



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# Board Report

## External Affairs Group

### • Report on Activities from Sacramento

#### Summary

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This letter provides an update on activities in Sacramento

#### Purpose

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Informational

#### Attachments

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None

#### Detailed Report

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#### Legislative Calendar

With the Legislature now back in session, members of the Legislature are focused on finalizing their bill packages for the year ahead. The Assembly welcomed Robert Rivas as its new Speaker last year and Senate Pro Tem Mike McGuire was sworn in on February 5. The deadline to introduce new bills is February 16, and committees will begin to meet to hear bills in March.

#### State Budget

Governor Newsom's proposed budget closes a \$38 billion deficit, with the Legislative Analyst Office reporting a closure of a \$58 billion deficit. The difference is largely explained through a reduction in the baseline for Prop 98 K-14 spending, which declined by \$15 billion as a result of reduced state revenues. Restoring education funding will be a budget priority for the Legislature.

Key highlights include:

- \$13.1 billion in reserves used to close the deficit
- \$8.5 billion in cuts, with \$2.9 billion in cuts to water and climate programs
- Over \$250 million in reversions and delays in recycled water grant funding
- Over \$100 million in cuts to PFAS programs
- Delayed funding for Oroville Pump Storage Project of \$200 million
- Budget retains the \$400 million commitment to the Agreements to Support Healthy Rivers and Landscapes

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### Climate Bonds

Given the state's fiscal outlook, the proposed climate bond is a primary focus to secure additional funding for critical water and environmental projects across the state. The two climate bond bills are in policy committees along with competing bond proposals on education, housing, and the fentanyl crisis.

The Governor prioritized mental health initiatives for the March 2024 ballot, the outcome of which may influence the November ballot. The Governor's May Revise budget proposal may also influence which bond measures advance. The Legislature will have until June 27 to qualify a bond for November.

### Water Rights

Last year, SB 389 (Allen, D-Santa Monica) which expanded the State Water Resources Control Board's (SWRCB) investigative authority was signed into law. Two other bills, AB 460 (Bauer-Kahan, D-Orinda) and AB 1337 (Wicks, D-Oakland) are two-year bills.

AB 460 would expand the SWRCB's interim relief authority and AB 1337 would expand the SWRCB's authority to issue curtailment orders. Both bills are expected to advance this year. Based on board-adopted water rights policy principles, Metropolitan has taken oppose positions on these two measures.

### The California Water Plan: long-term supply targets

SB 366 (Caballero, D-Merced) is sponsored by the California Municipal Utilities Association, the California Council for Environmental and Economic Balance, and the California State Association of Counties. The goal of this bill is to address climate change which could reduce water supplies up to 9 million acre-feet by 2040, according to state reports. This bill would require the California Water Plan to establish long-term water supply targets for the year 2050, with an interim target of an additional 10 million acre-feet of water by 2040. Metropolitan has a "support if amended" position on SB 366 and is advancing discussions with the bill sponsor's to move to a support position.

### SMARA Legislative Proposal

Following board approval, Metropolitan staff are pursuing an extension of Metropolitan's legislative exemption under the Surface Mining and Reclamation Act. This authority must be extended in advance of the current 2026 sunset date for Metropolitan to continue to operate under the exemption.

### Association Legislative Proposals

1. Association of California Water Agencies (ACWA): Prop 218, Exhaustion of Administrative Remedies and Extra-record Evidence

Following recent lawsuits challenging water rate increases, ACWA is moving a proposal that seeks to give water agencies an additional tool to better communicate with the public and reduce the risk of litigation following a rate increase. This proposal applies to a property-related water or sewer fee or charge, or any special assessment (fee or assessment) adopted by a local agency. The proposal covers exhaustion of administrative remedies and extra-record evidence.

*Exhaustion of Administrative Remedies:* When there is a legal challenge to an agency's proposed rate increase, the agency would have an opportunity to provide public notice, with a 45-day comment period to address parties directly before a case is taken to court. If the agency fails to address the complaint, the party would then have grounds to file a lawsuit.

*Record-Review Rule:* This provision ensures that the scope of evidence considered in a legal challenge is limited to evidence developed by or submitted to the water agency as part of its process for establishing the rate change.

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The provisions of this bill are permissive and do not require an agency to use this authority. Metropolitan will fully evaluate this legislation once this measure is introduced.

### 2. California Municipal Utilities Association (CMUA): Infrastructure Permitting Dashboard

CMUA is sponsoring a bill to require the Governor's Office of Planning and Research to develop a permitting transparency dashboard that shows the status of each state permit for projects with costs of \$100 million or more. This online permitting dashboard is intended to make state environmental permitting more transparent and help the public better understand the timing of approving large projects. Metropolitan will review this measure when it is introduced.