



November 19, 2024

To: James Corless, Executive Director, Sacramento Area Council of Governments

From: Chris Lee, Partner, Politico Group
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Re: November State Advocacy Report & Election and Budget Updates

Politico Group is pleased to provide the following report to the Sacramento Area Council of Governments (SACOG) on recent advocacy activities, as well as statewide election and budget updates. In the coming months, we will provide additional background and insight on policy issues that will be the focus of the Administration and Legislature in the upcoming session.

November Advocacy Activities

In November, Politico Group continued to work closely with SACOG staff and coordinate with the California Association of Councils of Government (CALCOG) to strategize and prepare for the upcoming legislative session. Politico Group is also working to schedule briefings with key returning policy committee chairs and staff, as well as incoming members of the SACOG delegation.

The intersection of climate change, land use, and transportation will continue to be a major area of legislative interest in 2025, particularly with the incoming Trump Administration in Washington DC. Key topics of legislative interest will include the extension of the state's cap and trade program, potential changes to the legislative framework for SB 375 (2008) sustainable communities strategies, funding infill housing and the Regional Early Action Planning Grant Program (REAP), future-proofing transportation and public transit funding streams as the vehicle fleet electrifies, and ongoing implementation of the Governor's Climate Action Plan for Transportation Infrastructure (CAPTI). In addition, local and regional government stakeholders will continue to pursue flexibility for remote participation in Brown Act meetings.

In the upcoming months, Politico Group will report on the likely next steps for these and other key policy issues. In the meantime, the following report provides highlights of key 2024 election outcomes and state budget and revenue news.

Election Overview

Democrats Retain Super-Majority Control in California Despite Rightward Shift

At the time of this writing, approximately 600,000 ballots remain to be counted in the 2024 General Election in California. Despite significant gains for Republicans nationally and in a handful of California state legislative races (some which remain too close to call), Democrats will continue to enjoy decisive supermajorities in both the Assembly, where they are projected to hold 60 of 80 seats, and the Senate, where the majority will likely stand at 31 of the 40 total seats.

In a historic first, women are poised to constitute a majority of California State Senate (22 of 40 seats), as well as both the Senate Democratic (16 of 31 members) and Republican (6 of 9 members) caucuses. The Assembly will also be close to gender parity, with 36 women serving as Assemblymembers.

Over a quarter of California's 120 state legislators will be new to their offices during the 2025-2026 legislative session. The anticipated roster of new members includes 11 new Senators—most with prior legislative experience—and 22 new Assemblymembers. Two additional Senators and one Assemblymember were elected to other offices in November, which will bring the total number of new members to 36. Significant changes in policy committee leadership will also take place, as the chairs of 10 standing committees will not be returning to the Legislature in December.

Departing Policy Committee Chairs	
Senate	Assembly
Energy, Utilities & Communications	Banking & Finance
Governmental Organization	Emergency Management
Health	Jobs, Economic Development & Economy
Housing	Public Safety
Revenue & Taxation	
Education	

Finally, the juxtaposition of a Trump White House and Governor Newsom at the helm in California will make for an uncertain environment in Sacramento across numerous policy and fiscal areas. In addition to inevitable policy disputes between Democratic leaders in Sacramento and the Republican trifecta in Washington, immediate concerns discussed in the budget report below include outstanding federal funding for California priority projects and disbursement of federal disaster relief funding.

New SACOG Legislative Delegation Members

Two new state representatives will join the SACOG legislative delegation when they are sworn in on December 2. Senator-Elect Christopher Cabaldon, former long-time Mayor of West Sacramento and a veteran of statewide policy work in his private sector career, will replace Senator Bill Dodd (D-Napa) in the 3rd Senate District. The district stretches from Yolo County (excluding West Sacramento) and parts of southern Sacramento County all the way to Rohnert Park in Sonoma County. Assemblymember-Elect Maggy Krell, a former prosecutor with the California Department of Justice and an experienced advocate for reproductive healthcare, will replace 6th District Assemblymember Kevin McCarty (D-Sacramento) who was elected Sacramento Mayor. The 6th Assembly District includes much of the City of Sacramento, as well as parts of unincorporated Sacramento County.

Mixed Outcomes for State Ballot Measures

Voters approved \$20 billion in General Obligation bonds for school facilities and climate and natural resources purposes, but efforts to reduce voter approval thresholds for local bond measures failed. While un-enforceable language restricting same-sex marriage was stricken from the California Constitution with the passage of Proposition 3, other measures for a progressive outlook failed passage and a major roll-back of recent criminal justice reforms passed by a healthy margin. At the local and regional level, there were also mixed results for transportation funding, with measures passing in Napa and Madera counties, and failing in Placer, San Diego and San Francisco counties.

		<i>Proposition Title</i>	<i>Yes Votes</i>	<i>%</i>	<i>No Votes</i>	<i>%</i>
Yes	2	Bonds for Public School and College Facilities	8,308,514	58.4%	5,912,412	41.6%
Yes	3	Constitutional Right to Marriage	8,976,021	62.7%	5,339,692	37.3%
Yes	4	Bonds for Water, Wildfire, and Climate Risks	8,522,380	59.5%	5,791,423	40.5%
No	5	Bonds for Affordable Housing and Infrastructure	6,326,400	44.7%	7,835,723	55.3%
No	6	Eliminates Forcing Inmates to Work	6,516,807	46.7%	7,450,591	53.3%
No	32	Raises Minimum Wage	7,037,635	49.1%	7,282,336	50.9%
No	33	Local Government Residential Rent Control	5,608,817	39.7%	8,529,287	60.3%
Yes	34	Restricts Spending of Prescription Revenues	6,951,550	50.7%	6,757,166	49.3%
Yes	35	Provides Permanent Funding for Medi-Cal	9,548,132	67.8%	4,541,474	32.2%
Yes	36	Increased Sentencing for Certain Drug and Theft Crimes	9,762,900	68.6%	4,474,443	31.4%

State Revenues and Budget

State Revenues and Preparing for Fiscal Impacts of a New Federal Administration

According to the November Bulletin from the Department of Finance, state revenues for the 2025-26 fiscal year through October are \$5.3 billion over budget estimates, driven by strength in personal income tax (12.7% above forecasts in the budget year) and corporation tax (33.3% above forecasts in the budget year). While sales tax revenues lagged (2.3% below forecasts in the budget year), this revenue was partially offset by strong interest earnings from the state's large cash balances. While positive, these trends unfortunately may not culminate in a projected surplus when Governor Newsom presents his proposed state budget on or before January 10.

As noted by Assembly Speaker Rivas' chief budget advisor, Jason Sisney, in a recent article, much of the additional revenue to date is already spoken for in the state budget due to Proposition 98 funding guarantees for education, future unfunded costs in multiyear budget projections, and increased expenditures in health and human services programs. Other significant cost drivers include unbudgeted costs from ballot measures approved by the voters—especially Proposition 35, which makes changes to the health-related programs funded by California's Managed Care Organization tax, and Proposition 36,

which is likely to increase public safety costs for both incarceration and drug treatment. Finally, cost-savings measures included in the FY 2024-25 budget may fail to materialize, such as the assumed 10% reduction in state operations costs.

In addition to these in-state factors, Governor Newsom has clearly signaled the Administration's concerns about potential fiscal headwinds related to the incoming Trump Administration. The Governor called a special session of the Legislature, to begin in early December, to provide funding for the California Department of Justice for anticipated litigation costs related to the challenging Trump Administrative actions, or to defend against litigation and other federal enforcement actions against California. The Governor also traveled to Washington DC, where he lobbied to secure outstanding funding requests to the Federal Emergency Management Agency, including \$5.2 billion in state and local coronavirus relief spending, two pending health waivers, eight pending Environmental Protection Agency waivers related to fuel standards, and disbursement of \$6 billion for California rail projects, including highspeed rail.

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