

To: Orange County Sanitation District
From: Townsend Public Affairs, Inc.
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Subject: Legislative and Public Affairs Agenda Report

State Political Update

In Sacramento, the Legislature has been very active since their return from summer recess on August 12. All bills that failed to pass the house in which they were introduced are now two-year bills and will be eligible for consideration in January 2020. Over 1,900 bills are still being considered by their respective second houses, and must be passed by September 13, the last day of session. Following that deadline, the Legislature will adjourn for interim recess and the Governor will have until October 13 to sign to veto all legislation.

The Legislature will reconvene on January 6 for the second year of the two-year session.

Fiscal Year 2019-2020 State Budget

On the evening of June 27, Governor Newsom approved AB 74, the authorizing State Budget legislation for FY 2019-20. The Budget totals a record \$214.8 billion and includes many of the Governor's priorities, such as healthcare for undocumented immigrants between the ages of 19-25, homelessness funding, and some of the highest education funding levels ever. The Budget package also assumes an estimated \$19.4 billion in reserves, including \$16.5 billion in the Proposition 2 mandated "rainy day fund", continuing the tradition of saving money in anticipation of an economic downturn.

Below is a summary of key highlights in the FY 2019-20 State Budget:

Safe & Affordable Drinking Water

- Authorized a \$130 million per year continuous appropriation to provide communities with the resources to deliver clean drinking water, funded from a long-term commitment of Greenhouse Gas Reduction Funds through Cap and Trade revenues.

Natural Resources

- Appropriated \$1 billion across multiple departments to continue development and implementation of Proposition 68 bond programs;
- Provided \$45 million in one-time funding for multiple agencies including the Department of Parks and Recreation, the Department of Forestry and Fire Protection, the California Conservation Corps, and the California Tahoe Conservancy to address their most critical deferred maintenance needs;
- Included \$92 million to implement multi-benefit flood improvement projects;
- Approved trailer bill language to extend the sunset of the Habitat Conservation Fund competitive grant program by 10 years, to January 1, 2030.

Transportation

- Appropriated an additional \$2 billion for Road Maintenance and Rehabilitation Account (RMRA) for local and capital funding programs under SB 1.

Cap and Trade

- Invested \$1.4 billion in discretionary Greenhouse Gas Reduction Funds (GGRF) in 2019-20.
- Specifically, the Cap and Trade expenditure plan included the following spending programs and activities:
 - \$245 million for implementation of AB 617 (Garcia, 2018) - Community Air Protection & Local Programs to Reduce Air Pollution;
 - \$238 million for the Clean Vehicle Rebate Project;
 - \$182 million for clean trucks, buses, and off-road freight equipment including the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project and advanced technology freight demonstration and pilot commercial deployment projects;
 - \$165 million for Healthy & Resilient Forests to reduce the risk of wildfire;
 - \$100 million for safe drinking water programs;
 - \$60 million for the Transformative Climate Communities program;
 - \$30 million for the Urban Greening Program.

Housing & Homelessness

- \$500 million in one-time funds for housing related infrastructure to help boost needed construction;
- \$500 million in one-time funds for a mixed income loan program through CalHFA;
- \$500 million in one-time funds to expand the Low-Income Housing Tax Credit;
- \$250 million for planning grants to help local jurisdictions work through the Regional Housing Needs Assessment;
- \$1 million for the development of permanent supportive housing through the Orange County Housing Finance Trust;
- \$650 million in one-time funds to help local jurisdictions address the homelessness crisis.

Other Items

- The Budget also provided tens of millions of dollars more for 2020 Census outreach, extending California's historic investment to help ensure a complete count;
- Included over \$300 million for disaster preparedness, including communications infrastructure, and new funding to help communities affected by disasters;
- Authorized up to \$15 million for cannabis equity programs to prevent illegal operations;
- The Budget also temporarily suspends the sales tax on diapers and menstrual products.
- Included \$20 million for the Southern California Veterans Cemetery Master Development Fund

Safe Drinking Water Proposals

On July 24, the Governor signed SB 200 (Monning), which creates the Safe and Affordable Drinking Water Fund, providing the legal structure and process for funding safe drinking water solutions for disadvantaged communities in California that currently do not have that access.

The passage of SB 200 follows the June 27 enactment of the 2019-'20 State Budget, which sets forth the first part of the funding solution. The State Budget provides \$130 million for Fiscal Year 2019-'20 for safe drinking water solutions in disadvantaged communities that do not have access to safe drinking water.

In the first year, \$100 million of the funding will come from the Greenhouse Gas Reduction Fund (GGRF) and \$30 million from the General Fund. After the first year, SB 200 will provide that the funding will be 5% of the GGRF continuously appropriated – capped at \$130 million per year. The agreement includes General Fund funding as a backstop if 5% of the GGRF is less than \$130 million in any year. The funding will sunset in 2030.

OCSD Legislative Plan: Tactic - Support tax reform that protects public agencies.

2020 Proposed Water Bond

AB 352 (E. Garcia) was gut and amended on August 14 to be the Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2020. This legislation would establish a \$3.92 billion bond that will provide funding for drought, water, parks, climate, and coastal protection. The bond would be placed on the ballot for approval by the voters at the November 3, 2020 statewide general election.

The current bond language includes \$925 million for water resources.

- \$275 million of that total amount shall be used for safe drinking water project, grants and loans to assist with septic system upgrades or consolidation of septic systems in order to address water quality contamination in disadvantaged communities, projects that implement countywide drought and water shortage contingency plans, sustainable groundwater management projects, recharge projects and projects that improve water data collection, monitoring and management.
- \$100 million of the total amount shall be available for groundwater sustainability projects that provide wildlife habitat support
- \$300 million shall be available for the restoration of rivers, lakes and streams
- \$150 million for flood management projects
- \$100 million for recycled water projects

OCSD Legislative Plan: Grant Funding - Support legislation, bonds, programs and projects that provide funding for: infrastructure construction and rehabilitation, special studies and research or projects relating to security, environmental education, water quality, wastewater processing, urban runoff, wastewater recycling, biosolids and organics management, water quality improvement, resource recovery, or alternative energy.

Perfluoroalkyl Substances and Polyfluoroalkyl Substances (PFAS)

The State Water Resources Control Board will have new, expansive authority to order public water systems to monitor for per- and polyfluoroalkyl substances (PFAS) under a new law, AB 756 (C. Garcia) that Governor Gavin Newsom signed on July 31, 2019.

AB 756 marks the California Legislature and Governor Newsom's first action related to PFAS. AB 756 adds a section to the California Health and Safety Code that authorizes the State Water Resources Control Board to order a public water system to monitor for PFAS in accordance with conditions set by the Board. If any monitoring undertaken pursuant to such State Water Board order results in a confirmed PFAS detection, the water system must report that detection in its annual consumer confidence report. Further, where detected levels of PFAS exceed the 70 ppt response level, the water system must take the water source out of use or provide public notification within 30 days of the confirmed detection. The public notification procedures set forth a variety of requirements for providing sufficient public notice, including requiring community water systems to provide notice by mail and e-mail to each water system customer.

AB 756 is likely only the beginning of the California Legislature's swell of bills aimed at regulating PFAS. Once the results of the State Water Board's ordered investigations into PFAS in drinking water and groundwater are in, it is likely that the California Legislature, Governor Newsom and various state regulatory agencies will continue to increase their focus on PFAS in California with new laws and regulations. Regardless, water systems will have a short time to plan for compliance with AB 756, as the law becomes effective on January 1, 2020.

OCSD Legislative Plan: Source Control - Support legislation and funding mechanisms that reduce the amount of trash, waste, chemicals, and harmful organic material that enter the sewer system.

Additional Priority Legislation

AB 1184 (Gloria) – Public records: writing transmitted by electronic mail: retention.

Would, unless a longer retention period is required by statute or regulation, require a public agency for purposes of the California Public Records Act to retain and preserve for at least 2 years every writing containing information relating to the conduct of the public's business prepared, owned, or used by any public agency that is transmitted by electronic mail. **AB 1184 Is in the Senate Appropriations Suspense File.**

OCSD Legislative Plan: Special Districts - Oppose further state regulations that adversely impact special district financing, operations, and administration.

SB 1 (Atkins) – California Environmental, Public Health, and Workers Defense Act of 2019

SB 1 seeks to freeze federal Clean Air Act, Clean Water Act, Safe Drinking Water Act, Endangered Species Act, Fair Labor Standards Act, Occupational Safety and Health Act and Coal Mine Health and Safety Act requirements to those in place as of January 19, 2017. SB 1 refers to federal requirements existing as of this date, as “baseline federal standards.” SB 1 is intended to “ensure continued protections for the environment, natural resources, and public health and safety” in California, even if the noted federal laws are “undermined, amended or repealed” by making the baseline environmental standards the new floor for environmental and worker protections in California. **SB 1 will be heard in the Assembly Appropriations Committee on August 21.**

OCSD Legislative Plan: Public Health - Protection of public health is OCSD’s core mission. OCSD will work cooperatively with county and state health officers to assure local health protection.

SB 210 (Leyva) – Heavy-Duty Vehicle Inspection and Maintenance Program

SB 210 directs the Air Resources Board (ARB) to work in coordination with multiple state agencies in order to develop and implement a Heavy-Duty Inspection and Maintenance Program for non-gasoline, heavy-duty, on-road trucks. Specifically, SB 210 would develop a pilot program to measure and enforce new regulations on heavy duty on-road trucks and then require ARB to adopt a full program within two years after the pilot program ends. **SB 210 is currently in the Assembly Appropriations Committee and will be heard on August 21.**

OCSD Legislative Plan: Air Quality - Support measures that maintain and enhance local decision-making authority, where appropriate, in the development and implementation of air quality attainment strategies

SB 667 (Hueso) – Greenhouse gases: recycling infrastructure and facilities.

SB 667 would require CalRecycle in coordination with the Treasurer to develop financial incentive mechanisms, including, but not limited to, loans and incentive payments, to fund organic waste diversion and recycling infrastructure. This bill also requires CalRecycle to develop and amend a 5-year investment strategy to drive innovation and support technological development and infrastructure. **SB 667 is currently in the Assembly Appropriations Committee and will be heard on August 21.**

OCSD Legislative Plan: Biosolids and Biogas - Support the promotion and funding of local pilot programs, studies, and research for the beneficial use of biosolids.