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**MEMORANDUM**

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**To: Orange County Sanitary District**

**From: Townsend Public Affairs**

**Date: January 23, 2025**

**Subject: January 2025 Legislative Monthly Report**

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**STATE UPDATES**

December marked the beginning of the 2025-26 legislative session with freshman and incumbent members being sworn in during the Organizational Session on December 2. Legislators hit the ground running introducing approximately 140 new bills, angling for committee membership, and building up their Capitol and District Office staff. Priorities have begun to emerge from both the Legislature and Governor's office, setting the stage for another active year.

Below is an overview of pertinent state actions from the month of December 2024 and into January 2025.

**State Budget Update**

Last week, the Legislature reconvened for the 2025-2026 Legislative Session. The session began with the release of Governor Newsom's proposed FY 2025-26 State Budget. Breaking with tradition, the budget presentation was hosted by State Finance Director Joe Stephenshaw at the State Capitol, on January 10, while Governor Newsom remained in Los Angeles monitoring the ongoing wildfire response alongside Mayor Karen Bass and other state officials.

Prior to the January 10 constitutional deadline, the Governor presented a budget preview, which, despite a projected \$2 billion deficit from the Legislative Analyst's Office, delivered a balanced \$322.2 billion budget with no deficit and a modest surplus, backed by \$16.9 billion in reserves. The Governor's proposal underscores California's economic leadership while addressing uncertainties posed by the incoming federal administration and anticipated challenges. Overall, the Governor acknowledged that the budget is a living document, subject to refinement during the May Revise period as updated tax receipt data becomes available.

Given that the Administration and Legislature aimed to address a multi-year budget deficit as part of last year's budget, and the projection of only a minor budget surplus, the Governor's January budget proposal does not contain a large number of new spending proposals but rather continues the funding priorities that were established as part of last year's budget.

The release of the January Budget proposal kicks off the call and response process between the Administration and the Legislature on formulating a final budget agreement.

Over the next few weeks, the Legislature will hold budget committee hearings to deliberate the Governor's proposal before releasing their own list of priorities. From there, the refinement process will continue until the Budget Act is adopted and signed into law in June. As always, subsequent revisions to the Budget Act can be expected in the later summer months.

Of note in the Governor's FY 2025-26 budget proposal for OC San is the use of \$2.7 billion of funding from Proposition 4 Climate Bond passed by voters in November 2024. The \$10 billion bond will be expended over several years as state agencies develop guidelines and expenditure plans, however, the proposed use of more than 25 percent of the funds in the first fiscal year is a strong indicator of the intent of the Newsom Administration to address gaps in climate change funding as soon as possible.

Specifically, the funding proposed to be spent from the Proposition 4 Climate Bond in the first fiscal year includes, but is not limited to:

- Safe Drinking Water, Drought, Flood & Water Resiliency
  - Dam Safety
  - Flood Management
  - **Water Reuse and Recycling – Monies are expected to be used in existing grant programs**
- Coastal Resilience
  - Sea Level Rise Mitigation and Adaptation
- Extreme Heat Mitigation
  - Urban Greening Program
  - Extreme Heat and Community Resilience Program
- Climate Smart Agriculture
  - Healthy Soils Program
- Clean Air and Energy
  - Development of Port Upgrades to Serve Offshore Wind Generation and Other Purposes

### **First Extraordinary Session Update**

In November 2024, Governor Gavin Newsom [proclaimed](#) a special session of the California Legislature to address preparing for potential federal policy changes with the incoming Trump Administration. On January 13, 2025, the Governor amended the [proclamation](#) for the special session to include responding to the severe wildfires in Southern California. The special session reflects the urgency of these issues and the need for focused legislative action.

Governor Newsom and Democratic Leadership recently reached an agreement to allocate \$50 million to strengthen legal defenses against anticipated federal policies, with \$25 million for the California Department of Justice and \$25 million for legal non-profits and immigration support centers (this funding is in the form of grants for legal nonprofits and immigration support centers).

The funding for the Department of Justice is being considered in the Senate Budget Committee, through SBX1 1. This measure authorizes the Department of Finance to augment the existing budget, by up to \$25 million, for costs related to defending the state against enforcement and actions taken by the federal government or associated with legal actions against proposed actions.

The proposed funding for immigration support services is being considered in Assembly bill, ABX1 2. This measure proposes providing \$10 million to the Judicial Council to distribute as grants to qualified legal services projects and support centers through the existing Legal Services Trust Fund Commission of the State Bar. Additionally, the measure proposes to make \$10 million available to the State Department of Social Services for grants, contracts, and state operations (under their existing authority to contract with qualified nonprofit legal services organizations) to provide immigration-related services, including removal defense. The final \$5 million is being provided to the Judicial Council to supplement its existing contract with the California Access to Justice Commission as a one-time expansion of the commission's grants to nonprofit legal services providers.

Both SBX1 1 and ABX1 2 are in their respective budget committees awaiting hearing. It is possible that the hearings will be held as early as this week, with floor votes to follow quickly thereafter. It should be noted that both of these measures make changes within the current FY 2024-25 budget year. The Administration and Legislature will be working to craft the FY 2025-26 state budget over the coming months, as it needs to be approved by mid-June. It's possible that additional funding will be contained within the upcoming budget, or that additional modifications to the current year budget may be made, depending upon the overall level of need demonstrated in the coming months.