
MONTHLY LEGISLATIVE UPDATE

To: Orange County Sanitation District
From: Townsend Public Affairs
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Subject: April Legislative Monthly Report

STATE UPDATE

The Legislature has fully transitioned into the bill hearing phase within policy committees, with newly introduced measures undergoing their first substantive consideration and revision. Throughout late March, committees in both houses heard a high volume of bills, many for the first time, offering an early indication of legislative priorities and which proposals are likely to advance. During this period, several previously introduced “spot” bills were amended with substantive language, further shaping the policy landscape for the remainder of the session.

In parallel, budget committees and subcommittees have continued their review of the Governor’s January budget proposal, holding hearings on departmental funding requests, program implementation, and areas of legislative oversight. Informational hearings have also remained an important component of legislative activity, providing additional context on key policy issues and helping to frame upcoming actions.

After spring recess, lawmakers have reconvened in early April and have since resumed an accelerated hearing schedule. With key deadlines approaching, committees are now working to advance measures through their initial policy stages as negotiations and amendments continue.

These upcoming deadlines are shaping the pace of activity. Bills with fiscal impacts must pass policy committees and advance to fiscal committees by April 24, while non-fiscal measures must clear policy committees by May 1 to proceed to their respective house floors. As these benchmarks near, the Legislature is entering a more intensive phase of the session, with an increasing focus on narrowing the field of viable proposals.

A central theme continues to be the implementation and expansion of statewide water strategy. Following the February launch of the California Water Plan 2028 under SB 72, legislative activity has reinforced a shift toward integrated water management, recycled water, and new supply development targets. The plan sets a statewide goal of adding nine million acre-feet of water supply by 2040 and emphasizes coordination across agencies.

For sanitation agencies like OC San, this reinforces the state's expectation that wastewater recycling, stormwater capture, and regional reuse projects will be central to meeting supply goals, potentially increasing funding opportunities but also expectations for project delivery.

STATE BUDGET UPDATE

State Revenues Outpace Projections Ahead of May Revision

The California Department of Finance [Finance Bulletin](#) reflects a modest but meaningful improvement in the State's fiscal outlook. Year-to-date General Fund revenues are tracking approximately \$7 billion (5.1 percent) above projections, with February receipts also exceeding expectations. These gains are primarily driven by stronger-than-anticipated personal income and corporate tax revenues, signaling continued resilience in California's core revenue streams despite broader economic moderation.

At the same time, underlying economic indicators present a mixed but stable picture. Growth is slowing but remains positive, inflation continues to ease, and the labor market is showing slight softening. Housing activity remains uneven across regions, reflecting ongoing affordability challenges and higher interest rates. Collectively, these conditions suggest the State is navigating a transition from a more volatile post-pandemic revenue environment toward a steadier, though still uncertain, fiscal footing.

Looking ahead, the next key milestone in the budget process is the Governor's May Revision, which will incorporate updated revenue data and revised expenditure assumptions. This will set the framework for final negotiations leading to the constitutionally required June budget adoption deadline. Following adoption, the State will continue to refine policy and funding allocations through budget trailer bills, which are expected to move throughout the summer months and into August.

LAO Reviews Governor's Proposal to Streamline Affordable Housing Financing

The Legislative Analyst's Office (LAO) released an analysis of the Governor's 2026–27 budget proposals aimed at simplifying affordable housing financing and improving coordination across state programs. The proposals are intended to reduce administrative complexity and create a more centralized and predictable funding structure to accelerate housing production.

Affordable housing developments in California often rely on multiple public funding sources administered by different agencies with varying timelines and requirements. The LAO notes that this fragmented system has contributed to project delays and increased development costs, resulting in uncertainty around when projects move forward. These dynamics can complicate long-term infrastructure planning, including the timing of water service connections, system capacity assessments, and capital improvement planning tied to new development.

In response, the state has begun restructuring its housing finance programs, including the creation of the Housing Development and Finance Committee (HDFC) within the California Housing and Homelessness Agency. The Governor's proposal would expand HDFC's role to support a more unified application and funding process, better aligning funding timelines with project readiness.

The proposal also includes changes to the Affordable Housing and Sustainable Communities Program (AHSC), shifting its housing component to HDFC while maintaining the transportation component at the Strategic Growth Council. These changes could affect how and when projects move through the development pipeline, as well as where new growth is concentrated; factors that influence water demand projections, infrastructure planning, and the timing of system expansion.

The LAO recommends further consolidation of housing programs, a single application process for combined funding sources, and improved reporting to increase transparency around funding demand and project outcomes.

As the budget process continues, the Legislature is expected to evaluate whether these changes reduce financing timelines and improve the predictability of project delivery, particularly as developments move from planning into construction and service phases. Additionally, several policies have been introduced and will likely continue to be introduced, impacting OC San's ability to levy capacity fees on new housing, which Townsend Public Affairs is currently discussing with OC San staff.

OC SAN LEGISLATIVE POSITIONS

OC San staff and Townsend Public Affairs monitor current and upcoming legislation. Per the Board approved Legislative and Regulatory Plan, OC San has submitted two position letters:

Assembly Bill (Ward) 2180 - Proposition 218 Omnibus Implementation Act

AB 2180 clarifies how local governments may demonstrate compliance with the constitutional requirement that fees not exceed the proportional cost of service. The bill allows agencies to use any reasonable method to allocate service costs among parcels, supported by existing or reasonably estimated data. The bill is sponsored by ACWA.

AB 2180 has passed the Assembly and is in the Senate, waiting policy committee assignment.

OC San's Position: Support. Page 24 section K (h) of the Legislative and Regulatory Plan

Assembly Bill (Johnson) 2381- Local Agency Public Construction Act: Municipal Water Districts: Sanitation Districts: Lowest Responsible Bidder

AB 2381 amends the Local Agency Public Construction Act to update competitive bidding requirements for municipal water districts and sanitation districts. Specifically, the measure increases the threshold for public works contracts that must be awarded to the lowest responsive and responsible bidder from \$35,000 to \$220,000.

AB 2381 was referred to the Assembly Committee on Local Government but has not been set for a hearing. The deadline for legislation to pass out of policy committee is April 24.

OC San's Position: Support. Page 23 section J (e) of the Legislative and Regulatory Plan and is consistent with previous bill concepts that TPA has discussed with OC San staff and the Board.

Assembly Bill 2777 (ESTM Committee) – State Water Pollution Control Revolving Fund program

AB 2777, sponsored by CASA and WaterReuse, this bill would provide additional flexibility for the State Water Resources Control Board to modernize the Clean Water State Revolving Fund (CWSRF) loan program. The bill would authorize the state board to assess fees in place of an annual charge for financial assistance and would authorize the fees or annual charge to be assessed at any rate as permitted by federal law.

AB 2777 passed out of the Assembly Environmental Safety and Toxic Materials Committee and has been referred to the Appropriations Committee.

OC San's Position: Support an industry coalition letter. Page 23 section D (A) and section E (c) of the Legislative and Regulatory Plan.