



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Emily S. Lam

SUBJECT: 2026 Summer
Intergovernmental
Relations Report

DATE: September 2, 2026

Approved

Date:

9/10/26

COUNCIL DISTRICT: Citywide

RECOMMENDATION

- (a) Accept the 2026 Summer Intergovernmental Relations Report.
- (b) Reaffirm all City positions summarized in the 2025-2026 Intergovernmental Relations Priority Federal Legislation Log.
- (c) Reaffirm all City positions summarized in the 2025-2026 Intergovernmental Relations Priority State Legislation Log.

SUMMARY AND OUTCOME

The 2026 Summer Intergovernmental Relations Report provides an update on the City's top legislative priorities and outlines legislative positions for the City Council to reaffirm. All legislative positions are outlined in Attachment A: 2025-2026 Intergovernmental Relations Priority Federal Legislation Log and Attachment B: 2025-2026 Intergovernmental Relations Priority State Legislation Log. Acceptance of this report continues the Administration's advocacy efforts on City priorities.

Since the last briefing to the City Council on April 28, 2026, the Intergovernmental Relations (IGR) team, part of the City Manager's Office of Administration, Policy, and Intergovernmental Relations, advanced the City's legislative priorities in coordination with departments, offices, and external stakeholders.

BACKGROUND

The Administration provides regular updates on legislative and regulatory advocacy efforts to inform the City Council of actions taken throughout the year related to federal and state legislative advocacy. IGR last reported on April 28, 2026, to the City Council ([Item 3.4 26-469](#)¹). The City Council last approved the 2026 Legislative Program and Legislative Priorities on January 13, 2026 ([Item 3.6 26-027](#)²). The analysis section of this memorandum is organized into subject areas: Budget and Legislative Priorities.

ANALYSIS

Budget

The City's funding advocacy focuses on approximately \$230 million in grants and revenues to the General Fund. This total comprises approximately \$199 million (86%) in state and local sources and approximately \$31 million (14%) in federal grants.

Federal Update

Congress passed the Continuing Resolution (CR), which extends funding for federal agencies through December 11, 2026, and averts a government shutdown on September 30, 2026. It extends the current Surface Transportation Reauthorization as Congress continues to work on a multi-year reauthorization, which would support public transit and rail systems in San José. The CR delays the implementation of the White House Office of Management and Budget's rule, jeopardizing the City's federal funding until December 11, 2026. The City provided input and joined the Public Rights Project-convened local government coalition to oppose this rule, along with both Senators representing California and all four Members of Congress representing San José in July 2026.

The City continues to advocate for \$6.28 million in earmarks supporting five projects serving San José's residents as part of the federal Fiscal Year 2027 appropriations. Projects were chosen based on several factors, such as alignment with the City Council-approved 2026 Legislative Priorities and Program, guidance issued by the House and Senate Appropriations Committees, and feedback from the City's federal delegation and lobbying teams. A full list of projects appears in Attachment C: FY2027 Community Project Funding and Congressionally Directed Spending Requests.

¹ <https://sanjose.legistar.com/LegislationDetail.aspx?ID=7981356&GUID=287BB240-FB39-451F-AC2F-A2636DBBE392>

² <https://sanjose.legistar.com/LegislationDetail.aspx?ID=7784029&GUID=E816A8C1-9D57-4DE4-BA72-C159E2086963>

State Update

The Governor signed the Fiscal Year 2026-2027 budget on June 29, 2026, providing a balanced budget with no projected deficit this fiscal year and next fiscal year. The enacted budget mirrors the Governor's budget revised in May 2026, with some exceptions resulting from the City's advocacy.³ It provides \$500 million for an additional year of enhanced state low-income housing tax credits and \$200 million in one-time funding for the Multifamily Housing Program to support affordable rental housing. The budget also includes \$50 million for Proposition 36 implementation to tackle theft and drug crimes.

The City led efforts to protect revenues of California's charter cities by shaping and clarifying the intent of Assembly Bill (AB) 736. This bill would have prohibited local jurisdictions, including the City, from collecting a tax exceeding 1.5% of the price for a property sold or the value of a property transferred beginning on January 1, 2027. The City sought to preserve up to \$110 million of its existing annual tax revenue that funds programs serving residents experiencing or at risk for homelessness and build or maintain fire stations, libraries, parks, and other infrastructure. The California Legislature did not pass this bill.

The City is supporting Senate Bill (SB) 661, awaiting the Governor's action, to create a new formula-based source of state funding for operating and maintaining airports in California. This bill could provide additional revenue for the San José Mineta International Airport.

Legislative Priorities

Reduce Unsheltered Homelessness, Support Unhoused Residents, and Increase Opportunities for Affordable Housing

Federal Update

The City supported H.R. 6644, 21st Century Renewing Opportunity in the American Dream to Housing Act, which became law on July 11, 2026. The City's Housing Department issued an informational memorandum on August 17, 2026, detailing potential impacts to the City.⁴

The City is supporting H.R. 1340, More Homes on the Market Act, introduced by Representative Panetta with bipartisan support. This bill would double the capital gains exclusion caps on the sale of a primary residence from \$250,000 to \$500,000 for an

³ <https://www.sanjoseca.gov/home/showpublisheddocument/132443/639162530497670000>

⁴ <https://www.sanjoseca.gov/home/showpublisheddocument/133842/639225729565900000>

individual and from \$500,000 to \$1,000,000 for joint filers. This increase should incentivize residents to sell their homes, increasing the available supply for those who want to buy homes in San José.

State Update

The City led efforts to increase funding for the Homeless Housing, Assistance, and Prevention Program from the \$500 million that the Governor initially proposed to \$900 million in the enacted Fiscal Year 2026-2027 budget. The City expects to receive funding from this program that will serve approximately 900 residents experiencing homelessness.

The City engaged on AB 1751, awaiting the Governor's action, intended to expedite the approval of townhome developments without a project-level environmental review or public hearing in most cities, including San José. The City, through direct communication with the Governor's Office, will convey its concerns about how this bill could decrease the amount of housing planned in certain transit areas.

The City supported AB 1903, intended to decrease litigation and insurance uncertainty for more condominium and townhome construction in San José. The California Legislature did not pass this bill. The City will meet with the author, Assemblymember Wicks, to identify follow-up actions.

Enhance Community Safety and Realize Vision Zero Initiatives

Federal Update

The IGR and federal lobbying teams are advocating for the City's Transportation Department to receive \$9.89 million through the Safe Streets and Roads for All program. The grant, awaiting an award decision in fall 2026, would improve streetlights and traffic signals, install medians, and introduce a pedestrian crossing technology along the Jackson Avenue corridor with a history of fatal collisions.

The IGR and federal lobbying teams are advocating for the City's Fire Department to receive \$3.3 million through the Staffing for Adequate Fire and Emergency Response (SAFER) grant program. The grant, awaiting an award decision in fall 2026, would fund seven Firefighter positions for the opening of Fire Station 32 in the Little Saigon neighborhood.

The City is supporting S. 5331, Protect American Values Act of 2026, co-sponsored by both Senators representing California. This bill would prohibit the U.S. Department of Homeland Security from implementing the Public Charge Ground of Inadmissibility rule beginning on September 18, 2026. This rule allows immigration officials to deny admission or lawful permanent resident status to certain non-U.S. citizens in San José if

officials believe they may depend on public assistance (e.g., childcare, Medi-Cal, Supplemental Nutrition Assistance Program) in the future.

State Update

The City is co-sponsoring AB 1941, awaiting the Governor's action, to strengthen enforcement against those involved in organized metal theft. Since September 1, 2024, stolen wire incidents have affected a total of 2,305 streetlights throughout the City, including 208 lights repeatedly targeted for copper wire.

The City, following the City Council's April 28, 2026 direction, has engaged the City's Bicycle and Pedestrian Advisory Committee, California Legislature, California City Transportation Initiative, Silicon Valley Bicycle Coalition, and other stakeholders on e-bike safety and access. The City's advocacy has focused on limiting vehicles marketed or sold as e-bikes to minors who may have no training or license to operate them. The City's efforts advanced multiple bills awaiting the Governor's action. These include AB 2346 and SB 1167 with updated classifications of e-bikes, speed limits on bike networks, and minimum ages for purchase and riding. The Governor already signed AB 1569, which establishes a student e-bike safety training program, and AB 1614, which extends existing bicycle passenger safety requirements from public streets to bike paths. The City's Transportation Department is evaluating a possible update of on-street bikeway standards and design guidelines in response to changing technology and usage, in line with evolving state and national best practices.

The City engaged on AB 1633, awaiting the Governor's action, to establish the Due Process for All Fund to pay for immigration-related services across the state. Subject to the Governor's signature and an implementation plan, this fund could supplement the \$1 million that the City allocated from the General Fund for legal and other support services dedicated to San José's immigrants, refugees, and asylees.

The City engaged stakeholders to support SB 942, awaiting the Governor's action, to extend legal rights and responsibilities for all people, including San José residents, housed or detained for civil immigration proceedings in California.

The City also engaged stakeholders to support SB 1367, awaiting the Governor's action, to prohibit any city or county from approving new land for or repurposing an existing building as a privately operated detention facility. Such a facility can be a temporary or permanent structure holding people charged with a crime or for administrative or civil proceedings.

Advocate for Educational and Employment Opportunities that Foster Equitable Outcomes for San José Families

Federal Update

The Ninth Circuit Court of Appeals ruled in favor of 75 local governments, including the City, in the *King County v. Turner* case on August 25, 2026. The ruling largely upheld a lower court order preventing the U.S. Departments of Housing and Urban Development and Transportation from enforcing new conditions added to previously awarded grants. These conditions include those related to diversity, equity, inclusion, and immigration. The court concluded that federal agencies generally cannot impose new grant requirements unless Congress authorized them. The ruling applies to a subset of grants from the U.S. Department of Transportation to the City's Transportation Department and San José Mineta International Airport. Examples include the Safe Streets and Roads for All (\$12 million) and 12 Federal Aviation Administration grants (\$83 million). The City continues to monitor this case, as the Trump Administration is expected to appeal this ruling.

State Update

The City successfully advocated for the California Legislature, through AB 109 and SB 111, to appropriate \$199 million for 22,770 children up to three years old from low-income families in San José and elsewhere in the state to receive subsidized childcare.

The Civil Prosecutors Coalition – which includes the City – is sponsoring SB 1099, awaiting the Governor's action, to clarify that the City and other local governments can provide public assistance to all residents, regardless of immigration status.

The City filed a declaration with the Superior Court of San Francisco to support the California Gaming Association's lawsuit on behalf of Bay 101, Casino M8trix, and other cardrooms in the state. The June 30, 2026 ruling invalidated restrictions on cardroom games and operations, protecting approximately 3,000 jobs in San José and \$30 million in annual business tax revenue for the City's operations, programs, and services. The City continues to work with Bay 101 and Casino M8trix, as the California Department of Justice may appeal this ruling.

Drive Downtown Revitalization and Cultivate Equitable Investment in Our Neighborhoods

Federal Update

The City is engaging its state delegation members and stakeholders to advocate for the Governor to nominate San José's communities, defined by individual census tracts, as Opportunity Zones. This certification, offered by the U.S. Department of the Treasury, provides federal tax benefits for investors to support community-based economic growth. The City recommended 36 communities throughout San José to the Governor's Office of Business and Economic Development.

State Update

The City is sponsoring SB 1375, awaiting the Governor's action, to provide a California Environmental Quality Act exemption for urban intermodal rail station projects. Subject to the Governor's signature, this bill could accelerate the modernization of Diridon Station. The City is engaging the Diridon Station Steering Committee to propose a bill establishing a construction authority in the 2027 legislative session.

The City, following the Rules and Open Government Committee's June 10, 2026 direction, engaged on SB 887, awaiting the Governor's action, to protect ratepayers, communities, and the environment in data center development. The City emphasized the need for legally binding and enforceable community benefits agreements.

The Civil Prosecutors Coalition, which includes the City, is sponsoring AB 2001, awaiting the Governor's action, to provide state criminal history information to city attorneys and county counsels. Subject to the Governor's signature, this bill would strengthen the City Attorney's capabilities in targeting illegal or exploitative businesses, unsafe housing, and properties associated with repeated criminal activity in San José.

Pursue Funding for Equitable, Sustainable, and Resilient Infrastructure and Accelerate San José's Climate Smart Goals

Federal Update

The IGR and federal lobbying teams are advocating for the City's Transportation Department to receive:

- \$9.5 million through the Consolidated Rail Infrastructure and Safety Improvements program. The grant, awaiting an award decision in fall 2026, would upgrade railroad warning devices, roadway configurations, and traffic signals along the Vasona Light Rail Corridor, shared by the Santa Clara Valley

Transportation Authority (VTA) light-rail trains and Union Pacific Railroad freight trains.

- \$2.2 million through the Advanced Transportation Technology and Innovation program. The grant, awaiting an award decision in fall 2026, would introduce new technology in the traffic signal communication network.

Despite advocacy by the City and its federal lobbying team, the U.S. Department of Transportation did not award the \$9.8 million grant sought through the Better Utilizing Investments to Leverage Development program. This funding would have advanced Phase 2 of the Diridon Station to the San José Mineta International Airport Connector project.

State Update

The City, with the League of California Cities-convened coalition, successfully opposed the Governor's proposed limits on public agencies seeking to recover costs when private electric utilities cause wildfires. SB 492, reflecting a wildfire liability deal between the Governor, Assembly Speaker, and Senate President pro Tempore, excludes these limits. The California Legislature did not pass SB 492, though the Governor may call a special legislative session focusing on wildfire liability reform.

The City, with the Big City Mayors and Metropolitan Transportation Commission-convened Bay Area stakeholder coalition, advocated for the Cap-and-Invest Program. This program comprises investments in affordable housing, climate, community air protection, and public transit from the Greenhouse Gas Reduction Fund. AB and SB 113, awaiting the Governor's action, include \$230 million to support transit operations through the Zero-Emission Transit Capital Program. AB and SB 193, also awaiting the Governor's action, codifies \$800 million that could support the City and other entities implementing housing and land use projects through the Affordable Housing and Sustainable Communities program. AB and SB 193 also codify \$400 million that could support VTA's Bay Area Rapid Transit (BART) Silicon Valley Phase II Extension and other public transit projects through the Transit and Intercity Rail Capital Program.

The IGR and state lobbying teams are advocating for the City's Transportation Department to receive \$28 million through the Active Transportation Program Cycle 8 program. The grant, awaiting an award decision in fall 2026, would create a safer and seamless first and last mile experience for San José residents with new bicycle, pedestrian, and transit facilities close to the BART Berryessa Station and VTA Bus Rapid Transit stops.

EVALUATION AND FOLLOW-UP

The City will continue to advance the City Council-approved 2026 Legislative Priorities and Program. The City will continue to report on all legislative positions on a regular basis.

COORDINATION

The substance of this memorandum was coordinated with the Airport Department, City Attorney's Office, City Manager's Budget Office, City Manager's Office of Economic Development and Cultural Affairs, City Manager's Office of Racial and Social Equity, Energy Department, Environmental Services Department, Fire Department, Housing Department, Planning, Building and Code Enforcement Department, and the Transportation Department.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the September 22, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-010, City Organizational and Administrative Activities resulting in no changes to the physical environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

HONORABLE MAYOR AND CITY COUNCIL

September 1, 2026

Subject: 2026 Summer Intergovernmental Relations Report

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Administration, Policy, and
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For questions, please contact Han Kang, Deputy Director and Chief Intergovernmental Relations Officer, City Manager's Office of Administration, Policy and Intergovernmental Relations at han.kang@sanjoseca.gov.

ATTACHMENTS:

Attachment A: 2025-2026 Intergovernmental Relations Priority Federal Legislation Log

Attachment B: 2025-2026 Intergovernmental Relations Priority State Legislation Log

Attachment C: FY2027 Community Project Funding and Congressionally Directed
Spending Requests