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MEMORANDUM

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**To:** Orange County Sanitation District  
**From:** Townsend Public Affairs  
**Date:** July 1, 2024  
**Subject:** State Legislative Monthly Report

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**STATE LEGISLATIVE UPDATES**

The month of June reflected the quick pace that typically comes with the push to wrap up items before legislators' head to a month-long summer recess, beginning on July 3. In June, Legislators worked to meet two major legislative deadlines: the passage of the budget and the final day for bills to be considered in their second house policy committee.

The Legislature in both houses worked to reach a compromise prior to the constitutional deadline to approve a State budget by June 15. In the following week, the Legislature negotiated with the Administration on a comprehensive budget framework for 2024-25. On June 26, both houses passed, and the Governor signed the 2024-25 Budget Act into law prior to the constitutional deadline of July 1.

In addition to the busy month of legislative deadlines, June 27 marked the deadline for initiatives to qualify for the November 2024 general election ballot.

Below is an overview of pertinent state actions from the month of June.

**STATE BUDGET**

**Budget Act Signed into Law – Remaining Budget Package Passed and Awaiting Signature**

Following the adoption of the preliminary Budget Act, on Saturday, June 22, Governor Newsom, Senate President pro Tempore Mike McGuire, and Speaker Robert Rivas announced their agreement on a proposed 2024-25 California state budget plan. In addition to the proposed agreement, the Legislature released 19 budget-related bills.

In the late afternoon on June 26, the Assembly and Senate deliberated and voted on the 19 various budget related bills. Both houses approved 18 of the 19 budget trailer bills, with the final bill being up for consideration during the floor session the next day, on June 27. In accordance with Constitutional budget deadlines, on June 26, Governor Newsom signed the State Budget Act into law, along with two trailer bills related to budget revenue streams. The bill package – AB 107, SB 154, and SB 167 – was the first of a slew of additional budget amending bills and trailer bills signed into law, and it is anticipated the Governor will be signing the remaining trailer bills in early July.

AB 107, the 2024 Budget Act, represents the budget framework necessary to meet the state's constitutional deadlines and did not reflect a compromise deal between the Legislature and the Governor's Administration. It is anticipated that the Governor will sign the budget trailer bills in the coming days.

The 2024-25 compromise state budget plan includes **\$211.5 billion** of General Fund spending, **\$86.4 billion** of spending from other state funds, and **\$153 billion** from federal funds flowing through the state treasury. The budget agreement addresses the **\$28 billion** budget deficit that remained after the early actions that were taken this session. The budget largely uses the same structure that was approved through the budget bill that was adopted by the Legislature in early June, meaning it includes a three-year suspension of medium-sized and large businesses use of net operating loss deductions and tax credits starting in 2024, one year earlier than the Governor's May Revision proposal, as well as Proposition 98 deferrals from previous budget years. These actions provided additional resources for the 2024-25 state budget, which is used to offset many of the program cuts that were proposed by the Administration as part of the January Budget Proposal and May Revise.

The budget compromise aims to balance the budget in the 2024-25 fiscal year, as well as the 2025-26 fiscal year, but it will leave projected budget deficits beginning in 2026-27. To help offset future budget issues, the Legislature is working with the Administration on proposals that would create a new temporary holding account for projected budget surpluses to ensure that a portion of the future surpluses materialize and create greater certainty about budgetary conditions. Additionally, the Legislature is working with the Administration to place a constitutional amendment on a future state ballot (likely 2026 statewide primary ballot) to expand the maximum size of the rainy-day fund and to exclude certain state reserve deposits from the Gann limit.

While the actions of the Legislature on June 26 constitute the majority of the work to be done this year on the state budget, it is possible that the Legislature may need to consider additional budget trailer bills prior to the end of session, in August, in order to provide statutory direction for some of the items contained within the budget.

## STATE LEGISLATURE

In addition to meeting the statutory budget deadline, the Legislature was in full swing with policy committee hearings and legislative amendments throughout the month of June. Legislators have until July 3 to pass bills through their respective policy committees. The July 3 deadline also signals the beginning of the legislative summer recess upon adjournment. Given that policy committees offer the appropriate forum for policy changes and amendments, the month of June featured numerous changes as members and stakeholders modified policies to increase their chances of passing into law.

### **Taxpayer Protection Act Removed from November Ballot**

On June 20, in a 7-0 decision, the California Supreme Court [issued](#) a peremptory writ of mandate directing the Secretary of State to not proceed with placing the Taxpayer Protection Act on the November General Election Ballot.

The Taxpayer Protection Act would have made it extremely difficult for the state and local governments like OC San to maintain or enact new taxes and fees via the retroactive invalidation of recently passed tax initiatives, raising voter thresholds for the passage of new taxes, and inciting legal challenges to taxes and fees.

The Court's decision largely hinged on the process by which the Constitutional changes were sought to be carried out. It ruled that the Taxpayer Protection Initiative goes beyond amending the state constitution, and instead revises the core functions of state/local democracy. To carry out this proposal, the Court has determined that the initiative proponents needed to go through the constitutional revision process, via a constitutional convention. Specifically, the Court cited the below from its decision:

*"We stress initially the limited nature of our inquiry. We do not consider or weigh the economic or social wisdom or general propriety of the initiative." (Amador Valley Joint Union High Sch. Dist. v. State Bd. of Equalization (1978) 22 Cal.3d 208, 219 (Amador Valley).) The only question before us is whether the measure may be validly enacted by initiative. After considering the pleadings and briefs filed by the parties and amici curiae as well as the parties' oral arguments, we conclude that Petitioners have clearly established that the challenged measure would revise the Constitution without complying with the appropriate procedure. The changes proposed by the [Taxpayer Protection Act] are within the electorate's prerogative to enact, but because those changes would substantially alter our basic plan of government, the proposal cannot be enacted by initiative. It is instead governed by the procedures for revising our Constitution. We therefore issue a peremptory writ of mandate directing the Secretary to refrain from taking any steps to place the [Taxpayer Protection Act] on the November 5, 2024 election ballot or to include the measure in the voter information guide."*

*"As relevant here, article XVIII of the California Constitution provides that the electorate "may amend the Constitution by initiative" (art. XVIII, § 3) but that an effort "to revise the Constitution" must proceed by way of a constitutional convention and popular ratification (id., § 2) or by submission to the voters from a supermajority of the Legislature (id., §§ 1, 3). (See Amador Valley, supra, 22 Cal.3d at p. 221.) After reviewing the petition and the opposition filed by Proponent, we determined that Petitioners had made a prima facie showing that the [Taxpayer Protection Act] would amount to an invalid constitutional revision based on its far-reaching changes to existing processes by which revenue measures are enacted and maintained at the state and local levels."*

The deadline to place measures on the November General Election ballot was June 27. As such, there will not be sufficient time for initiative proponents to go through the steps necessary to place this measure before voters this fall.

## **Climate Bond Text Released**

On June 30, the long anticipated amendments for the Climate Bond were released via SB 867 (Allen). The Legislature is entering the final week before they break for Summer Recess (July 4 – August 5). Because it is an election year with a fast approaching deadline to place items on the ballot, several last-minute actions will shape the state's initiative ballot over the next three days. The two bond proposals released on June 30 total \$20 billion - \$10 billion for climate related projects and \$10 billion for K-12 and community colleges facility improvements.

A high-level overview of the updated climate bond text is below. Priority areas in the bond for OC San are bolded:

SB 867 (Allen) The Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024.

- **\$3.8 billion for safe drinking water, drought, flood, and water resilience programs**
- \$1.5 billion for wildfire and forest resilience
- \$450 million for extreme heat mitigation
- \$1.2 billion for biodiversity programs
- \$700 million for park creation and outdoor access
- \$850 million for clean air programs

Water and Wastewater Specific Section broken down:

**Chapter 2 (91000): Safe Drinking Water, Drought, Flood, and Water Resilience**  
Total: **\$3.8 Billion**

- 91010 - \$1.885B Protect & increase California water supply and water quality
  - 91011 - \$610M - Water Board for improving water quality
    - \$25M - Tribal water infrastructure
  - 91012 - (a) \$386.25M - DWR for projects related to groundwater storage, banking, conjunctive use, and recharge:
    - \$193.125M - Increasing groundwater storage
    - **\$193.125M - Groundwater banking, conjunctive use, recharge**
    - (d) \$25M - Tribal water infrastructure
  - 91013 - \$200M - DOC for Multi-Benefit Land Repurposing Program
  - 91014 - **\$386.25M - Water Board for water reuse and recycling**
  - 91015 - \$75M - Water Commission for the Water Storage Investment Program
  - 91016 - \$62.5M - Brackish Desalination
  - 91017 - \$15M - DWR & SWRCB to improve water data management
  - 91018 - \$75M - CNRA & DWR for regional conveyance projects or repairs to existing conveyance.
  - 91019 - \$75M - Water Conservation
  - 91020- \$1.14 Billion - Reduce flood risk and improve stormwater management
    - 91021 - \$550M - CNRA for flood management projects:
      - (a) \$250M - State Plan of Flood Control
      - (b) \$150M - Flood Subvention Program
      - (c) \$150M - Delta Levees
    - 91022 - \$480M - DWR for enhanced dam safety and reservoir operations
    - 91023 - \$110M - SWRCB for multi-benefit storm water management projects
  - 91030 - \$605M - improve watershed resilience and to protect and restore rivers, lakes, and streams
    - **91031 - \$100M - DWR for grants related to IRWM, improve climate resilience on a watershed basis**
    - 91032 - \$335M - Projects that protect and restore river parkways, urban river streams, and watersheds. Projects shall improve climate resilience, water supplies, or water quality