

Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee

July 11, 2025

Agenda Item 3a

Fiscal Year (FY) 2025–26 State Budget Update

Subject:

Update on Transportation and Housing Components of the FY 2025-26 State Budget.

Summary:

On June 24, 2025, Governor Newsom and legislative leaders announced an agreement on their FY 2025-26 state budget package, with final action expected by the July 1 constitutional deadline. In a highly unusual move, the agreement provided that the budget could not take effect until the legislature approved a suite of California Environmental Quality Act (CEQA) streamlining provisions to expedite housing and certain other infrastructure, contained in Senate Bill (SB) 131, a housing budget trailer bill. On June 30 – just one day before the deadline – the legislature passed SB 131 and the Governor promptly signed it.

Transit Provisions in the Budget

The budget agreement preserves \$1.1 billion in discretionary Greenhouse Gas Reduction Fund (GGRF) commitments to transit, protecting \$288 million in Senate Bill 125-committed funding for Bay Area transit operations and capital projects as well as funding for Bay Area Transit Intercity Rail Capital Program (TIRCP) Cycle 6 grant award recipients. It also includes the legislature's proposal for a \$750 million emergency loan program to address near-term fiscal challenges facing Bay Area transit agencies. Based on the attached summaries of the agreement between the Legislature and the Governor (Attachments A and B), the details of that loan program are expected to be negotiated in the coming weeks and enacted through a budget trailer bill.

Affordable Housing Funding and REAP 2.0 Updates

The final budget agreement also includes approximately \$900 million for affordable housing, a hard-earned outcome given that the Governor's initial proposal would not have provided any new state dollars for affordable housing. As advocated for by MTC-ABAG and our statewide partners, the other major housing budget trailer bill (Assembly Bill (AB) 130) includes provisions to extend the Regional Early Action Planning Grant (REAP) 2.0 deadline. This

extension ensures MTC can fully implement its REAP 2.0 initiatives as proposed, after last year's state budget uncertainty, paired with a lengthy state approval process, significantly delayed the program launch. Unfortunately, despite a very strong and sustained advocacy effort, the final budget does not include the MTC-ABAG-requested Bay Area Housing Finance Authority (BAHFA) earmark. Attachment C provides a high-level summary of the two main housing budget trailer bills (AB 131 and SB 101).

Staff will continue to review and analyze the budget deal and will provide a verbal update at your upcoming committee meeting.

Issues:

None identified.

Recommendations:

Information.

Attachments:

- Attachment A: Senate Summary of FY 2025-26 Budget Agreement
- Attachment B: Assembly Summary of FY 2025-26 Budget Agreement
- Attachment C: Overview of FY 2025-26 Housing Budget Trailer Bills



Andrew B. Fremier