

Overview of Fiscal Year (FY) 2025-26 Housing Budget Trailer Bills

On June 30, 2025, Governor Newsom signed into law two housing budget trailer bills, Assembly Bill (AB) 130 and Senate Bill (SB) 131. Staff are reviewing the bills and analyzing impacts on MTC-ABAG's work. Key provisions are bulleted below.

SB 131 Key Provisions

- Exempts a range of development projects from the California Environmental Quality Act (CEQA), including facilities for childcare, advanced manufacturing, high-speed rail, and certain local rezonings that implement an approved housing element.
- For a proposed housing development that would otherwise be exempt from CEQA under existing law but for a single condition, limits CEQA review to the effects caused solely by that condition.
- Excludes staff notes and other internal agency communications from the types of records a public agency must include in a CEQA record of proceedings.
- Appropriates \$500 million to the Homeless Housing, Assistance and Prevention Program in FY 26-27.

AB 130 contains 40+ changes to housing laws, including:

- Extends the Regional Early Action Plan 2.0 expenditure deadline by six months, as advocated for by MTC-ABAG and statewide partners.
- Eliminates the ability of councils of governments to adopt a Regional Housing Needs Allocation methodology that the California Department of Housing and Community Development finds out of compliance with statutory factors.
- Exempts from CEQA infill housing development, as defined, from CEQA, subject to consultation with Native American tribes and payment of prevailing wages for 100 percent affordable developments and, for developments over 85 feet tall, use of a "skilled and trained" workforce.
- Pauses changes to state and local residential building codes for six years, with a few exceptions, including changes related to home hardening and reducing water use.
- Establishes a state-level SB 743 mitigation fund for transit-oriented development and related infrastructure.