

Last-minute budget change brings California housing policy fight to a head

Kate Wolffe June 25, 2025 5:19 PM

Elk Grove agrees to more low-income housing to settle a lawsuit, California Governor Gavin Newsom and Attorney General Rob Bonta said on Sept. 4, 2024. By David Caraccio

Elements of California's final budget deal are bringing to the forefront housing debates that have been simmering in the Legislature for years, forcing lawmakers to make big decisions before the new fiscal year begins July 1.

On Tuesday, Gov. Gavin Newsom, Assembly Speaker Robert Rivas and Senate pro tem Mike McGuire put out the main aspects of a [three-party deal](#) that made compromises on balancing a \$321 billion budget with a \$12 billion deficit.

However, the deal includes a few policy changes that are giving lawmakers pause.

Deep in the bill [outlining the budget agreement](#) is this provision:

"Notwithstanding any other law, if the Governor does not sign one of Assembly Bill 131 or Senate Bill 131 on June 30, 2025, the provisions of the Budget Act of 2025 ... shall be inoperative and repealed in their entirety on June 30, 2025, at 11:59 p.m."

In other words, the entire state budget is void unless Newsom signs specific housing-related legislation, the language for which is still being

worked out and has not been made public.

"We appreciate the strong partnership with the Legislature in reaching this budget agreement," said Izzy Gardon, a Newsom spokesperson.

"The governor's signature is contingent on finalizing legislation to cut red tape and unleash housing and infrastructure development across the state — to build more, faster."

Newsom and legislative leaders have a history of [inserting their policy priorities into budget bills](#) in order to get them passed more quickly.

But tying hundreds of billions in state spending to one bill has raised the eyebrows of some lawmakers and legislative observers.

"This is a unique provision that I am not aware has been in a bill before," veteran lobbyist and legislative process hawk Chris Micheli wrote in an email about what he called a "reverse contingency provision."

"It is the first time I've ever seen the entire budget bill contingent on being enacted on two policy bills about housing," said Assemblymember Alex Lee, D-San Jose, during a Wednesday budget committee hearing. "But that shows how serious we are about getting more housing built, and how dire the housing crisis is."

Lawmakers are expected to vote Friday on most budget bills. Others not yet in print, including the contingency bill, are expected to be debated on Monday.

Two controversial bills at the center of negotiations

The budget contingency measure would force action to limit the reach of the California Environmental Quality Act, or CEQA, which many have

contended effectively slows housing construction in a state that desperately needs more units.

The governor and some Democratic lawmakers argue CEQA – which requires the government to study the potential environmental impacts of a new project – is frequently abused by groups who want to block housing or other projects.

Throughout his tenure, Newsom has pushed to limit the law's impact on building; in 2023 he [ushered through a package](#) that streamlines permitting and limits legal review for large infrastructure projects.

The [contingency bill](#) included in the budget will be based on one of two CEQA reform bills Newsom endorsed last month. The proposal by Sen. Scott Wiener, D-San Francisco, would limit the documents considered in an environmental review and exempts projects that are part of a city's or county's state-required housing plan, which already require CEQA analysis.

"This is a bill that will allow environmental review to proceed for projects where, I think we would all agree, there should be environmental review," Wiener said at an April hearing for his bill., "while starting to move away from the notion that we have to do broad environmental review on projects that we all know do not have a significant environmental impact."

The bill, SB 607, passed two policy committees in the spring but was gutted last month in the Senate Appropriations Committee. Following the vote, Wiener and McGuire released a [joint statement](#) pledging to collaborate on final language "which will then be embedded in the state budget."

The language is one of the final sticking points in negotiations between Newsom and legislative leaders as they near the budget deadline.

Questions about a last-minute wage floor

On Wednesday, it was the other CEQA reform bill – [which has language in print](#) – that was the center of discussion. AB 130 is an extension of Oakland Assemblymember Buffy Wicks' effort to allow housing projects in urban areas to skip CEQA.

"Infill housing near jobs, schools, and amenities — proven to reduce per capita greenhouse gas emissions — faces the same regulatory hurdles as sprawl developments that increase pollution and congestion," said the California Home Building Alliance in a support letter for Wicks' original bill AB 609, which was passed in the Assembly.

However, the new bill allows developers to bypass CEQA review if they agree to pay a certain minimum wage to construction workers. Developers and housing advocates have accused labor unions of threatening expensive CEQA lawsuits in order to win more favorable wages and labor agreements.

The proposed wage standards were confusing for members, who asked questions about accountability and enforcement.

"This is a massive change. It's not a simple thing around the edges. It is a massive change. It challenges the role of collective bargaining in this state that has never been done before," said State Sen. María Elena Durazo, D-Los Angeles.

"We're very disappointed that we're not having a thorough debate about this," said Chris Hannan, president of the State Building and

Construction Trades Council of California. "These standards have been jammed in there at the last minute without input from the trades."

During a news conference Wednesday afternoon, Hannan argued construction workers on housing projects are typically paid more than the suggested minimum wage, and the new floor would lead to a "dead-end race to the bottom."

Spokespersons for Rivas and McGuire didn't immediately respond to a request for comment about why the wage standards were inserted.

Legislators expressed frustration Wednesday with the rushed nature of the discussions.

"We have less than 48 hours before a floor vote," said Asm. Nick Schultz, D-Burbank. "What you're hearing from the dais here is a lot of questions and a lot of concerns, and I think the process could have been improved."

On Tuesday afternoon, Newsom's office doubled down on the governor's insistence that the CEQA reforms be included in the budget.

"In 48 hours, the Legislature has a chance to deliver the most significant housing and infrastructure reforms in decades," his press office [posted on X](#). "This is our moment to build the California Dream for a new generation. We're done with the roadblocks and delays — let's get this done."

Kate Wolffe covers the California Legislature for The Sacramento Bee. Previously, she reported on health care for Capital Public Radio in Sacramento and daily news for KQED-FM in San Francisco. She is a graduate of UC Berkeley.

Nicole Nixon covers California politics for The Sacramento Bee. Previously, she spent nearly a decade reporting for public radio stations in Sacramento and her hometown of Salt Lake City.