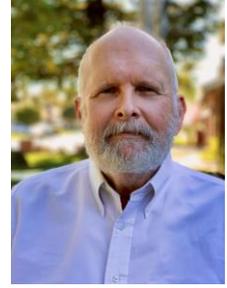


Legislative Update

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Fall Recess Ends

In January, the State Senate and Assembly returned to Sacramento. They immediately got down to State business – dealing with a few leftover 2021 bills and the first look at the 2022-23 State budget. And soon after returning, more than 20 legislators announced they were done with Sacramento – including Assembly Members Lorena Gonzalez, Jim Frasier, and Autumn Burke, who quit to pursue other activities. That makes five vacancies in the State Assembly (all Democrats) – but still gives the Democrats a 2/3 supermajority.

State Legislation

The State Budget. The legislature has begun picking through Gov. Gavin Newsom’s budget proposal, which will last until the June procedural deadlines. His \$286.4 billion budget proposal would make investments in climate change, healthcare access, public safety and inequality, homelessness, and fighting COVID-19. There is at least a \$45 billion surplus in expected revenue, more than the amount forecast last year, with \$16 billion of the surplus automatically going to schools and \$9 billion going to state reserves or debt payments.

Climate Investments The Governor’s proposal would build on the \$5.2 billion water infrastructure package approved last year by proposing an additional \$750 million in spending to help residents, farmers, and wildlife. There also would be \$1.2 billion in new spending on wildfire prevention initiatives and \$650 million in new funds to support firefighting efforts, \$400 million of which will go to CalFire firefighters directly. Gov. Newsom also proposed an investment of \$10 billion to reduce California’s reliance on fossil fuels by encouraging the switch to electric vehicles. In addition, \$1 billion was proposed over the next three years in new tax credits for businesses that “create cutting edge climate solutions [and] develop green energy technologies.” The Assembly noted that drought response and water resilience would be top priorities for 2022-23. In addition, to meet the State’s clean energy goals, \$2 billion would provide incentives for long-duration storage projects, renewable hydrogen, industrial decarbonization and electrification of buildings in disadvantaged communities, and infrastructure improvements to facilitate infrastructure improvements and development offshore wind energy production.

Infrastructure and Transportation The budget proposal includes \$9.1 billion to support the continued development of the “Train to nowhere” – the California High-Speed Rail, regional transit and rail projects, and climate adaptation projects with a particular focus on aligning the

State's transportation system with its climate goals. Over five years, there is also \$6.1 billion to advance California's climate goals. These funds would support zero-emission vehicles and charging infrastructure in low-income communities across the State.

Healthcare The budget proposal also expands MediCal health coverage to undocumented immigrants aged 26 and 50. In addition, California will begin experimenting with ways to bring down the cost of prescription drugs by entering into agreements to produce its insulin, with the Administration releasing more details in the coming months. California legislators are also moving forward to create an Office of Health Care Affordability, setting cost targets for health plans, hospitals, physician groups, and prescription drugs.

COVID-19 In response to spiking omicron case numbers, the Governor proposed \$1.4 billion in emergency funding to bolster the State's COVID-19 response efforts as part of the larger \$2.7 billion package for COVID-19 response efforts proposed in the new state budget. Of the \$2.7 billion in new spending, about \$1.2 billion would be for testing, about \$614 million would be for hospital staffing, and \$583 million for vaccine distribution, including a public information campaign. While the Governor has requested quick action on the \$1.4 billion, it is unclear if the legislature will agree.

Public Safety In terms of other notable activity on the agenda for 2022, Gov. Newsom vowed to work with state lawmakers and Attorney General Rob Bonta to draft a bill that would allow private citizens to sue anyone who manufactures, distributes, or sells illegal assault weapons or DIY ghost guns. In addition, Assemblymember Mike Gipson is introducing a bill to allow private lawsuits against assault weapons and ghost guns makers.

Regulatory On the regulatory front, the California Public Utilities Commission (CPUC), which the Governor's appointees overwhelmingly control, is set soon to consider a proposed Net Energy Metering 3.0 program. Many view the proposed decision as a severe undermining of the value of solar in California, lowering solar export payments by nearly 80 percent and adding steep fixed monthly charges of \$8 per kW to solar customers. For a customer with a moderate system size of 7 kW, there is an additional \$56 per month for fixed charges alone. However, the Governor has publicly said a lot of work is left on the proposal, and it remains unclear how the CPUC will proceed.

Reports of Interest

The Dept. of Water Resources and Water Resources Control Board released "[Public Review Draft Report to the Legislature on Results of the Indoor Residential Water Use Study](#)," it found that "current statewide median indoor residential water use is 48 gallons per capita per day and that a quarter of California households already use less than 42 gallons per capita per day;" recommends "urban water suppliers achieve an indoor water use efficiency standard of 55 gallons per capita per day by 2023, declining to 47 gallons per day by 2025, and 42 gallons by 2030 and beyond."

The Natural Resources Agency released a [report on the implementation of the Water Resilience Portfolio](#), summarizes "work done on each of 142 separate actions" over past 18 months, finds

progress includes “assisting tens of thousands of Californians who depend on small water systems or domestic wells that have drinking water supply problems, dedicating hundreds of millions of dollars to improve streamflow for salmon and other native fish species, advancing the removal of four obsolete dams that block salmon passage on the Klamath River, providing extensive financial and technical assistance to local, sustainable groundwater management agencies, restoring streams and floodplains and steadily improving the state’s ability to manage flood and drought.”

The Legislative Analyst’s Office has released “[The 2022-23 Budget: Overview of the Governor’s Budget](#),” which estimates the Governor “had a \$29 billion surplus to allocate in the 2022-23 budget process” and proposes “spending about 60% of discretionary resources, or \$17.3 billion, on a one-time or temporary basis for a variety of programmatic expansions,” “using \$6.2 billion to reduce revenues and \$2 billion for ongoing spending increases” and allocating “nearly \$13 billion in discretionary spending for schools and community colleges;” also finds “the administration’s multiyear estimates reflect negative balances in the Special Fund for Economic Uncertainties (SFEU) in 2023-24 (and throughout the rest of their forecast) due to proposed spending exceeding estimated resources” and notes that “while multiyear revenue and expenditure forecasts are imprecise, committing to spending above anticipated resources carries considerable risk.”

California Budget and Policy Center released its “[First Look](#)” of the Governor’s proposed 2022-23 state budget, finds the proposal “projects 2022-23 General Fund revenues of \$130.3 billion in personal income taxes, \$32.2 billion in sales and use taxes, and \$23.7 billion in corporation taxes,” notes that “revenue projections assume continued economic growth” and that risk factors such as “the potential for a stock market drop, the effects of climate change, unaffordable living costs and increasing inequality, and changing demographics such as the aging of the population and lower fertility and migration rates” could “threaten the expectation of continued revenue growth.”

[State Water Contractors](#), a non-profit association of 27 public water agencies from Northern, Central, and Southern California, released its “[2022 Science Plan](#)” for guiding how it “invests over \$2 million annually in science and research as part of our commitment to support science-based decision making” and “move away from policies that only allow for a zero-sum game and collectively work towards finding real, actionable solutions.”

Appointments of Interest by the Governor

Reappointed to the [San Francisco Bay Regional Water Quality Control Board](#): **James McGrath**, 72, Berkeley, Democrat, environmental manager at the Port of Oakland from 1990 to 2005.

Reappointed to the [Los Angeles Regional Water Quality Control Board](#): **Lawrence Yee**, 73, Ojai, Democrat, held several positions at UC Cooperative Extension from 1975 to 2008.

To the [Los Angeles Regional Water Quality Control Board](#): **Norma Camacho**, 62, Camarillo, Democrat, member of the Stillwater Sciences board of directors since 2021; **Marissa**

Christiansen, 40, Los Angeles, Democrat, president and chief executive officer at Friends of the Los Angeles River since 2018.

As deputy secretary and special counsel for water, Environmental Protection Agency: **Anna Naimark**, 36, Sacramento, Democrat, tribal negotiations advisor to Gov. Newsom since 2019.

To the California Transportation Commission: **Jay Bradshaw**, 54, Vallejo, Democrat, executive secretary-treasurer of the Northern California Carpenters Regional Council since 2021.

Reappointed to the North Coastal Regional Water Quality Control Board: **Gregory Giusti**, 66, Kelseyville, no party preference, director and advisor emeritus for forest and wildland ecology at the University of California Cooperative Extension since 2017; **Valerie Quinto**, 37, Santa Rosa, Democrat, executive director at the Sonoma Resource Conservation District since 2017.

Reappointed to the Central Valley Regional Water Quality Control Board: **L. Carmen Ramirez**, 45, Merced, Democrat, an attorney in private practice since 2020.

Reappointed to the Lahontan Regional Water Quality Control Board: **Essra Mostafavi**, 39, Bishop, Democrat, founder and chief executive officer of Geode Environmental Inc. since 2017.

As chief deputy director at the Department of Transportation: **Michael Keever**, 60, Camino, Republican, acting deputy director since 2021.

As deputy director of sustainability at the Department of Transportation: **Tony Dang**, 35, Oakland, Democrat, sustainability program manager since 2020.