



CITY OF COSTA MESA

77 Fair Drive
Costa Mesa, CA 92626

Agenda Report

File #: 26-146

Meeting Date: 3/3/2026

TITLE:

2026 LEGISLATIVE UPDATE

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: JAY BARKMAN, GOVERNMENT AFFAIRS MANAGER

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RECOMMENDATION:

Receive and file the update on Federal and State budgets and provide input on identified legislation impacting the City of Costa Mesa.

BACKGROUND:

On September 16, 2025, the City Council adopted the Legislative Platform and staff's proposed timeline to provide regular updates to the City Council beginning in 2026. This item is brought forward to provide the City Council with a summary of federal and state budgets, along with a preliminary review of state legislation.

The California Legislature's deadline to introduce bills was February 20, 2026. Legislative committees are beginning the process of analyzing bills and considering amendments as needed. During these early stages of the legislative process, many bills are under development or in a "spot bill" format. There will be future opportunities in the coming months for the City of Costa Mesa to request information, amendments, or adopt a position.

Finally, federal and state budget processes are in the early phases of development with state budget committees kicking off their hearings in March and the federal process catching up from their FY 2026 deliberations. Staff and City's lobbyists will provide a more detailed presentation regarding federal and state budget items impacting the City of Costa Mesa.

ANALYSIS:

California Budget

The Governor's proposed California budget was released on January 10, 2026, and despite a projected \$2.9 billion deficit, Governor Newsom's proposal was a balanced \$348.9 billion budget with no deficit. The Governor's proposal begins the annual budget process, during which the Legislature will review and analyze the Governor's proposals, engage with the Administration and the public regarding the state's resources and priorities, and then negotiate a final budget with the Governor.

The Governor's budget anticipates an increase in revenues due to growth in personal income taxes due to better than anticipated economic growth in 2025. This is attributed partly to lower than anticipated impacts from tariffs and resilient consumer spending. California's revenue sources are especially impacted by volatility in trade or tourism and are reliant on personal income tax or capital gains paid by high income earners. Continued uncertainty about federal policy on tariffs and immigration has led the Governor to hold off on new policy or program proposals. The May revise will provide the next opportunity to assess revenues and consider any significant new investments.

Federal Budget

On February 3, 2026, the House passed, and the President signed HR 7148, the final minibus of Fiscal Year 2026 (FY26) containing the Transportation, Housing and Urban Development; Labor, Health and Human Services, Education; Defense, State and Foreign Operations; and Financial Services and General Government funding bills alongside a short-term continuing resolution for the Homeland Security bill. Combined with the previously passed and signed omnibus, HR 6938, 11 of the 12 appropriations bills for FY 26 are now law and 96% of discretionary spending is accounted for through the end of FY 26 on September 30.

At the writing of this staff report, Congress and the White House were negotiating final funding levels for the Department of Homeland Security, which has been funded temporarily by a Continuing Resolution. Staff will provide a verbal update on the outcome of those discussions.

Legislative Review & Positions

The Government Affairs Manager is responsible for identifying and tracking legislation impacting the City of Costa Mesa and as appropriate, recommending positions aligned with the City's Legislative Platform. At this early phase of the legislative process policy committees of both the Assembly and Senate are just beginning their analysis and collection of information from authors and sponsors. The California League of Cities (League) and Association of California Cities Orange County (ACCOC) are also conducting their initial review.

Under City Council Policy 000-8 the Mayor is authorized to execute position letters on bills if legislative partners such as the League or ACCOC have adopted a position. If not, then formal City Council approval is required. Staff is proposing the City Council adopt positions on an initial list of bills that have been identified in Attachment 1. These seven bills cover affordable housing financing, homelessness prevention, residential inspections, ignition interlock devices and nitrous oxide sales.

ALTERNATIVES:

The City Council may direct staff to revise recommended legislative positions or to defer action on specific bill(s) and conduct further analysis.

FISCAL REVIEW:

There is no fiscal impact associated with the recommended action of this agenda item.

LEGAL REVIEW:

The City Attorney has reviewed and approved this report and approves it as to form.

CITY COUNCIL GOALS AND PRIORITIES:

The item is in alignment with the City's Legislative Platform and City Council goals listed below:

- Strengthen the Public's Safety and Improve the Quality of Life
- Achieve Long-Term Fiscal Sustainability
- Diversify, Stabilize and Increase Housing to Reflect Community Needs
- Maintain and Enhance the City's Facilities, Technology and Equipment
- Advance Environmental Sustainability and Climate Resiliency

CONCLUSION:

Staff recommends the City Council receive and file the update and provide input or direction on the identified legislative bills impacting the City of Costa Mesa.