

**To: Orange County Sanitation District**  
**From: Townsend Public Affairs, Inc.**  
**Date: January 20, 2020**  
**Subject: Legislative and Public Affairs Agenda Report**

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### **State Political Update**

The Legislature returned from Interim Recess on January 6, 2020 to start the second year of the current two-year session. They face quick deadlines in January 2020 to pass all legislation from last year that did not make it out of its house of origin. The second year of a two-year session is slightly condensed, resulting in quicker policy and appropriations deadlines for bills.

Furthermore, the deadline for new bill introductions is on February 21, 2020. Once bills are introduced, they must sit for 30 days before they can be heard in any committee. In late February we will have the full list and perspective of all bills that will be considered in 2020.

Housing and homelessness are expected to once again dominate the Legislature's time, however other topics are anticipated to be hotly debated including a natural resources/climate change bond for the November 2020 ballot, development impact fees, and legislation relating to 2020 Ballot Initiatives.

Below is a list of key upcoming deadlines in the Legislature:

**January 31** – Last day for two-year bills to pass their house of origin

**February 21** – Last day for new bills to be introduced

### **Governor Newsom's January Budget Proposal**

On January 10, Governor Newsom released his January Budget Proposal for the FY 2020-21 State Budget. The release of the January Budget Proposal marks the official beginning of the state budget process, which will culminate with the Legislature's approval of a state budget by June 15, 2020.

The Governor's January Budget Proposal contains \$222 billion in proposed expenditures, \$153.1 billion of which would be from the State's General Fund. These proposed expenditures represent a 2.2 percent increase in spending over the current adopted budget. The January Budget Proposal also includes a \$5.3 billion surplus for FY 2020-21, which is over \$1 billion lower than was projected by the Legislative Analyst's Office in November 2019.

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The Proposal focuses largely on one-time spending items, in addition to investing in the State's Rainy-Day fund and other budget reserves. The Proposal would increase the State's Rainy-Day fund to \$18 billion by the end of FY 2020-21 and would reach the constitutional 10 percent reserve cap in FY 2021-22.

During his press conference, the Governor touched on nearly all of the major items within his budget proposal; however, the main focuses of his budget include education, housing and homelessness, and climate resiliency.

**Education:** The Governor's January budget proposes \$84 billion in Proposition 98 funding for K-12 and community college districts, up approximately \$3.8 billion from the current fiscal year. The bulk of this increase focuses on continued efforts to strengthen underperforming schools, close achievement gaps, and improve student services in K-12 districts. Governor Newsom specifically highlighted efforts to improve funding for teacher recruitment and retention, which total \$900.1 million. An additional \$100 million will be allocated to provide stipends for individuals who elect to teach at some of the state's most needy districts. Expansion of school meal programs, increased focus on STEM, and additional funding for school facilities are also among the increases outlined in the proposal.

**Community Colleges:** The Governor's January budget offers only minor increases to programs and called on the system to continue gathering data on the implementation of the new Student-Centered Funding Formula. Approximately \$83.2 million has been allocated to improve apprenticeship opportunities and \$15.8 million has been allocated for Dreamers and other resources for immigrant students.

**Housing and Homeless:** The Governor's January budget proposal builds on investments over the past two budgets in the areas of housing and homelessness. Most notably, the budget contains \$750 million in one-time funding to establish the California Access to Housing and Services Fund, which would be administered by the Department of Social Services. This funding would be used to reduce homelessness by moving individuals and families to permanent housing and to increase the number of units available to those that are at risk of becoming homeless. The budget proposes to disperse the funding through regional administrators that can provide short- and long-term rental subsidies, make contributions to the development of units, and stabilize community facilities through capital projects and operating subsidies. These efforts are in addition to the funding that was released via Executive Order earlier in January to secure temporary trailers and tents for emergency shelters for homeless individuals.

**Natural Resources/Climate Change Resiliency:** In addition to the investments in education and housing/homelessness, the Governor's January budget proposal contains significant resources for climate resiliency in response, and preparation, for extreme wildfires, flooding, heat, and mudslides due to climate change. The cornerstone of the Governor's proposal is a new \$4.75 billion climate resiliency bond that the Governor proposes to be placed on the November 2020 ballot.

The bond measure would provide funding to five major areas: Drinking Water, Flood, Drought (\$2.9B), Wildfire (\$750M), Sea Level Rise (\$500M), Extreme Heat (\$325M), and Community Resilience (\$250M). In addition to the new bond measure, the Governor's budget proposes \$1.7 billion in climate related investments in FY 2020-21 and \$12.4 billion in investments (including the bond) over the next five years. These additional funds would be spread over a large number of programs that focus on responding to the climate problem, including: transportation emission reductions, smart agriculture and forestry, water resiliency, and emergency response and preparedness.

The January budget proposal also includes a draft \$965 million Cap and Trade expenditure plan which furthers the Administration's climate change goals. Included in the draft expenditure plan is \$35 million in strategic investments for reducing or eliminating short-lived climate pollutants such as methane. This funding level has been standard for several years now, despite a concerted effort from the sanitation and municipal government industries for a significant increase. It is expected that the money will be distributed through existing grant programs offered by CalRecycle.

**Next Steps:** The next step in the budget process is for the Legislature to begin to consider the Governor's budget. In the coming weeks, the Senate and Assembly Budget Committee, and the various Budget Subcommittees, will conduct hearings to receive more detail about the various items within the Governor's budget proposal. Additionally, the committees will begin the process of determining legislative priorities for inclusion in the budget. These hearings will continue for several months until the Governor releases his May Revise of the budget, which will contain updated revenue and expenditure figures, revised policy proposals, and incorporate certain legislative items. Once the May Revise is released, the Legislature will move swiftly to make final changes to the FY 2020-21 budget, which they will need to approve by June 15.

#### Governor's Draft Climate Resiliency Portfolio

In April 2019, Governor Newsom signed an executive order directing three major State agencies including the California Environmental Protection Agency (CalEPA), the California Department of Food and Agriculture, and the California Natural Resources Agency to create a forward thinking approach toward implementing a new water system in California that is climate resilient. With a significant amount of emphasis from the Administration with regards to climate change awareness and activity, this proposed Water Resilience Portfolio will be the blueprint for a sustainable water future in California.

On January 3, 2020, the Newsom Administration released a draft Water Resilience Portfolio for public comment and review. The Portfolio recognizes that no single solution will solve California's water problems or prepare its water system for the future and for climate resiliency. As a result, it lists several goals and actions for the State to implement to prepare for the future. Written feedback is due by February 7, and the final Water Resilience Portfolio is expected to be released in Spring 2020.