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## MEMORANDUM

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**To:** Orange County Sanitation District  
**From:** Townsend Public Affairs  
**Date:** March 6, 2024  
**Subject:** State Legislative Monthly Report

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### STATE LEGISLATIVE UPDATES

The month of February included the Legislature's bill introduction deadline on February 16, featuring the introduction of over 1,500 new bill vehicles, and gave new insight into legislative trends for the 2024 Legislative Session.

The February bill introduction deadline also signaled a change in legislative action, with the beginning of legislative policy committee hearings to kickstart the bill deliberation process. It is anticipated that hundreds of bills will begin to be heard in their respective policy and fiscal committees in the next couple of weeks. Below is an overview of pertinent State actions from February.

#### LAO Releases Revenue Update as Budget Deficit Grows

On February 20, the Legislative Analyst's Office (LAO) [released an update](#) on State Revenues in relation to the State Budget. Previously, the LAO estimated that the State is facing a budget deficit of about \$58 billion, under the Governor's Proposed Budget released on January 10. The LAO estimates that the deficit is about \$24 billion below the Governor's Budget across 2022-23 to 2024-25. Under the LAO's estimates, this increases the previously estimated \$58 billion deficit to **\$73 billion**. Deficits in the State Budget directly impact OC San through the reduction of programs that OC San is eligible for, including funds for water recycling and infrastructure.

As a few possible solutions to the budget deficit the LAO recommends both revenue increases and spending reductions (on both a one-time and ongoing basis), as well as other tools, like utilizing reserves and cost shifts. Additionally, the LAO recommends that Legislators evaluate whether recent augmentations designated for one-time and temporary expenditures could be retracted or minimized, by using two rationales. Firstly, to consider that when the allocations for one-time and temporary expenditures were approved, it was under the understanding that they would serve as a buffer for future budgetary challenges. For instance, the Administration frequently projected "operating surpluses" in its multi-year forecasts, excluding such expenditures, indicating an acknowledgment that the State's resources could not cover all projected commitments. However, they could accommodate ongoing budgetary requirements. Secondly, as the Legislature diminishes one-time and temporary expenditures in 2024-25, it preserves a greater array of tools for addressing future budgetary challenges. The reduction of such spending constitutes a "use or lose" mechanism in tackling budgetary issues—once funds are allocated to recipients, retracting them becomes exceedingly impractical.

Looking forward, Legislators will be in ongoing negotiations with the Administration to pass the Budget Bill by the June 15 constitutional deadline to pass the State Budget.

### Senate Leadership and Committee Changes

On February 5, Senator Mike McGuire was sworn in as Senate Pro Tem on the Senate Floor by California Supreme Court Chief Justice Patricia Guerrero. Later in the week, on February 8, Senate Pro Tem McGuire announced new Senate and Committee assignments. Leadership changes include the appointment of Senator Lena Gonzalez as the Majority Leader, and Senators Angelique Ashby and Aisha Wahab as co-Assistant Majority Leaders. These members will be instrumental in leading the House and the Democratic Caucus' policy decisions and priorities for the next few years.

Notable committee changes include the following:

- Senator Scott Wiener replaces Senator Nancy Skinner as the new Budget Chair
- The Senate Governance and Finance Committee has returned to its pre-redevelopment dissolution roots and has split into two committees that mirror the Assembly: The Senate Local Government Committee, whose chair will be Senator Maria Elena Durazo, and the Senate Revenue and Taxation Committee, whose chair will be Senator Steve Glazer.

A full list of leadership changes and committee membership changes can be found [here](#). Committee memberships and Chairs are critical to the direction of the Committee. Of most interest to OC San is the appointment of Senator Maria Elena Durazo (D-Los Angeles) as the chair of the Senate Local Government Committee, which will oversee certain legislation affecting OC San. Senator Durazo represents a highly urban and dense community in Los Angeles, giving her an understanding of large urban wastewater issues.

### Cap-and-Trade Rulemaking Oversight Hearing

On February 13 the Senate Environmental Quality Committee, the Senate Budget and Fiscal Review Subcommittee No. 2 On Resources, Environmental Protection, and Energy Committee held a joint oversight hearing on Cap-and-Trade rulemaking. Cap-and-Trade is a market-based emissions trading program administered by the California Air Resources Board (CARB) that covers roughly 80 percent of California's Greenhouse gases (GHG) emissions and aims to reduce them. The program imposes a declining, aggregate cap on the amount of GHGs allowed to be emitted in the State each year and has been run by CARB for the past ten years. In running the program, CARB has held workshops and solicited feedback on the changes they are considering.

Cap-and-Trade is a sustainable funding source that funds programs that OC San has historically applied for, including the Organic Grant Program for co-digestion enhancements. It is likely that the Cap-and-Trade program continues to fund climate-based programs of interest to OC San.

The hearing gave legislators an opportunity to learn about how the changes being considered at CARB will affect the nature of the State's climate policy. Panelists included:

- Liane Randolph, Chair, CARB
- Sarah Cornett, Fiscal and Policy Analyst, Legislative Analyst's Office (LAO)
- Katelyn Roedner Sutter, Assembly Appointee, Independent Emissions Market Advisory Committee
- Catherine Garoupa, Chair, CARB Environmental Justice Advisory Committee
- Danny Cullenward, Vice Chair and Senate Appointee, Independent Emissions Market Advisory Committee
- Matthew Botill, Chief, Industrial Strategies Division, CARB

The panelists discussed the current state in the State's Cap-and-Trade rulemaking and presented what is next for the State's program. The LAO had many legislative considerations, including discussing the State balancing pursuing emissions reductions with potential cost impacts, and asking if the Legislature wants to expand the program beyond 2030. One major concern mentioned by the Committee and many panelists was regarding whether underserved communities are truly benefiting from the program dollars.