
MEMORANDUM

To: Orange County Sanitation District
From: Townsend Public Affairs
Date: May 22, 2025
Subject: May 2025 Legislative Monthly Report

STATE UPDATES

The rapid pace of legislative activity is expected to continue through May and June, as lawmakers work toward several upcoming deadlines. The first, on May 2, was the deadline for policy committees to hear and report fiscal bills to fiscal committees. Just one week later, on May 9, policy committees reported non-fiscal bills to the Floor. By May 23, fiscal committees are required to complete their hearings and report all bills to the Floor in their respective house of origin. This leads into the first week of June, which will be reserved exclusively for Floor sessions in each house. The legislative cycle will then reach a key milestone on June 6, the deadline for bills to move to the second house for further consideration.

The legislative transition from policy review to fiscal analysis aligns with the state's budget process, which intensifies in May with the release of the Governor's May Revision. This revised budget proposal offered an updated assessment of the state's fiscal outlook and evaluated the viability of funding new spending proposals included in pending legislative measures.

Below is an overview of pertinent actions from the past month.

State Budget

Governor's May Revise

On May 15, the Governor provided a presentation overview of the State's updated budget proposal. The May Revision, or "May Revise," is an update to the January budget proposal that reflects new revenue projections, economic trends, caseload updates, and evolving policy priorities. The May Revision provides the Governor with an opportunity to modify funding proposals and strategies ahead of final budget negotiations with the Legislature. By law, the State must enact a balanced budget by June 15. The 2025 May Revision responds to significant fiscal pressures and broader macroeconomic uncertainty, particularly in light of federal policy developments and inflationary pressures affecting state program costs.

General Fund Outlook and Budget-Balancing Strategy

The Governor's May Revision identifies a combined **\$12 billion deficit** to close an estimated \$7.5 billion shortfall in the state's Special Fund for Economic Uncertainties (SFEU), while also building that reserve to a \$4.5 billion year-end balance. These adjustments are in addition to a proposed

drawdown of \$7.1 billion from the state's rainy-day reserve, the Budget Stabilization Account (BSA).

Following these actions, total General Fund reserves for FY 2025-26 are projected to be \$15.7 billion, including \$11.2 billion in the BSA and \$4.5 billion in the SFEU. Total state spending under the May Revision is proposed at \$321.9 billion, including \$226.4 billion in General Fund expenditures—down slightly from the Governor's January proposal.

Key budget-balancing proposals include:

- *Cost Reductions*: \$5 billion in 2025-26 from reductions to Medi-Cal, In-Home Supportive Services, and other health and human services programs. These include an enrollment freeze for certain adult undocumented residents and limitations on program expansions.
- *Fund Shifts and Borrowing*: \$5 billion in temporary savings, including:
 - \$1.3 billion in Proposition 35 MCO tax revenue redirected to Medi-Cal.
 - \$3.4 billion in delayed General Fund repayment to Medi-Cal.
 - \$550 million borrowed from other special funds, including the Unfair Competition Law Fund and Labor and Workforce Development Fund.
- *Cap-and-Trade Shifts*: \$1.5 billion in cap-and-trade revenues repurposed to support CAL FIRE operations, reducing General Fund obligations.
- *Trigger Reductions*: \$456 million in conditional cuts beginning in FY 2027-28 if revenues fall short, including:
 - \$117 million for the expansion of California Food Assistance Program to undocumented adults 55+.
 - \$339 million for tiered foster care rate expansions.

While the May Revision balances the 2025-26 budget, **projected structural deficits remain significant**, with the Department of Finance forecasting annual shortfalls of \$14 billion in 2026-27, \$19 billion in 2027-28, and \$13 billion in 2028-29—even if all proposed corrective actions are adopted.

Cap and Trade Program Details in May Revise

The May Revision marks a conceptual shift from “Cap and Trade” to “Cap and Invest,” with the Governor advancing a proposal to extend California's Cap and Trade program beyond 2030 and secure long-term revenue streams for high-impact climate investments. During his presentation, the Governor specifically advocated extending the program to 2045.

The Governor's proposal puts a floor of \$1 billion dedicated to the High-Speed Rail Project as an ongoing funding stream, a deviation from the current 25% dedicated allocation, which fluctuates based on auction revenues. As a rebate to utility customers, the newly named Cap and Invest Program would allocate \$60 billion in credits to taxpayers through 2045.

The Governor also proposes trailer bill language to streamline financing and construction for the Delta Conveyance Project, signaling continued interest in climate resilience, water conveyance, and wildfire mitigation.

As part of the extension of the program, Legislators have started gathering stakeholder feedback on the impacts of the Greenhouse Gas Reduction Fund. It is likely that some legislative priorities currently being funded through the Greenhouse Gas Reduction Fund will shift as legislators take a closer look at the revenue being generated by the program. TPA has been working with OC San staff to include innovative biosolids management funding as a part of the Cap and Trade Re-Authorization and associated Greenhouse Gas Reduction Fund expenditure plan.

Senate Local Government Committee Advances Brown Act Modernization Legislation

In early April, the Senate Local Government Committee, chaired by Senator María Elena Durazo, heard 16 bills, including two focused on modernizing the Brown Act, which governs open meetings for local legislative bodies. These measures aim to expand teleconferencing options, improving public access, particularly for vulnerable communities such as the disabled and non-English speakers.

The first bill, [SB 239 \(Arreguín\)](#), proposes allowing local and regional non-voting advisory bodies to conduct remote meetings, provided the physical meeting location is staffed by the body or the legislative body. This measure excludes advisory bodies with oversight over sensitive matters, such as police oversight, elections, and budgets, from remote participation. During the hearing, committee members raised concerns about maintaining public access and transparency while allowing remote meetings. Questions were raised regarding effective public participation, quorum requirements, and potential impacts on decision-making when fewer members attend in person. There was also discussion on why certain advisory bodies would be excluded from remote meetings.

Additionally, the requirement for staff at the in-person meeting locations raised logistical concerns, especially for bodies without dedicated staff. Overall, the committee sought a balance between flexibility for members with caregiving or disability challenges and the need to ensure public participation and transparency. Senator Arreguín accepted amendments, including a sunset provision that expires on January 1, 2030, and emphasized that the bill strikes a balance between transparency and flexibility, especially for those unable to attend in person due to caregiving, disabilities, or logistical issues.

The second Brown Act bill in the hearing, [SB 707 \(Durazo\)](#), aims to modernize and extend key provisions of the Act, including teleconferencing, which is set to expire in 2026. SB 707 requires certain local governments to livestream meetings, offer remote public comment, provide materials in multiple languages, and implement interpretation services to promote inclusivity. Some stakeholders raised concerns about inconsistencies in the flexibility offered to different types of multi-member bodies, which could undermine transparency. According to the Author, SB 707 is seen as a collaborative effort to balance flexibility with the need for public access. The discussion in the committee hearing reflected progress made thus far but also emphasized that conversations with stakeholders will continue to address remaining concerns.

Both SB 239 and SB 707 passed the Senate Local Government Committee, as amended, and will continue through the legislative process. These bills will have an impact on OC San through increased transparency requires and could be challenging to implement. However, both bills are expected to undergo additional changes in the coming weeks.