

2026 State Policy Preview

Presented to:

San Mateo County Transportation Authority

December 4, 2025



Presentation Overview

- 2026 State Policy Preview
 - Political Context
 - State Budget & Transportation Funding
 - Transportation & Climate Policy
- Questions & Discussion

2026 Political Context

- Final Year of Governor Newsom's term
- New Senate Leadership
 - Committee & leadership changes anticipated
 - Short-timer like the prior Pro Tem
- Election Year Dynamics
 - Prop 50 scrambling political map
 - March 6 filing deadline for June Primary
 - Major ballot measures on local taxes and CEQA

State Budget & Transportation Funding

- LAO Projecting \$18 billion shortfall in FY26-27
 - Revenues running ahead of projections
 - K12 Ed & “Rainy Day Fund” absorb most revenue gains
 - Federal hits from H.R. 1 beginning to materialize
 - Costs running \$6 billion over projections
- Cap-and-Invest revenues anemic
- Special funds for transportation constitutionally protected
- Broadway Grade Separation – from State Highway Account

1st Tier
~\$250 million

~\$150m - Backfill Manufacturing Sales Tax Exemption
~\$90m - CalFire SRA Fee Backfill
\$3m - Legislative Counsel Climate Bureau

2nd Tier
\$2 billion

\$1b - High-Speed Rail
\$1b - Legislative Priorities via Budget

3rd Tier
\$1.98 billion

\$1.73b - TIRCP, LCTOP & other
existing programs

\$250m - New Programs

Any Remaining
Funding
Allocated via
Budget Process

Cap & Invest:

*Approximately \$4.3
billion in total auction
proceeds needed to
complete the waterfall*

Transportation and Climate Policy

- SB 375 (2008) Sustainable Communities Strategies
 - Ongoing CalSTA taskforce and Big 4 MPO working group
 - Possible legislation
 - Key potential implications for TA:
 - SB 1 competitive grant eligibility
 - Interaction between local sales tax measures & Plan Bay Area
- Assemblymember Wilson Regional Townhalls and informational hearings on gas tax replacement
- COVID-era funding flexibilities for transit expire

Discussion & Questions

Chris Lee

clee@politicogroup.com

Kiana Valentine

kiana@politicogroup.com

(916) 444-3770