

To: Orange County Sanitation District
From: Townsend Public Affairs, Inc.
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Subject: Legislative and Public Affairs Agenda Report

State Legislative Update

In August, the Legislature and the Governor continued to focus on policy proposals to address the major concerns of COVID-19, housing, homelessness, and climate resilience. Governor Newsom also took action to reduce indoor operations for certain sectors, announced a major purchase of personal protective equipment (PPE), and outlined a pandemic plan for the 2020-21 school year.

The Legislature is entering the final stretch of the 2020 legislative session. The last day of session is August 31 when members will return to their districts in preparation of the November election. Following adjournment on August 31, Governor Newsom will have 30 days to sign or veto legislation. The Legislature was originally scheduled to return to the Capitol on July 13, however several members and staff tested positive for COVID-19, postponing their return until July 27.

When members returned to the Capitol, there was a flurry of activity regarding the remaining 740 bills that were still active in both houses. Members were told to reduce their bill packages to allow for priority legislation to be considered under the new timeline. On August 20, the Senate and Assembly Appropriations Committees conducted their Suspense File hearings, which determined the fate of several hundred bills in just a few hours. The bills that passed out of the Appropriations Committees are now on the Senate and Assembly Floor for their final votes before August 31.

Assembly and Senate Leaders are also discussing the possibility of a special legislative session with the Administration that would take place after this current session ends on August 31; however, any decisions will likely depend on the growing number of COVID-19 cases throughout the state.

Below are the upcoming deadlines for the Legislature:

- August 21** – Last day for fiscal committees to meet and report bills
- August 24-31** – Senate floor session
- August 26** – Last day to amend bills on the floor (Senate)
- August 31** – Last day for each house to pass bills
- September 30** – Last day for the Governor to sign or veto legislation

Water Resiliency Portfolio

As a follow-up to Governor Newsom's April 2019 Executive Order that directed State agencies to plan and prepare for statewide water shortages, the Governor announced a finalized Water Resiliency Portfolio that will direct future State water policies. The plan prioritizes safe drinking water, groundwater recharge, healthy waterways, and the Salton Sea.

The plan also outlines nearly 150 state actions to help build a more climate-resilient system as the State responds to the impacts of climate change. The portfolio guides policy regarding the long-term functionality of the State Water Project and other conveyance infrastructure.

In January 2020, the California Natural Resources Agency, Environmental Protection Agency, and Department of Food and Agriculture released a draft version of the portfolio for public feedback. More than 200 individuals responded with comments which resulted in 14 new actions reflected in the portfolio, including addressing upper watershed health and cross-border water issues.

Lastly, the plan recognizes the current State budget and recognizes that the pace of these policy priorities will be dependent on future funding. TPA will continue to provide updates regarding relevant State water policy so the Sanitation District is kept abreast of potential impacts on the changes to State policy

Cap and Trade Auction Summary

In May, the State of California and Quebec, Canada held a joint auction for Greenhouse Gas (GHG) allowances as a part of the Cap and Trade program. Prior to this quarterly auction, all available emissions credits and all future credits had sold out for approximately two years. At the May 2020 auction, only 35 percent of the available and future credits were sold, dealing a decisive blow to Cap and Trade revenues for the quarter. The major change in market behavior is best described as uncertainty for the future due to COVID-19's ongoing economic shutdown. As a reminder, Cap and Trade revenues are used to fund a variety of State grant and discretionary programs, including the Organics Grant Program, various transportation programs, and climate resiliency projects.

On August 18, the next joint auction for GHG allowances took place, however the results are still yet to be determined. If revenues continue to fall short of predictions, there will be less money available for statewide programs to reduce GHG emissions.

Legislature Announces State Economic Stimulus Package

On July 27, key members of the Legislature introduced the outline of a \$100 billion economic stimulus plan. The plan will prioritize economic recovery efforts to build on the Legislature's work on the State Budget. The Assembly and Senate have appointed economic recovery working groups led by Senators Bob Hertzberg (D-Van Nuys) and Steven Bradford (D-Gardena), and Assemblymembers Phil Ting (D-San Francisco) and Jacqui Irwin (D-Thousand Oaks). The stimulus plan aims to raise \$100 billion through a new tax voucher program and the acceleration of existing revenue streams. The plan includes the following relevant provisions:

State Revenues

- Authorize State Treasurer to issue future tax vouchers to generate billions of revenues for general economic stimulus efforts.
- Securitization of current revenue streams, including:
 - Accelerate SB 1 transportation funds to create jobs and improve key roads and highways.
 - Accelerate existing California Public Utilities Commission (CPUC) revenue streams that will expand broadband services throughout the state to benefit distance learning and other activities.
 - Accelerate future Cap and Trade funds to backfill lost revenues due to the downturn and ensure critical programs remain funded.
- Accelerate authorized, but unused, general obligation bonds to generate bond funds to infrastructure projects.
- Borrow from the federal government to bolster state unemployment insurance programs.

Small Businesses

- Expand small business tax breaks, such as extending the sales tax loan program.
- Streamline the Work Sharing program administered by EDD.
- Incentivize on-shore manufacturing of PPE, ventilators, swabs and other products critical to the COVID-19 response, including expansion of workforce retraining programs.

Protections for Individuals; Housing and Homelessness Funding

- Fill gaps in Unemployment Insurance, including extending to undocumented workers, shortfalls resulting from if the federal government does not extend the \$600 per week payment
- Increase affordable housing supply by helping homeowners access financing to build ADUs.
- Protect renters from eviction and support struggling homeowners and landlords.
- Augment Budget Act appropriations for local governments to combat homelessness and provide incentives for local governments to build housing on non-traditional sites.

Environment Funding

- Invest in wildfire prevention and vegetation management activities.
- **Improve clean water delivery and recycling infrastructure.**
- Create a dedicated fund to incentivize light and heavy-duty, including passenger clean vehicles, as well as expedite and expand electric vehicle charging infrastructure projects.
- Streamline the CEQA through targeted, and limited, use of the AB 900 process – including for housing – to ensure environmental leadership projects get built.

The Legislature is currently seeking input from the Newsom Administration on the economic plan.

Priority Legislation

AB 685 (Reyes) – Occupational safety: COVID-19 exposure: notification (OCSD Oppose)

Would require a public or private employer to provide specified notifications to its employees, the Division of Occupational Safety and Health, and the State Department of Public Health, relating to the exposure of its employees to COVID-19 in the workplace, when the employer has been notified of the exposure. The bill would provide for a specified civil penalty for an employer that violates the notification requirements of these provisions. **AB 685 is currently on the Senate Floor.**

AB 1672 (Bloom) – Solid waste: nonwoven disposable products (OCSD Supports)

AB 1672 would require, commencing January 1, 2021, certain nonwoven disposal products to be labeled clearly and conspicuously to communicate that they should not be flushed. The bill would prohibit a covered entity, as defined, from making a representation about the flushable attributes, benefits, performance, or efficacy of those nonwoven disposal products. **AB 1672 was held in the Senate Appropriations Committee's Suspense File and is dead for the year.**

AB 2762 (Muratsuchi) – Cosmetics: Safety (OCSD Supports)

AB 2762 would prohibit a person or entity from manufacturing, selling, delivering, holding, or offering for sale, in commerce any cosmetic product that contains any of several specified intentionally added ingredients, including certain strains of PFAS/PFOA. **AB 2762 is currently on the Senate Floor.**

AB 3163 (Salas) – Energy: biomethane: procurement (OCSD Supports)

AB 3163 would define “biomethane” as methane produced from an organic waste feedstock, rather than biogas, that meets specified standards and is either produced from the anaerobic decomposition of organic material or produced from the non-combustion thermal conversion of specified materials. This would allow greater uses for the byproducts produced by OCSD facilities. **AB 3163 is currently on the Senate Floor.**