Friends Committee on Legislation of California

The Year in Review:

2025 Summary and FCLCA Impact Report

It's been quite a year here in Sacramento. Several significant events shaped policymaking in the state Legislature, the most obvious being the election of Donald Trump as the 47th president with the ensuing turmoil and uncertainty of federal support.

Immigration Enforcement Overreach

While campaign rhetoric focused on "dangerous criminals," the Trump administration embarked on an aggressive deportation campaign emphasizing the mass deportation of people with no criminal records and the militarization of immigration enforcement.

California is pushing back by enacting SB 627 that prevents federal agents from wearing masks (with some exceptions), and SB 805, which requires law enforcement officers to visibly display identification. AB 49 and SB 81 were signed to prohibit ICE from entering schools without a valid warrant and to create safe locations in healthcare facilities. SB 98 now requires schools to notify parents, students, and school employees whenever immigration officers are on campus.

In addition to the legislative pushback, Attorney General Rob Bonta has sued the Trump administration to prevent the use of the military for immigration enforcement, to challenge the Trump administration's executive order to eliminate birthright citizenship and its attempt to condition federal grants to state and local governments based on their enforcement of immigration requirements.

Climate Change and the Environment

The January wildfires in Los Angeles resulted in legislation to streamline regulations around rebuilding, including the California Environmental Quality Act (CEQA). Lawmakers at all levels of state government are facing enormous political pressure to expedite reconstruction. CEQA, which requires environmental impact reports to inform the public and policymakers of the potential impacts of proposed projects, has constantly come under attack as a major source of construction delays and a significant cost driver.

The wildfires have also focused attention on climate change and the long-term impacts of fossil fuel burning. Fire seasons now last considerably longer, and Cal Fire, the state agency which fights wildfires, will be staffed year-round rather than seasonally. The agency will receive a $1.5 billion budget augmentation over the next three years. Also, $1 billion annually will be shifted from the state's General Fund to the Greenhouse Gas Reduction Fund[1] to help close the state's budget deficits.

Additionally, the wildfire devastation has focused attention on the responsibility of large oil companies who have known for decades – with surprisingly accurate models – that increased fossil fuel burning would heat the planet and lead to climate catastrophes. While oil companies accumulated huge profits, insurance companies, consumers, taxpayers, and government agencies have been left footing the bill.

AB 1243 and SB 684 would create the Polluters Pay Superfund to require that large oil companies pay their fair share of the damage caused by fossil fuel burning. The fund is modeled after similar legislation enacted in New York and would be administered by the California Environmental Protection Agency.

Even before the L.A. wildfires, many rural areas in California were facing an insurance crisis as companies canceled policies and refused to write new policies in high-risk areas. As a result, property owners' only option is to purchase insurance through the California Fair Plan, an alliance of Californian insurers, which functions as the insurer of last resort. The Fair Plan racked up claims of $4 billion following the LA wildfires, leading State Insurance Commissioner Ricardo Lara to approve a $1 billion assessment from member companies in order to continue paying claims.

SB 222, the Affordable Insurance and Climate Recovery Act, creates a private right of action for parties injured by climate disasters and extreme weather events to

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The Friends Committee on Legislation of California (FCLCA), guided by Quaker values, advocates for California state laws that are just, compassionate and respectful of the inherent worth of every person.

[1] The Greenhouse Gas Reduction Fund was created by California's Cap & Trade Program (now called Cap & Invest), which allows polluters to purchase pollution credits, which are then deposited into the GGRF, which is allocated to greenhouse gas reduction projects. The total credits which can be issued declines each year.

recover their losses from oil companies. It would allow insurers to recover losses related to climate disasters and help restore solvency for the Fair Plan and help consumers who have no insurance options to avoid costly rate increases.

AB 1243, SB 684 and SB 222 are wending their way through the legislative process and are two-year bills.

In California and the rest of the world, demand for refined oil is declining. The announcement of two unanticipated oil refinery closures sparked fears of significant gasoline price spikes, and the oil industry exploited these closures to lobby for the rollback of environmental protections.

The state responded with the enactment of SB 237 in the closing days of the session, which allows for increased oil extraction in Kern County without environmental reviews. To avoid significant price increases, the bill also allows the Governor to suspend the cleaner-burning summer blend.

For all the talk about "affordability," SB 237 fails to take into account that gasoline prices are largely determined by the global market and that price spikes are typically due to refineries being taken offline for maintenance or due to accidents.

Justice Reform following Proposition 36

In the November 2024 election, California voters passed Proposition 36 by a margin of 68 percent to 32 percent. Proposition 36 allows certain theft offenses, such as misdemeanor theft with two priors to be charged as a felony. It also allows drug possession crimes to be charged as a treatment-mandated felony, with charges dismissed upon completion of treatment. By failing to provide a funding stream, Proposition 36 is an unfunded mandate that relies heavily on increased incarceration -- undoing some of the savings realized from Proposition 47[2], which are plowed back into community-based treatment and crime prevention programs.

Nevertheless, voter approval of Proposition 36 undoubtedly had a chilling effect on the Legislature, with moderate Members less likely to support sentencing reforms and more likely to support stiffer sentences.

Some important gains were still made. AB 1071 strengthens the California Racial Justice Act by addressing ongoing procedural barriers that impede the filing of Racial Justice Act Claims and was signed into law by Gov. Newsom. Other bill signings:

- AB 1388 prohibits law enforcement agencies from utilizing nondisclosure agreements with regards to police conduct.
- SB 281 requires judges to advise immigrant defendants of potential adverse consequences prior to accepting a plea agreement.
- AB 1376 ends endless probation for juveniles by establishing a six-month probation term that may be extended by a judge, justified by a preponderance of evidence.

[2] Proposition 47, the Safe Neighborhoods and Schools Act, was passed by voters in 2014. It reclassified some low-level felonies as misdemeanors and directed that savings in incarceration costs be directed to treatment and crime prevention efforts. It also allowed impacted persons to petition to remove felony convictions from their record.

Friends Committee on Legislation of California

Impact Report 2025

Your support made our advocacy possible. Thank you.

In Year One of the 2025-2026 two-year legislative session - thanks to you - FCLCA was able to weigh in on 113 bills and to lobby extensively on the 2025-26 state budget to protect our progress in health care accessibility and economic security. (For more info, please see the Our Work and Action Center sections at www.fclca.org). FCLCA supporters sent 1,717 messages to their legislators through our Action Alert system, which facilitates civic engagement and grassroots lobbying. Here are some highlights of the advocacy you made possible:

Protecting Immigrant and Worker Rights: Bills Signed into Law

SB 81, Safe Spaces in Health Care Facilities, promotes a safe environment for patient care by requiring healthcare providers to establish procedures for receiving visitors; to designate nonpublic areas that anyone seeking to enter would need a valid judicial warrant or court order to access; to protect current and previous immigration status and place of birth from disclosure to immigration authorities.

AB 49, California Safe Haven Schools Act, limits immigration enforcement officers from entering a school site for any purpose without a valid judicial warrant or court order and without meeting certain other requirements.

SB 98, Elementary, Secondary, and Postsecondary Education: Notice of Immigration Enforcement, requires school districts, county offices of education and charter schools to notify students, parents, faculty, staff and community members whenever immigration enforcement officers are on a school site.

AB 1261, Youth Access to Counsel, seeks to protect children and youth from the Trump administration's mass deportations by expanding access to legal counsel, subject to the availability of funding, to every immigrant youth in California facing deportation in immigration court without a lawyer.

SB 294, The Workplace Know Your Rights Act, requires that employers provide annual notices to employees about their constitutional rights when interacting with law enforcement, available in multiple languages.

SB 578, the California Workplace Outreach Program, extends CWOP through 2031, which funds community-based organizations to conduct outreach and education to workers on priority topics related to labor protections, health and safety, and wage and hour laws.

Criminal Justice Reform

Gov. Newsom signed AB 1071, which strengthens the California Racial Justice Act (RJA) enacted in 2020 to address racial discrimination and bias in criminal proceedings. AB 1071 addresses ongoing procedural barriers that impede the filing of RJA claims and clarifies that the court must find a remedy when racial bias is discovered.

"Two-Year Bills" – Looking Forward to Advocacy in 2026

A number of important bills FCLCA advocated for in 2025 are now "two-year bills," which means they did not move forward in the first year of the two-year session but have the opportunity to pass and become law next year. With your help, FCLCA will be there to continue to bring your voice to the Legislature, including:

The Affordable Housing Bond Act of 2026 (AB 736 and SB 417), is a proposed California ballot measure that would authorize the state to issue $10 billion in bonds to fund affordable housing programs. If passed by voters, the funds would be used for projects like the development and preservation of affordable rental housing and homeownership.

SB 672 would allow young people up to age 25 serving a sentence of life- without parole to become eligible for a youth offender parole hearing, provided they have served 25 years in prison.

AB 1229 would make various reforms to the Adult Reentry Grant Program in order to reduce homelessness among the formerly incarcerated and transfers the program from the Board of State and Community Corrections to the Department of Housing and Community Development (HCD).

AB 1243 (also SB 684) would enact the Polluters Pay Climate Superfund Act of 2025 and would establish the Polluters Pay Climate Superfund Program to be administered by the California Environmental Protection Agency to require fossil fuel polluters to pay their fair share of the damage caused by greenhouse gases released into the atmosphere during the covered period.

SB 222, The Affordable Insurance and Climate Recovery Act, improves insurance affordability in California by shifting the burden of increased insurance costs away from California ratepayers to the fossil fuel companies driving the climate crisis and makes whole the victims of major climate disasters by allowing them to seek damages from fossil fuel companies in court.

AB 1165, the California Housing Justice Act, would require the State of California to create a financing plan to provide ongoing funding at the scale needed to fully address housing insecurity and homelessness around the state.

Thank you for making a difference! To donate or learn more, visit www.fclca.org

FOCUS ON THE STATE BUDGET

IS IT TIME FOR CORPORATE TAX REFORM?

At FCLCA, we believe that our state budget is a statement of our California values. Every year, we advocate for funding a robust safety net, including health care, food assistance and affordable housing.

But the ability of the state to fund the programs that increase equity and support low-income children and families is under threat from our state's own deficits in revenue and from federal cutbacks and ravages of the "One Big Beautiful Bill."

Many of our coalition partners believe that the time has come to not only focus on how we spend our funds, but also on increasing the revenue that our state can access-- if we are to definitively reduce poverty and ensure a good quality of life for all Californians.

One source of additional revenue for California is a more equitable system of corporate taxation, addressed in this article by the California Budget and Policy Center. You can read more on their website: https://calbudgetcenter.org.

Legal Loopholes: How Corporations Reduce Their California Tax Bill

Profitable Corporations Can Use a Combination of the Water's Edge Election, Net Operating Loss Deductions, and Tax Credits to Minimize Their California Tax Bills

August 2025 | By Kayla Kitson, California Budget and Policy Center

In California, workers' wages have stagnated, and families struggle to keep up with the rising costs of living, while corporate profits have skyrocketed. Big corporations have also benefited greatly from the 2017 Trump tax cuts and are poised to receive more benefits from the federal tax and budget bill just enacted by the Trump administration and congressional Republicans. Large tax breaks for corporations widen economic and racial inequality because they largely benefit corporate shareholders, who are disproportionately wealthy and white.

California policymakers should ensure that profitable corporations pay their fair share in state corporate taxes — which represent a tiny share of their expenses — to support public services and help shield Californians from the harms of federal cuts to health care, food assistance, and other basic needs programs.

How do large, profitable corporations currently get away with paying so little in California taxes?

California's tax code contains several provisions, including the water's edge election, net operating loss (NOL) deductions, and tax credits like the research and development credit, that corporations can take advantage of to reduce their state taxes. While actual corporate tax calculations can be exceedingly complicated, the following hypothetical — and very simplified — example demonstrates the ways that corporations operating across multiple states and countries can reduce the taxes they owe to California. State leaders can limit the opportunities corporations have to wipe out their tax bill in years when they are profitable by reforming these elements of the corporate tax system that enable them to do this.

How Corporations Can Reduce Their California Taxes to Virtually Zero With the Water's Edge Election, Net Operating Losses, and Tax Credits

A Hypothetical and Simplified Example

BigTech, Inc. has $10 billion in profits (revenues minus business expenses) from companies set up around the world.

Explanation	Example
BigTech can use the **Water's Edge Election** to only count its "domestic" profits.	**"Domestic profits" = $4 billion** (BigTech actually earned $8 billion of its profits in the US, but it used various techniques to shift $4 billion of that into its foreign subsidiaries, leaving it with $4 billion in "domestic" profits and $6 billion in "foreign" profits.)
A **"sales factor"** is used to calculate profits attributable to California. (Sales factor = Sales to CA divided by total sales)	If BigTech's sales factor = 10%, its **California profits = $400 million**. ($4 billion x 10%)
If BigTech incurred losses in prior years, it can subtract those from its California profits as **"net operating loss (NOL) deductions"**.	If BigTech has $300 million in NOLs, its **California taxable income = $100 million**. ($400 million - $300 million)
California's 8.84% corporate tax rate is applied to taxable income to determine **taxes before the application of tax credits**.	**Tax due would be $8.84 million** if BigTech has no tax credits. ($100 million x 8.84%)
But if BigTech has California **tax credits** from the current and/or prior years (such as the Research and Development Credit or Film Credit), it can subtract those from its tax bill.	If BigTech has $10 million in tax credits available, this wipes out the $8.84 million tax bill and it **only pays the $800 "minimum franchise tax"**.

BigTech's final tax bill = $800

The remaining $1.16 million in tax credits can be used to offset its tax bill in future years. ($10 million - $8.84 million)

YOUR VOICE OF CONSCIENCE MATTERS – NOW MORE THAN EVER!

At a time when we face the Trump administration' s attacks on immigrants, on accessible health care and food assistance, on the steps we've taken to address climate change – state-level advocacy is critical as California stands up for our values through legislative and budget action.

Your financial support has allowed FCLCA to bring your voice to the governor and state legislature through our advocacy in 2025. Will you help us continue in the second year of this two-year session?

Please consider making a generous gift to our End of Year Fundraising Campaign.

To donate online, visit www.fclca.org.

Contributions to Friends Committee on Legislation of California are used for lobbying and are not tax-deductible, but very much needed. Donations to the FCL Education Fund are used to provide information about issues facing California and education about civic engagement and are tax-deductible as provided by law and eligible for Qualified Charitable Distributions from IRAs.

Thank you to all our volunteers, individual donors and monthly sustainers and to all the Friends Meetings who contributed and held fundraisers for FCLCA - You make our work possible!