
MEMORANDUM

To: Orange County Sanitation District
From: Townsend Public Affairs
Date: March 17, 2025
Subject: Legislative Monthly Report

STATE UPDATES

February 21 marked the deadline for introducing new bills in the Legislature, officially concluding the 2025 bill introduction period. Over the course of two months, lawmakers in both houses submitted a total of 2,350 measures—850 bills from the Senate and 1,500 from the Assembly.

This year, legislators are operating under new bill limits aimed at streamlining the legislative process. The Senate and Assembly have reduced their respective caps to 35 bills per member, down from previous limits of 40 in the Senate and 50 in the Assembly. These adjustments are intended to promote a more focused set of policy priorities and enhance the efficiency of the legislative process.

With the introduction period now closed, the Legislature shifts its attention to the next phase; policy committee hearings, where bills will undergo their first formal review. In the coming weeks, hundreds of measures will be examined in policy and fiscal committees, helping shape the year's legislative agenda. Committees have already begun holding informational and oversight hearings in preparation for evaluating the newly introduced proposals.

Below is an overview of pertinent state actions.

STATE BUDGET

LAO Update on State Revenues and Budget Implications

The Legislative Analyst's Office (LAO) reported potential **higher-than-expected revenues for 2024-25**, with estimates suggesting \$4.4 billion above the Governor's Budget projections for 2024-25 and \$2.4 billion above for 2025-26. This increase is primarily driven by stock market gains boosting high-income tax collections, while corporate and sales tax revenues remain weaker.

Despite this, the overall budget impact may be limited. Much of the additional revenue must go to schools and reserves, and higher revenues in 2025-26 could reduce planned rainy-day fund withdrawals.

The LAO warns that stock market sustainability and inflation risks remain uncertain and advises policymakers to interpret revenue forecasts with caution. Their new forecasting guidelines state:

- Expect multi-billion-dollar variances in state revenue forecasts.
- Focus on larger trends rather than smaller differences in projections.
- Weigh upside and downside risks when planning.
- Be cautious in interpreting early-year tax collection trends.
- Recognize that revenues and the economy do not always align.

For now, California’s short-term revenue outlook has improved, but long-term stability remains uncertain. This has a relatively small positive outlook on the possibility of State Budget funding for this year when the Legislature finalizes their State Budget in the Summer.

STATE LEGISLATURE

As the bill introduction deadline steadily approached in the month of February, Speaker Robert Rivas released his legislative priorities, particularly on affordability—a central theme that has taken shape after the Los Angeles-area wildfires and a special session focused on countering federal policies dominated the first weeks of the legislative year. His strategy includes:

1. **Fast-Tracking Housing Legislation** – A package of bills will be introduced to expedite housing construction, especially in fire-ravaged coastal areas. These measures will require local governments and state agencies to accelerate permit approvals, freeze building standards, and enhance tenant protections for displaced residents. Speaker Rivas plans to add urgency clauses, ensuring the bills take effect immediately.
2. **Committee Hearings on Affordability** – On February 26, the Assembly’s Economic Development, Growth, and Household Impact Committee began a series of hearings on key cost-of-living challenges, including LA fire recovery, grocery prices, transportation, childcare, and health care costs.
3. **Assessing Additional Affordability Legislation** – As lawmakers introduced bills before the deadline, Speaker Rivas began evaluating which proposals could become part of a second round of affordability legislation, expected to be announced this spring. He previously stated that all legislation this session should be evaluated based on its impact on working families.

Several affordability-focused bills are already in play, addressing student loan debt forgiveness, tax breaks on essential goods, lower utility bills, and expanded child tax credits. However, housing remains the top priority, especially after the devastating LA wildfires, which destroyed over 16,000 homes and structures in a region already struggling with one of the nation’s worst housing shortages. The context of the Legislature’s focus is important to understand as TPA continues to track legislation in the 2025-2026 legislative session for OC San. These priority topics could impact or influence that OC San may care about later in the year.

In addition to the focus on affordability, notable upcoming hearings include an informational hearing on Proposition 36 implementation—which deals with sentencing reforms for nonviolent drug offenders—and a hearing on the State’s Cap and Trade program and plans for its impending reauthorization. These discussions will be key in shaping California’s approach to criminal justice and environmental policy moving forward.

This is particularly important to OC San because the Cap and Trade program could provide ongoing funding for priority subject areas such as environmental sustainability, biosolids disposal, and organics recycling.

Proposition 4 Implementation Update: Wildfire Prevention Funding and New Fire Regulations

With the passage of Proposition 4 in November 2024, California voters approved a \$10 billion Climate Resilience Bond, directing significant funding toward wildfire prevention, water infrastructure, coastal protection, and climate adaptation projects. Of this, \$1.5 billion is earmarked for wildfire prevention and forest resilience over the next five years, with \$325 million proposed for the FY25/26 cycle. Given the increasing severity of wildfires, rising insurance costs, and the need for stronger fire mitigation efforts, these funds are being expedited to support fire-prone communities ahead of the 2025 fire season.

A major priority in the funding plan is ensuring at least 40 percent of funds benefit disadvantaged communities. CalFire noted that this goal is typically met, though adjustments may be made as needed to ensure equitable distribution. Two pilot projects in Riverside and Siskiyou counties will test localized funding approaches.

While much of the Proposition 4 wildfire funding will be distributed through existing CalFire and CalOES programs, concerns remain over uncertainties in FEMA matching funds and the allocation of the remaining \$39 million in uncommitted resources. Moving forward, legislative discussions will focus on ensuring these funds reach the most at-risk communities, strengthening local fire mitigation efforts, and addressing gaps in insurance affordability.

Furthermore, the Governor's proposed budget allocates more than \$1 billion in the FY25/26 cycle for Safe Drinking Water, Drought, Flood, & Water Resilience. The funds are proposed to be allocated as follows:

- \$231.5 million to the Dam Safety and Climate Resiliency Local Assistance Program
- \$183.2 million for grants and loans to improve water quality and help provide clean, safe, reliable drinking water
- \$173.1 million for flood control projects
- **\$153.4 million for water reuse and recycling projects**
- \$148.2 million for the Salta Sea Management Program

OC San could be eligible to receive water reuse and recycling funds through the Clean Water State Revolving Fund if an application is submitted.