



● Report on Activities from Sacramento

Summary

This letter provides information on state legislative activities.

Purpose

(3) Informational

Attachments

Attachment #1 – July 2022 State Legislative Matrix

Detailed Report

State Budget Update

Last month, the Legislature passed the main budget bill AB 154 (Ting, D-San Francisco). Since then, the Legislature passed and the Governor has signed two additional budget bills, called “budget bill juniors,” AB 178 (Ting, D-San Francisco) and AB 180 (Ting, D-San Francisco), along with 27 budget trailer bills that enact the full budget of both houses and the Newsom Administration.

Negotiations on a full drought and climate resiliency package are ongoing, and another budget trailer bill is expected with those details in August. This presents an opportunity for continued advocacy to increase funding in the budget for Southern California’s priorities focused on emergency drought mitigation projects, conservation, recycled water, and PFAS treatment.

The initial funding for drought and climate resiliency summarized below:

Overview of the drought and climate resiliency funding highlights in 2022-23 budget:

- \$300 million urban and small community drought relief
- \$100 million for urban and small supplier conservation
- \$75 million for turf replacement
- \$50 million for Department of Water Resources Save Our Water Campaign
- \$100 million for recycling
- \$50 million for PFAS reporting and treatment
- \$60 million for SGMA implementation
- \$100 million for conveyance repairs

The Legislature also appropriated \$2.2 billion for a Strategic Reliability Reserve (Reserve) to be administered by DWR to support electric grid reliability during the summer months until 2030. AB 205 (Committee on Budget), a complimentary energy budget trailer bill, was enacted and authorizes DWR to use the Reserve to contract for, purchase, finance, or otherwise secure electrical generation, subject to the California Energy Commission’s approval, to create additional capacity during extreme energy grid events. The bill contains language protecting the State Water Contractors from any financial liability. Environmental groups opposed the new authority granted DWR to potentially invest in fossil fuel assets, such as extending the life of once-through cooling plants slated to close in 2023. Local government groups opposed the bill because it takes away their local permitting authority. There is likely to be clean up legislation in August to address these concerns.

Board Report (Report on Activities from Sacramento)

Legislative Update

The Legislature started summer recess on June 30. Before departing, they finalized policy bill hearings. When they return on August 1, the Appropriations committees will resume hearing bills and the last two weeks of August will be devoted to floor sessions. Both Metropolitan-sponsored bills SB 230 (Portantino, D-La Cañada Flintridge) on constituents of emerging concern in drinking water and AB 1845 (Calderon, D-Whittier) on alternative delivery methods passed unanimously out of the policy committee hearings and were referred to Appropriations Committees where they will be heard in August.

Metropolitan is working through the State Water Contractors on amendments to SB 1020 (Laird, D-Santa Cruz; Caballero, D-Merced; Durazo, D-Los Angeles; and Atkins, D-San Diego): The Clean Energy, Jobs and Affordability Act of 2022 that would require DWR to achieve 100 percent renewables or carbon free resources to power the State Water Project by 2030 rather than 2045. General Manager Hagekhalil sent a letter to the bill's authors expressing concern regarding the bill's cost to the State Water Contractors, which DWR estimates would be an additional \$2.6 billion; Metropolitan's share would be \$130 million a year. These significant costs would be difficult to absorb while trying to meet other infrastructure needs and maintain affordability. Metropolitan is advocating for state financial assistance to help DWR cover the cost to procure new, renewable or carbon free resources to protect ratepayers.

The Sacramento team is monitoring two bills that could impact retail water agencies. SB 1157 (Hertzberg, D-Los Angeles) that would lower the indoor water use standard was amended in Assembly Water, Parks, and Wildlife Committee on June 16 to require further study on the economic benefit and impacts of lowering the standard to 42 gallons per capita per day in 2030. In addition, the bill now requires the State Water Board to consider whether to adopt additional variances to accommodate unique challenges to water and wastewater operations. Most of the trade associations have moved to a watch position on the bill. ACWA remains opposed unless the bill is amended.

SB 222 (Dodd, D-Napa) that would create a statewide water rate assistance program was pulled off the Assembly Floor inactive file and amended on June 23 to move the administration of such a program from the California Department of Community Services and Development to the State Water Board. There are several provisions in the bill that concern retail water agencies, including the cost and ability of the State Water Board to administer such a program, the ability of the State Water Board to maintain confidentiality of customer records, and the lack of a dedicated funding source.

Election Update

Two new members have joined the Assembly after the June 7 Special Election. Tina McKinnor, a Democrat, has been sworn and will represent Assembly District 62, which includes Inglewood and the South Bay communities of Los Angeles County. David Alvarez, also a Democrat, was sworn in and will represent Assembly District 80, which is wholly within San Diego County. The addition of these two members brings the California Legislature back to full capacity with 120 members between both houses.