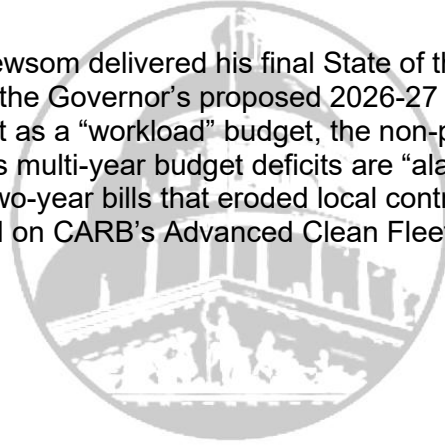




TAKE ACTION BRIEF

January 2026

On January 8, Governor Gavin Newsom delivered his final State of the State address and the following day his Director of Finance presented the Governor’s proposed 2026-27 State Budget. While Governor Newsom’s administration framed it as a “workload” budget, the non-partisan Legislative Analyst’s Office (LAO) commented that California’s multi-year budget deficits are “alarming.” Meanwhile, CSDA was pleased to successfully oppose a couple two-year bills that eroded local control and the association is geared up for a pending 15-day comment period on CARB’s Advanced Clean Fleets ZEV mandate.



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Contact a local CSDA representative near you!

Chris Norden
 Dane Wadlé
 Colleen Haley
 Erasmo Viveros
 Richelle Noroyan
 Chris Palmer

Northern Network
 Sierra Network
 Bay Area Network
 Central Network
 Coastal Network
 Southern Network

chrisn@csgda.net
danew@csgda.net
colleenh@csgda.net
erasmov@csgda.net
richellen@csgda.net
chrisp@csgda.net



LAO finds CA's multiyear budget deficits "alarming"

CSDA Chief Executive Officer Neil McCormick issued the following response to Governor Gavin Newsom's January 2026-27 State Budget proposal:

"Projecting the budget months in advance is no easy task, but one thing that is clear is the fundamental cost of critical infrastructure is outpacing funding for the special districts largely responsible for California's water, sanitation, fire protection, resource conservation, mosquito abatement, and more. As we all strive to make California more affordable, our local service specialists seek the State's partnership to uphold voter-approved funding and to refrain from legislation and regulations that increase the cost of delivering the essential services our communities rely on for housing, economic development, and quality of life."

CSDA's full overview of the Governor's Budget proposal can be found at [Advocacy News - California Special Districts Association](#).

On January 12, California's non-partisan Legislative Analyst's Office (LAO) issued its [Overview of the Governor's Budget](#). The LAO's Executive Summary is provided below:

Governor's Budget Roughly Balanced on Higher Revenues. The administration projects the budget faces a roughly \$3 billion deficit. This is lower than our November Fiscal Outlook estimate of an \$18 billion deficit, for two offsetting reasons. First, and most importantly, the administration's revenue estimate is considerably higher than ours because it does not incorporate the strong risk of a stock market downturn. Second, however, these higher revenues are offset by higher spending under the administration's assumptions and estimates.

Stock Market Poses Serious Risk to Revenues. Several historically reliable signs suggest the stock market is overheated and at high risk of reversing course into a downturn in the next year or so. Should a stock market downturn occur, income tax revenues would fall considerably. These risks are severe enough that not incorporating them into this year's budget, as the Governor proposes, would put the state on precarious footing. Further amplifying this precariousness, even under the administration's more optimistic revenues, the budget is only roughly balanced in the near term.

Multiyear Budget Deficits Alarming. Both our office and the administration expect the state to face multiyear deficits, with estimates ranging from \$20 billion to \$35 billion annually. These deficits are concerning for three reasons. First, after four years of projected deficits and a cumulative total of \$125 billion in budget problems solved so far, the state's negative fiscal situation is now chronic. Second, structural deficits have grown—our November outlook is the most negative forecast of the budget's position since the pandemic. Finally, deficits have persisted even as the state's economy and revenues have grown, underscoring that the problem is structural rather than cyclical. Taken together, these trends raise serious concerns about the state's fiscal sustainability.

Administration Acknowledges These Challenges, but Governor's Budget Does Not Materially Address Them. In the budget summary and presentation, the Governor and administration officials have acknowledged the downside risk to the state's revenue picture and the multiyear challenges facing the budget. However, the Governor's budget does not include material actions to address either challenge. In this report, we offer an alternative approach for the Legislature to take that would put the state on better fiscal footing. Ultimately, this approach includes: adopting LAO revenue estimates, tackling the resulting budget problem, and shrinking multiyear deficits.



WATCH: CSDA virtual tour on funding housing infrastructure

For the sixth year running, CSDA hosted a virtual special districts tour for more than 50 state and federal legislative staffers. The event, held December 9, 2025, focused on funding infrastructure essential for housing and featured the Chino Valley Fire District, Eastern Municipal Water District, and Desert Recreation District.

Building more housing is not possible without critical services such as water, sewer, fire protection, parks, and more. Therefore, funding this infrastructure is foundational to addressing California's pressing housing needs.

Visit [2025 Virtual Tour: Funding Infrastructure Essential for Housing - California Special Districts Association](#) to download a tour packet, presentation slide decks, and share the informative videos with your peers:

- [Funding Infrastructure Essential for Housing](#) (4 minutes)
- [Recording of 2025 Special Districts Virtual Tour](#) (60 minutes)
- [Meeting Emergency Response Needs of a Growing Community](#) (3 minutes)
- [Park District Planning Effectively for Fast-Growing Affordable Region](#) (4 minutes)
- [Water District Maximizes Investments Needed for Rapidly-Growing Region](#) (5 minutes)

Advocacy to protect local control pays off on two-year bills

Education on the value of local control and the concerns with shifting the cost burden of infrastructure to new developments, is already proving worthwhile. AB 874 (Ávila-Farías) and SB 430 (Cabaldon) were respectively pulled from consideration by their authors in January following advocacy from CSDA and coalition partners. Both measures would have restricted local control and strained budgets for essential services at a time where special districts are confronting affordability challenges.

[AB 874](#) would have amended the Mitigation Fee Act, which governs how local agencies collect development-related fees to fund essential infrastructure, such as water, sewer, fire protection, parks, flood control, and libraries. The one-size-fits-all fee deferral program would have effectively turned local agencies into banks, shifting financial risk to residents and impairing the timely construction of essential infrastructure.

[SB 430](#) applied limitations on automated decision systems (ADS) to a potentially wide range of technologies and broad array of services. In certain instances, the burdens required to comply with the provisions of the measure could have disincentivized the use of such tools. Local agencies have successfully utilized ADS in numerous settings, including scheduling, training, and development for example. As technologies geared to government use become more available and affordable, it is likely that more local agencies will find utility in adopting forms of ADS.

AB 874 and SB 430, which were “two-year” bills, had been set for hearing on Wednesday, January 13 in their respective first-house policy committees. This legislation is now considered “dead”. CSDA will continue to monitor these policy areas as the legislative session continues. February 20, 2026 is the bill introduction deadline for new legislative vehicles in this second year of the session.



15-day comment period imminent on ZEV mandate

CSDA is actively holding roundtable meetings between special district officials and board members of the California Air Resources Board (CARB) to share the potentially disastrous impacts of CARB's Advanced Clean Fleets (ACF) Zero Emission Vehicle (ZEV) mandate on local governments. Based on these meetings, it is anticipated CARB will initiate a 15-day comment period on draft amendments to the ACF regulation as soon as mid-January.

TAKE ACTION: PREPARE TO COMMENT ON PROPOSED ACF AMENDMENTS

CSDA anticipates CARB will announce a 15-day comment period on amendments to the ACF regulation as soon as mid-January 2026. Special districts and other local agencies are encouraged to prepare to comment during this short timeframe.

- CSDA Take-Action Page: [CARB Regulation: Flexibility for Vehicles Needed for Emergencies - California Special Districts Association](#)
- CARB Regulation Background: [Advanced Clean Fleets | California Air Resources Board](#)
- Subscribe to CSDA Advocacy News: <https://www.csdanet.org/csdanet-communities/allcommunities>
- Subscribe to CARB Distribution List: [Rulemaking | California Air Resources Board](#)

On September 25, 2025, CARB approved [Resolution 25-6-8](#) related to [proposed amendments to ACF](#), which among other things, repealed or provided clarity to those provisions related to private fleets that may not be entirely enforceable today due to the changes in federal law and withdrawal of certain waivers. The Board approved the resolution and directed staff to pursue further amendments that will have a future 15-day comment period.

In advance of the coming 15-day comment period in which CARB will consider further amendments to its Advanced Clean Fleets regulation, CSDA and other organizations representing thousands of local agencies have called upon CARB to ensure our frontline workers have the tools they require to perform their dangerous jobs under any conditions.

Emergency Response Vehicles Should Be Excluded from the ACF Mandate

Vehicles reasonably anticipated to respond to emergency situations, or that support those efforts, should be excluded from the regulations in the same manner as the current regulation excludes snow removal vehicles.

Some examples of vehicles called upon to preserve public health and safety beyond those currently exempted:

- Vehicles used for purposes of fire prevention/mitigation, public safety, search and rescue, medical response, and poacher prevention should be excluded.
- Vehicles that are essential to the delivery, repair, and maintenance of electricity, water, wastewater, stormwater, and flood protection should be excluded.
- Vehicles used to prevent and respond to the spread of disease and dangerous vector outbreaks should be excluded.



OTHER WAYS TO TAKE ACTION

Learn More

[2026 Professional Development Catalog](#)

Sharpen your skills and deepen your knowledge? Look no further than the CSDA 2026 Professional Development catalog, where you'll find courses in every possible format to suit your needs – live and on-demand, virtual and in-person. Check out next year's conference dates and locations, new offerings like our Leadership Lessons series, our list of most popular on-demand webinars, and much more!.

Register Now for Special Districts Legislative Days April 7-8 in Sacramento

Don't miss your chance to come together with local leaders from all types of special districts throughout the state to engage and advocate on behalf of the communities you serve.

No matter what type of special district you represent, as local service specialists, we share one cause: **LOCAL CONTROL**. And our voice is stronger when we are united.

With affordability challenges at the forefront in 2026, this is a critical year to educate policymakers on the value of special districts and our priorities.

Learn More and Register at [LegislativeDays.csdanet.net](https://legislativedays.csdanet.net) – *Early Bird Deadline is March 16, 2026*

Join Today

Join an Expert Feedback Team to provide CSDA staff with invaluable insights on policy issues. Email annac@csda.net to inquire about joining one of the following teams:

- Housing and Community Development
- Governance
- Human Resources & Personnel
- Local Revenue
- Public Works and Facilities

Stay Informed

In addition to the many ways you can **TAKE ACTION** with CSDA's advocacy efforts, CSDA offers a variety of tools to keep you up-to-date and assist you in your district's legislative and public outreach. Make sure you're reading these resources:

- CSDA's weekly e-Newsletter
- Districts in the News
- CSDA's *California Special Districts Magazine*

Email updates@csda.net for help accessing these additional member resources.