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To: **Orange County Sanitation District**

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Subject: Monthly Legislative Report

State Legislative Update

The month of February featured several relevant state legislative, initiative, budgetary, and regulatory actions. This included the Legislature's bill introduction deadline featuring the introduction of over 2,600 new bill vehicles, new insight into legislative trends for the 2023 Legislative Session, the qualification of the California Business Roundtable sponsored "Taxpayer Protection and Government Accountability Act," and the early triggering of utility gas price relief. Additionally, the end of February marked the end of California's COVID-19 State of Emergency and its associated intergovernmental and remote meetings allowances. Below is an overview of pertinent state actions from February.

State Legislature

February 17 marked the bill introduction deadline for the 2023 Legislative Session. In typical fashion, legislators introduced the bulk of their legislative bill vehicles in the final days before the deadline. The Legislature produced 1,751 Assembly Bills and 881 Senate Bills, for a total of 2,632 bills. Additionally, there are six special session bills on the Governor's declared special session to legislate high gas prices (Three each in the Assembly and Senate). Of those bills introduced, there are 495 spot bills and 551 intent bills between the two houses, for a total of 1,046 placeholder measures. That means 40 percent of the introduced bills are placeholder measures that lack substantive language, subject to future amendments.

These numbers constitute the highest number of bill introductions in a single session over the past decade. Reasons for the high bill introduction rate include a renewed focus on legislative issues outside of the scope of COVID-19, which dominated the past few legislative sessions and caused legislative leaders to cap the number of bills related to extraneous issues. Additionally, this session features a host of new legislators, many of whom have introduced close to or over half of their bill introduction allowances, which are capped at roughly 50 bills over the two-year session. And finally, the Legislature usually introduces more bills in the first year than in the second year of the session, because there will be a number of bills that will be active throughout the two-year period. If history is a guide, there will be about 2,000 bills introduced next year, the second year of the 2023-24 Legislative Session.

Overarching legislative trends based on recent introductions include the following, outlined below. While some of these trends will maintain relevance throughout the session, others may be replaced by other issues, depending on events that will transpire over the year and the progression of bills throughout the various steps included in the legislative process.

- ***Housing Production and Streamlining:*** While these issues come as no surprise, this Session features a record number of proposals seeking to address housing production streamlining and local accountability measures. These measures include Senator Wiener's SB 423, which seeks to make permanent and expand upon the provisions of his SB 35 (Statutes of 2017). This bill allows developers to streamline housing projects in cities that are not meeting statewide housing development targets.

  Other measures include a focus on adaptive reuse project streamlining, like Assembly Member Haney's AB 1532, which makes an office conversion project that meets certain requirements a use by right in all areas regardless of zoning. Similarly, SB 4 by Senator Wiener provides that a housing development project be a use by right on any land owned by an independent institution of higher education or religious institution.

  Additionally, there is a keen interest in ensuring that sites included in local governments' housing element plans for development are seen to fruition. For instance, Senator Cortese introduced SB 405, which requires for the seventh cycle housing element that the planning agency notify the owner of a site included in the site's inventory. If an owner doesn't intend to develop at least 80 percent of the number of units indicated, the site cannot be included.

- ***The Resurgence of Proposed Bonds***: As the state moves out of its budget expansionary period and into a potential deficit, there is a renewed focus on creating new bonds to fund priority issues. As of February 28, the Legislature has proposed a total of 8 new statewide bonds ranging from the hundreds of millions to tens of billions of dollars. These proposed bonds seek to address issues ranging from housing production to climate resiliency and infrastructure projects. Should these pass through the legislative process, they will be considered by voters in the upcoming statewide election. While it is unlikely that each of these bonds will be effectively implemented, it reveals a sense of urgency to maintain and expand upon priority spending programs throughout the state.

  These proposed bonds include AB 247 by Assembly Member Muratsuchi and SB 28 by Senator Glazer, which would enact a state bond for school and higher educational facilities improvements in an unspecified amount. In addition, there are several proposed bonds related to affordable housing development and Climate Resiliency, including SB 638 by Senator Eggman, which would enact the Climate Resiliency and Flood Protection Bond Act of 2024 which, if approved by the voters, would authorize the issuance of bonds in the amount of $4,500,000,000 and SB 867 by Senator Allen, which would enact a similar climate resiliency bond in an unspecified amount. Finally, the largest of the proposed bonds is AB 1567 by Assembly Member Garcia, which proposes the issuance of $15,105,000,000 in bonds for the "Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2023."

> The Legislature and Governor's Administration will likely seek to negotiate with the initiative's proponents; it is important that local agencies effectively communicate their position on this measure with their state representatives prior to those negotiations.

Other trends point to an appetite for the reform of Propositions 47 and 57 related to criminal sentencing and early release, opioid overdose prevention, response, and prosecution, and numerous labor relations measures related to the payment of prevailing wages and the addition of presumptive disability benefits.

Taxpayer Protection and Government Accountability Act Qualifies for November 2024 Ballot

On February 2, the Secretary of State reported that after a full check of signatures, the Taxpayer Protection and Government Accountability Act sponsored by the California Business Roundtable (CBRT) submitted 1,075,585 valid signatures, thus exceeding the 997,139 valid signatures required to qualify for the ballot. Proponents previously attempted to qualify it for the 2022 general election ballot but opted to pursue the 2024 election instead. The initiative has received endorsements from California NAIOP, the Howard Jarvis Taxpayers Association, and other business affiliates of the CBRT. As of the latest campaign finance filings submitted on January 31, Californians for Taxpayer Protection and Government Accountability had received nearly $16.4 million in contributions.

The Taxpayer Protection and Government Accountability Act would amend the California Constitution to restrict the ability of the state, local governments, and the electorate to approve or collect taxes, fees, and other revenues. It would require voter approval of all state taxes, would further restrict local fee authority by limiting it to the "minimum amount necessary" to provide government services, and would require voter approval for local measures such as franchise fees. Its provisions would make it easier to challenge local revenue measures by increasing the burden of proof on local agencies while disallowing an agency's characterization of a measure from being considered in court. Additionally, the measure would invalidate all state and local tax measures passed on or after January 1, 2022, unless reapproved by voters under the initiative's guidelines within 12 months of its adoption into law.

The measure is opposed by a coalition of local government and labor organizations including the League of California Cities, AFSCME California, California Contract Cities Association, California Professional Firefighters, California State Council of Laborers, SEIU California State Council, The California State Association of Counties (CSAC), and the California Special Districts Association (CSDA).

While the initiative is qualified for the ballot, proponents may withdraw the measure before the 2024 election. Reasons for doing so could be tied to negotiations with the Legislature to run legislation that strikes a compromise. The Legislature and Governor's Administration will likely seek to negotiate with the initiative's proponents.

California COVID-19 State of Emergency Ends February 28, 2023

On February 28, Governor Newsom issued a proclamation terminating the state's COVID-19 State of Emergency, as previously planned in October 2022. February 28, 2023, marks almost three years since Governor Newsom declared COVID-19 a public health emergency, which provided for workforce and operational flexibilities, various statutory and regulatory waivers, and liability immunities.

From the statewide perspective, the end of the emergency marks the shift toward the state's endemic, or [SMARTER plan](). The endemic plan, as it was presented, aims to expand the state's network of healthcare providers, update contact tracing protocols and boost its stockpile of supplies like masks, ventilators, and prescriptions. Additionally, the end to the state of emergency allows for the phasing out of the last regulations and executive orders issued since March 2020. However, most were already finished by the time the state announced the sunset in October.

Concerning the end of the emergency's impact on COVID-19 care options, public health officials say that insured Californians will continue to pay no expenses out of pocket for COVID-19 healthcare. However, six months after the federal state of emergency is set to expire (November 11, 2023), individuals will likely have to find providers that are "in-network" for their insurance. For uninsured Californians, the future of free or low-cost COVID vaccines, boosters, and treatment options is still uncertain, however, there will still be remaining testing sites and boosters available. Additionally, until November 2023, Californians can get reimbursed for COVID tests from their insurers due to the passage of SB 1473 (Pan, Statutes of 2022).

Further, the end of the California COVID-19 state of emergency will mean that local agencies will not be permitted to continue using remote teleconferencing flexibilities under the Brown Act.

Under AB 361 (Rivas, Statutes of 2021), the legislative body of a local agency is authorized to use alternate teleconferencing provisions during a proclaimed state of emergency that necessitates social distancing. These provisions have expired as they relate to the COVID-19 pandemic and its associated social distancing, however, they may be used again before 2024 - should another social distancing emergency arise before then.

Despite the end of AB 361 flexibilities, local agencies may use specified teleconferencing allowances under AB 2449. AB 2449 (Rubio, Statutes of 2022), provides that the legislative body of a local agency is authorized to use alternative teleconferencing in certain circumstances related to the particular member if at least a quorum of its members participates from a singular physical location that is open to the public and situated within the agency's jurisdiction and other requirements are met, including restrictions on remote participation by a member of the legislative body.

Severe January Storms Triggered Tax Deadline Delay: What that Means for the State's Budget

Data released in early February revealed that California's income tax payments will be affected significantly by the early January decisions of the IRS and FTB to extend filing and payment deadlines for most individuals and businesses in California until May 15, 2023. This decision has meant that many taxpayers (including many high-income personal income tax filers) did not make previously planned quarterly tax payments on January 17 and probably will not make 2022 yearly payments on April 18. Instead, they can be expected to make all of these payments in mid-May. This will impact the State's budget process by imposing delays on the data needed to compose the Budget's May Revision which in turn will impact the budget bill that must be passed by the Legislature by June 15. Typically, the Department of Finance and the Legislative Analyst's Office have April tax data in hand before completing the budget's May Revision. Instead, revenues traditionally received in January and April will be collected and tabulated in the week following May 14.

Ultimately, this means that the budget process will likely draw out into the late summer months before its completion. Priority spending programs may not be flushed out before the Legislature passes the budget bill on June 15.