
M E M O R A N D U M

To: Orange County Sanitation District
From: Townsend Public Affairs
Date: June 6, 2023
Subject: Monthly Legislative Report

State Legislative Update

The month of May saw the rapid approach of the State budget and first house bill deadlines as lawmakers worked to pass legislation out of their respective house of origin before June 2 and agree on a budget framework before June 15. In addition to movement on the budget and legislative fronts, May also featured notable legal action related to the implementation of campaign finance reforms, executive action on infrastructure project streamlining, and assessments on the effectiveness of the State's organic waste recycling regulations. Below is an overview of pertinent state actions from the month of May.

State Budget

On May 12, Governor Newsom released the May Revision of his budget proposal for the 2023-2024 fiscal year. The "May Revise" edition of the budget framework reflects revised revenue and expenditure estimates for both the current and budget years and allows the Administration and the Legislature to reconcile and reconfigure spending plans appropriately. The May Revise maintains portions of the water recycling funding that was allocated in previous fiscal years while proposing shifts of some water recycling funding away from General Fund spending to pending legislative bond proposals. The May Revise does not include any new sources of funding for OC San to access.

In total, the May spending plan includes \$224 billion in General Fund spending, with a projected \$31.5 billion budget shortfall. Since January, the budget shortfall has increased by approximately \$9 billion, which is within the range the Administration was expecting.

To address the increase in the budget deficit, the May Revises proposes:

- \$3.7 billion in borrowing (for a total of \$4.9 billion when combined with the Governor's January Budget proposal)
- \$3.3 billion in fund shifts (for a total of \$7.5 billion)
- \$1.1 billion in unspent fund reductions (for a total of \$6.7 billion)
- \$695 million in funding delays (for a total of \$8.1 billion over multiple years)
- \$450 million safety net reserve withdrawal
- The May Revise proposes no new trigger reductions but maintains the \$3.9 billion in triggered reductions from the January Budget proposal

Despite the budget uncertainties and the need for careful spending practices, the Governor emphasized that his Administration is not modeling for an impending recession but taking into account the potential for a “mild recession” in the coming years, which could further impact the budget to the tune of an additional \$40 billion shortfall. He stressed the need to maintain and expand reserve resources, which now stand at \$37.2 billion total – a \$1.6 billion increase from January’s budget framework proposal.

Concerning spending cuts and deferrals, the May Revision proposes maintaining spending cuts by pulling back on unallocated one-time spending funds, shifting to future bonds, and instituting funding delays. A notable takeaway from the proposal includes an emphasis on bonds. During his presentation, the Governor noted his behind-the-scenes work and support for a multi-billion dollar climate investment bond including Assembly Member Garcia’s legislative proposal [AB 1567](#), along with a [bond](#) to reform the State’s behavioral health system and build more mental health housing.

Governor Newsom iterated that despite the uncertainty and projected revenue losses, his Administration is committed to stabilizing investments in education, homelessness, housing, healthcare/mental health, climate, public safety, and jobs.

Climate: The May Revision maintains \$2.7 billion in a multi-year wildfire and forest resilience package and adds \$290 million for a flood risk reduction package to reduce flood risk and enhance flood system resilience. The Administration also continues to engage the Legislature in pursuing a climate bond over the coming months. As a result of lower revenue projections and a resulting increase in the budget problem, the May Revision includes an additional \$1.1 billion in General Fund shifts across climate resilience programs that would be bond eligible, including pots of funding previously allocated for water recycling. This could potentially harm OC San if funds that were previously included for water recycling and zero emission vehicles are shifted away from the Budget and toward pending legislative bond proposals, as bonds are not guaranteed to pass the voters of California.

The Governor’s May Revision to the January budget proposal traditionally catalyzes more intense spending negotiations with the Legislature. Lawmakers have until June 15th to pass a budget for the next fiscal year. In response to the May Revision proposal, legislative leaders noted their support for careful spending practices and the hopeful passage of bonds to fund climate and capital investments but noted their dedication to programs omitted from the proposal, such as transportation and childcare investments.

Following the release of the May Revision, the Legislative Analyst’s Office (LAO) issued a [report](#) on the implications and feasibility of enacting the Governor’s revised 2023-24 State budget. LAO serves as the State’s nonpartisan analyst for all things related to the budget. The office describes itself as the “eyes and ears” of the Legislature to ensure that the executive branch is implementing legislative policy in a cost-efficient and effective manner. In its assessment of the Governor’s proposal, the LAO provided some key assessments including:

- It estimates that the budget deficit is actually \$34.5 billion – which is greater than the \$31.5 billion estimate provided by the Administration.
- It notes that there is less than a one-in-six chance the State can afford the May Revision spending level across the five-year period, given projections that the State faces operating deficits throughout the multiyear window.
- It encourages the use of reduced one-time spending and reserve funds to extend budget capacity for the state to sustain core, ongoing programs.

These insights and recommendations are likely to influence budget negotiations between the Legislature and the Administration. Lawmakers held a series of budget informational hearings in the final weeks of May to discuss and recommend changes to various spending programs proposed by the Administration. The Legislature's budget framework is set to be internally completed in early June, which will kick off further discussions on how to reconcile differences.

State Legislature

The month of May featured two major legislative deadlines bills must pass in order to advance to the second house: the Appropriations Suspense File hearings, and the House of Origin deadline.

On May 18, both the Senate and Assembly Appropriations Committees held their "suspense file" hearings, wherein hundreds of bills were held under submission and will not move forward for the remainder of the Legislative Session. The appropriations suspense process was borne out of a desire for fiscal prudence and essentially serves as a filter for the hundreds of bills introduced each year that are deemed to have a significant fiscal impact on the State's finite resources.

Bills may be held under submission for a number of reasons - their structure may be duplicative to existing budget spending proposals, bill authors may have identified other bills within their portfolio as having a greater priority, or a bill may be deemed politically unfeasible for several reasons. Given the budget constraints this year with an anticipated deficit, legislators were more inclined to halt the progression of bills with big price tags.

Suspense file hearings are done in rapid speed, with Appropriations Chairs reading the outcomes of hundreds of bills. This year, the Assembly Appropriations Suspense file featured 755 bills, of which 221 were held under submission (29 percent). The Senate Appropriations Suspense file featured 416 bills, of which 90 bills were held under submission (22 percent).

Because May's suspense file hearings mark the first iteration of two, more bills tend to pass out of their house of origin's suspense file than the suspense file hearing in the second house. This can be somewhat attributed to the political favorability of bills authored by colleagues within the same house.

Following the outcomes of the suspense file hearings, the last week of May featured another major legislative hurdle for bills – the House of Origin deadline. The House of Origin deadline marks the last day for any bill introduced in the Senate or Assembly to pass off the floor and into the second house for consideration. Both houses considered hundreds of bills throughout the week. Below is a summary of various priority bill outcomes, organized by issue area:

Proposed Statewide Bonds

- [AB 1567](#) (Garcia) enacts the Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, Clean Energy, and Workforce Development Bond Act of 2024, which if approved by the voters, would authorize the issuance of bonds in the amount of \$15,995,000,000. This bill authorizes \$5.255 billion for safe drinking water, drought preparation and response, and flood protection, which includes money for water recycling, which could possibly benefit future OC San projects.

OC San has a watch position.

This measure passed off of the Assembly Floor on 5/31 on a 63-0 vote.

- [SB 638](#) (Eggman) enacts the Climate Resiliency and Flood Control Bond Act of 2024, which places a \$6 billion general obligation bond before voters in the November 2024 general election to finance flood control efforts. SB 638's enactment is contingent upon the passage of another bond measure, SB 867 (Allen). Of these funds, \$100 million is allocated for multiple benefit flood management projects in urban coastal watersheds, which could potentially benefit OC San's infrastructure on the coast.
This measure passed off of the Senate Floor on 5/31 on a 36-2 vote.
- [SB 867](#) (Allen) enacts the Drought, Flood, and Water Resilience, Wildfire and Forest Resilience, Coastal Resilience, Extreme Heat Mitigation, Biodiversity and Nature-Based Climate Solutions, Climate Smart Agriculture, Park Creation, and Outdoor Access, and Clean Energy Bond Act of 2024, which, if approved by the voters, would authorize the issuance of bonds in the amount of \$15,500,000,000. SB 867's enactment is contingent upon the passage of another bond measure, SB 638 (Eggman). Authorizes, of the \$5.2 billion for drought, flood, and water resilience programs, \$300 million for water recycling.
OC San has a watch position.
This measure passed off of the Senate Floor on 5/31 on a 33-5 vote.

Water and Sanitation

- [AB 246](#) (Papan) would prohibit any person from manufacturing, distributing, selling, or offering for sale in the state any menstrual products that contain regulated PFAS.
OC San has a support position.
This measure passed off of the Assembly Floor on 5/15 on a 70-0 vote.
- [AB 727](#) (Weber) would prohibit a person from manufacturing, selling, delivering, distributing, holding, or offering for sale in the state a cleaning product that contains regulated PFAS.
OC San has a watch position.
This measure passed off of the Assembly Floor on 5/15 on a 62-2 vote.
- [SB 23](#) (Caballero) requires various State Agencies to take final action on water quality certifications issued under the federal Clean Water Act and issue permits in specific timeframes for water supply and flood risk reduction projects.
This is a two-year bill and currently OC San has a watch position.
This measure failed to pass the Senate Appropriations Committee and is now a two-year bill.

Brown Act Reform/Open Meetings

- [AB 557](#) (Hart) eliminates the sunset date on provisions of law allowing local agencies to use teleconferencing without complying with specified Ralph. M Brown Act (Brown Act) requirements during a proclaimed state of emergency.
OC San has a watch position.
This measure passed off of the Assembly Floor on 5/15 on a 78-0 vote.
- [AB 817](#) (Pacheco) allows a subsidiary body of a local government to use teleconferencing, with certain requirements.
OC San does not currently have a position on this bill as it has failed to pass.

This measure failed to pass the Assembly Local Government Committee and is now a two-year bill

Governance and Transparency

- [AB 1637](#) (Irwin) requires local governments to switch to a .gov domain. The measure took amendments to push out the timeline for compliance from 2025 to 2026.

This bill does not affect OC San as we already have a .gov domain.

This measure passed off of the Assembly Floor on 5/30 on a 56-4 vote.

Court Upholds Campaign Contribution Limit Law Imposed on Local Officials

In late May, a Superior Court rejected a lawsuit challenging the constitutionality of a new law prohibiting local elected officials from voting on matters involving the people and organizations who contribute to their campaigns.

SB 1439 (Glazer, Statutes of 2022) went into effect earlier this year. The new law requires local elected officials to recuse themselves from votes and discussions involving anyone who has contributed more than \$250 to their campaigns. The prohibition covers contributions made 12 months before and after the vote. A similar requirement already existed for officials appointed to local and state boards, but SB 1439 expanded California's Political Reform Act to include most elected officials as well. The FPPC subsequently issued clarifying actions to prohibit the measure from applying retroactively, before its enactment.

Governor Newsom Unveils Sweeping Plan to Speed Up Infrastructure Projects

On May 19, Governor Newsom announced plans to unveil a sweeping package of legislation and an executive order to make it easier to build transportation, clean energy, water, and other infrastructure across California. The package is designed to capitalize on federal funds passed by the Biden Administration to boost climate-minded construction projects. The State is estimated to receive \$180 billion in state and federal funds for infrastructure in California over the next decade. The legislative package could help major OC San projects in the future from being tied up in environmental litigation or lengthy permitting processes at the State.

As the first step in the process, Governor Newsom signed an executive order that will instruct various government agencies to work together and create an infrastructure strike team, which in theory will target projects that need to be completed and make sure they get across the finish line.

The remaining 11-bill package is designed to shorten the contracting process for infrastructure and water projects, limit timelines for CEQA and other environmental litigation to no more than nine months and simplify permitting processes for complicated projects like the Sacramento-San Joaquin River Delta tunnel project to deliver water to Southern California. The Governor noted that these processes are already in place for expedited permitting and construction for NBA arenas as well as other megadevelopments across the state.

However, with history as a guide, this package will likely be pushed through with the expeditiousness exercised during last year, wherein the Governor pushed through a major climate change mitigation package with extreme urgency in the final weeks of the Legislative Session.