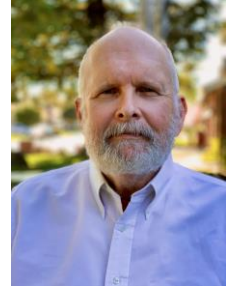


Legislative Update

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2021-22 Legislative Session – Lots of Revenue

The nonpartisan Legislative Analyst's Office (LAO) said late in April that California's budget coffers are filling so fast that the state may have to cut taxes and find creative maneuvers to direct money toward government programs in the coming years. A convergence of factors, from massive stock market gains to slow population growth, will likely trigger a rarely invoked appropriations limit that requires California to send tax rebates and spend more money on education once revenues surpass a level tied to spending in the late 1970s. The requirement has created new headaches for California budget writers as revenues keep outpacing projections due to unforeseen economic strength among high-income earners. While the state is tens of billions of dollars ahead of where leaders thought California would be a year ago during the depths of pandemic closures, the path to spending all of that money is murky, as the Analyst's Office recently outlined. California is expected to have a budget surplus topping \$20 billion by the time Gov. Gavin Newsom releases his May budget revision next month. Also, California will see some \$26 billion in additional federal funds through 2024 from the national stimulus package approved earlier this year, though that money would not directly affect the spending limit.

The LAO says that besides tax refunds and school spending, some options for Newsom and the state Legislature include:

- Increasing spending on local governments and capital projects like housing.
- Cut taxes. However, this could trigger the federal stimulus penalty.
- Redefine what counts as an exclusion from the Gann Limit. That includes potentially reducing the amount some school districts can spend so the state can spend more on other purposes.
- Ask voters to provide a temporary increase in the Gann Limit; increase district spending limits; exempt reserve savings from the Gann Limit calculation; or overhaul the Gann Limit entirely.

Another aspect of California's growing surplus is the effect of Proposition 2. Passed by voters in 2014, Proposition 2 changed budgeting practices concerning (1) reserves and (2) debt payments. Proposition 2 made two significant constitutional changes to state budgeting. First, it created new rules for minimum annual deposits into the Budget Stabilization Account (BSA), the state's rainy-day fund. Second, Proposition 2 created new requirements that the state spends a minimum amount each year until 2030 to pay down specified debts. Under Proposition 2, the state must continue to deposit funds into the BSA until it reaches a threshold balance of 10 percent of

General Fund tax revenue. Once the BSA reaches this threshold, required deposits that would bring the fund above 10 percent of General Fund taxes instead **must be spent on infrastructure**. (Once at the 10 percent threshold, the Legislature can continue to make optional deposits into the BSA at its discretion.)

Unfortunately, it is unlikely that this capital outlay will occur because the administration proposes lowering the optional balance withdrawal from 2020-21 from \$3.1 billion to \$1.3 billion. (This results in a corresponding increase in the mandatory withdrawal, from \$4.7 billion to \$6.5 billion.) By reducing the optional withdrawal from the BSA, the Governor proposes increasing the optional balance and reducing the mandatory balance of the BSA. As a result, reaching the 10 percent threshold for required balances will require more deposits over time. This would delay spending on infrastructure but could increase the overall level of state reserves. You can read the LAO's analysis of Proposition 2 [here](#).

Legislation

[AB 43 \(Friedman\)](#) Grants Caltrans and local authorities greater flexibility in setting speed limits based on recommendations the Zero Traffic Fatality Task Force made in January 2020. ASCE position: **Watch**

[AB 377 \(Rivas, Robert \)](#) Requires that by January 1, 2025, the State Water Resources Control Board and the Regional Water Quality Control Boards evaluate impaired state surface waters and report to the Legislature a plan to bring all water segments into attainment by January 1, 2050. Requires, by January 1, 2023, the State Water Board and Regional Water Boards to prioritize enforcement of water quality standard violations that are causing or contributing to an exceedance of a water quality standard in a surface water of the state. ASCE position: **Disfavor**

[AB 747 \(Mathis\)](#) Appropriates \$20,000,000 from the General Fund to the State Water Resources Control Board to provide a grant to a joint powers authority composed of the Tule River Indian Tribe and the City of Porterville for a water treatment facility. ASCE position: **Watch**

[AB 754 \(Mathis\)](#) Allows the Department of Water Resources (DWR) to extend the deadline to submit a groundwater sustainability plan (GSP) by up to 180 days for an agency developing a GSP for a medium- or high-priority basin. ASCE position: **Watch**

[AB 1010 \(Berman\)](#) Require architects to complete five hours of continuing education training on zero net carbon design for every two-year licensing period ASCE position: **Watch**

[AB 1037 \(Grayson\)](#) AB 1037 requires any infrastructure project that receives state funding to deploy digital construction technologies. ASCE position: **Watch**

[AB 1161 \(Garcia, Eduardo\)](#) Requires the Department of Water Resources to only purchase power from projects constructed using project labor agreements. ASCE position: **Disfavor**

[AB 1195 \(Garcia, Cristina\)](#) Creates the Southern Los Angeles County Human Right to Water Collaboration Act. Requires the State Water Resources Control Board to appoint a

Commissioner to implement the Safe and Affordable Funding for Equity and Resilience (SAFER) Program in southern Los Angeles County. ASCE position: **Watch**

[AB 1329 \(Nazarian\)](#) Requires the California Building Standards Commission (CBSC) to develop, adopt, and publish building standards requiring that new construction be designed and built to a functional recovery standard for earthquakes. ASCE position: **Support**

[AB 1434 \(Friedman\)](#) Lowers the indoor residential water use standard from 55 gallons per capita daily (gpcd) to 48 gpcd beginning January 1, 2023, from 52.5 gpcd to 44 gpcd starting January 1, 2025, and from 50 gpcd to 40 gpcd starting January 1, 2030. ASCE position: **Disfavor**

[AB 1447 \(Cooley\)](#) Establishes the Rural California Infrastructure Act and the Rural California Infrastructure Fund to provide fairground maintenance, disaster preparedness, highway or street maintenance, and historic or cultural preservation projects. ASCE position: **SIA**

[AB 1500 \(Garcia, Eduardo\)](#) Enacts the Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Act of 2022 (Act), a \$6.7 billion general obligation bonds to address the impacts of climate change, and places the Act on the November 8, 2022, general election ballot. ASCE position: **Watch**

[ACA 1 \(Aguiar-Curry\)](#) This measure would authorize a city, county, city and county, or special district to levy an ad valorem tax to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing, or the acquisition or lease of real property for those purposes, if the proposition proposing that tax is approved by 55% of the voters of the city, county, or city and county, as applicable, and the proposition includes specified accountability requirements. ASCE position: **Support**

[SB 45 \(Portantino\)](#) This bill would enact the Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2022, which authorizes the sale of \$5.595 billion in general obligation bonds upon approval by voters at the November 2021 statewide general election. Bond funds would be used for projects related to wildfire prevention, safe drinking water, drought preparation, and flood protection. ASCE position: **Watch**

[SB 83 \(Allen\)](#) This bill would establish the Sea Level Rise Revolving Loan Program through the Coastal Conservancy and the I-Bank collaboration. ASCE position: **Watch**

[SB 222 \(Dodd\)](#) Would establish the Water Rate Assistance Program, with an unknown source of funding, administered by the Community Services Development Department (CSD) in consultation with the State Water Resources Control Board, to help provide water affordability assistance, for both drinking water and wastewater services, to low-income ratepayers. ASCE position: **Watch**

[SB 223 \(Dodd\)](#) makes numerous changes to expand provisions related to prohibiting discontinuation of residential water service due to nonpayment ASCE position: **Watch**

[SB 273 \(Hertzberg\)](#) Authorizes a municipal wastewater agency to acquire, construct, expand, operate, maintain, and provide facilities to manage stormwater and dry weather runoff. ASCE position: **Favor**

[SB 403 \(Gonzalez\)](#) Authorizes the State Water Resources Control Board to order consolidation between a receiving water system and an at-risk water system under specified circumstances ASCE position: **Watch**

[SB 407 \(Archuleta\)](#) Expands the definition of land surveying ASCE position: **Watch**

[SB 414 \(Jones\)](#) Senate Bill 414 extends when a local agency has to hear an appeal to 45 days after an appellant files a request and makes conforming changes. SB 414 also creates a different definition of “cadastral surveying” to mean a survey that creates, marks, defines, retraces, or reestablishes the boundaries and subdivisions of the public land of the United States, or any other field survey of a cadaster that is a public record, survey, or map of the extent and ownership of land. ASCE position: **Watch**

Reports of Interest

The **California Water Boards** released the [2021 Drinking Water Needs Assessment](#) “Of the 2,779 public water systems evaluated in the study, nearly half are at some risk of failing to provide an adequate supply of safe drinking water. To measure the health of water systems, the researchers assessed each water system using 19 indicators for water quality, accessibility, affordability, and operational capacity. Based on those assessments, each system received an overall rating indicating how likely it would be to fail.... The researchers found 25% of water systems to be ‘at risk,’ while an additional 23% are ‘potentially at risk.’”

Public Policy Institute of California released a policy brief on [Droughts in California](#), finds most cities are “well-prepared for droughts,” but “many small communities are vulnerable,” particularly those relying on shallow wells that are sensitive to regional groundwater over-pumping,” forecasts that “achieving sustainability may require permanent fallowing of more than 500,000 acres of farmland.”

The Climate Center released a [fact sheet](#) along with a report titled, “[Accelerating the timeline for climate action in California](#),” findings from the fact sheet include: “Over the next ten years, California’s big climate challenges – hotter summers, a shorter rain season, and more destructive wildfires – will grow in intensity by nearly 50%” and the planet will reach “a dangerous level of climate change (an average temperature increase of 2.7°F) as early as 2027 – nearly two decades earlier than initially projected.”

Appointments of Interest by the Governor

As **State Architect** at the Department of General Services, Division of the State Architect: **Ida Antonelli Clair**, Elk Grove, acting in the role since 2019.

As **Deputy Secretary for water at the California Natural Resources Agency**: **Nancy Vogel**, Sacramento, director of the Governor's Water Portfolio Program since 2019.

To the Colorado River Basin Regional Water Quality Control Board: **Beatriz Gonzalez**, Thermal, district coordinator of Expanded Learning Programs at the Coachella Valley Unified School District since 2011; **Vivian Perez**, Holtville, center manager at Planned Parenthood of the Pacific Southwest since 2016 and faculty member at University of Phoenix since 2010.

To the Lahontan Regional Water Quality Control Board: **Essra Mostafavi**, Bishop, founder/CEO of Geode Environmental Inc. since 2017.

To the San Francisco Bay Regional Water Quality Control Board: **Donald Young**, Morgan Hill, senior vice president at Salas O'Brien since 1998.

To the Delta Stewardship Council: **Virginia Madueno**, Riverbank, managing partner at SanGuard LLC since 2020, co-owner and director of marketing communications at World Tile Design and Showroom since 2014, and president and CEO at Imagen LLC since 2003.