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**M E M O R A N D U M**

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**State Legislative Update**

As annually anticipated, the month of December was quieter on the Legislative front as policy makers and the capitol community retired from work to celebrate the holidays. However, December also marked the unofficial beginning of the 2023-24 Legislative Session, with freshman and incumbent legislators taking the oath of office on December 5. This date spurred the release of over 150 pieces of new legislation, the introduction of bills related to the Governor's special session on soaring gas prices, and numerous legislative leadership changes. Below is an overview of pertinent actions taken during the month of December 2022.

**Legislators Swears in for New Session, New Bills Introduced**

On December 5, Legislators - new and incumbent - gathered in their respective chambers to take the oath of office. This kicked off the unofficial beginning of the 2023-24 Legislative Session, which included the introduction of new bill vehicles. While these bills will not be considered until they are officially scheduled for policy committee hearings in January or February, they do offer insight into legislators' priorities.

Of note was the introduction of the [anticipated measure](#) (SBX1-2) to cap the profit margin for oil refiners. Governor Newsom and Senator Skinner announced a proposal to penalize oil companies in an effort to deter gas price gouging. The measure still does not include key details such as how much profit oil refiners would be allowed or the size of possible fines, however the Governor noted he would take the next month or more to fill in the blanks of the bill in consultation with lawmakers. The measure is the centerpiece of the special session initiated by the Governor to pass price gouging penalties on oil companies.

In addition to special session measures, the Legislature introduced several notable bills, including:

- [AB 52 \(Grayson\)](#) intends to expand the sales and use tax exemption for manufacturing and research and development equipment. The bill is still pending substantive implementing language, though it is likely to be similar to [AB 1951](#) of last year.

- [ACA 1](#) (**Aguiar-Curry**) lowers the necessary voter threshold from a two-thirds supermajority to 55 percent to approve local general obligation (GO) bonds and special taxes for affordable housing and public infrastructure projects.
- [SB 4](#) (**Wiener**) requires that a housing development project be a use by right upon the request of an applicant who submits an application for streamlined approval, on any land owned by an independent institution of higher education or religious institution on or before January 1, 2024, if the development satisfies specified criteria. Additionally, the bill Includes strict affordability requirements for units constructed under its provisions.
- [SB 66](#) (**Hurtado**) would state the intent of the Legislature to ensure that reliable predictive models and data collection systems are used to properly forecast and allocate surface water.

### Assembly Democrats Release Budget Priorities

In mid-December, Assembly Democrats kicked off budget negotiation process by unveiling their [budget priorities](#) for the upcoming fiscal year. The action marks the start of a month's long process by which legislators and the Governor negotiate how much money should be spent on key budget programs – a process that could prove to be even more delicate this year as the state anticipates a budget deficit.

The document emphasizes that the State is better positioned to weather economic downturn with \$120 billion in available cash across all funds, including \$37 billion budgeted in general fund and rainy-day fund reserves. These funds will likely be used to offset any losses that a potential budget deficit will bring.

However, despite the security reserve funds will offer, Assembly Democrats adopted cautionary recommendations for how to approach the upcoming budget process including:

- Re-evaluating the timing of one-time spending allocations made in previous budget cycles with a potential to shift expenditures to later years;
- Understanding the impact of inflation on state expenditures, especially given that the Legislative Analyst's Office report estimating a \$25 billion deficit did not take into account soaring inflation rates and their lasting impact; and,
- Considering low-cost borrowing from special funds.

Overall, the Assembly's budget priorities document marks the first of many reports that will emerge from the Legislature and the Governor's office on the evolution of planned budgeting for the next fiscal year. The Governor is constitutionally required to release his preliminary budget within the first ten days of each calendar year, which will initiate the call and response process between the Executive and Legislative branches on how best to spend and save tax revenues.

## CEC Approves \$2.9 Billion Investment in Zero Emissions Infrastructure

On December 14, the California Energy Commission (CEC) approved a \$2.9 billion investment plan that accelerates California's 2025 electric vehicle (EV) charging and hydrogen refueling goals. The 2022-2023 Investment Plan [Update](#) increases funding for the CEC's Clean Transportation Program by 30 times compared to 2019 with an additional \$2.4 billion from the recent state budget that will be spent over the next four years and with at least 50 percent targeted to benefit priority populations. CEC staff estimates the plan will result in 90,000 new EV chargers across the state, more than double the 80,000 chargers installed today. Combined with funding from utilities and other programs, these investments are expected to ensure the state achieves its goal to deploy 250,000 chargers by 2025.

The funds will become available over the next four years and distributed to projects through a mix of competitive funding solicitations and direct funding agreements.

The four-year investment plan includes:

- \$1.7 billion for medium- and heavy-duty ZEV infrastructure.
- \$900 million for light-duty EV charging infrastructure.
- \$118 million for ZEV manufacturing.
- \$90 million for hydrogen refueling infrastructure.
- \$97 million for emerging opportunities such as aviation, locomotive, marine vessels and vehicle-grid integration.
- \$15 million zero- and near-zero-carbon fuel production and supply.
- \$15 million for low-carbon fuels.
- \$10 million for workforce development.

## Ban on Outdated Diesel Vehicles Takes Effect

On January 1, 2023, a set of clean air regulations implemented by the California Air Resources Board (CARB) in 2008, and later signed into law as SB 1 (Beall, Statutes of 2017), went into effect. The regulations ban any diesel vehicles weighing over 14,000 pounds and built before 2010 from operating on California road as of the beginning of this year.

CARB estimates that around 200,000 vehicles, including 70,000 big rig trucks, do not comply with the rule and will be prohibited from operating in the state. Exceptions to the rule will be made for vehicles that have replaced their engine with one manufactured after 2010, and vehicles that travel less than 1,000 miles a year. The law will be enforced by DMV denying registrations to non-compliant trucks and buses, and CARB's enforcement unit will conduct audits of commercial fleets that may result in citations.

The implementation of these regulations marks the first of numerous ambitious targets the agency is seeking to codify into law. An even more ambitious plan was recently proposed by CARB to remove all gas and diesel truck fleets from the state's roads by 2045 and replace them with zero-emission vehicles, including city fleets of public works and waste hauling vehicles. While this plan is still in the workshop process, it underscores the Agency's desire to decrease emissions through phasing out gas-powered vehicles.