



To: South Coast Air Quality Management District
From: Cassidy & Associates
Date: January 22, 2026
Re: January Report

HOUSE/SENATE

Congress

The House is in session this week while the Senate is in recess. The House will focus on passing another Fiscal Year 2026 (FY26) minibus appropriations package, including funding for Defense; Homeland Security; Labor, Health and Human Services; and Transportation, Housing, and Urban Development. The Continuing Resolution currently providing funding for most federal agencies will expire on January 30. This minibus includes the remaining tranche of FY26 funding bills Congress will need to consider. Earlier this month, Congress passed a minibus appropriations bill that included FY26 funding for Commerce, Justice, and Science; Energy and Water; and Interior and Environment. In Committee activity, the House Energy and Commerce Committee held a markup and approved several Republican-led bills amending the Clean Air Act. All of these bills were approved by the Committee on a party-line vote.

EPA

On December 31, EPA announced its intention to regulate five phthalate chemicals, commonly used in plastics: Butyl Benzyl Phthalate (BBP), Dibutyl Phthalate (DBP), Dicyclohexyl Phthalate

(DCHP), Diethylhexyl Phthalate (DEHP), and Diisobutyl Phthalate (DIBP). EPA utilized Toxic Substances Control Act (TSCA) final risk evaluations to determine dozens of uses that pose risks to workers and the environment. Phthalates can cause human health abnormalities at certain exposure levels. EPA will develop rules through extensive consultation with workers, businesses, labor groups, and communities. Read more [here](#).

On December 31, EPA announced its findings of unreasonable health risks for 11 industrial uses of 1,3-butadiene. EPA will develop rules to protect workers in the identified industrial settings, considering health effects, exposure levels, economic impacts, and benefits of use. 1,3-butadiene is a colorless gas used in manufacturing car tires, adhesives and sealants, paints, and automotive care products. The review was conducted under the TSCA over the course of six years and utilized 20,000 scientific studies. A more detailed database was used to ensure the evaluation considered facility-specific conditions. Read more [here](#).

On December 23, EPA announced its intention to dramatically expand its imports investigative capacity and enforcement scope over illegal pesticide imports. EPA and U.S. Customs and Border Protection (CBP) will collaborate on these efforts, sharing information critical to inspection, enforcement, and coordination. Assistant Administrator Jeffrey Hall, who oversees EPA's Office of Enforcement and Compliance Assurance, toured the Los Angeles/Long Beach Seaport with CBP officials to discuss ways to increase enforcement. EPA's increase enforcement has led to the confiscation of 1,632,602 pounds of illegal pesticide imports at U.S. ports. Read more [here](#).

Cassidy and Associates support in January:

- Provided guidance for the FY 26 appropriations process;
- Updated AQMD staff on surface transportation reauthorization;
- Continued conversations on permitting reform efforts in Congress and the Administration;
- Worked with SCAQMD staff to strategize on future DC outreach and plan for DC visits; and
- Participated in weekly strategy sessions with SCAQMD staff.

IMPORTANT LEGISLATIVE DATES

January 30, 2026: Deadline to fund the federal government. In November, Congress passed a Continuing Resolution (CR) providing Congress more time to complete its consideration and pass FY 2026 funding.

ATTACHMENT 3A

South Coast AQMD, Legislative Committee Report

Buckley Government Affairs LLC

February 13, 2026

Legislative Session Update

The Legislature returned to Sacramento on January 5th with a full agenda underway. The early part of January has largely focused on committee hearings to advance two-year bills out of their houses of origin, consistent with the January 31st deadline for these measures. At the same time, legislators and staff have been actively developing new proposals for the upcoming year, with the introduction deadline set for February 20th this year. While a limited number of bills have already been introduced, we expect that number to increase significantly once we get into the month of February. Given that both houses have adopted a 35-bill limit per author, overall bill introductions are anticipated to be lower than last year.

On January 8th, Governor Gavin Newsom delivered his final State of the State address before a joint session of the Legislature, marking his first appearance before the full body since the pandemic. In his remarks, the Governor emphasized California's role as a national leader in democracy and economic growth, while underscoring priorities that include jobs, education, affordability, climate action, and ongoing recovery efforts related to the Los Angeles wildfires.

Budget Update

On January 9th, California Director of Finance Joe Stephenshaw held a press briefing to outline the details of Governor Gavin Newsom's proposed 2026–27 state budget. The Governor's proposal totals \$348.9 billion, including \$248.3 billion in General Fund spending, and represents an increase of \$42.3 billion over last year's Budget Act.

The Administration is projecting a \$2.9 billion budget deficit, a significantly smaller figure than the \$18 billion shortfall projected by the Legislative Analyst's Office (LAO) in November. Stephenshaw attributed this difference largely to the LAO's inclusion of heightened risk assumptions related to a potential stock market downturn. Under the Governor's forecast,

revenues are expected to experience modest growth, whereas the LAO assumes a revenue decline in the 2026–27 fiscal year.

One of the primary ways the Governor proposes to address the projected budget deficit is by suspending the Budget Stabilization Account (BSA) true-up deposit for the 2025–26 fiscal year. Under Proposition 2, the state is required to make annual deposits into the BSA, with deposit amounts generally increasing during periods of higher revenue, particularly from capital gains. These deposits may be suspended if the Governor declares a budget emergency. The settlement payment equals \$2.8 billion which almost entirely covers the projected \$2.9 billion deficit.

The Administration highlighted the following topline budget figures: the \$348.9 billion proposal is presented as a balanced budget; General Fund spending totals \$248.3 billion; total state reserves are projected at \$23 billion, including \$14.4 billion in the Rainy Day Fund, \$4.1 billion in the Public School Rainy Day Fund, and \$4.5 billion in the Special Fund for Economic Uncertainties.

ATTACHMENT 3B



Joe A. Gonsalves & Son

Anthony D. Gonsalves

Jason A. Gonsalves

Paul A. Gonsalves

PROFESSIONAL LEGISLATIVE REPRESENTATION

925 L ST. · SUITE 250 · SACRAMENTO, CA 95814-5766

916 441-0597 · FAX 916 441-5061

Email: gonsalves@gonsalvi.com

TO: South Coast AQMD
FROM: Anthony, Jason & Paul Gonsalves
SUBJECT: Legislative Update – January 2026
DATE: Thursday, January 22, 2026

January in Sacramento is underway, and activity is ramping up following the holidays. The Legislature reconvened on Monday, January 5, marking the official start of the second year of a 2-year session. Lawmakers now have until the end of January to move all two-year bills out of their house of origin. Meanwhile, all new bills must be submitted to Legislative Counsel for drafting by January 23, and all new bills must be introduced by February 20.

Governor Newsom has also been active in early January, delivering his final State of the State address on January 8, and submitting his proposed 2026–27 state budget on January 9. The legislative and budgetary work over the next several months will focus on negotiating the Governor’s proposals, preparing for the May Revision, and finalizing the budget by the constitutional deadline of June 15.

The following will provide you with updates of interest to the District:

STATE OF THE STATE

On January 8, Governor Newsom delivered his final State of the State address before a joint session of the California Legislature. The speech emphasized California’s economic strength, policy accomplishments, and the state’s role as a model of governance amid ongoing federal instability. The Governor framed California as a leader in areas including technology, education, public safety, and climate resilience, presenting the state as an example of effective governance in contrast to federal policy volatility.

Governor Newsom highlighted recent achievements, including reductions in violent crime, progress on homelessness, wildfire recovery efforts, and measures to improve affordability for working families in housing and health care. At the same time, he openly criticized the federal government for policies that have created additional costs and challenges for the state, underscoring the need for California to act independently.

The speech directly aligned with the Governor's 2026–27 proposed budget, which was submitted shortly thereafter. The address served to frame the Administration's priorities for the upcoming budget negotiations with the Legislature, including investments in transitional kindergarten, higher education, homelessness prevention, wildfire resilience, and public safety programs. The State of the State provides important context for these discussions, emphasizing California's policy direction and fiscal priorities while reinforcing the Administration's commitment to maintaining stability and strategic investments.

Governor Newsom's 2026–27 State Budget Proposal

On January 9, the Department of Finance presented Governor Newsom's proposed \$348.9 billion budget for the 2026–27 fiscal year. The Governor's January Budget proposal purports a balanced budget that reflects California's economic resilience, stronger-than-expected revenues, and a continued emphasis on fiscal discipline. The Governor's proposal is supported by improved revenue forecasts, including more than \$42 billion in additional General Fund resources over a three-year period, and maintains total reserves of \$23 billion, including \$14.4 billion in the Rainy Day Fund. Despite positive revenue trends, the budget adopts a cautious approach, limiting new ongoing commitments and prioritizing long-term sustainability amid federal uncertainty and global economic volatility.

The proposal emphasizes prudent fiscal management by rebuilding reserves, paying down long-term liabilities, and reducing state operational costs. The budget includes a \$3 billion deposit into the Rainy Day Fund and proposes \$11.8 billion over four years to reduce pension obligations. It also advances accountability and efficiency through \$1.55 billion in state operations reductions and savings from eliminating approximately 6,000 long-vacant positions. Structural reforms include improved TK–12 governance, continued implementation of the state's housing and homelessness reorganization, and strengthened accountability requirements tied to homelessness funding.

The Governor's January 2026 budget proposal includes several measures related to clean air, emissions enforcement, and air quality programs that are relevant to the South Coast AQMD and its priorities. The state is continuing to fund core air quality initiatives and compliance activities, though some broader policy concerns remain as the Legislature and stakeholders review the proposal.

Consistent with AB 1207 (Chapter 117, Statutes of 2025) and SB 840 (Chapter 121, Statutes of 2025), the Budget proposes a GGRF expenditure plan that updates the Cap-and-Invest program while continuing to support California's climate and air quality goals. The program now has a three-tiered funding structure. Tier 1, funded first, includes the Manufacturing Tax Credit, state operations, the State Responsibility Area backfill, and the Legislative Counsel Climate Bureau. Tier 2 provides \$1 billion for High-Speed Rail and \$1 billion for discretionary funding. Of the discretionary funding, \$250 million in 2026-27 is reserved for investments identified in SB 840, and the remaining \$750 million supports the CAL FIRE General Fund backfill. Tier 3 replaces previous percentage-

based continuous appropriations with capped dollar amounts, which are adjusted downward if necessary to ensure Tiers 1 and 2 are fully funded.

The Budget maintains the commitment established in the 2025 Budget Act to support CAL FIRE operations with \$1.25 billion in 2026-27, followed by \$500 million in each of the subsequent two fiscal years. The plan also includes statutory adjustments to clarify SB 840 and modernize the Affordable Housing and Sustainable Communities Program by separating affordable housing components from sustainable communities and agricultural land conservation components. Up to \$560 million annually from Cap-and-Invest auction proceeds will be allocated to affordable housing, administered by the Housing Development and Finance Committee, while up to \$240 million annually will support sustainable communities and agricultural land conservation, administered by the Strategic Growth Council and updated to enable flexible infrastructure investments that align with regional priorities.

To support Cap-and-Invest implementation, the Budget provides \$5.7 million in special funds and 17 positions for CARB and the California Public Utilities Commission to carry out statutory changes, including updates to compliance carbon offset protocols and the California Climate Credit. The Budget also advances clean transportation by providing targeted funding and statutory changes to incentivize zero-emission vehicle (ZEV) adoption, including \$200 million in one-time special funds to establish a new light-duty ZEV incentive program. This funding incorporates \$166 million previously included in the 2025 Budget to support the Motor Vehicle Account, which is projected to remain solvent through 2026-27. Incentives are a key part of the Administration's strategy to keep ZEVs affordable and accessible while supporting the infrastructure needed for continued growth.

We will continue to keep the Committee apprised as budget negotiations continue.

Key Differences Between the Governor's and the LAO's Budget Outlook

While both the Governor and the Legislative Analyst's Office (LAO) acknowledge stronger-than-expected revenues, the LAO adopts a more cautious long-term outlook. The LAO projects slower revenue growth and greater risk of out-year deficits, and therefore recommends deeper one-time solutions, fewer new commitments, and additional reserve deposits beyond those proposed by the Administration. In contrast, the Governor's budget assumes continued economic resilience and prioritizes implementing existing investments while maintaining, rather than significantly expanding, reserves.

The LAO also raises concerns about ongoing cost pressures in major programs, particularly Medi-Cal, homelessness, and education. The LAO recommends tighter cost controls, greater use of one-time funding, and more explicit plans to address future growth in program costs. The Administration's proposal maintains current service levels and emphasizes accountability reforms rather than program reductions, especially in homelessness prevention and health care.

Finally, the LAO is more skeptical of the budget's exposure to federal risk, including potential changes to health and social service funding. The LAO advises building additional budgetary buffers to prepare for federal volatility, whereas the Governor's proposal focuses on balancing fiscal caution with continued investments in education, public safety, climate resilience, and affordability initiatives that support working families.

The Legislature has expressed a cautiously supportive stance, signaling willingness to work with the Governor on core priorities such as education, public safety, and housing, while emphasizing the need for accountability and long-term fiscal sustainability. Lawmakers have highlighted that any new spending or program expansions must be balanced with prudent reserves and clear implementation plans. Some legislative leaders have echoed LAO concerns regarding Medi-Cal, homelessness, and climate programs, indicating they will scrutinize cost assumptions and performance measures before approving additional funding. The Legislature has also expressed interest in ensuring that investments in transitional kindergarten, higher education, and community programs are equitable and efficiently administered.

Overall, the Governor's proposal reflects confidence in California's economic strength while maintaining fiscal caution. Both the LAO and the Legislature emphasize long-term sustainability, with the Legislature focused on partnership, accountability, and aligning investments with performance and equity goals.

Governor Newsom's January proposal begins the formal budget negotiation process between the Administration and the Legislature. These discussions continue through the May Revision, when the Governor updates revenue and expenditure estimates based on the latest economic data. Following the May Revision, the Legislature will review, amend, and vote on the budget, with the constitutional deadline for adoption set for June 15.

SCHOOL BUS REPLACEMENT

On January 20, the California Air Resources Board (CARB) released a report highlighting that California continues to lead the nation in replacing older, polluting school buses with zero-emission models. The report shows that the state has invested over \$2 billion in school bus cleanup programs, including nearly \$1.4 billion specifically dedicated to zero-emission buses and the necessary charging infrastructure. These investments have supported the deployment of more than 3,400 zero-emission buses across over 350 school districts statewide.

Progress, however, faces potential setbacks due to federal funding uncertainties. Last year, the Trump Administration paused all awarded federal funds for clean school buses, creating challenges for districts nationwide attempting to expand zero-emission bus fleets. While some federal funds have since been released, the future of an additional \$2 billion in federal support remains uncertain. In 2022-23, California received approximately \$146 million from the federal program, though current awards have not yet been finalized.

According to the World Resources Institute, California leads the nation in funding electric school buses, with nearly four times as many funded buses as the next-leading state, New York. CARB and the California Energy Commission (CEC) have administered state funds for school bus replacement and related charging infrastructure for over a decade. In April 2024, the agencies announced \$500 million to support 1,000 zero-emission buses and the associated charging equipment.

The report emphasizes that additional funding will be critical to achieve California's goal of a fully zero-emission school bus fleet. School districts have relied on a combination of federal, state, and local funds to modernize their fleets, but ongoing federal uncertainty could slow progress.

Under Assembly Bill 579, California law requires all new school bus purchases to be zero-emission where feasible starting in 2035, with a full transition to zero-emission buses statewide by 2045. This mandate is part of the state's broader goal of achieving carbon neutrality by 2045, recognizing that decarbonizing the transportation sector is essential to meet California's climate targets.

2.5 MILLION ZEV SALES

On January 20, the CEC announced that California surpassed 2.5 million cumulative new zero-emission vehicle (ZEV) sales in 2025. Since the end of 2019, cumulative new ZEV sales in the state have grown more than 300%, fueled by clean transportation policies and a range of state incentives. This rapid growth has reinforced California's commitment to building a robust ZEV infrastructure network to support the expanding market.

During the fourth quarter of 2025, Californians purchased 79,066 new ZEVs, representing 18.9% of new car sales. These sales occurred despite the expiration of federal ZEV incentives on September 30, 2025, which contributed to a nationwide decline in ZEV sales from 10.5% in the third quarter to 5.8% in the fourth quarter.

Recognizing the importance of supporting innovation in clean energy and transportation, the state remains committed to advancing zero-emission driving. Governor Newsom's preliminary 2026–27 budget, announced on January 9, proposes a \$200 million incentive program to strengthen the ZEV market and support American auto innovation, particularly amid uncertainty created by federal policy changes. These incentives are designed to ensure ZEVs remain affordable and accessible for all Californians.

2026 LEGISLATIVE DEADLINES

Jan. 1 - Statutes take effect.

Jan. 5 - Legislature reconvenes.

Jan. 10 - Budget must be submitted by Governor.

Jan. 16 - Last day for policy committees to hear and report to fiscal committees fiscal bills introduced in their house in the odd-numbered year.

Jan. 23 - Last day for any committee to hear and report to the Floor bills introduced in that house in the odd-numbered year. Last day to submit bill requests to the Office of Legislative Counsel.

Jan. 31 - Last day for each house to pass bills introduced in that house in the odd numbered year.

Feb. 20 - Last day for bills to be introduced.

Apr. 24 - Last day for policy committees to hear and report to fiscal committees fiscal bills introduced in their house.

May 1 - Last day for policy committees to hear and report to the Floor non-fiscal bills introduced in their house.

May 8 - Last day for policy committees to meet prior to June 1.

May 15 - Last day for fiscal committees to hear and report to the Floor bills introduced in their house. Last day for fiscal committees to meet prior to June 1.

May 26 – 29 - Floor Session only. No committees, other than conference or Rules committees, may meet for any purpose.

May 29 - Last day for each house to pass bills introduced in that house

June 1 - Committee meetings may resume.

June 15 - Budget Bill must be passed by midnight.

June 25 - Last day for a legislative measure to qualify for the Nov. 3 General Election ballot.

July 2 - Last day for policy committees to meet and report bills. Summer Recess begins upon adjournment of session, provided Budget Bill has passed.

Aug. 3 - Legislature reconvenes from Summer Recess.

Aug. 14 - Last day for fiscal committees to meet and report bills to the Floor.

Aug. 17 – 31 - Floor Session only. No committee, other than conference and Rules committees, may meet for any purpose.

Aug. 21 - Last day to amend on the Floor.

Aug. 31 - Last day for each house to pass bills. Final recess begins upon adjournment.

South Coast Air Quality Management District Legislative and Regulatory Update – January 2026

❖ **Important Upcoming Dates**

February 20, 2026 – Last Day for Bills to be Introduced

❖ **RESOLUTE Actions on Behalf of South Coast AQMD.** RESOLUTE partners David Quintana and Alfredo Arredondo continued their representation of SCAQMD before the State’s Legislative and Executive branches. Selected highlights of our recent advocacy include:

- Provided ongoing updates as the legislature reconvened.
- Followed up on bills from the 2025 legislative session, including SCAQMD sponsored legislation.

❖ **AB 907 (Chen).** Assemblymember Philip Chen introduced AB 907, sponsored legislation for South Coast AQMD dealing with the inequity of pay for AQMD board members appointed to serve on the CA Air Resources Board.

The bill has been referred to Senate Environmental Quality Committee. The bill has been made into a 2-year bill.

❖ **Governor Releases Budget Proposal.** On January 9th, the Administration released their proposed budget. Of note, the Administration released a new estimate for the budget deficit of about 3 billion dollars. This is in contrast to the Legislative Analyst’s Office which projects the budget deficit to be about 18 billion dollars.

Administration Proposed Budget Summary: <https://ebudget.ca.gov/2026-27/pdf/BudgetSummary/FullBudgetSummary.pdf>

LAO Analysis of Proposed Budget: <https://lao.ca.gov/Publications/Report/5101>

❖ **AB 617 Funding in Proposed Budget.** The Governor’s proposed budget includes estimates of how much AB 617 is likely to get from the Greenhouse Gas Reduction Fund (GGRF).

2026-27 Cap-and-Invest Expenditure Plan

(Dollars in Millions)

Tier	Program	2026-27	2027-28	2028-29	2029-30	
Tier 1 Appropriations	Manufacturing Tax Credit	\$159	\$163	\$168	\$174	
	State Operations	\$120	\$124	\$127	\$131	
	State Responsibility Area Fee Backfill	\$88	\$88	\$88	\$88	
	Legislative Counsel Climate Bureau	\$3	\$3	\$3	\$3	
Tier 2 Appropriations	High Speed Rail Authority	\$1,000	\$1,000	\$1,000	\$1,000	
	\$1 billion reserved for discretionary appropriations:					
	- CAL FIRE General Fund Shift ^{1/}	\$750	\$500	\$500	\$0	
	- SB 840 Commitments	\$250	\$0	\$0	\$0	
	- Remaining Amount Available for Tier 2 Discretionary Funding	\$0	\$500	\$500	\$1,000	
Tier 3 Appropriations^{2/}	Affordable Housing	\$396	\$435	\$475	\$516	
	Transit and Intercity Rail Capital Program	\$283	\$311	\$339	\$369	
	Community Air Protection	\$177	\$194	\$212	\$231	
	Sustainable Communities and Agricultural Land Conservation	\$170	\$186	\$204	\$221	
	Low Carbon Transit Operations Program	\$141	\$155	\$170	\$184	
	Healthy and Resilient Forests	\$141	\$155	\$170	\$184	
	Safe & Affordable Drinking Water Program	\$92	\$101	\$110	\$120	

^{1/} Remaining \$500 million for the CAL FIRE General Fund shift in 2026-27 is funded with additional discretionary funding from interest earnings.

^{2/} Tier 3 funding is based on auction proceeds estimates which are based on recent auction results. This scenario is presented as an example only and should not be considered as a market price forecast.