
MEMORANDUM

To: Orange County Sanitation District
From: Townsend Public Affairs
Date: November 18, 2024
Subject: November 2024 Monthly Report

STATE LEGISLATIVE UPDATES

Governor Newsom Proclaims New Special Session

Two days after the Presidential election, Governor Gavin Newsom announced a new special session of the California Legislature dedicated to safeguarding California values and fundamental rights ahead of a change in federal administration. Civil rights, reproductive freedom, climate action, and immigrant families are at the forefront of the Governor's proclamation that joins with state Attorney General Rob Bonta. President-Elect Trump has mentioned the possibility of withholding disaster response funding from the State under certain conditions, and the Governor has prepared by considering creating a separate pot of funding the State could draw from during times of need.

The new [proclamation](#) tasks the Legislature with providing additional funding to the California Department of Justice and other agencies to support the State's ability to litigate actions taken by the incoming Trump Administration. During President-Elect Trump's first term, the State filed more than 120 lawsuits against his Administration and more legal fights are all but certain. State Legislative leadership has weighed in and committed to investing in the State's legal defense. These actions could include the defense of California's climate and air quality goals, which ultimately may influence OC San operations.

More details on the Governor's proposal will likely coincide with the January Budget release and additional funding could be dedicated as the Legislature and Governor's Administration negotiate a complete budget package.

State Controller Provides Update on Cash Position

On November 8, the State Controller released a [Statement of General Fund Cash Receipts and Disbursements](#) painting a picture of California's cash position from July 1 to October 31. The statement compares actual receipts to cash flow estimates. While State tax receipts have exceeded projections, a good sign, so has spending. The bulk of the revenue above projections will be spent on commitments like schools and new ballot measures or could be used as a backstop against a potential deficit.

According to the Controller's release, the State has approximately \$97 billion in unused borrowable resources, exceeding original estimates by almost \$6 billion.

These resources are from internal funds outside of the General Fund and can be used by the State to manage deficits when revenues come in lower than planned expenditures. This amount, and the fact that it is still above estimates, is a good indicator of a strong cash position for the State.

While it is still too early to predict the overall health of the 2025-2026 State Budget, there are indicators that the State's tax receipts are coming in slightly better than expected. This in turn increases the chances of member directed spending from the Budget that could help OC San.

Voters Approve \$20 Billion in Bonds for Climate and School Facilities Projects – What's Next?

In November, California voters approved two significant statewide bonds, totaling \$20 billion, aimed at advancing climate resilience and modernizing school facilities. Proposition 2, passed with a 58 percent majority, authorizes \$10 billion in bond funding for school facility improvements, with 85 percent earmarked for K-12 schools and 15 percent for community colleges. Proposition 4, which received a 59% approval margin, provides another \$10 billion to support various climate initiatives, including wildfire prevention, water quality, parks and open spaces, and energy infrastructure enhancements.

Looking Ahead: Implementing Proposition 2 and 4 Funding

While the funds from these propositions are expected to make a lasting impact, the disbursement of resources for climate and educational projects may span several budget cycles. A portion of these funds could be allocated as early as the upcoming budget cycle, helping offset General Fund expenditures in these areas and freeing up resources for other critical priorities.

State Debt Overview and Bond Repayment

California currently has about \$80 billion in outstanding bonds and another \$35 billion in previously approved bonds awaiting sale, most of which will be sold over the next several years. The State allocates roughly \$6 billion annually from its General Fund for bond repayment, representing about 3 percent of the General Fund revenue—a percentage lower than the historical average of 4 percent.

Repayment for Propositions 2 and 4 will add approximately \$900 million annually over 40 years to the State's bond obligations—\$500 million for Proposition 2 and \$400 million for Proposition 4. This repayment will account for about 0.5 percent of the General Fund's annual revenue, keeping bond debt service levels manageable and well below historical peaks.