

PLATINUM | ADVISORS

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RE: End of Session Wrap-up

The 2024 California legislative session concluded with a mix of significant victories and unresolved tensions. With Governor Gavin Newsom heading into the final two years of his term, lawmakers grappled with balancing ambitious progressive goals against the realities of budget deficits, political infighting, and mounting public concerns over crime, housing, and economic development.

Key advancements were made in labor reform, energy resilience, and criminal justice, but political friction and last-minute maneuvering defined the final days. Lawmakers worked up until the midnight deadline on Saturday. Tensions between the Senate and Assembly resulted in delays on the final day causing some bills to die because time ran out. Another notable squabble was Governor Gavin Newsom's push for a special session to address rising gas prices, which the Senate refused to organize and open a special session.

Attention now shifts to Governor Gavin Newsom, who holds the power to shape the future of the hundreds of bills sent to his desk. This period, often referred to as “veto watch,” is the final stage of California’s legislative process, where hard-fought legislation can either become law or meet its end. Newsom has until September 30 to decide which bills to sign into law and which to veto. For many legislators, this period represents a nail-biting conclusion to months of effort, as the governor’s pen can make or break their legislative priorities.

This year, the stakes are particularly high due to the state’s budget deficit and the broader political landscape, including the upcoming presidential election in 2024. Newsom must balance his progressive agenda with the realities of a strained state

budget, which may lead to several high-profile bills being vetoed. Moreover, political considerations—especially with national attention on California’s policies—could influence his decisions, particularly on contentious issues like immigration, labor, and public safety.

A Pragmatic Swing of the Pendulum? One of the most noticeable shifts during the session was a move toward pragmatism in areas that traditionally fall within California’s progressive wheelhouse. While many bills maintained a progressive focus—such as those related to climate change, labor rights, and healthcare—their implementation was often watered down in the face of political and economic pressures.

For instance, efforts to curb greenhouse gas emissions by requiring corporate disclosures were delayed by six months after lawmakers acknowledged that the California Air Resources Board (CARB) was not on track to meet its original deadline. The session also saw concessions made on key housing legislation, with several measures to expedite coastal housing development shelved after pushback from the powerful Coastal Commission. Even the most contentious health care bill of the session, AB 3129, which aimed to regulate private equity takeovers in healthcare, saw significant carve-outs for major industry players like the University of California medical centers and for-profit hospitals.

In many cases, lawmakers appeared willing to compromise on progressive goals in favor of politically viable solutions that would face less resistance, both within the Legislature and from external stakeholders such as business groups and unions.

Supermajority Tensions: A clear divide between the Senate and Assembly emerged as tensions between Senate President Pro Tem Mike McGuire and Assembly Speaker Robert Rivas became evident, signaling the end of the "honeymoon period" for the new Democratic leadership. Central to the conflict was a package of energy bills aimed at curbing gas prices. Newsom pushed this legislation at the end of session, but the Assembly pushed back claiming these proposals needed more time to review. While the Assembly embraced the Governor’s call for a special session on these proposals, Senate President Pro Tempore, Mike McGuire refused to convene the Senate for a special session. This public defiance highlighted a growing strain between the governor and the legislature, especially as Newsom enters the final two years of his term—a time when his political influence may wane.

Despite the discord, noteworthy progress was made in housing and labor policy. One key achievement was the advancement of a housing bill guaranteeing \$500 million annually for affordable housing development. However, critics warned that union wage requirements could decrease the number of units built. Labor-related legislation, although less dominant than in previous years, included a successful ban on mandatory "captive audience" meetings used to dissuade workers from unionizing.

While progressive lawmakers sought to advance criminal justice reforms in the early part of the session, the end of the year saw a noticeable shift toward more conservative approaches to public safety. Lawmakers introduced a package of retail theft bills that included harsher penalties for organized theft rings. This was seen as a direct response to rising crime rates and increasing public pressure, especially from businesses affected by retail theft.

This shift became more pronounced as the conversation around public safety was dominated by the upcoming **Proposition 36**, a November ballot measure that seeks to increase penalties for certain theft and drug-related crimes. In this climate, many progressive criminal justice proposals—such as bills aimed at reducing prison populations or offering parole options for life-without-parole inmates—were quietly shelved, as lawmakers feared backlash from voters who favored stricter public safety measures.

While this session saw productivity in many areas, the strained relationships between the Senate, Assembly, and the governor suggest that future negotiations could be fraught with challenges as California's leadership wrestles with competing priorities. The session revealed that while California continues to pursue ambitious legislative agendas, practical compromises are increasingly becoming the norm. Whether it is tackling climate change, housing, public safety, or healthcare, lawmakers are recognizing the need to balance regulatory ambitions with the realities of maintaining a stable economic environment that supports growth and investment.

The key question moving forward is whether California can sustain its reputation for innovation and economic leadership while navigating fiscal constraints and ensuring that new regulations do not stifle the state's competitive edge. As policymakers face tough decisions in 2024, businesses will be closely watching how the state balances policy initiatives with economic vitality.

Special Session Discussions: Gas Price Legislation and Legislative Discord

The close of the 2024 legislative session was marked by a chaotic standoff between California's top political leaders, centered on Governor Gavin Newsom's last-minute push for a special session to address rising gas prices. This move set the stage for a public clash between Newsom and Senate President Pro Tem Mike McGuire, creating an unusual intra-party confrontation.

Newsom had hoped to secure a legislative win on gas price regulation before the session's conclusion, but as the midnight deadline approached on Saturday, it became clear that his plan was faltering. In a dramatic move, Newsom followed through on his threat to call a special session immediately after the regular session ended. However, McGuire defied the governor's call, declaring that the Senate would not reconvene, arguing that there had been ample time to act on the bill during the regular session.

McGuire stated that the Senate would not return until December 2, when a new legislature is seated following the November elections.

Assembly Speaker Robert Rivas, on the other hand, immediately convened the Assembly for the special session, signaling his willingness to continue working with Newsom. “When the governor issues a proclamation, it’s our constitutional obligation to get that work done,” Rivas remarked. But without the Senate’s participation, any progress made by the Assembly will be in vain.

Newsom’s office has suggested that McGuire does not have the authority to reject the special session proclamation, with a spokesperson for the governor stating, “the special session has already begun.” However, McGuire has stood firm, maintaining that the Senate is under no legal obligation to reconvene before December. This sets the stage for a potential legal battle between the executive and legislative branches, further complicating the already tense political dynamics.

Assembly Speaker Rivas has indicated his willingness to proceed with the special session, but without Senate participation, the efforts may amount to little. If the Assembly does reconvene, the pressure on McGuire and the Senate to return will likely intensify. However, whether the governor can compel the Senate to participate remains unclear, potentially setting a precedent for how such conflicts are resolved.

Climate and Transportation: Incremental Progress Amid Legislative Tensions

California remains a leader in environmental legislation, but 2024 reflected the tension between environmental responsibility and economic development. While key environmental bills—such as those aimed at reducing emissions, regulating warehouse developments, and streamlining hydrogen infrastructure projects—did advance, many were significantly amended to address both business interests and environmental advocacy groups.

Emissions Disclosure Delay: State Senator Scott Wiener’s [SB 219](#) was one of the final climate measures to pass both chambers, providing the California Air Resources Board (CARB) with an additional six months to complete rulemaking for the landmark [SB 253](#). This law, enacted last year after contentious debate, requires large corporations operating in California to disclose their greenhouse gas emissions. The new rulemaking deadline has been extended from January 1, 2025, to July 1, 2025, though mandatory disclosures will still begin in 2026, despite Governor Newsom’s preference for a longer delay to 2028.

The bill also allows corporate subsidiaries to consolidate their emissions reporting under the parent company and grants CARB discretion to work with outside organizations for public disclosure. These provisions also apply to [SB 261 \(Stern\)](#), a companion bill requiring companies to disclose climate-related financial risks.

Warehouse Setback Legislation: [AB 98 \(Juan Carrillo\)](#), one of the session's most controversial measures, narrowly passed the Senate. The bill mandates a 300-foot setback between new warehouses and sensitive areas, such as homes, schools, and hospitals, in an effort to reduce air pollution from truck traffic. It also requires large warehouses to implement energy-efficient measures like cool roofing, solar power, and electric vehicle infrastructure.

While environmental advocates see the bill as a step toward addressing the negative health impacts of warehouse operations, industry groups warned it could stifle economic development. On the other side, environmental justice advocates criticized the bill's setbacks as insufficient.

Hydrogen Project Streamlining: In another step toward clean energy, Senator Anna Caballero's [SB 1420](#) passed, streamlining the permitting process for hydrogen projects that align with state and federal clean energy goals. SB 1420 focuses on expediting projects that avoid fossil fuel inputs and benefit from state or federal funding, including through the Biden Administration's Bipartisan Infrastructure Law. With California positioned to receive up to \$1.2 billion for renewable hydrogen initiatives, this legislation is a key step toward advancing the state's hydrogen economy.

One element removed from SB 1420 was language to clarify the definition of clean hydrogen. This was a change supported by CARB but opposed by environmental groups who believe electrolytic hydrogen powered solely by solar or wind energy should be the only type of hydrogen that qualifies as a clean transportation fuel source. This is an effort that will be revisited next year.

Complete Streets: Senator Wiener was successful once again in moving legislation forward to place in statute requirements that Caltrans must address complete streets needs in its transportation programing. While Caltrans has adopted similar policies, Senator Wiener and an extensive list of supporters believe Caltrans has failed to abide by those policies. SB 960 requires inclusion of bicycle, pedestrian, and transit priority facilities in the Transportation Asset Management Plan, the State Highway System Management Plan, and the plain language performance report of the State Highway Operation and Protection Program (SHOPP). While the amendments provide some flexibility to Caltrans to phase in these requirements, the overall intent of the bill remains in place. Incorporating the amendments requested by Caltrans bodes well for SB 960 being signed into law.